Highlight

German businesses keen on Vietnam's healthcare sector

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What's in it today?

FINANCE

With no limitation on foreign ownership, Vietnam fintech market expects to boom

JB Financial to expand footprint in Vietnam, Myanmar, and Cambodia

E-COMMERCE

E-commerce and FMCG markets shaken by outbreak

START-UP

Vietnamese startup Loship is driving its way to become a 'unicorn' success

INVESTMENT

Samsung starts construction of new R&D centre in Vietnam

German businesses keen on Vietnam's healthcare sector

LOGISTICS

Airlines struggle to survive coronavirus outbreak

RETAIL

Thailand's Central Group completes acquisition of Nguyen Kim

Retail sales growth at six-year low

FINANCE

With no limitation on foreign ownership, Vietnam fintech market expects to boom

The State Bank of Vietnam (SBV) plans to set no limit on foreign ownership in fintechs.The foreign ownership ratio limit of 49 percent was mentioned last year in the draft decree to replace Decree 101 on non-cash payment. However, the limitation is not included in the latest draft version.

Explaining this, SBV said intermediary payment is a new type of service which runs on the basis of technology, so foreign investment plays an important role in market development. If the foreign ownership ceiling is removed, payment services, including electronic money transfer, e-wallet, payment portal and finance switching services can call for foreign capital.

This will give opportunities to Vietnamese firms to both get more investment capital and learn experience and technology from foreign enterprises. And this comes in line with the current digital economy development trend. In case of VietUnion, in order to develop Payoo e-wallet in the last 10 years, the business decided to call for investment from the Japanese NTT Data. The foreign partner has over 50 percent of capital in Payoo and its presence has helped Payoo become one of the top five businesses in the e-payment service sector. The five names include Payoo, MoMo, SenPay, Moca, AirPay and Zalo Pay.It requires huge investment to develop e-wallets, including financial resources, technology, and high-quality labor force. If Vietnam doesn't set limits on foreign ownership ratio, this will attract experienced and powerful players from markets such as India, Malaysia and Japan, which will help Vietnam's fintech industry develop, according to Urata Kentaro from VietUnion.

A report found that investment capital poured into Vietnam's fintechs in 2019 accounted for 36 percent of total investment capital in Southeast Asia, a sharp rise of 30 times compared with the year before.The $100 million investment in MoMo e-wallet by a foreign fund and the $300 million investment in VnPay were among the biggest deals. "Vietnamese enterprises will not be able to build a payment product that is both fast and secure for customers," said Le Anh Huy, deputy CEO of FPT Wallet, whch owns Senpay.

Some experts commented that even if SBV sets limits on foreign ownership in fintechs, foreign investors will still find their way to own intermediary payment service providers in Vietnam. If so, it would be even more difficult to control fintechs.At present, all the five biggest e-wallets in the market have foreign capital with an ownership ratio of over 30 percent. The ratio in oneif the E-wallets is 90 percent.

The five biggest players now hold more than 90 percent of the share of the market of 29 players./.VNN

Back to top

JB Financial to expand footprint in Vietnam, Myanmar, and Cambodia

South Korea-headquartered JB Financial emphasised that it would actively pursue M&A opportunities overseas, including ramping up investment in Vietnam and its neighbours. Headquartered in Jeonju, South Korea, JB Financial owns four subsidiaries – Jeonbuk Bank, Gwangju Bank, JB Woori Capital, and JB Asset Management. The firm now has a market cap of $855.8 million.

In a conference call last month, Ki-hong Kim, chairperson of JB Financial, said that the firm has an interest in overseas operations and the non-banking sector as the two largest axes for its expansion. Previously, Kim also highlighted that JB Financial would increase its footprint in Vietnam, Myanmar, and Cambodia for overseas businesses. Hence, looking for potential tie-up deals is one of the most feasible ways to penetrate into these markets. “Southeast Asian nations are growing fast, while their banking infrastructure is growing,” Kim said. “Korea’s banking industry has matured, so we should turn to overseas markets spearheaded by consumer finance services.”

According to The Investor, Kim believed a decent performance and a well-established network in Southeast Asian countries are of utmost importance to the firm’s strategies. “Once we find the right time, we will definitely carry on M&A in Cambodia. Also with an office in Vietnam, we are waiting for chances to strengthen our lending business,” Kim added.

Last December, Kwangju Bank, a commercial bank subsidiary of JB Financial, purchased Morgan Stanley's Vietnam-based subsidiary Morgan Stanley Gateway Securities JSC for VND382.4 billion ($16.63 million), The Investor reported. Kwangju Bank would also inject VND600 billion ($26 million) into the Vietnamese brokerage

The successful deal is expected to pave the way for JB Financial to broker real estate and infrastructure investment in Vietnam for Korean investors.

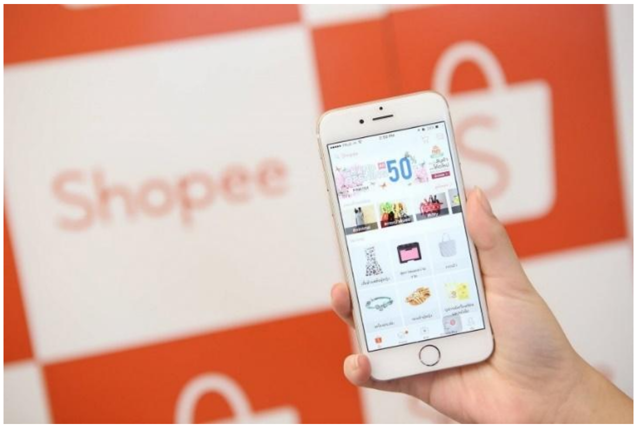
Also, the firm plans to underwrite Vietnamese firms’ issuance of mezzanine instruments such as convertible bonds and bond warrants, as well as M&A opportunities through the acquired Vietnamese company.

Back to top

E-COMMERCE

E-commerce and FMCG markets shaken by outbreak

Amid the current coronavirus epidemic, the fast-moving consumer goods and e-commerce sectors have experienced a tumultuous period.



Nguyen Huy Hoang, commercial director at market research firm Kantar Worldpanel Vietnam, told VIR that the spread of the virus has led to an increased health consciousness among Vietnamese consumers. In order to stay safe and protect themselves, people are avoiding crowds in their daily activities.

As such, shopping traffic could be reduced, perhaps impacting retail and fast-moving consumer goods (FMCG) sales in the short term.He added that spending on dining out and other activities outside the home would be reduced during the epidemic, but FMCG for in-home consumption is expected to sustain growth. Household cleaning and hygiene products such as hand wash, sanitiser, and tissues have also experienced a rise in sales.

Healthy foods like fruit and fruit juices that help strengthen the immune system will see an upward trend, and consumers also have a tendency to stock instant foods such as instant noodles, sausages, and snacks, especially in areas with confirmed cases.

“In terms of retail, smaller, clean, nearby shopping spaces such as street shops, minimarkets, and convenience stores will be temporarily preferred to wet markets or larger supermarkets,” Hoang said. “This situation is also significantly increasing the number of home deliveries and online shopping transactions”.

Ralf Matthaes, managing director of market researcher Infocus Mekong, also said that e-commerce should benefit considerably as delivery services help negate potential infection. Pre-packaged FMCGs such as cereals and soups should see an overall spike in demand as there may be a fear of infection regarding fresh produce, although medical experts declared some time ago that infection via this method would be highly unlikely, even from items imported from China.

“In the short term, e-commerce deliveries will see a substantial increase, and also receive new consumers, who historically have not used e-commerce for groceries or FMCG,” said Matthaes. “However, once fears dissipate, human nature takes over and consumers will be back at the markets in due time.” On the other hand, due to delays in import and export, there are challenges for suppliers and traders to produce, distribute, and stock goods.

This is more likely to result in an uplift in prices which might demotivate consumer spending during the fight against the virus. Online traders are also facing some issues as many products sold online are imported from China. The epidemic has caused a slowdown in cross-border e-commerce activities, so online shoppers have to wait longer for their orders to arrive.

Meanwhile, a representative of Shopee Vietnam said that China's extension of the Lunar New Year holiday as part of efforts to stop the virus from spreading further has delayed shipments of overseas products.

Kantar Worldpanel's Hoang said that the impact of this outbreak in 2020 might also accelerate trends already observed last year.

Firstly, it could increase health and hygiene consciousness among Vietnamese consumers, which further drive the development of hygiene products for personal care and home use. These products were previously not in high demand, but are expected to become more popular as consumers are getting used to buying these items in high numbers. Secondly, it is expected in 2020 that e-commerce will take a bigger share of the market. Thanks to its convenience and the advantage of less physical contact, the online to offline and e-commerce delivery models fit well with consumers' needs during this time.

Online shopping platforms and delivery services are expected to witness a growth acceleration in both shopper base and incremental spend, and increasing expenditure from existing online shoppers, he added.

Lastly, with emerging channels such as minimarkets, convenience stores, and e-commerce growing in popularity, there could be a continuing shift from traditional shopping behaviours to omni-channel and multi-channel shopping, reinforcing the rising omni-channel trend in retail and FMCG markets.

Furthermore, Matthaes added that the slogan "Made in China" has always been a source of contention in Vietnam, largely due to historical factors rather than food safety and hygiene issues. However, the current epidemic may give the consumer more to think about, as they want to know more about the origins of a product before they buy. This suggests huge potential for "Made in Vietnam" as a marketing tool. /.VIR

[Back to top](#)

START-UP

Vietnamese startup Loship is driving its way to become a 'unicorn' success

The market for e-commerce is thriving worldwide, and in the Southeast Asian country of Vietnam with its young population, opportunities for growth for an e-commerce startup are quite prosperous.

Loship, a Vietnamese e-commerce startup established in 2017, is an example of growth and the future of profitability. The startup has got much attraction from International Investors since its inception and is a promising venture that could achieve a 'unicorn' status.

Promising startup attracting investors' interest

While there are many e-commerce players in Vietnam, Loship is known for its unique Intra-city one-hour delivery offer. Also, it offers a range of services from food delivery, grocery delivery, ride-hailing, medicine delivery, and many other on-demand services. No doubt, the startup has attracted an influx of investments. "There are not many players in the market who can offer one-hour delivery services, which we consider a competitive advantage. I believe this kind of service will be our engine for growth and profitability as more and more customers now expect quick and urgent delivery options. Those players who can offer the quickest delivery times will win the game," the CEO of Loship, Nguyen Hoang Trung shares.

Behind every successful startup is a visionary founder

The startup has strong leadership at its helm with CEO Nguyen Hoang Trung and a team of young talent with global experience. Loship has the backing of committed advisors like Ju Young Yang, COO & Co-founder of Korean unicorn Viva Republica; Jeffery Paine, Founding Partner of Golden Gate Ventures; David Goddard, Head of Strategy and Business Development of Vietnam International Bank; and Kim Kyoung-Hwan, Vice President of Smilegate Investment.

Trung, who is responsible for running all facets of the business, including marketing, investment, technology management, product development, and more, has taken the company's value up significantly to 8-digit-dollar's value. In 2017, Trung was nominated in Forbes 30 under 30 Vietnam, followed by being named in Forbes 30 under 30 Asia.

Speaking of his long-term business goals, Trung shares: "We're moving towards our vision to become the nation's startup hero and the next unicorn of Vietnam. I believe we have all the right factors to make it happen – radical visions, well-trained tech talents, and more importantly a profit-driven business model that allow us to scale up to the regional standards. As the quality of Vietnam's tech startups steadily improves, Loship is poised to lead the way in fulfilling the country's ambition of having ten tech unicorns by the year 2030."/. Koreatechdesk

Back to top

RETAIL

Thailand’s Central Group completes acquisition of Nguyen Kim

After five years of holding a 49% stake in Nguyen Kim Trading JSC, Thailand’s Central Group has now taken full control of the local firm's home appliance store chain, as confirmed in its recent financial reports.

In June last year, Central Group acquired an additional 51% stake in NKT New Solution and Technology Development Investment Joint Stock Company, which owns Nguyen Kim Trading Joint Stock Company.

The deal was valued at VND2.6 trillion, including VND2.25 trillion paid in cash and VND350 billion included in Central Group’s non-current liabilities.

NKT New Solution and Technology Development Investment Joint Stock Company was established in 2014 with charter capital of VND800 billion. At the time, Chairman Nguyen Van Kim and his family members held nearly 90% of the company.

In 2015, Power Buy, an arm of Thailand’s Central Group, acquired a 49% stake in Nguyen Kim.

From June to September last year, Nguyen Kim contributed VND3.25 trillion in revenue and VND42 billion in profit to the Thai firm.

In its period of prosperity, Nguyen Kim was considered the leading home appliance store chain in Vietnam, according to a report by market research firm Nielsen.

Before Nguyen Kim, Central Group had acquired the BigC supermarket chain and the Lan Chi Mart chain in Vietnam and had opened Robins stores in HCMC and Hanoi and GO! Market supermarkets in the country. /.SGT

Back to top

Retail sales growth at six-year low

Vietnam's total retail sales of goods and services in the first two months of 2020 rose by 8.3% year-on-year to VND863.9 trillion, the lowest growth rate in six years, according to the General Statistics Office.

If the price factor is excluded, the total retail sales inched up by 5.5% compared with 9.3% in the same period last year, reported the Vietnam News Agency.

The first two months of the year saw retail sales of goods amount to an estimated VND674 trillion, up 9.8% year-on-year. This growth rate was much lower than that recorded in the same period in 2019 as coronavirus fears have discouraged customers from shopping in crowded areas.

Haiphong City and Quang Ninh and Thanh Hoa provinces saw the retail sales of goods expand by 13.6%, 13.8% and 11.9%, respectively.

Revenues from accommodation and catering services were estimated at VND95 trillion in the first two months of 2020, up a mere 1.7% year-on-year, while the growth rate in the same period of 2019 was 10.8%. The slowed growth was attributable to the fallout from the coronavirus, which has caused the issuance of visas to Chinese tourists to be suspended. Khanh Hoa, Lam Dong and Hanoi witnessed a sharp drop in revenues from accommodation and catering services over the two-month period. The country reported a slight rise of 1.1% in tourism revenues at VND7.4 trillion in the first two months of the year.

Revenues from other services amounted to an estimated VND87.5 trillion, making up 10.1% of the total figure and edging up 5.2% year-on-year. Sales of other services in Quang Ninh Province picked up by 8.7% from the year-ago period, while the respective rises in Quang Ngai, Thua Thien-Hue and Danang were 6.1%, 5.4% and 4.7%. The General Statistics Office noted that February, the month after the Tet holiday, was severely affected by the coronavirus outbreak. As such, trading and service activities this month were not as hectic as in previous months.

February's retail revenues from goods and services reached an estimated VND414.1 trillion, down 7.9% from the month earlier but up 6% year-on-year. Last month, retail sales of goods accounted for over VND325 trillion, down 6.7% compared with January and up 8.2% year-on-year. Revenues from accommodation and catering services were VND44.2 trillion, down 3.9% over the previous year, while tourism revenues amounted to VND3.3 trillion, dipping by 21% from a month earlier./.SGT

Back to top

LOGISTICS

Airlines struggle to survive coronavirus outbreak

Japan on February 21 signed a memorandum of understanding (MoU) with Vietnam's southern economic hub of Ho Chi Minh City to strengthen the city's urban railway management capacity. Vietnamese airlines are having a hard time mitigating the impact of the coronavirus outbreak which is threatening to erase the nascent air-travel boom in the country.

Upon his return to Sydney, the nephew of the writer of this article sent a message saying: "Everything as usual" on the crowded Jetstar flight from HCMC to Sydney. The direct flight was on time, and few passengers but no flight attendants donned face masks. This Australian low-cost carrier, which operates flights between Australian and Vietnamese cities, is operational as scheduled. But for Vietnamese carriers, it is a different story.

Local airlines are expected to sustain VND25 trillion in lost revenue this year due to the coronavirus outbreak, instead of the VND10 trillion announced half a month ago, according to the Civil Aviation Authority of Vietnam (CAAV).

Air carriers are scrambling to minimize the damage caused by the virus, which is linked to a disease called Covid-19, but things have turned out to be tough as the coronavirus is spreading beyond China, where the virus was first detected. Vietnam Airlines said that it was planning to lease out a number of grounded aircraft but the plan has ground to a halt since the virus has hit multiple European countries, sending the aviation industry there into a tailspin.

The national flag carrier has lowered ticket prices in the hope of taking back customers, of whom many are afraid of traveling by air due to fears of being infected with the coronavirus at airports or on aircraft.

The carrier's promotion for services between Hanoi and HCMC lasts until the end of March. If you fly before 6 a.m. and after 9:00 p.m., a one-way ticket may cost you a mere VND589,000, including taxes and fees. For other departure times, the price is VND615,000 or above.To stimulate travel demand, Bamboo Airlines, a unit of FLC Group, offers package deals for couples and families that want to fly from Hanoi or HCMC to other cities such as Quy Nhon. The price starts from VND5.9 million for the return ticket plus two nights at a FLC hotel or resort.

Vietjet has launched a promotional program for its new direct services to New Delhi and Mumbai and its existing direct flights to India with a one-way ticket starting from US$30. Flying with Jetstar Pacific, another low-cost carrier, others fees for services like baggage check or seat selection should be added to airfares./.SGT

Back to top

INVESTMENT

Samsung starts construction of new R&D centre in Vietnam

Samsung Electronics Việt Nam on Monday started construction of its largest research and development (R&D) centre in Southeast Asia in the new town of Tây Hồ Tây in Hà Nội.

With a total investment of US$220 million, the new R&D centre will be built over 11,603sq.m of land and 79,511sq.m of floor area. The building is designed with 16 stories above ground and three below ground, and is expected to be completed in late 2022.

Besides being equipped with advanced research facilities for mobile and network technology, the new centre will be set up with a creative and friendly working environment with a fitness centre, club rooms, in-house restaurant and rooftop garden. Upon operation, the number of employees of Samsung Việt Nam Mobile R&D Centre (SVMC), which is currently 2,200, will increase up to 3,000.

This is the first time Samsung Electronics has built its own centre specialised to serve R&D activities overseas. It is also the largest R&D centre among FDI companies in Việt Nam.

Through the construction of this centre, Samsung endeavours to help Vietnamese engineers enhance their R&D capacity in terms of not only product technology but also high technology fields such as AI, IoT, Big Data and 5G, which will create a foundation for Việt Nam to be bold amid the numerous changes of the Fourth Industrial Revolution.

Choi Joo Ho, President of Samsung Việt Nam, said: "The construction of the new R&D Centre in Việt Nam is a strategic investment that marks a stride in Samsung's investment history in Việt Nam. This will be the site that helps us fulfil our promise of developing Việt Nam's science and technology through nurturing excellent engineers in the field of high technology."

Currently, the total investment of Samsung Group in Việt Nam is more than $17 billion, of which Samsung Electronics accounts for $9.5 billion with the first presence of a mobile phone factory in Bắc Ninh Province in 2008, followed by the second factory in Thái Nguyên Province; complex of televisions and home appliances production in HCM City and SVMC.

The new R&D centre shows Samsung's highest commitment to investment in Việt Nam, which has lasted for the past 12 years, making Việt Nam not only a large-scale production base for Samsung, but also an important strategic base in R&D. /. VNS

Back to top

German businesses keen on Việt Nam's healthcare sector

German healthcare enterprises are increasingly interested in the Vietnamese market, particularly with the EU-Việt Nam Free Trade Agreement (EVFTA) expected to come into effect this summer, a survey has revealed.

A survey conducted online by the Delegation of German Industry and Commerce in Việt Nam (AHK Việt Nam) in January revealed that sixty-six per cent of German medical and healthcare businesses said they intended to set up business in Việt Nam.

The majority of German enterprises answered that they would consider using their brands and prestige as an effective way to access the Vietnamese market or co-operate with local businesses, according to the survey.

However, 54 per cent of surveyed businesses said they lacked knowledge of market entry; 37 per cent of them faced challenges in searching for local partners and personnel; 43 per cent met obstacles in contacting local authorities and 37 per cent encountered challenges in language and culture.

The survey which was released last week with 39 reputable companies in the healthcare sector aims to identify specific interests and needs of German companies while researching and entering the Vietnamese market.

Germany is one of the most important suppliers in the field of healthcare technology and medical equipment in Việt Nam. Eleven per cent of medical and healthcare equipment products imported to Việt Nam originates from Germany.

The rising demand for healthcare has made Việt Nam a promising destination for domestic and foreign investors thanks to an aging population, fast economic growth, changing lifestyles, and rising demand for health insurance, according to analysts.

The middle class was flourishing, people also increased their spending, leading to the mushrooming of private medical establishments in big cities, they said. /. VNS

Back to top

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