



# VIETNAM BUSINESS REVIEW

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## FINANCE

### South Korean SK Group acquires 25% stake in Vietnam's Imexpharm

South Korean chaebol SK Group has acquired a 25 per cent stake in Vietnamese pharmaceutical firm Imexpharm Corporation as part of its efforts to expand its presence in the Southeast Asian country, according to an announcement. The group's investment arm, SK South East Asia Investment Pte Ltd, acquired a 24.9 per cent stake, or 12.32 million shares, in Imexpharm last week. The deal value was not disclosed but local media reports pegged it at \$28.9 million.



Foreign investors own approximately 49 per cent in Imexpharm. Its other major shareholders include VinaCapital (7%), KWE Beteiligungen AG (14.3%), and Vietnam Pharmaceutical JSC, also known as Vinapharm (22.9%). SK Group had earlier invested \$1 billion in Vingroup and \$470 million in Masan Group in Vietnam. In addition, a subsidiary, SK Energy, holds a 5.2 per cent stake in local firm PV Oil./ Dealstreetasia

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## Vietnam's F88 raises US\$6 Million in funding to expand its loan lending platform

Hanoi-based financial services platform F88 has raised US\$6 million in funding, according to a DealStreetasia report. Mekong Capital, a Vietnam-focused private equity firm, and Dublin-based investor Granite Oak, joined the round. After the investment, the startup is said to be valued at US\$91 million. F88 plans to use this funding to further its local branch expansion, CEO Phung Anh Tuan said.



Founded in 2013, F88 initiated the commercialization of pawn services in Vietnam. It currently provides loans on diverse assets such as cars, motorcycles, mobile phones, laptops, and jewelry. The company, which owns 180 outlets of pawnshop chains, first began to thrive in 2017 after getting investment from investors Mekong Capital and Granite Oak.

Financial details of this round were undisclosed.

“Since our initial investment in 2018, F88’s performance has consistently surpassed our expectations with respect to growth, loan portfolio quality and profitability. Investing in this (latest) growth equity round was, therefore, an obvious choice for us,” said Simon Wagner, managing partner at Granite Oak. F88 also has partnerships with local payments platforms Payoo and Momo e-wallet.

In early March this year, F88 also managed to secure US\$8.5 million through corporate bonds. F88 continued to attract investors’ attention even during a time of global health crisis. This month alone, one of the more notable funding rounds to happen in the country was a US\$130 million funding round for e-commerce company Tiki. It has also raised fundings for other verticals such as property tech (Hoozing, Propzy) and even content creation (Voiz FM) recently. /E27

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## E-COMMERCE

### E-commerce promoted to boost Vietnam's digital economy

Last month, the Vietnamese government approved a master plan on national e-commerce development through 2025. The plan is part of efforts to promote the digital economy whose advantages are tapped to boost competitiveness and productivity, and expand the market and exports.



The national plan on e-commerce development in the 2021-2025 period is integrated with current Vietnamese strategies and policies on participating in the Fourth Industrial Revolution toward developing a digital economy and promoting national digital transformation.

Its overall goals include promoting the application of e-commerce in businesses and the community, narrowing the gap between major cities and localities to promote online trading, building a sustainable virtual market, boosting production and consumption of Vietnamese goods, and increasing cross-border online trade. Vietnam expects online shoppers to account for 55% of the population by 2025, with average spending projected to hit US\$600 million a year.

It forecasts revenue from e-commerce in the buyer-to-customer (B2C) model to surmount US\$35 billion, or 10% of retail sales and services nationwide, thus raising the use of cashless payment 50%. Nguyen Binh Minh of the Executive Committee of Vietnam E-Commerce Association said, "COVID-19 is a test for the entire world to restructure its economy. In the pandemic, e-commerce has proved its high stability in a crisis. Nobody can say exactly when COVID-19 will end. For the time being, e-commerce is a good solution and will continue to be in the future. Promoting e-commerce as the core in the national

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economic development will no longer be a direction, but a right solution.”

Under the plan, the Ministry of Industry and Trade proposed six ways to develop e-commerce in Vietnam including fine-tuning policies and mechanisms; improving management capacity; fighting trade frauds, infringement of intellectual property rights and unfair competition in online environment; strengthening domestic consumer confidence; and promoting cross-border online trade.

Dang Hoang Hai, Director General of the Ministry of Industry and Trade’s Department of E-commerce and Digital Economy, said: “We have to develop e-commerce nationwide instead of only in big cities. Second, it’s necessary to apply new technologies to better manage product quality and reduce costs for e-commerce. Third is to develop Vietnamese goods.”

“These will be the foundation for making full use of e-commerce to bring benefits to people in remote areas, create healthy competition among Vietnamese manufacturers, and drive the national economic development. To help e-commerce develop more comprehensively, we will revise the decree on e-commerce and work with other ministries and sector to promulgate strict punishments to prevent violations of goods quality,” Hai added.

Once the master plan is put into practice, Vietnam’s e-commerce will likely move up to second place in Southeast Asia and become the most potential market in the region by 2025.

Economist Nguyen Tri Hieu said, “I totally agree with the master plan because, in fact, e-commerce is an inevitable trend. It has been widespread in developed countries. To achieve this goal, the government and functional agencies need to speed up the cashless payment system. We also need to change consumers’ shopping habit by enhancing trust-building activities for customers.”

Consumption habits have changed significantly due to the COVID-19 epidemic. Consumers now prefer online shopping to traditional shopping methods. Many individuals and businesses are turning to online channels to promote their products and trade./VOV

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## START-UP

### A Propzy, a Vietnamese offline-to-online real estate platform, raises US\$ 25 million from Softbank

Propzy, a Vietnam-based startup that guides consumers through the entire process of a real estate transaction, announced it has raised a \$25 million Series A led by Gaw Capital and SoftBank Ventures Asia, the early-stage venture arm of SoftBank Group. Other investors included Next Billion Ventures, RHL Ventures, Breeze, FEBE Ventures, RSquare and Insignia.



Instead of proptech, Propzy founder and CEO John Le prefers the term “firetech” to describe the startup, using “fire” as an acronym for financial, insurance and real estate technology. Founded in 2016, Propzy’s technology covers almost every stage of a real estate transaction, from brick-and-mortar sales centers to an online marketplace for listings, financial products like mortgage lending and, finally, enterprise software for property managers and tenants. The company’s Series A will be used to grow its product line and provide a balance sheet for its expansion into direct mortgage financing. Most of Propzy’s current operations are in Ho Chi Minh City. It plans to expand into Hanoi through the rest of this year and 2021, before exploring other Southeast Asian markets, including potentially Thailand, Malaysia and the Philippines. Propzy currently has 30 brick-and-mortar sales centers, with a total of 400 sales staff. Over the next 18 months, it expects to increase those numbers to 70 sales centers and 1,300 sales staff. The sales centers complement Propzy’s online marketplace, with tens of thousands of properties pre-screened by its staff before they are entered into listings. Le said Propzy has handled more than \$1 billion in property transactions since its launch, making it the largest offline-to-online real estate network in Vietnam. / .Techcrunch

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## RETAIL

### KIDO Group ties up with Vinamilk to explore beverage market



Food producer KIDO Group (KDC) announced on Tuesday it is entering the beverage industry by setting up a joint venture with dairy giant Vinamilk. The announcement, made at the Kido Frozen Foods Joint Stock Company (Kido Foods)'s annual general meeting in HCM City on Tuesday, said the two companies had signed a memorandum of understanding to set up a joint venture, Vinamilk-Kido Beverage Joint Venture Company Ltd (Vibev), with Vinamilk

holding 51 per cent and KDC owning 49 per cent. Kido Foods is a subsidiary of KIDO Group. The joint venture will explore the beverages and ice-cream markets. Sharing about the joint venture, Mai Xuân Trầm, deputy general director of KDC, said the mission of the new company would be to build strong brands for Vietnamese beverages and offer consumers a wide choice of modern tastes while ensuring nutrition, quality and safety.

KDC said its first products would be introduced soon, possibly in the third quarter. Trầm said the two companies had strong distribution channels with over 1,000,000 points of sales. The joint venture would also utilise Vinamilk's export network in 30 countries and help the two companies better control of raw material prices, he said. The partners expect the joint venture to grab a 50 per cent share of the domestic ice-cream market.

Merger plans announced. At the meeting on Tuesday, Trần Lê Nguyên, general director of KIDO Group, announced that more member companies, including Tường An Vegetable Oil Joint Stock Company (TAC), Vietnam Vegetable Oils Industry Corporation (Vocarimex) and Kido Foods, would merge with the KIDO Group. On Tuesday, shareholders of Kido Foods voted yes to the merging plan into KIDO Group. Kido Foods sought its shareholders' approval for a merger with KIDO Group to better exploit the parent company's financial and managerial advantages. According to the merger plan, the swap ratio will be 1:1.3, or one share of Kido Foods for 1.3 shares of KIDO Group. After the merger, Kido Foods will become a one-member limited liability company wholly owned by KIDO Group.

The new shares will be listed on the Ho Chi Minh Stock Exchange. Talking about the merger at the meeting, Nguyễn Thị Kim Liễu, deputy general director of KIDO Group, attributed it to both internal and external reasons. Kido Foods had achieved good growth but failed to meet targets due to the lack of resources. "The global economy is volatile due to epidemics, trade wars, climate change." There was a restructuring of global supply chains, offering Vietnam an opportunity, she said. Furthermore, consumer habits were changing, forcing companies to adjust their business models, she said. "With strong financial, strategic and human resources, KIDO Group has the capacity to support Kido Foods' development." Kido Foods reported revenues of VND1.38 trillion (US\$59.2 million) in 2019, up 10 per cent. The pre-tax profit was VND185 billion (\$7.9 million), up 488 per cent. In 2020 the company targets revenues of VND1.6 trillion (\$68.7 million) and profits of VND200 billion (\$8.6 million). /. VNS

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## More Vietnamese use livestream to connect with sellers



Vietnamese consumers, across ages, are tending to use livestream as a way to connect with sellers and gather information about products while shopping from home, e-commerce giant Shopee said in a report. “There has been growing demand for livestreaming in recent months as Vietnamese consumers live, work and shop from home more often.”

Tran Tuan Anh, managing director of Shopee Vietnam, said: “With Vietnamese spending most of their time at home in recent months, live streaming has transformed how we access our everyday needs. Livestreaming is now an important source of entertainment and interaction for online shoppers, who use it to connect with others and discover new products online.” The e-commerce platform identified three popular trends in livestream activities in recent months.

Firstly, it found that consumers seek interaction and information via livestreaming. It offers consumers an immersive shopping experience as they are able to see the products and discover the latest trending products, especially fashion accessories such as clothes, shoes and watches and health and beauty products. Brands and sellers are tapping Shopee Live as a key tool to meet evolving needs and promote their products more effectively, and there was a 70 per cent increase in the total duration of Shopee Livestream in April from February.

The second trend is that more leisure time is spent on live streaming. With Vietnamese shopping online more often in recent months they are tuning in to livestream most often on Sunday, indicating that consumers are spending free time over the weekend watching and shopping online. Besides, 9-10pm is also prime time for livestreaming in line with a preference to shop before going to sleep. Lastly, Vietnamese across age groups have become familiar with livestreaming.

While users aged 18 to 34 are most active on Shopee Live, the company has observed growth in viewership among shoppers aged 34 to 50. The widening appeal of Shopee Live reflects the importance of livestreaming as a new way to bring people together, even as Vietnamese spend more time apart and at home./ . VNS

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## LOGISTICS

### Logistics industry seeks to utilize opportunities from EVFTA



The enforcement of the EU-Vietnam Free Trade Agreement (EVFTA) will promote export-import activities, thus bringing direct benefits to the country's logistics industry, experts have said. Statistics from the Import-Export Department under the Ministry of Industry and Trade showed that the EU is Vietnam's second largest export market.

Vietnam's exports to the EU are forecast to increase by about 20 percent in 2020, 42.7 percent in 2025, and 44.37 percent in 2030. Imports from the EU are expected to grow quickly after the EVFTA takes effect. In addition, Vietnam's commitment to eliminating tariffs on vehicles, machinery and equipment for logistics activities from the EU is an opportunity for local logistics firms to buy products for domestic production at reasonable prices to save costs, improve technologies, enhance self-implementation capacity, and reduce outsourcing services.

Besides advantages, Vietnamese logistics businesses will also face challenges. For example, the access to the EU market is difficult because of European customers' high requirements for service quality and indirect legal binds. Meanwhile, Vietnamese firms lack a long-term vision, investment and technologies, and the quality of their services remains low, experts said.

Therefore, to improve the competitiveness of the logistic sector and optimize opportunities from the EVFTA, it is necessary to refine the country's legal framework, according to insiders. Promoting administrative reforms and implementation of national one-stop-shop mechanism, and ASEAN Single Window is also important to help logistics businesses reduce production costs./VNA

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## Finance ministry wants to cut 30% of environment protection tax on jet fuel



The Ministry of Finance has proposed to cut environmental protection tax on jet fuel by 30 per cent, from VND3,000 to VND2,100 per liter. The reduction is expected to help remove difficulties for the aviation industry due to the serious impact of the COVID-19 pandemic.

The proposal is part of the National Assembly Standing Committee's draft resolution on environmental protection tax on jet fuel, which has been sent to gather ideas and contributions from ministries and sectors. The ministry calculated that with such a reduction, the State budget revenue will fall VND87.33 billion (US\$3.8 million) per month. However, the cut will help air transport businesses ease the financial burden and maintain business operations as the COVID-19 pandemic is still serious and unpredictable worldwide.

The finance ministry asked ministries, sectors, localities and agencies to send their comments before June 10, 2020. This resolution is expected to be effective until the end of this year. Vietnam has initially controlled the pandemic; however, the disease continues to cause issues around the world.

Restrictions on travel as well as interrupted production and business activities have made the aviation industry one of the most affected sectors. According to the assessment of the Civil Aviation Authority of Vietnam, if the pandemic is controlled this month, the 2020 transportation market will reach only 61.2 million visitors, down 22.6 per cent year-on-year.

Of the figure, Vietnamese airlines are estimated to carry 10.4 million foreign visitors and 35.3 million domestic visitors, down 41.2 per cent and 5.5 per cent, respectively./ . VNS

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## INVESTMENT

### Ha Tinh has approved US \$ 696.5 million wind power project

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The People's Committee of the north central province of Ha Tinh has approved a wind power project with a total investment of over 16.2 trillion (696.5 million USD). The project is studied, invested and built by the MK Central Solar Power JSC in Ky Anh district.

The project consists of four plants, each of which has a capacity of 100.8MW. The generation capacity of the whole project is 1,139 GWh per year. It is expected to be put into operation between June 2022 and December 2023.

The plant is built based on advantages, policies and natural potential of the province when using renewable and eco-friendly energy sources. The project will contribute to increase the provincial budget revenue, the national electricity supply and energy security.

However, due to the current survey location and the study of construction investment projects have not been included in the list of power sources under the national power grid development plan for the period 2011-2020 with a vision to 2030.

Therefore, Chairman of the provincial People's Committee Tran Tien Hung has just signed a document to submit to the Prime Minister and the Ministry of Industry and Trade to consider and approve the Ky Anh MK wind power plant project into the national electricity development plan for the period of 2011-2020 with a vision to 2030./VNA

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## Mitsubishi Motors seeks opportunity to build its second factory in Binh Dinh



Authorities in the central coastal province of Binh Dinh will offer attractive policies and mechanisms to support Mitsubishi Motors Vietnam in building an automobile manufacturing factory at Becamex Industrial Park.

The statement was made by Chairman of the provincial People's Committee Ho Quoc Dung at a meeting with Mitsubishi CEO Kenichi Horinouchi on June 5. Horinouchi said his firm is seeking an area in Vietnam for its second automobile

manufacturing factory. The first one is in the southern province of Binh Duong.

Horinouchi said that Binh Dinh has advantages of a deep-water port, so it is determined to be the top choice of the company. In addition, it has complete transport infrastructure, which is convenient for goods transportation. The province covers a large land fund, which is very convenient for the construction of auto part factories for the automobile industry, Horinouchi said.

Dung said Binh Dinh is a key economic province in the central region. Quy Nhon Port is the most convenient international trade gateway between the Central Highlands region and neighbouring countries of Laos and Cambodia, and other countries around the world. "The province has six industrial parks. The largest one is Nhon Hoi Economic Zone with an area of over 14,000ha, which has attracted many Japanese investors in production and business activities," Dung said.

In a meeting with Deputy Prime Minister Vuong Dinh Hue in Hanoi in January 2018, Mitsubishi Motors Corporation's Executive Vice President Kozo Shiraji said the corporation was looking for a location to set up its second factory in the country. The plant will cost approximately US\$250 million, with a manufacturing capacity estimated to reach 30,000 – 50,000 cars on an annual basis. To ensure the factory's operation in 2020, developed industrial parks or economic zones near seaports are more likely to be selected, Shiraji said.

Hue said Vietnam will create favourable conditions for Mitsubishi Motors to carry out its projects in the country. The project aims to contribute to local socio-economic growth and form more partnerships in eco-car production in the future./VNA

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