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# VIETNAM BUSINESS REVIEW

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## FINANCE

### Banks raise foreign ownership ratio to improve financial strength

Vietnamese banks have been increasing their foreign ownership ratios to attract investment and improve financial strength.



According to Military Bank (MB), the Vietnam Securities Depository (VSD) had adjusted the foreign ownership ratio of MB shares from 22.9908% to 23.0224% on November 9, baodautu.vn reported.

The move was made after MB issued nearly 362 million shares to pay dividends in 2019 to increase its charter capital to nearly VND27.98 trillion (US\$1.2 billion).

Among its foreign shareholders, Dragon Capital funds Norges Bank and Amersham Industries Ltd are now the largest with ownership rates of 1.68% and 1.44%, respectively, as of June 25.

In addition, MB also plans to divide 25.6 million treasury shares with its existing shareholders from Q4 2020 to the end of Q1 2021.

Earlier, the board of directors of Techcombank approved to raise the bank's foreign ownership limit from 22.4951% to 22.5076% of its charter capital.

Lienvietpostbank has also increased the ownership ratio of foreign investors from 5.5% to nearly 10%.

Meanwhile, VietCapitalBank will consult the bank's general meeting of shareholders to authorise the board of directors to decide a new foreign ownership ratio.

Nam A Bank said it planned to sell shares to foreign investors from now to the end of this year to increase charter capital to nearly VND7 trillion through the issue of 57 million shares to pay dividends at a rate of 12.4878% and a private placement of 143 million shares. The bank said it was in the process of negotiating with foreign investors.

In mid-2020, the market also recorded the sale of 15% shares of OCB Bank to Japanese's Aozora Bank, raising the Vietnamese bank's charter capital from VND7.89 trillion to VND8.76 trillion.

Vietnam's finance and banking is still attracting foreign investors, but experts said the low ownership ratio of 30% capped for foreign investors was a barrier. VNS

### Eye-catching deals in a year of disruptions

Although share contributions and purchases have gone into a relative lull in recent times, there have still been numerous outstanding deals stealing the limelight in the market.

VIR has compiled a list of the top mergers and acquisitions deals in the 2019-2020 period, curated by the Organising Board and the Selection Panel for the Best M&A Deals.



### **Masan Consumer, VinCommerce, and VinEco**

Vingroup's VinCommerce and VinEco arms were merged into Masan Consumer Holdings, the retail consumer business of Masan Group, to establish a leading consumer retail group with a network of over 2,600 supermarkets and convenience stores in Vietnam. Masan took control while Vingroup become a minor shareholder.

The value of the deal has not been disclosed, but it may well be the largest mergers and acquisitions (M&A) deal of 2019, igniting a competitive retail

war.

### **KEB Hana Bank and BIDV**

BIDV successfully completed the sale of 603.3 million shares, equal to 15% of the bank's post-deal capital, via a private placement to KEB Hana Bank. The acquisition was completed this June.

The \$875 million deal is the biggest M&A transaction in Vietnam's banking industry, and has raised BIDV's charter capital from VND34.19 trillion (\$1.47 billion) to VND40.22 trillion (\$1.74 billion), the highest registered charter capital of any bank in the industry.

### **KKR, Temasek, and Vinhomes**

In June, Singapore's investment company Temasek Holdings and US private equity manager KKR were among a group of investors that acquired a 6% stake in Vietnamese property developer Vinhomes for VND15.1 trillion (\$650 million) from its parent company, Vingroup.

### **Stark Corporation, Thipha, and Dovina**

In April, Stark Corporation Plc. of Thailand completed the purchase of 100% equity in Tinh Phat Electric Cable JSC (Thipha Cable) and Dong Viet Non-Ferrous Metal & Plastic JSC (Dovina) for \$240 million.

The transaction was implemented by Stark Corporation's subsidiary Phelps Dodge International Co., Ltd., a leading Thai wire and cable manufacturer.

### **Sumitomo Life and Bao Viet Holdings**

Sumitomo Life Insurance Company, Japan's third-largest life insurer, spent VND4 trillion (\$173 million) purchasing over 41.4 million shares or a 4.61% stake in major Vietnamese insurance company Bao Viet. The deal was completed in December last year.

Through this move, Sumitomo Life raised its shareholding at Bao Viet from 17.48 to 22.09%, or 163.94 million shares, while the registered capital of Bao Viet increased to VND7.42 trillion (\$319.11 million). The shares subject to acquisition would not be transferable within one year from the sale.

### **Danh Khoi Holdings and Sun Frontier**

Danh Khoi Holdings is known as the real estate developer which spent trillions of dong to revitalise hibernating projects.

One notable example is the \$920 million acquisition of Japanese firm Sun Frontier, a subsidiary of Tokyo-headquartered Sun Frontier Fudousan, to officially become investor of the Sun Frontier project in the central city of Danang.

### **Aozora Bank and Orient Commercial Bank**

Japan's Aozora Bank has decided to acquire a 15% stake in Orient Commercial Bank (OCB), a local mid-sized commercial bank, in a deal worth \$139 million. This was the first M&A deal by Aozora in a foreign market since 2001 and made Aozora OCB's largest shareholder.

### **FWD Group and Vietcombank - Cardif Life Insurance**

In April, FWD Group announced it has secured regulatory approval to proceed with the previously announced acquisition of Vietcombank-Cardif Life Insurance (VCLI), a life insurance joint venture between Vietcombank and BNP Paribas Cardif. The acquisition further strengthens FWD's presence and market share in the Vietnamese insurance market and underlines the company's continued confidence in the long-term growth potential of Vietnam.

### **Investors buy into Pharmacy**

In late 2019, Pharmacy, the largest pharmaceutical retailer in Vietnam, completed the sale of 292 million bonds for VND29.2 billion (\$1.27 billion). Local investors bought 91.4% of offered bonds and foreign investors acquired the remaining 8.6%.

This capital will help Pharmacy to expand its pharmaceutical store chain with 350 units this year and the figure will increase to 1,000 stores next year.

### **Vinamilk, GTN Foods, and Moc Chau Milk**

Vinamilk officially became the parent company of GTNFoods after finalising the purchase of 79.5 million GTN shares (an additional 31.83% stake) to raise its holding to 75%. After the transaction, Vinamilk will own 51% in Moc Chau Milk, which is a subsidiary of GTNFoods. VIR

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## E-COMMERCE

### Shoppertainment the name of the game for e-commerce sites

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Ensuring the quality of products bought online has long been tricky, but commercial livestreams, e-consulting and virtual reality on e-commerce sites could change that.



*Goods are being classified at a Lazada warehouse*

Le Quynh Mai, who is an active user of popular e-commerce sites, told Việt Nam News: “I buy most of my products, especially clothing products, from livestream activities as I can see how they look on real people instead of being cheated with the products on a picture.”

Mai said she had previously bought clothes that were totally different from how they were presented on websites so she no longer believed in the photos.

As an online seller on Shopee for the last three years, Nguyen My Binh, who sells contact lens said: “There are more and more sellers on e-commerce sites, I must spend more on virtual tools, but I have more customers.”

According to e-commerce reports in 2019 by Google and Temasek, with an average growth rate of 38%, Vietnam's e-commerce sector reached a value of US\$12 billion and the scale of local e-commerce could reach \$43 billion by 2025.

"At that time, the level of competition will be even more fierce," said Binh.

"Sellers will not only need to spend on promotion but also on improving their sales skills and providing a more interesting platform to attract customers.”

On the occasion of the Chinese Singles Day, which falls on November 11 every year, Nguyen Thi Thuy Hang, Chief Marketing Officer, Lazada Vietnam told Việt Nam News: “Lazada has hosted thousands of livestream episodes, attracting more than 1 million viewers a day on some special days.”

According to the report from regional research firm iPrice Group, Southeast Asia entered the era of 'shoppertainment', a form of shopping combined with entertainment, last year. Due to the COVID-19 pandemic, iPrice said local e-commerce sites were increasing livestream and gaming activities on mobile apps to increase consumer engagement during social distancing.

In Vietnam, according to the firm, shoppertainment was launched in Tiki with TikiLive, Shopee with Shopee Feed, Sendo with SenLive and Lazada with Lazlive.

As a pioneering e-commerce platform with shoppertainment since last March, Lazada says Lazlive offers livestream shopping, games to collect coins to redeem gifts or discount codes and music programmes to keep shoppers entertained.

Hang from Lazada said: "Consumers, especially young millennial customers, always want to experience new things so shopping in combination with various forms of entertainment is one of the important factors to influence their buying decisions on e-commerce platforms."

"In the third quarter, consumers on Lazada tended to prioritise shopping through livestreams to get more visual perspectives on products, receive direct advice from the sellers and get promotion codes for their shopping," the representative added.

Lazada said successful orders via livestream channels in Q3 increased by more than 50 times compared to the same period last year while the brands and sellers' revenue through livestream channel increased more than 420 times from the same period last year.

Similarly, with discount codes, shipping incentives, livestreams and music shows during the sale festival of November 11, local e-commerce site Tiki recorded a 50% increase in sales compared to the last sale festival of October 10 and three times higher than the same festival last year.

A Tiki representative said: "We are extremely excited with the initial positive results of the 11/11 this year."

According to a newly published report from Google, Temasek and Brain & Company, the size of Vietnam's e-commerce market in 2020 will reach \$7 billion, up 46% compared to 2019.

Last month, Google also released a report called 'Vietnam's Search for Tomorrow', saying: "With 68 million internet users, Vietnam's internet economy is the second fastest-growing in the region, increasing 39% annually since 2015."

The report said the trajectory was set to continue, with the Government's drive toward 100% smartphone penetration through the support of low-cost smartphone production and one of the cheapest data packages in the region.

In terms of online shopping, the report stressed the shopping journey has evolved significantly due to increased internet access and COVID-19, and 83% of Vietnamese now spend more time researching products online before making a purchase. VNS

## **Vietnam e-commerce expected to see boom**

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Despite Covid-19, online shopping in Vietnam has been growing steadily. Analysts believe that online sales will soar in the last months of the year.

Reports show that even in the months with lowest growth rates, e-commerce turnover in Vietnam in 2020 was still higher than last year. Meanwhile, e-commerce platforms are expecting to see a sale boom on November 11, December 12, and Black Friday.

Criteo cited statistics as reporting that online shopping power decreased in mid-March, but increased again in the next months and has been growing steadily since then.

This showed that Covid-19 had certain impact on the online retail market, especially in the social distancing period, but the purchasing power bounced back later.

The representative of an e-commerce site in top 3 in Vietnam told VietNamNet that Covid-19 caused the growth to slow down, but the purchasing power is still higher than last year.

On November 1, MoMo joined forces with retailers to launch a series of sale promotion programs with attractive discounts. The e-wallet said within 16 hours, the event attracted 1.2 million users and 2.6 million orders were made.

Prior to that, during the October 10 campaign, Tiki saw sales increasing by 30 percent compared from the September 9 campaign, which got the highest revenue in the last 10 years of the marketplace. The revenue was 3.5 times higher and the number of products sold was 2.5 times higher than the same period last year.

Explaining the explosion in year-end shopping, Ngo Hoang Gia Khanh from Tiki attributes it to the recovery of the economy after Covid-19.

Criteo predicted that the peak of this year's shopping would fall on November 11 and December 12, no matter how the epidemic goes.

The products bought mostly both on ordinary days and during sale promotion campaigns are electronics, mobile phones, computers, fashion and make-up. If the epidemic becomes worse, some sectors such as storable food and household-use products would see higher growth, according to Steven Nguyen from Criteo.

Slashing selling prices, extending warranty time, giving gifts, and offering exclusive products are the methods retailers are mostly using to lure buyers.

The efforts by retailers and marketplaces, plus the high demand in year-end sale season, all are believed to lead to a shopping boom in the time to come.

According to Criteo, Singles Day (11/11) in 2019 witnessed a growth rate of 414 percent in online shopping sales and a growth rate of 273 percent in retail traffic in Southeast Asia compared with ordinary days.

In Vietnam, the sales and retail traffic increased by 117 percent and 55 percent, respectively.

Encouraged by sales on Singles Day, marketplaces have thought of events for other double days, including 7/7 (July 7), 8/8, 9/9 and 10/10.

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## ENERGY

### Wind power: Ministry wants to extend FIT policy

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Following a proposal by 10 provinces, the Ministry of Investment and Trade (MOIT) wants to extend the deadline for FIT (Feed in Tariff) application because many wind power projects cannot become operational prior to the given date.

MOIT is consulting with relevant ministries and branches on its draft report to the Prime Minister on solutions to settle the problems of wind power projects.

On September 10, 2018, the Prime Minister released Decision 39 on wind power prices (not including VAT). EVN buys electricity from in-land wind power projects at VND1,927 per kwh (8.5 US cent), while the price of VND2.223 per kwh (9.8 cent) is applied to offshore wind power projects.

These prices are applied to a part of or the entire plants which become operational before November 1, 2021, and will be valid for 20 years from the day of operation.

As of September 2020, the total wind power capacity of the plants in the national electricity development plan had reached 11,600 MW. Of these, 65 projects had signed contracts on selling electricity to EVN with total capacity of 2,905 MW. However, only 12 projects had generated electricity with total capacity of 470 MW.

MOIT has received reports from the people's committees of 10 provinces where there are large wind power projects, requesting the ministry to propose to the Prime Minister to extend the application of FIT mechanism shown in Decree 39 for projects to be put into commercial operation by 2022-2023.

The problems in applying the Planning Law and the impact of Covid-19 which interrupted the equipment supply led to a prolonged execution period and increase in installation costs for offshore projects.

According to MOIT, by the end of September 2020, of 11,600 MW of wind power approved, nearly 470 MW had become operational and 2,905 MW had signed electricity sale contracts (likely to become operational in 2021).

As such, about 8,700 MW (including the newly approved capacity) are likely not to be able to become operational prior to November 1, 2021.

MOIT thinks that it would be better to extend the FIT mechanism stipulated in Decision 39 in order to mobilize wind power sources for the electricity generation system.

The wind power prices are expected to decrease gradually from November 1, 2021: 7.02 cents per kwh for onshore wind power projects to become operational in the period from November 2021 to December 2022 and 6.81 cents per kwh for the projects in 2023. As for offshore wind power, the prices would be 8.47 cents and 8.21 cents per kwh, respectively.

MOIT is joining forces with relevant ministries to devise a bidding mechanism for wind power projects.

## Will wind, solar power replace traditional power?

Both 'dirty energy' (coal-fired thermopower and hydropower) and 'clean energy' (wind and solar power) have advantages and disadvantages.

"The current electricity system is now quite different," said Doan Cong Duc, director of PV Power Ca Mau's two gas-fired thermopower plants with the capacity of 750 MW each. He is referring to the appearance of wind and solar power plants in the last two years.



*Solar and wind power is the 'energy of the future' because it is 'clean' and doesn't pollute the environment. However, one problem exists: heavy rains or typhoons will lead to the interruption of electricity generation, up to thousands of MW within a short period.*

Solar and wind power is the 'energy of the future' because it is 'clean' and doesn't pollute the environment. However, one problem exists: heavy rains or typhoons will lead to the interruption of electricity generation, up to thousands of MW within a short period.

Using oil to generate electricity at the two Ca Mau power plants was implemented only in rush hours.

However, this has become more regular for the plants. When solar

and wind power systems unexpectedly 'shut down', plants like Ca Mau will have to generate electricity to offset the electricity output lost because of the shutdown.

"Hydropower plants are running at full capacity, so the plants like ours have to offset the electricity outage by running with oil," he explained. "The running with oil just lasts several hours before switching to run with gas."

According to Duc, the two power plants have been alternately running with oil and gas since October 24, and everything has been going smoothly.

However, in order to ensure the electricity generation capacity, the functions of the system need to be examined to ensure the operation capability once every three months.

The two power plants have been running with oil many times and the electricity output generated by firing oil has reached 130 million kwh, higher than initially planned. For Ca Mau Fertilizer Plant, oil-fired electricity costs twice as much as gas-fired (VND2,200-2,500 per kwh).

Energy experts have talked about the 'volatility' of solar and wind power. The Electricity Regulatory Authority (A0) has shown diagrams about the fluctuations of the solar power supply. Just one cloud is enough to lead to an interruption of electricity generation, and other sources of electricity must be mobilized to ensure a stable electricity supply.

Environmentalists have recently organized propaganda campaigns calling on to eliminate 'dirty energy'.

However, many energy experts pointed out that solar and wind won't be able to completely replace traditional power. When storms come, blades will have to stop, or they will cause problems to power poles.

### **Balancing power sources**

Do Duc Quan, deputy director of the Department of Electricity and Renewable Energy, said that just within two years, the number of solar power projects put into operation has increased from several projects to 100 with the capacity increasing from hundreds of MW to 5,829 MW.

With the boom, solar power now accounts for 9 percent of total capacity of the total power system instead of 1 percent as seen previously.

Experts predict that the figures will increase rapidly in the time to come as more projects have been licensed.

To date, 187 wind power projects with the total capacity of 11,687 MW and 137 solar power projects with total capacity of 13,618 MW has been added to the national power development plan.

At least 312 wind power projects with total capacity of 78,035 MW and 331 solar projects with total capacity of 36,581 MW are being proposed.

A report of the National Assembly's Economics Committee on solutions to electricity development by 2030 pointed out that the electricity system integrates a large number of unstable power sources such as wind and solar power.

It is necessary to build backup power sources, which will lead to an increase in investment for the system.

Meanwhile, the electricity transmission projects to help release the capacity of wind and solar power projects in some localities have been going slowly.

According to the Economics Committee, the electricity prices from renewable power sources are higher than from traditional power sources (thermopower and large-scale hydropower).

Electricity of Vietnam (EVN) has been assigned by the State to buy all the electricity output from renewable power projects at prices set by the State.

Once the proportion of renewable power is higher, the average electricity production cost will be higher. As such, each power source has both advantages and disadvantages.

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## RETAIL

### Retailers rush to expand market share

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The race for domestic retail market share was heating up as local and foreign firms looked to expand their networks, experts said.

At a recent meeting in HCM City, Truong Cong Thang, general director of VinCommerce Company, told partners that the retailer wanted to open nearly 10,000 stores and more than 300 Vinmart supermarkets in the next five years.

In addition, the company also plans to attract 100 strategic partners with an ambition to lead the Vietnamese retail market. The company's financial report showed that in the first nine months of the year, revenue reached 23.6 trillion VND, posting a 56.5% year-on-year increase.

Meanwhile, Saigon Co.op is looking at expanding its network to at least 2,000 stores and annual average revenue growth of 8-10% in the next five years.

It has already opened 849 stores in 43 provinces and cities that attract 350,000 customers a day, up 26% compared to five years ago.

Another leading retailer in HCM City, Satra, said that they targeted to have five Satramart supermarkets and four malls by 2025, and depending on the market situation, 150-250 Satra branded stores.

Local retail giants are looking to expand their market share in the face of fierce competition from big foreign investors such as Aeon, Lotte, Big C and Mega Market.

The latest example is in October 2020, Japan's largest retailer cosmetics chain Matsumoto Kiyoshi opened its first store in HCM City.

In July 2020, leading Japanese retailer Muji also opened a store in HCM City. Japanese fashion retailer Uniqlo, launched its first store last year.

Japanese retailer Aeon is also surveying a third shopping mall in HCM City in 2021, and plans to have 25 shopping malls in Vietnam by 2025 with a capital source of 2 billion USD for the investment.

Hirai Shinji, chief representative of JETRO HCM City (Japan External Trade Organisation) was quoted as saying by Thoi bao Kinh Doanh that after the COVID-19 pandemic and the market was gradually recovering, it was a favourable time for Japanese retail groups to open in Vietnam.

This would lead to fiercer competition, the experts said.

It was also important to note the efforts of domestic retailers to expand their systems into neighbouring areas of big cities, as urbanisation and incomes in these areas had been increasing.

Experts said that although retail sales were concentrated in major cities and key economic regions, with the high speed of urbanisation, these areas would become the driving force for growth instead of existing big cities.

As a result, many domestic retailers had been gradually expanding to areas surrounding the big cities. The evidence is quite clear from data showing that suburban stores brought in more revenue with higher growth than inner cities.

According to retail expert Nguyen Van Thinh, the number of supermarkets in 2020 had been decreased by 20% compared to 2019 - from 336 to 330. This decrease mainly came from Vinmart.

Meanwhile, the number of convenience stores has marked a growth of 60% - from 2,495 in 2019 to 5,228 stores in 2020. This came from Vinmart and Bach Hoa Xanh.

Small stores recorded a slight increase in 2020, while shopping centres posted a growth rate of about 11% from 96 centres in 2019 to 107 in 2020.

Thinh said that although there were many changes in 2020, Vietnam was still one of the most attractive retail markets in the world, and competition in the market was becoming more and more intense.

For some brands, it was an increase in the number of stores, others had to face restructuring, he said./.VNS

## Retail spaces left empty as shops go online

Although Vietnam has managed to effectively contain the Covid-19 outbreak, many unsuccessful shops have shut down, as retailers have opted to go online to reduce operation costs, with the trend expected to grow further in the coming time.



*Many retailers have gone online, leaving retail spaces empty*

According to the latest report by Savills Vietnam, HCMC has seen a soaring number of retail spaces at street houses for lease, while the rate of occupancy has been slowing down. Many spaces at key business streets such as Ho Tung Mau, Ngo Duc Ke, Le Loi and Pham Ngu Lao in District 1 also remain unoccupied.

Customers in the food & beverage and fashion sectors have reduced leasing spaces and even returned premises to owners to cut operation costs. Data of the HCMC Department of Statistics showed

that revenue from the food & beverage service segment in the January-September period slumped by 39% compared with the same period last year.

Meanwhile, the booming e-commerce segment has continued adversely impacting traditional retail revenue.

Nielsen in July announced that 64% of consumers would keep using delivery services, while 63% would opt for online shopping. The number of online shoppers accessing e-commerce websites would surge in the future.

Vo Khanh Trang, head of the research department of Savills Vietnam, said that the challenges facing the street house segment could be due to the positivity of owners, who had believed in a market recovery and decided to keep rentals intact.

Meanwhile, businesses have continued closing shops, reducing store sizes or shifting their operations online. At locations that suffer lower footfall and depend largely on tourists, retailers have decided to leave although their owners accepted cutting rents in the short term.

New customers in the segment remain relatively cautious and the situation is likely to stay the same in the time to come. However, traditional retail activities may revive as important festivals and the traditional Lunar New Year holidays are approaching, said the Savills representative.

Meanwhile, shopping centers fared better as they saw a milder impact from the two Covid-19 outbreaks in the January-September period. In the third quarter, the occupancy rate dropped 1% compared with the last quarter of 2019, but it remained high at 95%. The average rental remained almost unchanged.

The control over the second wave of the Covid-19 pandemic and high occupancy rate helped strengthen market confidence, noted Trang of Savills.

## **Vietnam's biggest pharmacy to double stores to 1,000 by 2021**

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Pharmacy founder reveals aggressive plan to fend off rivals Vingroup and FPT.

Convening at a Vietnam beach resort in 2018, Pharmacy founder Chris Blank and his colleagues hatched a plan to mark the company's upcoming 10-year anniversary: Open their 1,000th drugstore in the country.

If it reaches that marker in 2021, Pharmacy, the country's largest pharmacy chain, will have roughly doubled the number of stores it now has. After that, the goal is for 90% of Vietnamese to be within a 10-minute motorbike drive of a Pharmacy, Blank told Nikkei Asia, setting his sights on the fastest-growing health care market in Asia.

Health care spending is expected to rise significantly, thanks to the communist country's burgeoning middle class, as well as COVID-19 concerns, according to consultancy Dezan Shira & Associates. As small family-run pharmacies are edged out by new chains, Pharmacy is aiming to become a leader of the market. The \$7 billion pharmacy sector is still dominated by roughly 57,000 mom-and-pop stores.



*Pharmacy has approximately 500 drugstores, making the company the biggest of its kind in Vietnam*

"A venture is not worth doing unless you can become the elephant," Blank said in an interview at his Ho Chi Minh City home where bay windows open to a panorama of the downtown skyline.

Key to expansion are Pharmacy's new distribution hubs, one east of Ho Chi Minh City that began operation this summer, and another due to open in Hanoi. The company plans to hold a new round of fundraising after it burned through \$31.8 million, raised in early 2020, to invest in distribution and to multiply its store count.

Vietnam is the only major Southeast Asian economy where consumer spending will have risen in 2020, by an annualized 3.3%, according to Fitch Solutions data seen by Nikkei. Much of that will be health-related.

"In terms of growth rates, health spending in Vietnam is outperforming the region," Fitch Solutions food and drink analyst Brice Dunlop told Nikkei. "Between 2020 and 2024, we expect health spending in Vietnam to grow by an average of 10.9% a year, compared with the 6.2% annual average for" all of Asia.

Pharmacy is not the only company to see the potential. The growth in the country's health care expenditure has also attracted foreign investors such as Japan's Matsumotokiyoshi, which opened its first drugstore in Vietnam in October.

Increasingly, Vietnam's pharmacy market is growing beyond domestic chains like Long Chau, which is operated by FPT, a software maker that is expanding its retail business, and Phano, which focuses on selling medicine and vitamins.

Pharmacies are also stocking a wider range of local and foreign-branded products. Apart from drugs, Pharmacy and Medicare sell cosmetics, beverages, toothpaste, among other items. Hong Kong's Watsons and Singapore's Guardian have also entered Vietnam with similar offerings.

For now, Pharmacy's key rivals are Long Chau's 100 stores, Medicare's 90, and Phano's 60, according to local sources. But supermarkets and 24-hour stores are also joining the market. VinMart+, for example, has drug counters for Vingroup's VinFa in its convenience stores. Blank appears unruffled by the competitive threat of big-name rivals like FPT and Vingroup, the largest conglomerate in Vietnam.

Pharmacy said it gives manufacturers a single point of contact to sell products at hundreds of retail outlets. The company uses its economy of scale to source products in bulk and has a database of 3.5 million people in its loyalty program.

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## LOGISTICS

### Vietnam, Singapore PMs launch Asean Smart Logistics Network

Vietnamese Prime Minister Nguyen Xuan Phuc and Singaporean Prime Minister Lee Hsien Loong launched the ASEAN Smart Logistics Network on Saturday.

The Vinh Phuc inland container depot and logistics centre was granted an investment licence the same day.



*Vietnamese Prime Minister Nguyen Xuan Phuc (centre), and other delegates press the button to launch First centre of Asean Smart Logistics Network from Ha Noi.*

The project, located in the northern province of Vinh Phuc, has been developed by Vietnam's T&T Group and Singapore's YCH Group. It is expected to be one of the largest logistic centres in the north of Vietnam with funding of more than \$163 million.

"This is a meaningful project, and it's a manifestation of a cohesive and responsive ASEAN," said Prime Minister Phúc.

Speaking at the launch ceremony, Singaporean PM Lee said the superport was the largest logistics project launched

by a Singaporean company in Việt Nam.

It would provide crucial infrastructure support for Việt Nam's growing exports, while contributing to Industry 4.0 and the country's human resource development goals.

"The superport will be one of our flagship B2B projects under the ASEAN smart logistics network initiative. It will strengthen logistics and supply chain connectivity in the region, and explore technology to the fullest," he said.

It will complement ASEAN economic integration efforts and fit in with existing initiatives like the master plan on ASEAN connectivity 2025, the ASEAN Smart Cities network, and the initiative for ASEAN integration.

Lee said Singapore and Vietnam enjoyed strong and thriving business links.

"Singapore was the top ASEAN investor in Vietnam last year, with bilateral trade increasing almost 10% year-on-year," he said.

Robert Yap, chairman of YCH Group Singapore, said the project was a multi-model transportation effort connecting railways, roads and air travel. It also linked road and air connections between China's Yunan City with Hanoi and Hai Phong International Port in Vietnam.

The Vinh Phuc ICD Logistics Centre will provide logistical services at an international level, bringing down costs over the next five to 15 years while connecting ASEAN markets with the rest of the world.

Le Duy Thanh, chairman of Vinh Phuc Province's People's Committee, said: "Once the project is put into operation, it will help enterprises improve competitiveness, shorten transportation times and reduce costs, opening opportunities for not only Vinh Phúc but also ASEAN countries."

"The centre is located on 87ha in Binh Xuyen District. It is the connecting point of 20 industrial parks in the province and neighbouring localities," he told Vietnam News. — VNS

## Vietjet and UPS start joint cargo service between Asia and US

Tie-up marks budget airline's shift to trade as COVID grounds tourism



Vietnam's Vietjet and UPS, the world's biggest package delivery company, announced on Friday the start of joint operations to fly cargo between Asia and the U.S.

The budget airline and U.S.-based UPS in September began pooling garments, seafood, medical goods and other products from Vietnam,

Thailand and neighboring countries, shipping them from Hanoi to the U.S. on weekly flights via Incheon, South Korea.

The companies also collaborated on deliveries between Bangkok, Kuala Lumpur, Hanoi and Ho Chi Minh City.

Like other airlines during the pandemic, Vietjet has suffered from low demand. Vietnam welcomed 3.8 million travelers in the first nine months of 2020, down 70.6% from the same period last year, according to the state General Statistics Office.

The airline halted most cross-border service, operating only 15,000 flights in the third quarter, mainly within Vietnam and Thailand -- down from 34,000 flights across 12 Asian countries in the third quarter of 2019. It posted a loss of 926 billion dong (\$40 million) in air travel in the third quarter of 2020, versus a loss of 1.1 trillion dong in the second quarter.

But the company's fortunes are looking up. "Vietjet has been one of the first airlines in Asia to navigate toward air cargo as part of a new business strategy unfolding in response to the pandemic," said Do Xuan Quang, CEO of the company's cargo operations, in a statement.

The airline was among the first to use excess space in passenger cabins to carry cargo for flights between Vietnam and Japan, South Korea, China, Hong Kong, Thailand, Malaysia and Indonesia. The recent tie-up with UPS will likely see it expand its cargo business.

Over the past decade, Vietnam has had one of the world's highest growth rates in exports, especially as technology supply chains have started shifting away from China.

Before this year, China's rising costs and its ongoing trade war with the U.S. were gradually forcing companies into Vietnam and other nearby countries. But Vietnam has an edge, thanks to a long coastline along shipping lanes, the predictability of a one-party state, and a track record of more successful trade deals than its Southeast Asian peers.

The pandemic has further helped the nation along, as disrupted supply chains nudge businesses to diversify beyond China.

"The cooperation with UPS paves the way for Vietjet to make Hanoi, Ho Chi Minh City and Bangkok regional logistics hubs for one-stop-shop cargo transportation services from Asia to Western destinations," Vietjet's Quang stressed.

Vietnam feared the coronavirus would shatter the global trade that underpins its economy. Instead, it wound up enjoying an export windfall as countries in the West bought work-from-home products and Asian rivals locked down their economies.

Vietnam "is poised to benefit from shifts in global manufacturing and trade flows," said UPS Vietnam and Thailand Managing Director Russell Reed.

The pandemic posed an early threat to international cargo after airlines slashed passenger flights, which exporters also relied upon to carry goods. At the same time, a surge in marine cargo demand triggered a shortage of containers, with exporters like Hai Nam, one of Vietnam's biggest seafood exporters, saying they could not secure containers. The partnership with UPS and Vietjet marks an attempt for the logistics industry to recalibrate amid the pandemic.

Vietnam targeted gross domestic product to grow 2.0%-2.5% in 2020, which could be the year's highest for a large economy. As exports surge, VinaCapital -- the largest investment manager in Vietnam -- estimates the country's trade surplus could hit a record 9% of GDP in the year through October, matching the surplus seen in China at its peak.

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## INVESTMENT

### Foreign investors increasingly drawn to VN education sector

According to the General Statistics Office, foreign investment as of October 20 was US\$23.48 billion, equivalent to less than 81% of the figure for the same period last year. Most sectors saw big declines due to impacts of the Covid-19 pandemic, but the education sector stood out.

The Ministry of Planning and Investment's foreign investment department said as of September 20 FDI in the sector was up nearly 58% to US\$78.9 million.



*The Ministry of Planning and Investment's foreign investment department said as of September 20 FDI in the education sector was up nearly 58% to US\$78.9 million*

Schools offering all levels of education from early childhood to tertiary attracted the most FDI of around \$5.28 million, or nearly 35% of all new FDI coming into the sector.

The British Virgin Islands, South Korea, the US, and Singapore were the biggest investors in the sector, with the British Virgin Islands ranking top with \$23.68 million.

Diamond Crest Global Limited of the British Virgin Islands was the biggest investor, putting in \$17.6 million in Hanoi-based international education establishment, Thien Huong.

What accounts for this interest in the Vietnamese education sector among foreign investors?

According to David Ireland of Navis Capital, many investment funds are interested in this sector because Vietnam has in recent years achieved the highest GDP growth rate in Southeast Asia and has a young population and thus high spending on education.

#### Market room

A plan to develop the country's universities and junior colleges in 2006-20 approved by the Prime Minister targets having 30-40% of students at private higher education establishments by 2020. But the current rate is only 14%.

As of last year there were only five foreign-invested universities in the country in addition to 68 private universities and 170 state-owned ones. Non-state education at all levels makes up just 7%, and accounts for 6% of the total number of students.

However, public schools and universities have failed to meet the growing demand.

The number of students who want to study abroad continues to increase year after year as many hope to get international certificates to get jobs at international companies.

The demand for international standard education from the expatriate community is steadily increasing.

According to the Ministry of Labour, Invalid and Social Affairs, since 2013 the number of foreigners licensed to work in the country has been growing at 4.2% annually.

This means the education sector is in great need of all-level schools with competitive tuition fees that can offer quality education and, most importantly, grant international certificates that are accepted by major companies, especially foreign ones.

So, Vietnam's education market remains a promising one for foreign investors.

### **Policy and development**

The Higher Education Law was amended to include many new provisions like giving greater autonomy to universities, including financial.

The move has created more opportunities for non-State players, including foreign, to be involved in the education sector.

Analysts said foreign investment in the education sector remains modest compared to the market's potential, accounting for less than 2% of total FDI.

The main barriers to foreign investors' entry into the education sector are minimum requirements in terms of capital and personnel and complex procedures.

They need an investment amount of at least VND1 trillion (over \$44 million) to set up a tertiary education institution, while a campus of a foreign-invested university is required to have minimum capital of VND250 billion.

Experts believe however that these barriers can no longer prevent foreign investors from entering the education sector since recent policy changes have created more favourable conditions for them, making them feel more secure about investing in the sector.

They point to Decree No 86/2018/NĐ-CP on foreign cooperation and investment in education, for instance.

It replaced Decree 73 and applies to foreign co-operation and investment activities in education from early childhood and primary, secondary, and tertiary levels. It increases the rate of students at foreign-invested education establishments from the earlier maximum of 10% to 50%.

Thanks to this, international schools have seen and will continue to see a sharp increase in the number of applications.

Joshua James of EuroCham told Vietnam Investment Review newspaper that foreign investment in Vietnam's education sector would continue to rise from now on since the country's profile has risen significantly thanks to its success in combating Covid-19.

The country's growing young population and its great efforts to achieve high economic growth also make its education market attractive, he said.

## Toyota Tsusho acquires 35% of Vinaconex subsidiary

Toyota's trading arm Toyota Tsusho Corporation has scooped up a 35% stake in Northern Electricity Development & Investment JSC No.2, a subsidiary of Vinaconex.



*Toyota Tsusho acquires 35% of Vinaconex's power firm*

At an extraordinary general meeting of shareholders, Northern Electricity Development and Investment JSC No. 2 (ND2) were greenlighted to transfer 35% stake, equivalent to 17.5 million shares, to Toyota Tsusho. The company's shareholders also approved adjusting the business lines, including electricity production, construction of electricity projects.

ND2 is operating in the electricity industry. The company's major undertakings include the development and management of the

72MW Ngoi Phat hydropower plant in Lao Cai province, the electricity output of which is directly transmitted into the national grid system.

Besides, ND2 is engaged in the development of other hydropower projects in the northern region of Vietnam, such as the Chu Linh-Coc San project, Su Pan project, and Ta Thang project. Apart from power plant management, ND2 partakes in the real estate business, with the investment in and the operation of Thuy Hoa Commercial Urban Area in Lao Cai province.

Meanwhile, Toyota Tsusho was established in 1948 in Japan. This is a general trading company belonging to Toyota Group, Japan's largest automaker. Toyota Tsusho's main businesses include auto trading, mining, logistics, machinery, energy, chemicals and electronics, food and consumer services.

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## **SEIKO IDEAS - 14<sup>th</sup> Anniversary**

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