Highlight

Consumer finance companies remain attractive acquisition targets

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What's in it today?

FINANCE

Diversifying local consumer finance

Consumer finance companies in Vietnam are seeking new approaches to diversify their funding sources and their indirect loan portfolios, as well as lower credit and liquidity risks despite the lingering pandemic and tightening regulations.

For the first time in a decade, Vietnam's consumer finance market saw a single-digit growth rate

FE Credit, the biggest consumer finance player in Vietnam and a subsidiary of VPBank, is said to be preparing for its initial public offering (IPO) in the third quarter of 2021.

VPBank's Board of Directors forecasts that a successful IPO could triple FE Credit's share price compared to the book value after the equitisation, according to brokerage SSI.

Currently, the Vietnamese market boasts 16 consumer finance companies, of which six are subsidiaries of major local lenders, including HD Saison of HDBank, SHB Finance of SHB, MCredit of MB, and Post and Telecommunication Finance Co., Ltd. (PTF) of SeABank.

Of the six, only SeABank has no plans to divest its ownership. The remainder have, or will be, selling from 49-50% of charter capital in their affiliated financial companies.

Earlier this year, the State Bank of Vietnam (SBV) approved increasing the charter capital of HD Saison. After the capital hike, HD Bank holds 50% of the stakes in the consumer finance firm while Japanese investor Credit Saison and Ho Chi Minh City Securities Company own 49 and 1%, respectively.

At the annual shareholders' meeting in June, HD Bank revealed its ambition to convert HD Saison into a joint-stock company. This is generally seen as a move laying down the groundwork for an IPO.

Previously, MB sold 50% of its capital at MCredit to Shinsei Bank from Japan, while Techcombank transferred 100% of its shares at Techcom Finance to Lotte Card of South Korea, now Lotte Finance. VPBank has reportedly been negotiating with a high-profile investor in the sale of shares of FE Credit, which is expected to be completed in the next 5-6 months.

SHB Finance, the consumer finance arm of privately-held lender SHB, inked a loan agreement with Swiss management fund ResponsAbility Investment AG in July.

The agreement with the $3.5 billion investment fund giant will offer great mutual benefits, where the Swiss fund could jump on the lucrative consumer finance bandwagon in Vietnam, and SHB Finance could enhance its operations to international standards.

"We are proud of having a team rich in experience in financial solutions and a solid banking background," Dinh Quang Huy, CEO of SHB Finance, told VIR. "With our comprehensive knowledge in the field, we believe we're evolving in sync with the burgeoning demands of the consumer finance industry."

Furthermore, the SBV's Circular No.18/2019/TT-NHNN dated November 2019 on limiting unsecured consumer-finance personal loans has exerted more pressure for all players in the field.

Cash loans have become slightly more prevalent, accounting for over 67% of the total loan portfolio in the first half of 2020. Companies are therefore coming up with new forms of indirect loans, diversifying their indirect loan portfolio, together with actively promoting credit cards.

Meanwhile, consumer finance firms have actively made a shift in their portfolio mix, providing more products to deliver better customer experiences. For instance, Mirae Asset Finance Vietnam is rolling out a special loan package focusing on beauty to address the demand of some for undergoing plastic surgery.

Besides that, Lotte Finance Vietnam is ramping up its credit card business, with cooperation with other partners such as Visa, Kookmin Bank, and IBK. During social distancing measures, FE Credit also saw a surge in credit card usage, especially for grocery and online shopping.

According to data provider FiinGroup, for the first time in a decade, the Vietnamese consumer finance market experienced a single-digit growth rate (9.2% on-year in the first half of 2020), following aggressive credit growth over the past few years. This is attributed to the dual challenge posed by the pandemic and tightening regulations on cash loans disbursement. However, despite the modest growth rate, consumer finance maintained a contribution of over 20% of the country's loan book.

"The average net interest margin (NIM) of the sector followed a downward trend, reflecting the first half of 2020 seeing a greater and more immediate impact of COVID-19 on companies' earning quality. Nonetheless, some companies such as HD Saison, Shinhan Finance, and Lotte Finance managed to increase their NIM thanks to low-cost capital mobilised from parent companies," noted FiinGroup.

Financial stocks boost markets

Shares had a good start on Monday, mainly driven by the growth of the banking and securities stock group. The benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) was up 0.73% to close at 1,064.49 points. That was its highest score since late April 2018.

The VN-Index has increased by a total of 13.8% in the six trading weeks since October 29.

Nearly 584.5 million shares were traded on the southern exchange on Monday, worth VND12.6 trillion (US$546 million).

Financial-banking stocks spearheaded the market uptrend with gainers including SSI Securities Incorporation (SSI). SSI hit the daily limit rise of 7% on Monday.

Market breadth was positive with 112 decliners and 343 gainers.

"The VN-Index increased positively from the beginning of the morning session to the end of the afternoon session and was now approaching the threshold of 1,065," said BIDV Securities Co.

"Cash flow continued to increase as all sectors rallied. Meanwhile, foreign investors turned to be net sellers on the HSX but still net bought on the HNX.

"Market breadth was in a positive status and liquidity increased compared to the previous session. According to our assessment, the VN-Index will approach around 1,070 in the next trading days," the company said.

Foreign investors net sold VND103.77 billion on HOSE. They were net buyers on the HNX with a value of VND3.17 billion.

The VN30 Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, rose 1.55% to end Monday at 1,024.28 points.

In the VN-30 basket, 28 stocks increased while one declined.

Heavyweight stocks attracted cash flow, such as Bảo Việt Holdings (BVH), PetroVietnam Gas JSC (GAS), Hoà Phát Group (HPG), Vingroup (VIC), Vinamilk (VNM), Vietjet (VJC), Vietnam National Petroleum Group (PLX), Vincom Retail (VRE), Vinhomes (VHM) and Mobile World Group (MWG).

Financial-banking stocks spearheaded the market uptrend with gainers of SSI Securities Incorporation (SSI), VNDirect Securities Co (VND), Vietinbank (CTG), VPBank (VPB), Techcombank (TCB), Tien Phong Bank (TPB), HDBank (HDB), Military Bank (MBB), Asia Commercial Bank (ACB) and Bank for Investment and Development of Vietnam (BID).

As many as 23 out of 25 sectors on the stock market gained ground, including real estate, information and technology, healthcare, energy, agriculture and food and beverage, rubber production wholesale, retail, insurance, banking, securities and logistics.

Their indices rose between 0.08% and 5.9%, according to vietstock.vn.

On the Hanoi Stock Exchange, the HNX-Index rose 2.11% to close Monday at 165.74 points.

Nearly 93.4 million shares were traded on the exchange, worth VND1.5 trillion. — VNS

Consumer finance companies remain attractive acquisition targets

A spokesperson for FE Credit Consumer Finance Company said the Covid-19 pandemic had somewhat affected the company's business but the price of its stock would not change thanks to its advantages and the market's great potential. He said the deal would be completed in 2021.

At its annual general meeting this year, VPBank, the parent company, announced plans to sell stakes in FE Credit to foreign investors

At its annual general meeting this year, VPBank, the parent company, announced plans to sell stakes in FE Credit to foreign investors.

It is still in negotiations with them and believes it will identify a sound investor since FE Credit is one of the most attractive consumer finance companies in the Vietnamese market.

Analysts said the pandemic might delay finance companies' stock deals but would not force their prices down.

They said the Vietnamese consumer finance market had enormous potential but since licences to establish a company were very difficult to get, buying stakes in existing companies or acquiring an ailing institution is the best option for investors.

Vietnam currently has 16 finance companies, including six fully foreign owned ones.

The profitability of most consumer finance companies is high.

Finance and financial leasing companies had the highest rates of return on assets and return on equity in 2019 of 3.02% and 13.83%, or 15-25% higher than banks' rates.

Because of this, foreign investors, especially from Japan and South Korea, are keen to enter this market.

In a statement to its investors, South Korean credit issuer Hyundai Card said Vietnam is one of the world's fastest growing markets. Its market for personal loans is currently growing at an annual rate of 60%, with the number of credit card holders surging 27% in 2019 to 7.4 million.

Opportunities for investors

Since the beginning of this year many banks have said they are looking to sell stakes in their finance companies to foreign or domestic investors.

SHB has decided to offload stakes in SHB Finance Company to strategic foreign partners.

The management of Maritime Joint Stock Commercial Bank announced it was taking the necessary steps for selling a 50% stake in its subsidiary, consumer finance firm FCCOM, to Hyundai Card.

It submitted the proposal to the State Bank of Vietnam for approval in late 2019.

Vietinbank approved a plan to sell 49% of Vietinbank Leasing Company Limited to Japan's Mitsubishi UFJ Lease & Finance Co. Ltd, and 1% to a domestic investor.

It also plans to convert the leasing company's legal status to a limited liability company with two or more members from the current single-member limited liability company.

Interestingly, many Vietnamese investors including banks are keen on acquiring consumer finance firms.

At its 2019 annual general meeting, Tien Phong Commercial Joint Stock Bank (TPBank) laid out a proposal to acquire a 100% stake in a finance company, saying it would enable the bank to achieve its targets.

The Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank), Asia Commercial Joint Stock Bank (ACB), Orient Commercial Joint Stock Bank (OCB), and others too are keen to enter the market.

Analysts said the Covid-19 outbreak had delayed things, but normal consumer finance M&A activities would resume soon since these companies are always attractive targets. It then begs the question: ***Why are many banks seeking to sell stakes in their finance companies?***

One of the main reasons is that these deals offer them access to funds, according to experts.

Besides, professional and experienced foreign investors with established names help improve management and technology of the companies they acquire, and build their brand names.

The SHB management concurred with this saying the funds foreign partners bring, their experience and management ability, modern and professional distribution channels, and advanced technologies could help SHBFC grow its consumer loan market share.

SHB owns 100% of SHBFC, which has charter capital of VND1 trillion (US$42.6 million). VNS

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E-COMMERCE

Managing Director of Shopee Vietnam: Empowering sellers in their journey on e-commerce

The ongoing pandemic has affected every aspect of people's lives: from places they can go, the way they spend their time, to the way they spend their money. These changes have resulted in an accelerated adoption of e-commerce, with the upward trend in online shopping set to continue as more Vietnamese become reliant on the sector for their everyday needs. This has spurred e-commerce platforms such as Shopee, the leading e-commerce platform in Southeast Asia and Taiwan, to step up on their efforts to help sellers transition seamlessly online.

Tran Tuan Anh, Managing Director of Shopee Vietnam

Tran Tuan Anh, Managing Director of Shopee Vietnam outlines how the e-commerce landscape has evolved throughout 2020 and how Shopee has adapted to these changes to empower sellers, especially at its biggest annual sale, the Shopee 12.12 Birthday Sale.

December marks a milestone for Shopee with this year being its fifth birthday. Over the five years, what changes have you seen in e-commerce in Vietnam, especially during this year when the Covid-19 pandemic has impacted our lives? How has Shopee adapted to the recent developments?

Since Shopee started in 2015, we have grown from strength to strength. We are fortunate to be in a position to lead the e-commerce transformation and growth in Southeast Asia and Taiwan. Over the past 5 years, we have noticed the three key trends which have shaped and will continue to drive the growth of e-commerce: Social, Personalisation, and Integration.

First, today's users are more social than ever and they demand a more meaningful, engaging and entertaining online shopping experience with rich and unique content. Online shopping is now more than just a transactional experience. Consumers want to be entertained, informed and connect with one another. Shopee has continuously improved on its in-app engagement features over the past five years to make the online shopping experience more social. As a result, the average time spent by a user in-app has consistently increased year-on-year.

Second, personalisation is critical in the e-commerce of today. As brands increasingly grow their online presence and consumers spend more time shopping online, it is easy to become overwhelmed by choices, which negatively impacts the customer experience. A highly personalised experience will make online shopping more enjoyable and unique for consumers, while helping brands and sellers drive increased traffic and growth. Shopee also continually refines our recommendation engines to offer more customised and relevant shopping suggestions, promotions and push notifications made to fit consumers' needs.

Last but not least, with 2020 being a year of accelerated digitalisation, businesses large and small had to quickly implement digital strategies to continue reaching customers amidst the lockdowns. While e-commerce adoption has grown steadily over the past few months and will likely continue to do so, spending time at shopping malls remains a popular pastime for consumers in the region. Brands will need to be able to provide truly seamless online-to-offline experience, ensuring that each touchpoint enhances the overall customer journey. Shopee has also enhanced its features to replicate the offline shopping experience. This includes providing an integrated payments and logistics ecosystem which allows users to enjoy a fuss-free and seamless check-out experience, as well as engagement features such as Shopee Live Chat, to enable conversations between buyers and sellers in real-time.

As the Covid-19 pandemic has led to big shifts across Southeast Asia, we are fortunate to be at the forefront of this transformation in our region, and want to continue creating new livelihoods for local sellers and entrepreneurs, new ways for people to shop and connect, and new paths to success for businesses. Shopee will continue to strengthen our efforts to ensure that the benefits and opportunities of e-commerce are shared with everyone.

E-commerce has become the main distribution channel in Vietnam following the COVID-19 outbreak. What has Shopee done to help sellers digitise?

The growth of e-commerce in Southeast Asia and Taiwan has created new opportunities for sellers, small and medium enterprises (SMEs), and brands. This trend is reflected on Shopee, as the number of sellers on the platform increased by 60 per cent year-on-year in the second quarter.

As the market leader, Shopee is in a strong position to connect people and businesses, promote digital inclusion, and power the next wave of growth. We empower our region's online sellers and entrepreneurs by catering to the rich and diverse pool of businesses in our region, setting up both new and experienced sellers for long-term success.

Shopee introduced Shopee University, a platform that offers educational support for all sellers to start and scale their online business effectively. It offers in-depth training modules across a range of topics, including marketing, operations, and data analytics to help sellers at all stages of the e-commerce journey. This year, Shopee made it even easier for sellers to upskill themselves by digitalising its Shopee University curriculum and launching its online Seller Education Hub, allowing sellers to learn and upgrade at any time. We have also partnered with VPBank to organise training programmes for sellers such as the Small-business Academy.

In April, we introduced our Seller Support Package to help local businesses tide through the effects of a global pandemic. The package successfully helped local sellers and SMEs, including those with no e-commerce experience, transition online with a range of operational and marketing support. It had a strong positive impact especially on new sellers, who saw 6 times more sales at Shopee's 9.9 Super

Shopping Day in September. We also partnered with UOB to organise the Biz-Merchant programme to offer sellers loans at low interest rates.

The 12.12 Birthday Sale is one of the Shopee's biggest annual sales events. This year this sale is more special since Shopee celebrates its fifth anniversary in the region and in Viet Nam. Could you tell us about this year's 12.12 sale?

This year's 12.12 Birthday Sale has added significance as it marks Shopee's 5th birthday, and also signifies the coming together of our brand partners, sellers and shoppers to support one another through a challenging year. Shopee started in 2015 and we are now at the forefront of e-commerce growth in the region. This would not have been possible without the strong support of all our brands partners, sellers and shoppers. We hope this 12.12 Birthday Sale will be equally meaningful to them as e-commerce takes on a growing role in our lives.

This year, we would like to thank all users across the region for their unending support in a year of exceptional growth and provide even greater choices and value as e-commerce becomes more widely adopted. We wrap up the year-end with unbeatable deals and promotions for our shoppers. This includes exciting daily promotions including lowest priced deals for VND12,000, free shipping nationwide with no minimum spend, unbeatable discounts of up to 50 per cent across all categories, and exciting deals from leading brands on Shopee Mall.

How do you expect the 12.12 Birthday Sale programme to go?

We have continued to set records in our 9.9, 10.10, and 11.11 shopping events. This reflects a continued strong growth and potential of e-commerce in the region. We are confident that 12.12 will record strong performance with the robust support of consumers, sellers, and brands across the region.

To prepare for the surge in shopping activity, we have continued to optimise our platform and work closely with sellers, brand partners, as well as logistics and payments providers to deliver an unmatched shopping experience. VNS

E-commerce serves as a gateway for Vietnamese exports

E-commerce offers businesses, especially small and medium-sized enterprises (SMEs), a direct reach to international customers, boosts their sales, speeds up the marketing process and saves costs, experts have said.

Industry insiders were speaking at a seminar on exporting local goods through e-commerce, held by the Vietnam Chamber of Commerce and Industry (VCCI) and the Innovative Hub Company in Hanoi on November 24.

In the context of the COVID-19 pandemic, the supply chains are disrupted and e-commerce shows its superiority and strengths that can help SMEs continue their business, maintain operations and create a breakthrough more clearly, said Pham Hoang Tien, Director of the VCCI's Small and Medium Enterprise Promotion Center.

Sharing how Singapore has practised effective e-commerce, Zoe Zuo, CEO of Innovative Hub said Vietnamese businesses need to acquire and do some things that are considered useful in Singapore with positive values to help promote the implementation of e-commerce in the country.

Zuo advised firms to select and carefully identify customers, focus on different groups and select products suitable for them, adding they should also select e-commerce platforms and interfaces appropriate to the objectives of the business and find qualified staff.

According to the Vietnam E-Commerce Association, the country's e-commerce market value will increase by more than 30% this year, exceeding 15 billion USD and reach 52 billion USD by 2025.

Doan Thuy, a representative of Glovimex which produces handicrafts for export, said her enterprise has accelerated transactions through e-commerce and reported positive results.

Thuy said e-commerce platforms have helped her overcome difficulties and maintain growth amid the pandemic.

Lawyer Le Trong Thiem, from the law firm LTT & Lawyers, said e-commerce transactions bring benefits but create many potential risks of cash flow, security on international payment transactions, transaction costs, technology risks or fraud and hackers.

Thiem recommended businesses develop a full, detailed and specific sales policy, learn and grasp the rules of the game and ensure the deadline to receive money in any transaction.

The Asian Development Bank (ADB)'s Asian Development and Outlook 2020 Report forecasts that Vietnam's economic growth will reach 2.8% in 2020 amid a global economic slowdown due to COVID-19. The growth was expected to increase by 6.3% in 2021. Notably, the report assesses that Vietnam is showing stronger resilience compared to similar economies.

Like other countries, Vietnam faces a very difficult period with more risks of cybersecurity and also the dependence on digital technologies.

Trinh Minh Anh, Head of Office of the Inter-sectoral Steering Committee for Global Economic Integration suggested that the government should give priority to developing digital identity in Vietnamese, build smart barriers and strongly develop electronic payment methods.

Vu Tu Thanh, a representative of the US-ASEAN Business Council, said the pandemic is having uneven impacts in each geographical area and business sector, by firm size and by digital transformation level, so Vietnam should take its chance to take advantage of the digital economy.

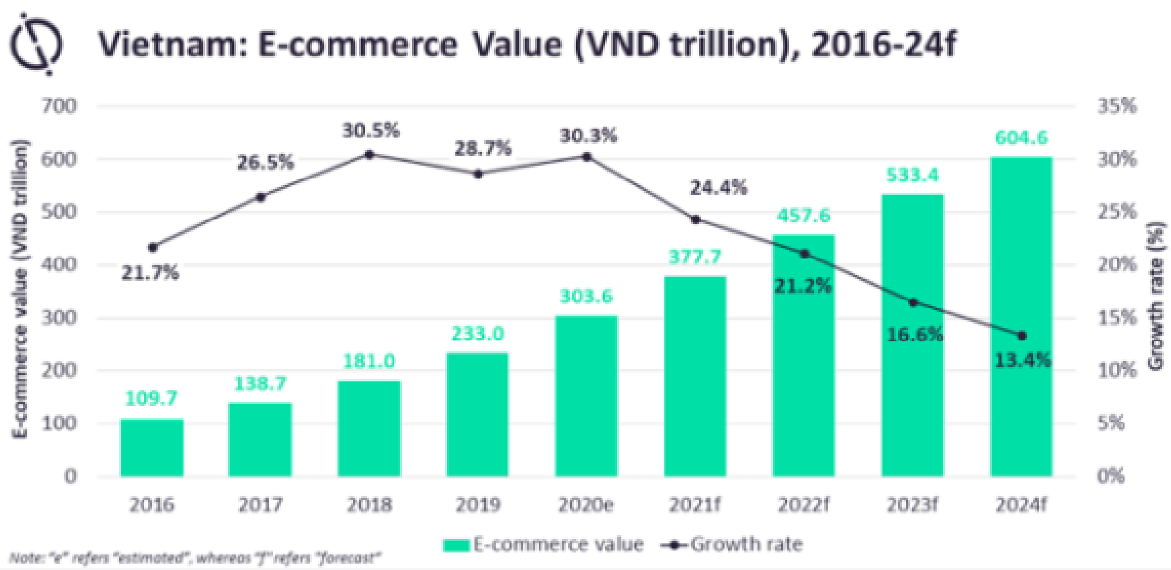
With the scale of the local internet economy of 14 billion USD, which was increasing 16% from the previous year despite the pandemic, Vietnam was forecasted to reach a scale of 50 billion USD in the next five years and be second only to Indonesia in the regional digital economy.

Vietnam's e-commerce market to reach US$13.1bn in 2020: GlobalData

Vietnam is one of the fastest growing e-commerce markets in the Asia-Pacific region, driven by young population, growing middle class, growing Internet penetration and rising smartphone penetration. The COVID-19 pandemic and the subsequent social distancing measures have further accelerated the e-commerce growth. As a result, e-commerce sales in the country are set to grow by 30.3% to reach VND303.6 trillion (US$13.1bn) in 2020.

An analysis of GlobalData's E-Commerce Analytics reveals that e-commerce sales are expected to increase at a compound annual growth rate (CAGR) of 18.8% between 2020 and 2024 to reach VND604.6 trillion (US$26.1bn) in 2024.

Kartik Challa, Payments Senior Analyst at GlobalData, comments: "The COVID-19, which triggered the fear of contamination, has resulted in change in consumer buying behavior. Shopping centers are being avoided to a large extent and instead consumers are opting for the comfort and security of online platforms for their day-to-day purchases. The accessibility of products online, during the COVID-19 pandemic, has not only increased online sales but also converted several offline shoppers to online."



Vietnam is also taking initiatives to boost e-commerce sales in the country. In May 2020, it approved five-year National ECommerce Development Plan for 2021–25. The plan focuses on accelerating local e-commerce market with focus on improving consumer awareness, infrastructure, and related support services.

Challa concludes: "While the traditional payment methods such as cash, cards and bank transfers are still widely used for e-commerce purchases, the use of alternative payments is on the rise. Alternative payment solutions like PayPal, MoMo and NganLuong are gradually gaining ground with these three collectively accounting for 13.8% share in 2020."

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LOGISTICS

Fresh port charges hit HCM City's logistics

Despite strong objections among businesses, Ho Chi Minh City will start collecting infrastructure and service fees at seaports from July 2021, triggering concerns over logistics cost increases.

Nguyen Tuong, deputy secretary general of the Vietnam Logistics Business Association (VLBA) said, "The fee collection is a strong blow to businesses, especially import-export and logistics ones. Despite disagreement, they can do nothing but follow it. This will increase logistics costs and reduce our competitiveness."

HCMC People's Council on December 9 approved a resolution on collecting public infrastructure and service fees at seaports. The subjects to the fee collection include units and individuals with temporary import for re-exports, merchandise in transit, commodities in transit, goods in bonded warehouses, and those that are importers and exporters using infrastructure at seaports (see box).

Fee collection will begin next July at Cat Lai Port and then at others in the city. This is expected to bring about revenues of over VND3 trillion ($130 million) to the city annually.

Tran Quang Lam, director of HCMC Department of Transport, said that the proceeds will be used to reinvest in transport infrastructure development to ease jams at seaports. "The fees are built in line with the prevailing rules on fees. We learned from other cities which have similar conditions such as Haiphong," he said.

Lam cited statistics saying that the volume of cargo handled by local seaports in 2019 reached 170 million tonnes, accounting for more than a quarter of the country. Many seaports are facing capacity limitations due to underdeveloped infrastructure, with Cat Lai being an example.

The new fee collection may also help ease overloads at Cat Lai Port and others, and prompt businesses to rethink about other seaports. Currently, businesses from the southern provinces of Dong Nai and Long An prefer to route their cargo through Cat Lai instead of other ports such as Hiep Phuoc in Ho Chi Minh City and the Cai Mep-Thi Vai port area in the southern province of Ba Ria-Vung Tau.

In spite of that, experts said that logistics costs in Vietnam remains high, making up for 20% of the country's GDP, while other countries ranged from 9 to 14%. Therefore, the additional fees would cause more financial burdens for them.

The Vietnam Textile and Apparel Association (VITAS) said inflated logistics costs were already hampering the competitiveness of Vietnamese goods. Vietnam's logistics costs are 6% higher than Thailand, 7% higher than China, and 12% more than Malaysia.

"High logistics costs do not only reduce the competitiveness of goods, but also create an obstacle for businesses to enter new markets," said a VITAS representative.

In addition to this, competitiveness could be also reduced as the new fees would prompt businesses to make other choices. "Businesses in Quang Ninh, Long An, and elsewhere may select other seaports to cut costs," Tuong explained.

The battle between fee increases and logistics costs in Vietnam has remained a drawn-out one. While the government has been taking actions to fulfil targets of reaching annual logistics growth rate of 15-20% and reducing logistics costs to 16% of GDP, cities and provinces often announce such a fee increase for various reasons.

Ho Chi Minh City is not the first to make the move. In 2017, the northern city of Haiphong began collecting infrastructure and service facilities fees at seaports, and it is estimated to fetch about VND1.6 trillion ($69.56 million) annually from the collection. VIR

Creating prosperity through strengthening of logistics

Since launching doi moi over three decades ago, Vietnam has positioned itself as one of the top exporters for many goods, with logistics playing a vital role in the process.

After the boom in e-commerce and e-logistics in 2019, Vietnam's logistics industry has been losing momentum rapidly, with the total volume of freight in the first 10 months of 2020 standing at only 1.43 billion tonnes of cargo, down 7.5% compared to the same period in 2019, according to the General Department of Vietnamese Customs.

The issue was discussed at the Vietnam Logistics Forum 2020 on November 26 in Hanoi, where participants detailed the fragmentation of Vietnam's logistical infrastructure taking place amid a general economic slowdown, with consumers in some of Vietnam's main export markets – especially the United States and Europe – waiting for goods.

Dao Trong Khoa, vice president of the Vietnam Logistics Business Association (VLA), forecast that the situation "will remain very difficult for the end of the year and maybe the first half of next year."

The number of new COVID-19 infections was skyrocketing last week in the US – one of Vietnam's most important commodity markets, putting even more pressure on its exports. Meanwhile, many localities have not yet found alternative solutions to revive the sector, with countless projects in logistics infrastructure yet to be implemented due to the impact of the pandemic.

For instance, the fact that the construction of Bac Giang's International Logistics Centre, with a total investment of nearly VND4.2 trillion ($183 million), continues to be behind schedule due to a lack of experience in infrastructure investment and limited financial capacity, raises concerns about a possible disruption of commodity supply chains connected with economic corridors that serve international trade activities.

Vu Tien Loc, chairman of the Vietnam Chamber of Commerce and Industry, complained that the high cost of logistics services has “significantly reduced the competitiveness of Vietnamese goods and businesses” as logistics fees can sum up to 30-40 of the transported products’ costs, while this ratio is only about 15% in other countries. The cost of logistical services in Vietnam, Loc said, is also equivalent to 20.9% of GDP, higher than the global average of 14%.

Despite about 4,000 local enterprises providing international and domestic logistics services, Khoa from the VLA acknowledged, “The country’s connectivity and infrastructure are not yet well developed.”

Developing forward

Meanwhile, factors that increase logistical costs, including seaport surcharges that foreign container ship owners are collecting from Vietnamese shippers, time for clearance of goods, and professional inspections are also prolonged. The cost of transporting goods by road is too high and the competitiveness of domestic logistics providers is lacking.

Additionally, internal factors resonating with COVID-19 have been having a clear impact on the operations of these enterprises. According to the General Statistics Office, in the first 10 months of the year, the number of newly-established transport and warehouse enterprises decreased by 5.5% on-year. From the beginning of the year to the end of October, 2,366 of such companies also proceeded with their dissolution.

With one of Vietnam’s main growth drivers being exports, mainly coming from foreign-invested companies who are participating in global value chains, one of the requirements for the country is to strengthen integration and links with the domestic market to promote continuous development and prosperity.

According to the World Bank’s Vietnam Development Report 2019, transport infrastructure across the country is developing unevenly, with congestion at major border gates and serious supply-demand imbalances. Vietnam’s trade flows are concentrated at a quarter of the total number of international border gates, including two airports, five seaports, and five land crossings.

The report also stated that Vietnam’s domestic transportation system currently heavily depends on its road network, accounting for three-quarters of the total volume of goods.

However, the country has not yet taken advantage of its extensive natural network of rivers and canals as inland ports and waterways remain inadequate to accommodate larger cargo volumes. Besides this, the nation’s 2,600-km railway network is deemed out of date.

Infrastructure necessity

The recently effective new-generation free trade agreements impact domestic logistics enterprises. As such, Vietnam committed to open its markets and raised the bar for local logistics providers as the prospected volume of goods increases. Together with that, demands for increased service quality, capacity expansion, and faster deliveries also increase.

Thus, Vietnam needs a large and modern infrastructure to handle the post-pandemic exports of commodities that are expected to increase as the world's economy gradually recovers, which is another reason for the government to further attract the attention of domestic and foreign investors.

According to Ho Chi Minh City Export Processing and Industrial Zones Management Authority (HEPZA), in the first 10 months of the year, there were 18 domestic investment projects in industrial infrastructure. During the same time, a Dutch investor also injected cash into a 20-hectare project in Tan Phu Trung Industrial Park, worth more than $81 million.

Tran Viet Ha, director of HEPZA's investment department, said on November 5 that a major investor is currently negotiating a project in factory infrastructure for lease to attract supporting industry manufacturers and serve another project of an American corporation operating in the high-tech park of the city. HEPZA aims to complete the procedures for land lease until the end of the year.

Elsewhere, provinces like Binh Duong, Bac Ninh, and Long An are trying to establish logistic centres in their industrial zones, with most of these small in scale. However, Nguyen Thai Hoa, general director of Interserco JSC, believed that investors will pour their capital mostly into large, modern, and national logistics centres.

Even though the government has specific guidance on the development of logistics centres across the country with an orientation to 2030, Vietnam's logistical infrastructure remains "fragmented without comprehensive planning," commented Tran Thanh Hai, deputy director of the Ministry of Industry and Trade's Import-Export Department. "Vietnam exports many goods, but there are no groundbreaking policies for the renovation of state management in logistics and related agencies, as well as a lack of commercial and IT infrastructure."

Vietnam's exports will be directly affected by the slow growth of the global economy and the ongoing US-China trade tensions. According to Hai, the participation of private investors in logistic infrastructure development is very necessary.

"In the immediate future, the government should give priority to allocating central and local funds for vital projects in regions with geo-economic advantages. To do this, it is necessary to remove infrastructure constraints and attract private investment, as well as consider solutions to deploy projects in the form of public-private partnerships," Hai added. VIR

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RETAIL

Vingroup opens its 80th Vincom centre

The latest Vincom was opened late last week in Vinhomes Ocean Park, Gia Lâm, Hà Nội, marking the 80th Vincom shopping mall in Vietnam.

Spanning 56,000 sq.m, Vincom Mega Mall Ocean Park aims to offer impressive shopping and entertainment experiences serving the needs of the people of the capital and neighbouring provinces.

The mall features domestic and international restaurants like Haidilao Hot Pot, Manwah, Gogi House, Kichi Kichi, Dookki Dookki, Texas Chicken, Sushimi-Koto, The Coffee House, BreadTalk and Yihetang.

The mall is also home to fashion and entertainment brands, accessories, sportswear, cosmetics, appliances, furniture and more.

With more than 16 years of experience in retail real estate development, Vincom Retail is the market leader in Vietnam. — VNS

AEON Vietnam officially opens department store & supermarket in Hai Phong

The AEON – Hai Phong Le Chan General Merchandise Store and Supermarket officially opened its doors for customers in Hai Phong City on December 14.

Thousands of customers line up for the opening hours of the AEON – Hai Phong Le Chan General Merchandise Store and Supermarket in Hai Phong City on December 14

With a total area of more than 18,800 sq.m, this is the AEON Vietnam's first General Merchandise Store and Supermarket in Hai Phong City and the sixth nationwide, aiming to bring products and a service and shopping experience with 'AEON standard and quality' to more customers across the country.

The AEON – Hai Phong Le Chan is the largest-scale supermarket in the port city with 1,400 sq.m food buffet Delica and 800 sq.m fresh food area, providing all 40,000 products from local 2,000 suppliers to meet all the essential needs of customers in everyday life.

Hai Phong residents are also the first customers in Southeast Asia to experience innerCasual (IC) products - AEON's own brand. AEON Vietnam also put into operation two more specialised stores, including the Glam Beautique beauty and health store and AEON Bicycle.

Fresh food area' provides vegetables and fruits, products certified by GLOBAL GAP, VIETGAP, attracting many customers in the Hai Phong City

"At the AEON – Hai Phong Le Chan, we will bring quality products and diversified services, especially products imported directly from Japan such as fruits and products from two AEON's own brands including HÓME YORDY and innerCasual for the first time in Southeast Asia, to customers in the port city," said Sakagami Masaomi, Director of AEON – Hai Phong Le Chan General Merchandise Store and Supermarket.

Masaomi said that AEON – Hai Phong Le Chan will maintain various pandemic prevention measures to ensure a safe and secure shopping environment for all customers.

He added: "By providing products, services and utilities to meet the needs of customers in daily life, AEON Vietnam hopes to continue to carry out the mission of lifting lifestyles and bringing new values to customers and contributes to the socio-economic development of the local community."

The new store will provide 3,000 jobs, contributing to promoting socio-economic development and State budget collection for Hai Phong City. — VNS

Korea's Emart set to scale back in Vietnam

South Korea's largest supermarket chain operator Emart Inc. is pulling out of Vietnam, the second major Asian market after China, in the face of regulatory hurdles.

The retailer opened its first outlet in Vietnam's Go Vap district in 2015 and had procured a site at Ho Chi Minh City for a second opening last year. But the project has been delayed due to licensing setbacks, disrupting its plans to open five to six more outposts.

Emart's direct foray has proven difficult as Vietnam, like China, prioritizes joint ventures in permitting a foreign business. Emart started operation in Vietnam in 2014 after setting up a wholly-owned local entity.

A retail industry source said a hypermarket needs at least 10 outlets to have bargaining power with vendors and maintain logistics efficiency. Unable to meet this number, Emart may have concluded it was better to fold the business, the source added.

The retailer has been rolling back investments in the country. In its 2019 semiannual report, it had vowed to invest 460 billion won ($424.3 million) in its Vietnamese entity through 2022. But it had slashed that amount to 247.8 billion won in the third-quarter report.

An Emart representative, however, denied the exit rumors and said it was studying other options such as strategic alliance or business partnership.

Industry observers believe Emart is wary of making the same mistake as in its Chinese operation.

Emart entered China in 1997 and aggressively expanded its operations, running at one point 26 outlets across the country. But it failed to overcome Beijing's stiff regulations and saw losses snowball to 150 billion won over four years from 2013.

In 2016, it found itself caught in the crosshairs of a diplomatic feud over Korea's decision to build an anti-missile system, a move China vehemently opposed on national security grounds. Emart, along with many other Korean brands, suffered the brunt of Beijing's retaliatory nationwide boycott on all things Korean. After suffering steep losses, the retail chain in 2017 sold off its remaining five outlets in China to a Thai company and pulled out of the country altogether.

After scaling back its Asian operations, Emart is expected to focus more on the U.S. market, where Korean brands have been making rapid grounds. According to its regulatory filings, Emart generated 1.28 trillion won in the first three quarters of this year from overseas, up 122 percent from the same period last year and topping last year's full annual sales of 778.5 billion won.

Emarts' robust overseas performance owes largely to its U.S. subsidiary Good Food Holdings, which the Korean retail conglomerate acquired for $275 million in 2018. The Los Angeles-based company owns five upscale food retailing brands, including Bristol Farms, Lazy Acres Natural Market, Metropolitan Market, New Seasons Market, and New Leaf Community Markets, operating mostly in the West Coast.

Good Food Holdings raked in sales of 1.2 trillion won in the January-September period, up 136 percent from a year ago, on explosive demand for food products among people sheltering at home during the coronavirus outbreak. The company alone was responsible for nearly 93 percent of Emart's total global sales in the period.

Emart plans to invest 83.7 billion won through 2022 to expand its U.S. footprint. It is scheduled to launch PK Market, a shop specializing in Asian goods including Korean food, as early as next year in downtown Los Angeles.

Muji Opens First Vietnam Store

Located inside Parkson Saigon Tourist Plaza in District 1, Ho Chi Minh City, the new Muji store is set to be the largest in Southeast Asia.

The store, which occupies an area of 2000sq m, stocks around 5000 Japanese-style homeware and consumer products, covering categories including clothing and cosmetics. The company has stated their intention to open a flagship in the city of Hanoi as well as eight stores across the here and Ho Chi Minh City, and a number of smaller provinces.

Nagaiwa Tetsuya, General Director of Muji Retail Vietnam commented: “Vietnam is among the retail markets with the most potential in the world. With its stable economy, constant development, young population, and rising income and standard of life, it is no surprise that Vietnam is getting ample attention from investors.”

The company currently operates 1029 Muji stores across the globe.

Acecook to open instant-noodle buffet restaurant in Vietnam

Giant Japanese instant cup-noodle manufacturer Acecook is to open Vietnam’s first instant-noodle buffet restaurant at Aeon Hai Phong.

Called ‘Acecook Noodles Cup Buffet’, the store allows customers to create and mix instant noodles to their own preference. Customers can also customise their noodles cup design with stickers and pencil crayon provided.

Besides providing the buffet service, the store also has a dedicated display area for Acecook’s new noodles range as part of its marketing plan. The store is scheduled to launch on December 19.

“This is also a tribute to the companionship and support of customers for Acecook Vietnam over the past 25 years,” said Kajiwara Junichi, general director at Acecook Vietnam. “I hope the restaurant will be an attractive destination for our customers, who love instant cup noodles and want to experience new things.”

The launch is part of Acecook’s strategy to increase the cup noodles sales in the country. According to Nikkei, the Japanese instant-noodle maker aims to achieve about 350 million servings by 2022. Acecook estimates cup noodles will account for 9 per cent of its sales in the country by then.

Prior to creating the instant-noodle buffet concept, Acecook Vietnam entered the retail market with its Japanese restaurant chain Ringer Hut.

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ENERGY

Renewable energy to become a trend

According to experts, the dominant energy technology in the future will be energy storage devices, solar panels, clean hydrogen and wind energy.

The advantages of these energy sources are being clean, available in nature, not causing pollution and not running out.

The development of renewable energy such as wind, solar power, hydrogen will be an inevitable trend to create clean, low-cost, stable and environment friendly source of energy, said Tran Anh Tuan, Secretary of the World Energy Council.

It takes hundreds of millions of years to obtain fossil fuels such as coal, oil, gas to form so they are considered to be non-renewable energy. With the development of science and technology, more and more alternative energy sources have been found.

According to a newly-released survey in 100 countries about energy usage and energy technology trends conducted by the World Energy Council, small capacity vehicles such as taxis, passenger cars, pickup trucks will be powered by electricity by 2040. Vehicles that have high capacity such as heavy trucks, buses, trains, ships, planes will use hydrogen fuel.

Secretary Tran Anh Tuan said an effective energy solution had been selected by more than 100 countries and became the solution having the biggest impact on energy usage by 2040. That solution will save power in production and living as well as renovate technology in manufacturing to save electricity.

"What technology will have the biggest impact on the way energy is produced by 2040? Energy storage devices will be the first one. Experts explained that energy storage would be a game-changing factor for the energy industry by 2040," Tuan said.

According to experts, the dominant energy technology in the future will be energy storage devices, solar panels, clean hydrogen and wind energy. The advantages of these energy sources are being clean, available in nature, not causing pollution and not running out.

Hydrogen, for example, is a source of energy for the future because it has large reserves, does not generate emissions and can be stored in many forms such as gas or liquid. It can be also transported in long distances and easily converted to other forms of energy.
Hydrogen production technology from water electrolysis has been commercialised and applied in many places.

Dinh The Phuc, director of the Department of Energy under the Committee for Management of State Capital at Enterprises, said there needed to be mechanisms to encourage the development of renewable energy to ensure transparency and balance between socio-economic and environmental benefits. It would be necessary to develop financial support mechanism such as loans with preferential interest rate, tax incentives to promote green and clean energy development. Hanoitimes

New initiative drives the transition to renewable energy in Vietnam

The Vietnam Corporate Energy Leaders (VCEL) initiative was announced at the Vietnam Corporate Sustainability Forum 2020 on Thursday, promoting the use of renewable energy in driving greener production and sustainable growth in a globally competitive Vietnam.

A solar power and wind power farm is put into operation in the south central Ninh Thuan Province. Vietnamese businesses are urged using renewable energy in boosting competitiveness and sustainable development

WWF-Vietnam said the new initiative was co-founded by WWF and the Vietnam Business Council for Sustainable Development under the Vietnam Chamber of Commerce and Industry (VCCI), in partnership with the Clean Energy Investment Accelerator (CEIA).

Often energy is treated as merely a cost to be managed, even in companies that spend millions or more on it each year. But more firms are embracing renewable energy as an affordable solution that delivers a competitive edge in a global market where customers and the public are increasingly interested in sustainable production and environmental performance.

Non-hydro renewable energy deployment has rapidly ramped up in recent years, growing to about 12.5% and far exceeding the target set in Vietnam's power development plan. However, 100% renewable energy by 2050 to support sustainable development is entirely feasible for Vietnam, according to the WWF.

To help achieve this goal, VCEL engages and supports companies to unlock opportunities for renewable energy. VCEL and its members will help Vietnam reduce emissions to meet the goals of the Paris Agreement, create green jobs and drive the transition to a greener economy powered by renewable energy.

According to VCCI, VCEL will create a corporate community to share information, experience and learning, while providing market intelligence and local expertise to inform decision making and build renewable energy awareness and capacity.

It also helps build strong local relationships to channels buyers' collective voice and needs into decision-making processes, informing companies on green financing opportunities.

VCEL will also recognise renewable energy leadership as companies set and work towards ambitious sustainability commitments. VNS

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INVESTMENT

Foreign inflows for Vietnam's real estate bouncing back

The first major signs of a resumption of investment activity have emerged in the real estate market with new brand names entering and others expanding their portfolios in Vietnam.

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Foreign inflows for Vietnam's real estate bouncing back

Japanese giant Takashimaya, which invested into a retail centre in Ho Chi Minh City, has expanded its portfolios to other segments of the real estate market with commercial and office projects.

Takashimaya expects to invest around ¥20 billion (around $192 million) in the next three to four years, mostly in real estate.

Along with this flow, Takashimaya, through its subsidiary Toshin Development Company, is now investing more than $12.5 million into construction and operation of a school project with domestic partner Edufit International Education at Starlake Tay Ho Tay. Located in a golden residential area next to Hanoi's West Lake, Takashimaya's property aims to bring international-standard education to the local community.

Apart from the school, the company will also be involved in developing commercial and office spaces at the project from 2022 to 2025, alongside two other large-scale commercial projects in Hanoi.

The Starlake residential area in Hanoi is the first overseas real estate project that Takashimaya has participated in at all stages, from land acquisition to renovating a number of mixed-use buildings.

Meanwhile, South Korean investors Liftec and Kumkang Kind have recently joined forces with domestic Smart Construction Group to bring high-tech construction into Vietnam. Smart Construction Group will give priority to Liftec for supplying equipment and to Kumkang for technology transfer and real estate projects.

Swire Properties, a Hong Kong real estate developer with investments across Hong Kong, China, Singapore, and the United States, has also recently partnered with City Garden to develop The River in District 2 of Ho Chi Minh City. According to Guy Bradley, CEO of Swire Properties, with its rising income levels, high rate of urbanisation, and growing foreign investment, Vietnam has great potential and the company looks forward to exploring more investment opportunities here.

"With its robust economic growth and favourable demographics, Vietnam is one of the world's fastest emerging markets. An innovative masterplan, rapidly improving connectivity, and close proximity to the traditional central business district make the development one of the most enticing in the region," Bradley said.

The past month also saw the presence of Australia-based Spire Property Group, which is introducing assets from the country to Vietnamese customers.

In the third quarter of 2020 although the real estate market has been impacted by the pandemic and slow sales months, a positive response has nevertheless been shown through data on total foreign direct investment registered in the sector, increasing sharply by 400% in comparison with the second quarter of 2020.

From January to the end of October, around $3.8 billion was poured into real estate sector with more than $940 million of newly-registered investment capital in 66 projects.

According to Hieu Do, head of the Real Estate Division at VinaCapital, industrial property fuelled by demand is surging while the investment community believes that Vietnam will become a major destination for global manufacturers, which has driven up land prices and take-up ratio of industrial parks across the nation.

"Strong capital injections for infrastructure development and governmental support on investment incentives add to the attractiveness of this sector. Developers with existing stock benefit the most since greenfield development becomes extremely challenging due to a quick rise in land clearance and compensation costs," Hieu commented.

Apart from current developers such as DEEP C, BW Industrial, and VSIP, who are rushing to expand their portfolios in Vietnam, the local market has seen the appearance of LOGOS and SPG Industrial from Australia, all invested in the logistics system in northern province of Bac Ninh.

Meanwhile Regina Lim, head of Capital Markets Research for Asia Pacific at JLL, said that investment volumes showed meaningful improvement in China, South Korea, and Japan over the third quarter.

"Investors returned in greater numbers in this time, reaffirming their appetite for assets and real estate linked to logistics and data centres. We're confident that the fourth quarter will present a broader range of opportunities across the region, particularly in classes like multi-family and rebounding markets like Singapore," Lim said. VIR

Grabbing investment gains from RCEP agreement

The countries in the Regional Comprehensive Economic Partnership are set to benefit from a wide-ranging deal that will entice investors towards the region.

Luong Hoang Thai, director general of the Multilateral Trade Policy Department under the Ministry of Industry and Trade, explained to Phuong Thu how the new deal would help global businesses entering the integrated ASEAN market.

Luong Hoang Thai, director general of the Multilateral Trade Policy Department under the Ministry of Industry and Trade

The Regional Comprehensive Economic Partnership (RCEP) creates a very large market with over 2.3 billion consumers, around 30% of the world's population. How can it help attract foreign direct investment (FDI) in the region and Vietnam in particular?

With commitments to open markets in the areas of goods and services, investment, and harmonisation of rules of origin among all participants, as well as strengthen trade facilitation measures, the RCEP will create opportunities to develop new supply chains in the region, thereby stimulating investment in supply chain development.

Although it does not open up new markets per se because ASEAN including Vietnam already has free trade agreements (FTAs) with other countries in the bloc, it promotes a wave of investment thanks to the sheer scale of the market. It covers a GDP of nearly $27 trillion, accounting for about 30% of global GDP, and will become the largest free trade region in the world.

What sectors will prove especially attractive for investors?

Along with ASEAN members, Vietnam has a chance to become a destination to attract FDI from fellow members. Telecoms, textiles, footwear, and electronics are just some of the areas that Vietnam has potential in to attract FDI.

The prosperity and large market size of the RCEP bloc will also make it become the focus of global investors, and they will of course choose the destination that will bring the most benefits to them.

Currently, a number of countries such as China, Japan, South Korea, and Singapore are speeding up investment abroad to expand production and supply chains. However, the deal's impact on FDI attraction depends on each country, such as national investment attraction policies, as well as policies for each specific field. These factors are a very important basis for investors to consider and decide where to pour their money. VIR

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