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VIETNAM BUSINESS REVIEW

Highlight

Investors show growing appetite for LNG power projects

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What's in it today?

FINANCE

Vietnam digital payment market reshaped because of new rules

Delay forecast for banks' capital hike plans

E-COMMERCE

E-commerce platforms growing fatter from pandemic

ShopBack- Asia Pacific's rewards platform heads to Vietnam

START-UP

2020 Startup Wheel contest begins

INVESTMENT

Vietnam calls for investment in fruit and vegetable processing

Investors show growing appetite for LNG power projects

LOGISTICS

Vietnamese delivery firm Tin Toc JSC has recently acquired SGDS Logistics and Investment Corporation

RETAIL

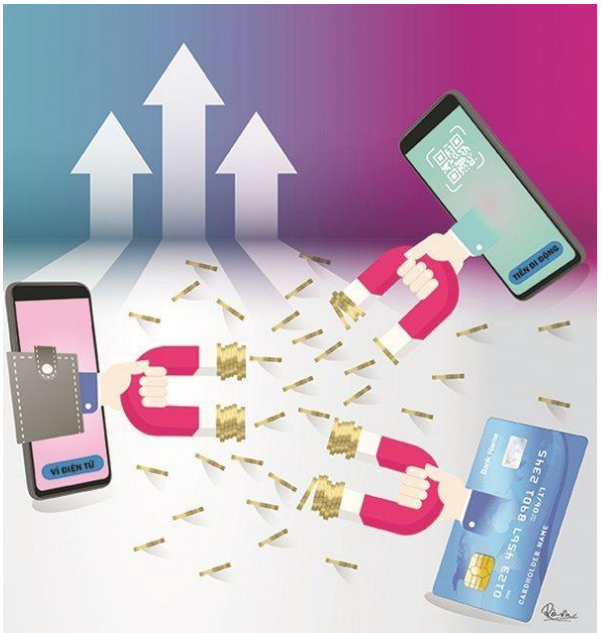
Vietnamese Smartphone Brand Aims To Take Market Share Away From Chinese Rivals

Uniqlo to open second store in Saigon

FINANCE

Vietnam digital payment market reshaped because of new rules

A new payments market will be created with the presence of more players, including commercial banks, fintechs, telcos and foreign investors. The draft of a decree on non-cash payment to replace Decree 101 issued in 2012 is expected to be submitted to the Government by the State Bank of Vietnam (SBV) in June.



Under the Decree, there will not be any limit on the foreign ownership ratio in Vietnam's intermediary payment service providers. SBV once wanted to set a rule that foreign investors must not own more than 49 percent of shares in Vietnamese payment service companies. However, it finally decided to give up the intention. An analyst commented that with the draft, SBV strives to open the market to attract more resources to develop a digital payment infrastructure. SBV agrees that intermediary payment is a new type of service based on technological achievements, so foreign investment plays an important role in its development.

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A payment agent is a new concept mentioned in the draft decree, which, as commented by analysts, will pave the way for bringing mobile money into life. Banks can assign agents to provide a part of payment services such as cash paying or withdrawing in and out of accounts, payment for goods and service bills.

The new policy will help popularize financial services by offering them to people who still don't have bank accounts and find it difficult to access such services, especially those in remote areas. The regulation also helps banks access clients without having to expand their network of branches and transaction offices, thus saving costs and improving business efficiency.

Once the market is open to more players, it will be bustling. However, strict rules need to be set to ensure the fairness and safety of the market. According to Can Van Luc, chief economist of BIDV, the presence of mobile network operators in the payment market will create an unavoidable competition for payment service providers. However, this is fair competition and it will help involved parties complement each other. The people who don't have bank accounts, but are mobile subscribers will be the target of mobile money.

The digital economy in ASEAN generates $150 billion worth of annual revenue and is expected to be one of the world's leading digital economies by 2025, according to Standard Chartered./.VNN

Back to top

Delay forecast for banks' capital hike plans

The Government's plans to increase capital for large State-owned commercial banks in the first quarter of this year could be delayed due to the Covid-19 outbreak, analysts predicted.

The pandemic would also cause adverse impacts not only on business performance of listed firms but also the Government's divestment plans from State-owned enterprises (SOEs), according to KB Securities Company (KBSV) analysts.

According to the Government's roadmap, it would increase charter capital by 10 trillion VND (429 million USD) for Vietcombank and Vietinbank in the first quarter of this year.

As for Agribank, all its profit in 2020 will be used to increase capital instead of contributing to the State budget.

The State Bank of Vietnam (SBV), on behalf of the State, currently holds 74.8 percent of capital in Vietcombank and 64.46 percent in Vietinbank.

Meanwhile, fully State-owned lender Agribank is preparing to launch its IPO in the near future. If failing to get the funding in this quarter, the three banks could not meet Basel II standards this year as required by the SBV as well as be qualified to expand credit to support the country's economic growth.

The banks are under great pressure to hike capital to satisfy Basel II standards, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision. Under the SBV's regulations, banks must maintain a capital adequacy ratio (CAR) of at least 8 percent as per Basel II norms starting in 2020. The CAR of State-owned banks will fail to reach the minimum level set by the SBV if they fail to increase capital.

Raising capital has been a struggle for Vietnamese banks in recent years. For example, Vietinbank – the fourth largest listed bank – has seen its capital remain unchanged since 2014 at 37.23 trillion VND./. VNA

Back to top

E-COMMERCE

E-commerce platforms growing fatter from pandemic

Instead of visiting crowded stores, people now use e-commerce platforms for their shopping needs during the global pandemic. According to a survey of Nielsen Vietnam and Infocus Mekong Mobile Panel, 25 per cent of the respondents said that they prefer online shopping to direct shopping.

“I used to go to the supermarket or wet market, but due to the COVID-19 epidemic, I and my family shop and pay online to stay safe,” a customer said. In addition to ordering food via apps, white-collar workers have changed to online shopping for their fashion needs, instead of visiting stores as before.

Besides dried or processed food, demand for fresh food like meat and vegetables on online channels has also been rising. “The number of online shoppers on the VinID platform has tripled over the usual. In addition to shopping, customers can also pay for utilities with the VinID e-wallet,” Mai Lan Van, marketing director of VinID said. Tran Vu Khanh Duy, owner of Hesa food store, said that 70 per cent of their customers make orders online now and pay by card.

According to the Ministry of Industry and Trade, due to the COVID-19 epidemic, while the revenue of wet markets in Hanoi fell by 50-80 per cent, the revenue of e-commerce channels rose by 20-30 per cent during the health crisis. However, against the excitement of VinID, Tran Tuan Anh, managing director of Shopee, told media that, “We have yet to see any relationship between the epidemic and the increase of online purchases.” Statistics from SimilarWeb showed that traffic on the four e-commerce giants Shopee, Tiki, Lazada, and Sendo in the first two months of 2020 reduced by 14 per cent on-year, by twice as much as in the previous year. According to Nguyen Ngoc Dung, vice chairman of the Vietnam E-commerce Association (VECOM), online shopping is preferred during the epidemic, but this growth is lopsided, with a strong focus on essential commodities. The general purchasing power of the economy is on a downtrend, and numerous goods categories on e-commerce platforms are following this trend because people are tightening their purse strings during the epidemic.

Essential commodities during the epidemic like masks and hand wash recorded vibrant transactions. On Tiki.vn, as of last week, the most popular products were masks, wet wipes, and air purifiers, recording thousands of orders every minute. The demand for these goods increased by 15 per cent compared to the last two months of 2019. This is a common situation on every e-commerce platform. The demand for essential commodities and medical supplies is rising sharply across the market, according to Lazada.vn, with demand skyrocketing by 160 per cent for sanitisers, 60 per cent for tissues and wet wipes, and 50 per cent for canned and packed foodstuff.

A representative of Lazada.vn said that demand for online shopping will continue growing in Vietnam, and they are trying to create a new experience for customers. "We are working with some new brands and vendors to diversify supply resources and products in order to better meet the demands of customers," he said. During the epidemic, Lazada.vn has launched the campaigns "safe shopping from home", offering numerous hot deals and entertainment activities for customers./.VIR

Back to top

ShopBack- Asia Pacific’s rewards platform heads to Vietnam

ShopBack, Asia Pacific’s leading rewards and discovery platform, will begin providing its services in Vietnam from next quarter after it has raised US$30 million in an extended funding round led by Temasek, an investment company headquartered in Singapore.

In addition to the US$45 million funding round that the company disclosed last April, the extended funding will be used to develop ShopBack’s technology infrastructure, expand data resources to unlock new business insights and boost the growth of its existing markets. The company has raised a total of US$113 million since it was established in 2014.

Currently, ShopBack serves more than 19 million users in seven Asia Pacific markets. It rewards its users with cash back in multiple sectors, such as general merchandise, travel bookings, fashion, health and beauty, groceries and food delivery.

The Internet economy in the Asia Pacific region is on track to hit a value of US$300 billion by 2025 as online shopping has become indispensable to consumers’ daily lives. In 2019, ShopBack reported a 250% year-on-year growth in sales and orders, with over 16 million orders per month and more than US$2 billion in revenues for over 2,500 merchant partners.

ShopBack expanded into Australia in 2018, offering users cash back on purchases from retailers such as Woolworths, Cotton On and eBay Australia. The mobile-first strategy has helped ShopBack Australia take the leading position in the rewards sector within only 18 months.

The company already serves over a million active customers in Australia. It will also adopt its mobile-first and localization strategies in Vietnam to serve the country's tech-savvy middle class.

"The combination of its digital hub potential and rapid adoption of technological advancements among companies and consumers alike has put Vietnam in the spotlight for many companies including ShopBack. Living up to our value proposition as “the smarter way,” we hope our services will further the growth of Vietnam's online economy," stated Josephine Chow, co-founder and head of expansion at ShopBack. /.SGT

Back to top

START-UP

2020 Startup Wheel contest begins

The annual Startup Wheel contest was launched in Việt Nam and other countries by the Business Startup Support Centre. The contest is open to both local and international start-ups of all ages.

The deadline for submitting entries is April 25 while the final round and awards ceremony will be held in August. In addition to prizes worth a total of VNĐ10 billion (US$422,000) in cash and support services such as co-working space and legal advice, start-ups will also have the chance to get loans at low interest rates from the Start-up Fund of up to VNĐ600 million ($25,334).

Start-up founders have the chance of attending intensive training courses in running start-up businesses and having their projects publicised in the media. According to the organisers, they will introduce promising projects to angel investors, venture capital funds and other investors.

According to the BSSC, more than 90 per cent of start-up projects fail after three years due to failure to meet market demand and lack of suitable co-founders or advisors and human resources.

The 2020 Startup Wheel is expected to be the ideal "laboratory" for start-ups to fix those problems, it said. The Startup Day, the last stage of the Startup Wheel, is expected to attract more than 15,000 entrepreneurs and investors.

Start-up entrepreneurs have the opportunity to directly approach potential customers to test their products or services and get feedback from them before commercialising their products and services. Launched in 2013 in HCM City, the contest has so far attracted over 5,000 contestants./. VNS

Back to top

RETAIL

Vietnamese Smartphone Brand Aims To Take Market Share Away From Chinese Rivals

As in much of Southeast Asia, smartphones made by Samsung and a short list of Chinese brands dominate the Vietnamese market. They have enough specs, from cameras to screen size, that users want. They run on Google's familiar Android system. And they cost less than an iPhone. That's all ideal for a developing country.

Over the years, several Vietnamese companies have tried to grab a share of their own increasingly prosperous market but found little traction. The foreign brands had come in before Vietnam's own could get started.

But this year, Vietnamese conglomerate Vingroup aims to overtake some of the Chinese brands. Its phone unit will seek that lead by giving Vietnamese consumers a roster of sought-after specs, keeping prices around $100 per phone and marketing them offline in ways that foreign brands would have trouble matching.

Turning Point

The conglomerate owned by Vietnam's richest man, Pham Nhat Vuong, saw its smartphone share surge after initial sales of its Joy 3 model on February 14, says Vsmart deputy CEO Tran Minh Trung. The company sold 12,000 phones in 14 hours, Tran notes, because consumers liked the localized features. "Even though Vsmart phones use Android operating system, Vsmart's software engineering department customized the original Android operating system to develop it into a VOS operating system with features specific to Vietnamese consumers," the deputy CEO says, using the system's proprietary name. The phones run faster than normal for an Android phone and support free Vsmart-to-Vsmart messaging plus free calls between Vsmart devices, he adds.

Tran's firm had a 6% market share as of the end of 2019, lower than the market leader Samsung at 32% as well as behind Chinese brands Oppo at 23%, Vivo with 11% and Xiaomi at 9%, tech market research firm Canalys calculates. Fellow market research firm IDC gave Vsmart a 12.4% share in the fourth quarter of last year, compared to Samsung at 29.9% and Oppo at 19.1%. It says about 5 million phones sold in Vietnam that quarter.

Using Vingroup Network

Aggressive offline sales work in Vietnam could raise Vsmart's domestic share as high as 15% this year, Canalys mobility analyst Matthew Xie says. About 85% of sales in Vietnam take place offline, he estimates. To be sure, the coronavirus outbreak in Vietnam has hobbled transportation, Xie notes, meaning the country's overall smartphone market will decline by 1% to 16% "considering the offline channel would be severely impacted."

But Vsmart can "leverage" Vingroup's other lines of business for marketing, he says. Vingroup runs a wide network of malls, convenience stores and resorts and housing developments in Vietnam. The vendor had already distributed 100,000 phones free to people living in Vinhomes-brand properties.

Low price higher market share

Price is another push point. Vietnam, despite its quick economic growth since 2012 and a booming middle class, remains a market where entry-level phones priced around $200 command about 67%, Xie says. That composition "makes it feasible for Vinsmart to start from entry-level devices production and upgrade into premium device manufacturing step by step," he says. Joy 3 phones start at $98 apiece. They come with Snapdragon 632 processors, 6.5-inch screens a three-rear camera cluster system with an 8MP selfie camera. Vsmart has previously offered "pricing schemes" for hones priced at less than $150 but comparing in specs to its Chinese competitors, Nguyen says.

Vsmart must use pricing schemes to catch the competition, says Lam Nguyen, managing director with IDC Indochina in Ho Chi Minh City. To that end, it has joined the Vietnamese Ministry of Information and Communications smartphone "universalization" program by offering handsets for 500,000 Vietnamese dong ($21.60) apiece in exchange for wireless packages and preinstalled apps, Nguyen says.

Partnership outside Vingroup

Tie-ups like that one should help Vsmart build an "ecosystem" aimed at netting and keeping customers, Nguyen says. It's also working toward an "partnership" with domestic telecom firm Viettel, the Hanoi Times reports. "Forming a partnership alliance and building an ecosystem will likely forge VSmart to move ahead of its competitors," Nguyen says. "Failure to do that will have a reverse effect, as well." Vsmart hopes to work more closely with Google, too, Tran says. The pair would "strategically" look for ways of using Android-powered operating systems in wireless-controlled devices such as television sets, he says. The duo has already started on TVs./. Forbes

Back to top

Uniqlo to open second store in Saigon

Japanese fashion brand Uniqlo is set to open its second store in HCMC this year just a few months after it opened its first.The 2,000-square-meter store will be in SC VivoCity shopping center in District 7. The exact opening date is not known but it is expected to be in spring or summer.

Uniqlo Dong Khoi opened in District 1 last December. It attracted 2,000 people on its opening day, with customers queuing up from 4 a.m. to take advantage of discounts. Osamu Ikezoe, general director of Uniqlo Vietnam, said the brand expects to open three more stores this year.

This month Uniqlo opened its first store in Hanoi at Vincom Pham Ngoc Thach in downtown Dong Da District. The company had 213 stores in Southeast Asia last year and plans to increase the number to 400 by 2022. Globally, it has over 2,200 stores in 24 countries and territories.

According to German research firm Statista, Vietnam's fashion industry will grow at 22.5 percent a year in 2017-2022 to reach $988 million./.VNE

Back to top

LOGISTICS

Vietnamese delivery firm Tin Toc JSC has recently acquired SGDS Logistics and Investment Corporation

Vietnamese delivery firm Tin Toc JSC has recently acquired SGDS Logistics and Investment Corporation, marking its third acquisition to scale up business in Vietnam.

SGDS Logistics and Investment Corporation provides a fast, reliable, and professional tailored delivery service for e-commerce firms. The firm has been operating in Ho Chi Minh City for seven years with the online portal Tochanh.vn.

This is the third acquisition by Tin Toc in the past three years. It acquired two delivery firms namely ANZShip and Dingdong Delivery in 2017 and 2019, respectively. As of present, Tin Toc has a processing capability of 9,000 orders per day, serving around 2,000 companies.

Founded in 2014, Tin Toc provides same-day and cash on delivery services. It is different from instant delivery like Grab Express and AhaMove, which delivers orders within four hours at about 20 per cent higher charge.

Over the past four years, Tin Toc has been focusing on serving its key market Ho Chi Minh City. According to Vietnam E-business Index 2019 Report by Vietnam E-Commerce Association (VECOM), Ho Chi Minh City is the city with the highest e-commerce business activity (86.8 points), followed by Hanoi (84.3 points).

Nguyen Thi Tuyet Nhung, co-founder of Tin Toc, said that the company will ramp up investment in the southern provinces of Binh Duong and Dong Nai in the coming time. The two provinces rank fifth and seventh in the Vietnam E-Business Index by VECOM.

She noted that most online businesses lack solutions to manage inventories and human resources. The company aims to become a one-stop-service platform in Vietnam. In addition to providing delivery services, Tin Toc also tied up with partners to provide solutions for online businesses like order and storage management.

The Vietnam E-Commerce White Paper 2019, estimated the scale of the Vietnamese retail e-commerce market (including goods and services) in 2018 at $8.06 billion, up 30 per cent compared to 2017./. VIR

Back to top

INVESTMENT

Vietnam calls for investment in fruit and vegetable processing

Việt Nam is in need of major investors in fruit and vegetable production in order to boost processing, especially in the packaging and post-processing stages, to preserve products for longer and enhance their value. The information was released by General Secretary of the Vietnam Association of Vegetables Đặng Phúc Nguyên, who said that at the same time businesses needed to gradually improve their techniques to meet the needs of various markets.

Nguyên said Việt Nam's agricultural production was mostly maintained at small scale within households using manual farming methods and limited mechanisation and processing, so most exported products were still raw, bringing low value and profit. Statistics from the Ministry of Agriculture and Rural Development (MARD) showed that the value of fruit and vegetables exported in the first two months of this year was estimated at US$513 million, down 11.9 per cent year-on-year.

In February, the domestic market saw prices fall for various vegetables, especially those from Đà Lạt, which is the country's vegetable hub, in the southern province of Lâm Đồng. "Việt Nam's products have been held up since China, which is one of the large importers of Vietnamese products, stopped buying," Nguyên said. Insiders said the reason for the decline in prices was that farmers in other areas had adopted similar growing techniques to Đà Lạt, leading to a surplus. In addition, due to the impacts of the COVID-19 pandemic, exports of these vegetables to the Chinese and Cambodian markets had encountered many difficulties, leading traders to turn their backs on local goods. For some including dragon fruit, jackfruit and durian, prices plummeted by five-six times early last month due to customs clearance difficulties at the China border. Prices have started to rebound thanks to a partial re-opening of the border and support from businesses to boost domestic consumption.

Expanding potential markets

Insiders said the fruit and vegetable industry was still too dependent on traditional markets such as China, which caused difficulties for enterprises and gardeners whenever the country changed its import policies. This showed the need to restructure the domestic market and diversify markets, especially Africa, the Netherlands, US and Japan to avoid risks due to over dependence on a limited number of markets. Statistics from the Vietnam Association of Vegetables revealed that exports of fruit and vegetables to the US, Thailand and Africa had shown positive signs in 2019.

In the US market, for the first time, Việt Nam's mangoes met the standards needed to be exported, opening opportunities for the country to export its other fruit to the US. In Africa, import demand is increasing and quality standards are not as high. For Thailand, last year Việt Nam exported $74.94 million of fruit and vegetables, up sharply by 66.3 per cent year-on-year.

Nguyên said the EU Parliament officially voted to ratify the Europe-Việt Nam Free Trade Agreement (EVFTA) and the Investment Protection Agreement (IPA) on February 12, 2020. "This is an opportunity for businesses to expand their export markets for fruit and vegetables because they will no longer face import tax after the agreement takes effect." He added that Việt Nam had many opportunities to boost exports to European and Asian markets. The EVFTA and IPA agreements would create favourable conditions for fruit and vegetable businesses to expand their export markets and participate in global value chains, including Asian and European markets, he added.

The problem for Việt Nam's fruit and vegetable industry is quality and competitiveness. Less than 20 per cent of plantations nationwide are concentrated, while cultivation and disease management processes have not been applied comprehensively. This makes it difficult to control the supply, food hygiene and traceability. "It makes negotiations for recognition of quality management and food safety management with partners difficult. That's why many countries turn their backs on Vietnamese fruit and vegetables," Nguyên said. — VNS

Back to top

Investors show growing appetite for LNG power projects

A slew of sizeable liquefied natural gas-fired power projects have been in the development pipeline in the past year as a way to replenish national power sources as Vietnam turns on a greener growth path

Earlier this month, the prime minister allowed Long An I and Long An II thermal power plants that were already in the revised Power Development Plan VII (PDP VII) to shift from coal to liquefied natural gas (LNG), with a total combined capacity after conversion reaching 3,000MW. In December 2019, the premier approved adding Bac Lieu LNG Thermal Power Centre with a scale of 3,200MW to the national power development plan for 2011-2030.

The Mekong Delta province of Bac Lieu then swiftly conferred the project's investment certificate to Singaporean developer Delta Offshore Energy Pte., Ltd. for implementation. With an estimated investment value of VND93.6 trillion (US$4.1 billion), it is the largest-ever foreign direct investment project in the delta region until present.

A month earlier, the Ministry of Industry and Trade (MoIT) and US-based AES Group signed an MoU on conducting Son My 2 LNG power plant, with a scale of 2,200MW. The plant, to be located in the southern province of Binh Thuan, has an estimated investment of US$1.7 billion and a contract for 20 years.

"LNG is a clean and reliable energy source at a more reasonable pricing point, so it will play a key role in resolving the ever-growing energy demand in Vietnam. Signing the MoU at this time is an important milestone for developing Son My 2 power plant, a project that we believe will help the energy industry's transition in Vietnam," said Mark Green, president of AES for Asia-Europe. These projects are only a few of the more than 10 sizeable LNG power projects currently in the development pipeline, with production capacity reaching from about 1,000MW to 6,000MW.

The MoIT's recent report to the government has acknowledged that investors and localities are showing a huge appetite for thermal power projects using imported LNG. Particularly, besides LNG-fired power complexes whose planning schemes were approved with a combined capacity of 9,200MW, nine other LNG power complexes with a total capacity of approximately 34,000MW are in different phases of consideration.

In addition, there have been two proposals on shifting from coal and oil to LNG, with a combined capacity after conversion reaching 5,700MW. Last month, Deputy Prime Minister Trinh Dinh Dung met with a group of US and the Republic of Korea's investors showing a keen interest in developing LNG power projects in Vietnam. The investors reaffirmed their wish to invest in LNG power projects to develop clean energy sources and ensure sufficient power supply for both production and consumption.

They also pledged to make long-term and effective investments in LNG power project development in the country.

According to Deputy PM Trinh Dinh Dung, the demand for electricity in Vietnam is growing at an average 10% a year. The country is diversifying its sources of power in the direction of reducing coal power and raising the share of gas and renewable energy, Dung said, adding that gas-fired power is slated to account for 12% of total electricity generation, equivalent to 17GW, by 2030. Vietnam, with a GDP growth averaging 6.5% in the last few years, has a long-standing policy orientation that emphasises the crucial role of natural gas in supplying reliable, competitive electricity while meeting national carbon emissions targets.

Based on the current outlook for domestic production, the country will need to import significant volumes of LNG within the next 5-10 years, necessitating at least US$7-9 billion of investment in LNG import infrastructure, according to the World Bank. Looking at the current national power system capacity of around 58,000MW, the aforementioned LNG power production projects with a capacity reaching nearly 50,000MW attest to strong investor engagement which is by no means cooler than the investment wave into solar and wind power projects in the past two years./.VIR

Back to top

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