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FINANCE

Consumer lending expected to rise in Vietnam after Covid-19

The number of borrowers is expected to increase, but this also poses higher risks for finance companies.

The State Bank of Vietnam (SBV) reported that outstanding loans have reached VND8,300 trillion, or 134% of GDP, of which 55% have been provided to businesses and 45% to individuals Finance companies' reports show that credit growth in Q1 was relatively satisfactory compared with the general situation of the banking sector, though growth rates were not as high as previously.

HD SAISON, for example, reported that outstanding loans in the first three months of the year increased by 4.9%, or higher than initially planned.

The figure of MCredit had reached VND10 trillion as of the end of Q1, higher than the VND9 trillion of the same period last year. As for FE Credit, the figure was VND61.6 trillion, up by 16%. This brought pre-tax profit of VND918 billion, up by 20%.

Pham Xuan Hoe, deputy director of the SBV's Banking Strategy Department, estimated that unofficial consumer lending accounts for 15-20% of total outstanding loans to the economy (VND1,160-1,550 trillion). Meanwhile, consumer loans provided via banks and finance companies were worth VND1,000 trillion as of the end of 2019, or 11.4% of total outstanding loans. There are no official statistics about consumer loans through other channels.

The pandemic has had an impact on the consumer finance market, but there is still room for growth as the current outstanding loans just account for 11.4% of total outstanding loans to the economy, much lower than the average 40% in other economies.

According to Can Van Luc, chief economist of BIDV, Vietnam's consumer loans, if counting the loans to fund house purchases and repair, account for 19% of total outstanding loans

If not counting real estate credit, consumer loans would just account for 12% of total outstanding loans, much lower than the 21% in China.

Luc predicted that credit would rise again with the expected growth rate of 3.5-4% by the end of the second quarter

The credit growth rate is expected to reach 9-10% by year end, and if this occurs, it will be a relatively high credit growth rate in the region.

Consumer lenders have been warned of bad debt increases as many borrowers have lost their jobs or seen their income decrease.

Moody's has lowered the credit rating of three finance companies, nFE Credit, Home Credit Vietnam and SHB Finance, and two banks, VP Bank (the holding company of FE Credit) and SHB (the holding company of SHB Finance).

VN State Bank designs 'sandbox' for P2P lending

Peer to peer lending (P2P Lending) will become legal in Vietnam after a draft decree on fintech management is compiled. According to the State Bank of Vietnam (SBV), there are 34 institutions providing payment service with large market share, while there are 40 P2P lending companies.

Strong rise of P2P

There are four P2P models: 1/technology firms that connect lenders and borrowers via apps; 2/companies that connect and appraise borrowers' payment capability to inform to lenders; 3/companies that connect and suggest lending interest rates, and give consultancy on risk management and legal issues on debt payment and 4/companies that borrow money from people for relending, which operate like banks.

It is estimated that nearly 100 businesses have been operating in the P2P market in Vietnam. Of these, many companies such as Tima, Fiin, Mofin and Lendbiz are providing P2P but operating without official approval.

However, P2P is a form of civil transaction and the current laws don't stipulate which agency has management over the activities.

As a result, many apps are operating as a type of 'black credit' but under the name of P2P, which has caused a headache to state management agencies. The police have discovered many Chinese owned apps which provide loans at exorbitant interest rates of up to 1000%.

There are some P2P lending companies with very large scale of operation which deal with thousands of applications for loans every day and have outstanding loans equal in number to a bank.

Established in 2015, Tima has 30,607 lenders, which are institutions and individuals, and more than 2.7 million borrowers. About 5,000 applications for loans are treated each day and the total amount of money disbursed via the transaction floor has reached $2 billion.

Robocash cited Statista as reporting that the outstanding loans of the global P2P market soared from $9 billion in 2014 to $54 billion by 2018 and will be increasing rapidly in the next few years.

According to SBV, unofficial consumer outstanding loans account for 15-20% of total outstanding loans to the economy (VND1,160-1,550 trillion).

Consumer loans via banks and finance companies had reached 1,000 trillion as of the end of 2019, or 11.4% of total outstanding loans. There are no official statistics about lending via other channels.

P2P, once legal, will help the lending market and serve as a good investment channel for people with idle money, if transactions are carried out in a transparent and legal way.

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E-COMMERCE

Ample opportunity for VN's e-commerce as COVID-19 keeps shoppers at home

Despite Vietnam's victory over novel coronavirus disease (COVID-19), many shoppers throughout the country are choosing to stay home rather than venture into malls and shopping centers where close contact with others is inevitable.

Dwindling crowds have also turned 'for lease' signs into a common sight in Vietnam's shopping districts while malls are struggling to find businesses to fill storefronts.

The General Statistics Office revealed in its socio-economic performance report that the COVID-19 pandemic caused the Southeast Asian nation's economic growth to hit a decade-low of 1.81 percent in the first half of this year, far below last year's figure of 6.73 percent.

The report also noted that around 30,000 businesses suspended their operations during the six-month period, a figure that is expected to continue rising.

A man delivers goods to a woman outside a high-rise building in District 1, Ho Chi Minh City in an undated file photo

A positive outlook

A Deloitte report titled 'Retail in Vietnam: Navigating the Digital Retail Landscape,' released in February 2019, stated that online business-to-consumer (B2C) sales accounted for a modest 3.6 percent of total retail revenue nationwide in that year.

That figure, however, was expected to soar five percentage points higher in 2020, reaching US$10 billion in sales.

American management consultancy Bain & Company forecasts online shopping sales to continue their acceleration, even after life returns to normal post-COVID-19.

Deloitte's 'Retail in Vietnam' report said that consumer-to-consumer (C2C) sales, also known as social commerce, are booming in Vietnam.

Typically hosted on social media platforms such as Facebook and Instagram and Vietnamese chat app Zalo, C2C involves buyers and sellers sharing information, photos, reviews, and recommendations directly and in real time.

Management and commercials solutions provider SAP released its own report that the number of online orders in Vietnam appears to be commensurate with the severity of the pandemic, with business booming at the peak of COVID-19 compared to the same period last year.

SAP also forecasted that this upward trend is here to stay, pointing to market indicators that suggest a shift in consumer behavior which began before the pandemic but kicked into overdrive once it hit.

Consumer spending on fast-moving consumer goods accelerated strongly in Q1 2020, hitting double-digit growth, according to a report sponsored by market service consultant Kantar Worldpanel

The spike, it said, was due in part to stock-up behavior amongst Vietnamese consumers over the eight-week period that the Vietnamese government progressively tightened social distancing measures.

An e-commerce expert from service consultant Ernst & Young (EY) said in a recent article that the sudden surge in consumer demand for digital shopping services could result from the implementation of social distancing to contain the pandemic.

This 'new normal' is finding increasing acceptance amongst consumers, thus leading to widespread adoption by traditional businesses, according to the expert.

Emerging trends and life-or-death changes

The convenience of online transaction models, which includes a diverse selection of goods and easy ordering and payment systems, is evident in market numbers.

The question is which trends the e-commerce environment will follow and whether service providers can move fast enough to seize business opportunities.

Complex algorithms and AI are a major factor driving heightened consumer experience in the online marketplace.

Companies that can leverage these tools to offer customers products whenever they want are seeing the most success.

For example, a ride-hailing app might track the times customers are most likely to use their service to go home in the evening and begin offering dinner deals around that time.

A well-designed e-commerce system is able to personalize these experiences, adding a convenience factor not possible in bricks-and-mortar commerce.

Another benefit is the opportunity for businesses to prove that customers are not solely ‘inanimate’ pieces of information in their database, by allowing them to personalize shopping carts, remembering their names, and sending them birthday wishes.

These are what traditional stores often do not have the capacity or the resources to do.

Chances are that the digital shopping environment will soon become so commonplace that distinguishing it from traditional shopping may be unnecessary

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START-UP

Capital flow to startups still strong after Covid-19

As soon as COVID-19 subsided in Vietnam, startups began to again receive capital.

Startup funding was discussed at a workshop organized by Startup Vietnam Foundation (SVF) and its partners in mid-June, which gathered hundreds of startups, experts and investment funds from Taiwan, Hong Kong, Japan, Indonesia, the Philippines and Vietnam.

Though Vietnam's entrepreneurial movement experienced tough days after the collapse of billion-dollar startups, startups have continued to receive capital from investors.

Viet Valley Ventures poured capital into JobHop and JobsGO, which provide an online recruitment platform, and WindSoft Vietnam, which provides software solution and applications for business administration. They also gave capital to Ecomeasy, which provides marketing and sale solutions on e-commerce channels.

Meanwhile, TopCV received capital from Next100.tech, and Chatbot Vietnam from NextTech Group and Next100.

Affirma Capital invested $34 million in Transcendental Human Resources JSC (Sieu Viet). Sapo, a platform that supports omni-channel management and sales, has completed the call of $1 million worth of capital from Smilegate Investment (South Kroea) and Teko Ventures (Vietnam). JupViec was added to the investment portfolio of Simple Tech Investment (STI), which has invested in 24h.com.vn, AnyCar and 30Shine.

A series of other deals have also been reported. BuyMed, which runs thuocsi.vn, a drugstore chain, successfully called for $2.5 million in a pre-Series A round. eDoctor received $1.2 million from the funds CyberAgent Capital, Genesia Ventures, Bon Angels and Nextrans.

Doctor Anywhere received $27 million of capital, while Waves has become better known after receiving $1.2 million from Insignia Ventures Partners, Hustle Fund and Skystar Capital, and Asian and Silicon Valley investors in the seed round.

Pharmacity successfully called for $32 million in Series C. Finhay, a fintech, got capital from Jeffrey Cruttenden, co-founder of Acrorns and Thien Viet Securities (the amount of capital is secret), just one year after it received $1 million from Insignia Venture Partners. The fund hopes Finhay will become an Amazon-like company in Vietnam.

Mandy Nguyen from SVF said that capital will continue flowing into Vietnam's startups, and not just from countries such as Japan, South Korea and Southeast Asia, but also from Europe and the Middle East.

A report from the Ministry of Science and Technology showed that VND1 trillion of venture capital has been poured into Vietnam's startups through Project 844. The figure is expected to double by 2025.

Analysts, noting that the capital flow to startups will continue to be strong, believe that there have been big changes in investors' tastes and startups

The startups that now most attract attention from investors are those in the fields of logistics, education, healthcare, financial services, and online sales.

Start-up city: Vietnam's young invest ideas in Ho Chi Minh City

A tech-savvy population, a fast-growing economy, and the perks of being first in an emerging market – Vietnamese entrepreneur Le Thanh saw the potential in booming Ho Chi Minh City for his start-up transforming coffee grounds into masks.

Vietnam-based start-ups made up nearly 20% of the capital invested in Southeast Asia last year.

The 35-year-old chemistry graduate worked for two multinationals before stepping out on his own three years ago to launch ShoeX – a sustainable footwear company which nimbly pivoted to masks as the coronavirus pandemic struck.

When he entered the workforce, Thanh was drawn to the higher salaries and no-nonsense working culture at foreign companies he assumed were a cut above local firms, tangled up in rules imposed by his country's staid Communist rulers.

He is not alone in believing Vietnam – and especially its southern commercial centre – is poised to become an innovation hub thanks to its young, educated and digitally active population.

Vietnamese e-commerce and e-payment companies have been "flooded" with private equity in the past couple of years, said Eddie Thai, a Ho Chi Minh City-based partner at venture capital firm 500 Startups. Their rise has been stellar.

Vietnam-based start-ups made up 18 – or US$741 million – of the capital invested in Southeast Asia in 2019, up from 4 in 2018, according to a report by Cento Ventures.

Although Indonesia remains the leader, the amount pumped into Vietnam start-ups pushed ahead of Singapore for the first time in 2019, the venture capital firm said.

The gold rush comes in spite of cumbersome regulations for foreigners, Thai told AFP, making it difficult to invest and repatriate capital.

Last year, popular e-wallet platform VNPay reportedly snagged the largest deal in Southeast Asia, attracting US$300 million from Softbank's Vision Fund and Singapore's sovereign wealth fund GIC.

And although Thai said investment had paused due to the coronavirus pandemic, Vietnam is well-placed to bounce back.

Its economy unexpectedly grew in the second quarter and the International Monetary Fund (IMF) predicts a 2.7 expansion for the year despite the global downturn.

The country also has a huge pool of software engineers who cost substantially less than their Indian or Chinese peers.

And unlike the tech talent in wealthy start-up hubs such as San Francisco or London, they understand what consumers in the emerging world want, Thai says.

EXCITING, YOUNG ENVIRONMENT

Air pollution – and then the outbreak of COVID-19 – prompted Thanh to take a gamble on sourcing Vietnamese coffee waste material to turn it into masks.

His cutting edge design uses woven fibre made from coffee grounds to make a washable outer layer, with a biodegradable filter inside.

A similar strain of environmental innovation courses through many other smaller start-ups in a country among the most vulnerable to climate change.

They exploit the high tech literacy of the population – 70 of which is under 35, according to the World Bank – to sell new products to a receptive market.

Bui Thi Minh Ngoc wanted to find a sustainable alternative to standard menstrual products, searching for months to find the right organic cloth for her sanitary pad business GreenLady Vietnam, which she operates largely on Facebook.

While Vietnam is yet to produce any truly "disruptive technology", said Trung Hoang of local investment platform VinaCapital Ventures, China has shown what is possible.

The Asian giant – also an autocratic one-party state – has managed to incubate dynamic tech behemoths like Alibaba and Tencent that have risen to the forefront of the industry.

Back in his Ho Chi Minh City office space, packed with young professionals, Thanh fizzes with enthusiasm for Vietnam's start-up culture.

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RETAIL

Foreign capital funds find ways to enter Vietnamese retail market

With a scale of nearly US$180 billion and an annual two-digit growth rate, the Vietnamese consumer retail market is being squeezed by foreign investors.

Recently, Arisaig Asia Consumer Fund Limited said that it had invested in three new businesses in Asia, including Saigon Beer-Alcohol-Beverage Corporation (Sabeco), but the investment was not disclosed.

Previously, the fund continuously increased its ownership in Mobile World Investment Corporation (MWG) from the end of last year.

Besides, it also holds 28.8 million shares of Vinamilk, worth more than VND3.3 trillion ($143 million).

Arisaig Asia Consumer Fund is a member of Arisaig Partners, a company founded in 1996, specialising in investing in consumer businesses with a scale of up to $4 billion. It focuses on investing in businesses of essential consumer goods and technology in Asia. Of which, the proportion of Vietnamese stocks in the fund's portfolio is about 3%, equivalent to $75 million.

Beside Arisaig Asia Consumer Fund, many foreign corporations and funds are seeking places to pour capital into the Vietnamese consumption retail pie.

The Mekong Enterprise Fund III, managed by private equity firm Mekong Capital, also invested in pawn shop chain F88.

Previously, this fund has successfully invested in many consumer retail businesses in Viet Nam such as Golden Gate, MWG, and recently Pharmacity.

Chris Freund, Mekong Capital founder and partner, said that the fund would continue to look for fast-growing companies in retail, restaurant, consumer goods and distribution in Viet Nam.

The Tundra Viet Nam Fund has continuously withdrawn capital from negative growth investments and is focusing on the technology retail group, especially FPT stock. FPT shares account for the largest proportion (8.6%) in Tundra's portfolio.

At Viet Nam Holding, the retail group accounts for the largest proportion (24%) in the portfolio, followed by industrial goods and services (20%), real estate (17%), telecommunications (12%), and banks (9%).

The fund assessed that the portfolio of investments, especially retail, is likely to grow positively in the next three to five years.

Suction force from EVFTA

The General Statistics Office reported that Viet Nam's retail sales of goods was estimated at more than VND3.7 quadrillion (equivalent to $161.7 billion) last year, an increase of nearly $18.9 billion (equivalent to 12.7%) compared to 2018.

This is the fourth consecutive year the market has a growth rate of over 10% and is forecast to continue growing and reaching $180 billion this year.

Tran Duy Dong, director of the Domestic Market Department under the Ministry of Industry and Trade, recommended taking advantage of the new opportunities offered by the Europe-Viet Nam Free Trade Agreement (EVFTA).

Domestic enterprises should carefully study the contents and rules to prepare in advance, ready to take advantage of opportunities from the agreement, he said.

At the same time, strengthening business strategy management, business structure in accordance with domestic and international market conditions, meeting the diverse and increasing needs of consumers.

Nguyen Thi Thu Trang, director of the WTO Integration Centre under the Viet Nam Chamber of Commerce and Industry, committed to not applying the mechanism of checking economic needs with EU retailers in the EVFTA, which would help EU investors have opportunities to expand their operations in Viet Nam in the retail sector.

An economic needs test is a procedure whereby foreign-invested companies in the distribution sector, which are allowed to provide commission agency services, wholesale and retail for all products manufactured in Viet Nam and legally imported into the country, must be met when establishing retail outlets. — VNS

Retail industry to face being "swallowed" once EVFTA comes into force

With the implementation of the EU-Vietnam Free Trade Agreement looming, besides providing opportunities, the Vietnamese retail market is anticipated to face numerous challenges, with the industry facing the possibility of being "devoured" in the future.

The Vietnamese retail market is anticipated to face plenty of challenges when the EVFTA enters into force

A report published by the Nielsen Market Research Company indicates that the country is currently one of the retail markets that is enjoying a high growth rate. Furthermore, the signing of the EVFTA will bring about many favourable conditions for the national economy in general, with the retail market in particular enjoying the benefits.

Representing "fertile" and potential land over recent times, waves of domestic capital and FDI have continued to pour into the Vietnamese retail industry, with foreign retail groups such as Auchan, Family

Mart, Lotte, Central Group, Aeon, and Circle K seeking to penetrate and expand into the domestic retail market.

Experts operating within the retail industry regard the EVFTA as an opportunity to boost the circulation of domestic goods through an expansion of the scale and business networks that foreign retailers are able to provide.

The opening of the market will offer Vietnamese retail businesses the chance to enjoy access to a larger market whilst attracting major investment capital and participating in advanced management technology in trade activities with EU nations. In addition, both local firms and consumers will have access to high-quality products and services.

Despite these positives and in parallel with existing opportunities, the race to increase market share between domestic and foreign enterprises within the sector is anticipated to become increasingly fierce in the future.

When the trade deal enters into force in early August the agreement will serve as an "attraction" that will greatly encourage major EU businesses to step up investment in the Vietnamese retail industry.

That represents positive news, although it can be considered a problem due to concerns among many people that the majority of Vietnamese enterprises are small and medium-sized with limited resources, are on a small scale, and have poor levels of competitiveness in terms of being capable of securing a foothold in the retail market.

Vu Vinh Phu, an expert in the retail industry, says that when joining the EVFTA, in addition to providing advantages, local firms will be put under great pressure as an array of different kinds of goods will be exported to other countries, while goods from different nations will enter the Vietnamese market much more freely.

Moreover, goods from other countries hold advantages in terms of being high quality, whilst boasting a higher food safety and hygiene standard. In addition, they follow diversified innovative models and are reasonably priced, meaning Vietnamese goods look set to encounter increasingly tough competition.

Upon offering a frank and objective view of the Vietnamese retail market, Phu believes that at present, the cohesion between local manufacturers and the Vietnamese distribution system remains lax, with only 10% of goods meeting Vietnamese supermarket standards. Many domestic goods are not up to the necessary level of quality, have less diverse designs, are expensive, whilst there is a lack of connectivity between domestic production and distribution chains. These are weaknesses that manufacturers must swiftly address.

The Domestic Market Department under the Ministry of Industry and Trade predicts that the nation's distribution market will face plenty of challenges and suffer from the initial impact of the opening process as committed.

It is possible that the country’s system of policies and laws will fail to keep up with market fluctuations, there will be a poor capacity to ensure food hygiene and safety standards in the circulation of imported goods on the domestic market, and difficulties could occur in balancing socio-economic development, trade activities, and environmental protection.

Furthermore, there will be fierce competition between domestic distribution companies that have a limited capacity compared to major distribution enterprises from EU nations. Therefore, it is possible that domestic distribution enterprises will be susceptible to being acquired, therefore losing their market share to foreign enterprises.

In order to be able to stand firm on the home turf, Vietnamese manufacturers must strive to improve designs and labour productivity in order to be capable of competing with goods from other countries right within the domestic market.

In addition to receiving support from the State, Vietnamese retail businesses must build their own retail brands, ensure diversified sources of goods going straight from production to retail, and strengthen production and business links in a responsible manner.

Tran Duy Dong, director of the Domestic Market Department, notes, "In order to fully utilise the potential of the EVFTA, it is essential to revamp policies to attract foreign investment, put measures in place to protect domestic enterprises in the direction of establishing technical barriers, strictly controlling the operation of foreign enterprises, not letting foreign enterprises have advantages to access business resources more than domestic ones. It is considered imperative to step up communications regarding regulations under EVFTA commitments.” VOV

VN coffee market competition heats up with three more players

Based on what Vinamilk, Nestle and Nutifood are currently doing, analysts believe the three big companies will focus on the mid- and low-end market, especially the takeaway food segment.

The three ‘big guys’ in the food industry – Vinamilk, Nestle and Nutifood -- have begun running café chains.

For Nestle, Nescafe Hub is a place where people come and enjoy Nescafe’s products. Vinamilk, the nation’s leading dairy producer, wants to make the third try after two failures in the past. As for Nutifood, the company hasn't concealed its ambitious plan to conquer the instant coffee market.

Nestle with Nescafe Hub

Nestle, a big player in the food – nutrient industry, opened a café serving takeaway products, called Nescafe Hub in Hanoi last March. The second shop of the chain opened in HCM City in June.

Nestle has not revealed any plan on Nescafe Hub expansion.

However, analysts believe that with the initial feedback from the market, it is highly possible that Nestle will expand the network products priced at between VND22,000 and VND50,000

Vinamilk and Hi-Cafe

Analysts believe the instant coffee market is getting less attractive because of stiff competition from natural healthy drinks, but it is still a lucrative market.

For many years, the instant coffee market has been the playing field of the three biggest players – Trung Nguyen with G7 brand, Nestle with Nescafe, and Vinacafe with Vinacafe.

Experts predicted that after 2018, the Vietnamese instant coffee market would have value of VND7 trillion a year.

Vinamilk, the nation's leading dairy producer, failed when attempting to jump into the market in 2005 with Moment instant coffee and in 2009 with Vinamilk Coffee.

Vinamilk has introduced bottled coffee and has changed its distribution strategy: it now sells products through off-trade channels as well as an on-trade channel with the Hi-Café chain.

Nutifood and Ong Bau chain

Ong Bau is the product of the three 'big guys' – Dong Tam, Hoang Anh Gia Lai and Nutifood. The first Ong Bau opened in February 2020.

Analysts say that Ong Bau targets low and moderate income buyers. Ong Bau can be located at any corner in Vietnam. With diversified franchise modes, Ong Bay is expected to expand rapidly.

In the Vietnamese instant coffee market, 'veterans' like Trung Nguyen, Vinacafe Bien Hoa and Nestle are holding their firm positions. Their products are similar, but each of them has special characteristics which make them original.

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LOGISTICS

Investing in automation will help logistics firms compete

As the pandemic brings opportunities to the e-commerce sector, the local logistics industry also has a chance to grow.

According to a study by Jones Lang Lasalle Vietnam Co, Ltd (JLL), traditional brick-and-mortar retail outlets have suffered as countries implement stay-at-home and social distancing policies.

Boxme is a pioneer start-up that provides logistics solutions for e-commerce firms in Vietnam. E-commerce is growing in Vietnam during the pandemic and needs a better logistics industry for growth.

Stephen Wyatt, general manager of JLL Vietnam, said: “Certainly, the dependence on e-commerce will explode and will change the behaviour of online consumers, so the logistics sector will play an extremely important role,” adding: “China's supply chain disruptions in February and March are valuable lessons for future business plans.”

E-commerce platforms are racing to seize golden opportunities at this unique time. Grab, often considered Southeast Asia's super app, started testing its latest GrabMart service for users in HCM City in March, while Tiki Vietnam reported receiving 4,000-5,000 orders per minute at peak hours.

As the second fastest growing e-commerce market in Southeast Asia, after Indonesia, Vietnam has set a target that the e-commerce industry would grow by 25% per year to reach US$35 billion with more than half of the population shopping online by the end of 2025.

The Government targeted that 55% of the country’s population would do online shopping by the end of 2025 and the average spending for online shopping would be about US$600 per person per year.

According to the e-Commerce White Book 2019 by the Vietnam e-Commerce and Digital Economy Agency under the Ministry of Industry and Trade, e-commerce revenue jumped 30% from $6.2 billion in 2017 to $8.06 billion in 2018. About 39.9 million people shopped online in 2018, up by 6.3 million people against the previous year. Average spending for online shopping was $202 per person in 2018, $16 higher than in 2017.

At the same time, the e-Conomy SEA 2019 report by Google and Temasek predicted that e-commerce in Vietnam would expand 43% per year in the 2015-25 period, making Vietnam the fastest growing e-commerce market in the region.

Stephen said e-commerce logistics was labour-intensive in the past, however, now new technologies such as AI, machine learning, and IoT have allowed for greater automation and increases in productivity, as well as better utilisation of space.

The JLL leader said: “It is a driving force to reduce virus transmission,” adding that a lot of warehouse systems have recently employed robots to process, select and package goods as robots can work independently and efficiently for jobs of high volume and continuity.

Seeing the importance of using robots in logistics work, JLL does not see such facilities in many warehouses in Vietnam.

Xuân Phạm, Marketing Director of JLL, said the local industry was still quite backward compared to the growth rate of technology in Viet Nam, adding: “It is time for stakeholders to conduct redevelopment and upgrade to have smart and highly automated warehouses to meet growing consumer demand in the country.”

Hán Văn Lợi, CEO of Boxme, a pioneer start-up that provides logistics solutions for e-commerce in Viet Nam and other countries in Southeast Asia confirmed his firm’s revenue was still growing 45-50 per month during the pandemic.

With five years of operation in Southeast Asia and partnerships with China, the US and Hong Kong, Lợi told Viet Nam News: “Compared to the region and the world, we are still lagging behind in terms of logistics technology.”

Lợi added while the world has used the 5PL logistics service that manages all stakeholders in the distribution chain on e-commerce platforms for many years, the use of technology in Viet Nam was still much lower.

The CEO said if local firms wanted to compete, they must make an effort three to five times bigger especially after increasing e-commerce use after the pandemic.

He also mentioned the higher competition from foreign firms to Vietnam when they realise it is a "promising land" of e-commerce. With strengths in capital and better technology, foreign firms could dominate the market.

Lợi said: “Local firms will face the risk of being eliminated from the game if they don’t develop well.”

The CEO said the local infrastructure system for logistics services has not received investment, or upgraded proportionately and in accordance with the requirements of fast and modern development, leading to expensive transport costs and reducing competitiveness.

In this case, Xuân from JLL said: “Investing in automation will make sense in the long run because the cost of applying technology to warehouses is quite expensive. In the case of another contagious scenario in the future, factories with high technology will certainly overcome the challenge more smoothly.”

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INVESTMENT

Water sector draws investment

The water supply and drainage sector is drawing investment thanks to its high profit margins and good growth potential.

A worker of Hanoi Water Co Ltd (Hawacom). Hawacom is among the enterprises that occupy the largest market shares in the water supply industry.

According to the HCM City Securities Corporation (HSC), the water industry has positive prospects as rapid urbanisation and population growth have led to a higher demand for water for industrial production and clean water consumption.

The annual compound growth rate (CAGR) of the water sector in 2017-2020 is 43% for industrial production and 35% for clean water consumption.

Enterprises that occupy the largest market shares in the water supply industry include Dong Nai Plastic JSC, Binh Duong Water Environment JSC, Thu Dau Mot Water JSC, Ha Dong Clean Water JSC, Hanoi Water Co Ltd (Hawacom) and Song Da Clean Water Investment JSC (Viwasupco).

HSC said more than 80% of enterprises in the industry have gross profit margins of more than 30%. In the first quarter of this year, the firms with the highest gross profit margins were Vinh Long Water Supply JSC with 65%, Thai Nguyen Clean Water JSC with 58% and Viwasupco at 47%.

Viwasupco provides about 25% of the total clean water output for Hanoi via its distribution partners, serving more than 1.1 million people in the city.

Although Viwasupco's market share in Hanoi is forecast to fluctuate in the near future due to the founding of many new rivals, Viwasupco plans to upgrade its system to increase competitiveness and strengthen cooperation with distribution partners.

The company's revenue from the clean water supply segment increased from 373 billion VND in 2018 to 540 billion VND in 2019, reaching the highest growth rate in the segment with an increase of 45%. Gross profit rose 28% from 218 billion VND in 2018 to 279 billion VNDin 2019, becoming one of the segments with the highest profit growth in the company.

Son Ha Group has also announced plans to expand operations. Clean water supply will be one of three new strategic areas Son Ha will expand in this year, in addition to renewable energy and industrial real estate.

Earlier, Son Ha acquired stakes in Ha Dong Clean Water JSC and Lang Son Water JSC as well as in some other water plants. The firm expects to earn revenue of 200 billion VND from the water segment.

The group is working with a Japanese partner to provide a solution to filter wastewater before discharging into the environment while providing this solution for manufacturing plants in the near future, Son said.

With the positive growth prospects of the water supply industry, many foreign investors have increased their ownership in local water companies on Vietnam's stock market.

Vietnam-Oman Investment JSC, a joint venture between the Oman National Reserve Fund and the State Capital Investment Corporation (SCIC), has poured 19 million USD into the Song Hau Water Plant.

This factory serves water demand in the southern provinces of Soc Trang and Hau Giang.

Philippines-based Manila Water Asia Pacific has also invested in Saigon Water Infrastructure JSC./.VNS

Vietnam - a safe and attractive destination for foreign investors

With successful efforts in combating Covid-19, Vietnam has been acknowledged by the foreign investors community as a safe and attractive investment destination.

With recent achievements in the combat against Covid-19, Vietnam has been recognized by the foreign investors community as a safe and attractive investment destination, cited *VIR*.

During 6 months, foreign investment capital reached USD 15.67 billion

Deputy Minister of Planning and Investment Vu Dai Thang said that due to coronavirus, the foreign direct investment flows globally can decline by 40% in 2020. However, the FDI attraction in Vietnam in the first half of the year remained positive.

In particular, during the period, the total foreign investment capital reached USD 15.67 billion, down 15.1% year-on-year. The newly-registered and added capital was up 13.8% and 26.8% to reach USD 8.43 billion and USD 3.72 billion respectively.

"*These are positive signs, showing the confidence of foreign investors in the business environment in Vietnam*," Thang said.

In the first 6 months of 2020, 98 countries and territories have invested in Vietnam. Singapore led with a total investment of USD 5.44 billion, accounting for 34.7% of total investment in Vietnam. Thailand ranked second with a total investment of USD 1.58 billion, accounting for 10.1% of total investment. China ranked third with a total investment of USD 1.58 billion, accounting for 10.1% of total investment. Followed are Japan, Korea, Taiwan, reported by *Financial Magazine*.

Do Nhat Hoang, Head of the Foreign Investment Agency under the Ministry of Planning and Investment also attributed the rise in foreign investment in Vietnam to the efforts by businesses, drastic actions and timely support by the government.

Hoang hoped that after Vietnam resumes international air routes, more investors will come to Vietnam and the FDI flows will bounce back this year. The restructuring of investment has opened up opportunities for many countries, including Vietnam, said Hoang.

Vietnam has been considered a bright spot in ASEAN by investors thanks to its political stability, sustainable **economic growth**, abundant workforce, large market, increasing per capita income, intensive international integration, competitive incentives, plus its geographical location in the center of Southeast Asia.

Vietnam has also made efforts to improve its investment environment, since the National Assembly ratified relevant laws which are expected to create positive impact on the national economy. The Ministry of Planning and Investment has also proposed solutions related to investment promotion and incentives.

Besides, the EU-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA) are expected to open up a new period as European investors will benefit from protection mechanisms and exports to the EU will enjoy preferential tax incentives. It will be a good time for businesses from Vietnam and the EU to boost cooperation and investment.

Vietnam is home to over 32,000 projects worth USD 378 billion from 136 countries and territories. While countries in the world are still fighting against Covid-19, Vietnam has already resumed business activities normally and become one of the first nations to diversify the supply chains, said Envoy Okabe Daisuke from the Japanese Embassy in Vietnam. Foreign investors therefore are considering Vietnam a potential investment destination in the post-Covid-19 period.

A survey from the Japan External Trade Organization (JETRO) in February 2020 showed that over 63% of Japanese businesses in Vietnam plan to raise investment, the highest rate in ASEAN, informed *Vietnam Plus*.

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