Highlight

Vietnam ranked among world's top 10 emerging logistics markets

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Bad debts of 20 banks up 4.5% in 2020

The non-performing loans (NPLs) of 20 local banks at the end of 2020 rose by 4.5% year-on-year to VND83.4 trillion (US$3.58 billion), according to the banks' latest financial statements.

Fifteen of the banks reported a decrease in bad debt ratio last year, with some successfully controlling the ratio at below 1%.

As of December 31, 2020, the bad debt ratio of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) was 0.5%, lower than the 1.3% recorded as of December 31, 2019. The bank currently has the lowest bad debt ratio in the sector.

For Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank), the bad debts at the end of 2020 were VND5.22 trillion, down by more than 50%. The bad debt ratio of the bank sharply dropped from 1.01% at the end of the third quarter of 2020 to 0.62% at the end of 2020, also the lowest level in the bank's history.

At Asia Commercial Joint Stock Bank (ACB), the ratio of bad debts on outstanding credit inched up from 0.54% to 0.6%. However, the rate was among the lowest levels in the system.

Similarly, the bad debt ratio of Bac A Commercial Joint Stock Bank (BacABank) slightly increased but was still controlled below 1%. The bank's ratio of bad debts on outstanding credit rose from 0.69% as of late 2019 to 0.79%.

The fifth bank with bad debt ratio of less than 1% was Commercial Joint Stock Bank for Industry and Trade of Vietnam (VietinBank). According to the bank's financial statement, the ratio of bad debts as of December 31, 2020 was 0.94%, down compared to the 1.16% at the end of 2019. This was also the lowest bad debt ratio in the 2016-20 period of VietinBank.

Nam A Commercial Joint Stock Bank (NamABank)'s bad debt ratio was also below 1%. The bank's total bad debts decreased by nearly half from the previous year to VND744 billion, helping the bad debt ratio to fall from 1.97% to 0.83%.

The year saw KienLongBank as the bank with the highest growth in bad debt ratio. The bank's NPLs jumped 5.5 times to VND1.88 trillion.

However, the NPLs of the banks would be higher if including debts that were restructured to aid COVID-19 affected borrowers according to the Government's incentive policy.

The State Bank of Vietnam reported commercial banks restructured loans worth about VND350 trillion for COVID-19 affected borrowers by the end of 2020.

Banking expert Cấn Văn Lực said if half of the loans became bad loans, the bad debt ratio would increase to more than 3% by the end of 2021.

Some banks have already increased provisions. VietinBank, for example, increased its provisions from 120% to 130%. — VNS

Silver lining found in investment channel risk this year

Investors are pinning their hopes on different investment channels this year despite the many difficulties and risks brought about by COVID-19, analysts have said.

Vietnam's rate of apartment floor space per person is among the lowest in Southeast Asia but it has a higher population density than Thailand and Malaysia. The property sector therefore has huge room for growth, according to analysts at Mirae Asset Vietnam.

The Viet Dragon Securities Corporation (VDSC), meanwhile, said that given the Government's attention to the enhancement of public investment, especially in infrastructure, various transportation projects will be pushed ahead this year, creating momentum for the development of the real estate sector.

Low interest rates will also benefit homebuyers, prompting an increase in demand for housing.

The VDSC believes 2021-2022 will be a high point for the property sector, fostered by improved regulations, economic recovery, and dynamism from mergers and acquisitions (M&As).

Analysts also pointed out that the stock market remains an attractive investment channel this year.

Since the start of 2021, revised laws on securities, enterprises, and investment are taking effect, thus creating a uniform and transparent legal framework and investment climate for enterprises' operations and at the same time protect investors and sustain the stock market.

Vietnam bringing COVID-19 under control and stabilising its macro-economy adds to the prospects for Vietnam's securities market.

Investors, however, are advised to thoroughly consider any moves and remain vigilant regarding shares that have surged in the recent past.

Plunging savings interest rates in 2020 resulted in other investment channels thriving, particularly shares and bonds. 2020 also witnessed a surge in cryptocurrency investment, most notably Bitcoin, which leapt over 300% in value. Analysts say its value will not plummet as easily as it did in 2017 & may even go up again this year.

Mirae Asset Vietnam projected that low interest rates will be maintained during the year, making bank deposits less attractive than other channels.

Greenback investors have been warned of losses as reference exchange rates marginally declined amid redundant reserves. Finance-banking expert Nguyen Tri Hieu forecast that foreign currency will be the least attractive investment channel in 2021.

Fluctuations may not be seen in gold, thanks to confidence in the outlook of the national economy and the effectiveness of bringing COVID-19 under control.

The State Bank of Vietnam has devised response scenarios if necessary. If the pandemic is successfully repelled, investors will favour risky assets, driving gold prices down. The other scenario may see gold prices rise./.VNS

Mastercard aims to partner with Vietnam's e-wallets using fintech

Most Vietnamese do not have a Mastercard, and the company says it can live with that. All it wants for now is for consumers in Asia's fastest-growing economy to give up using cash -- even if it means choosing rivals like digital wallets.

The U.S.-based company is diversifying beyond credit cards to cater to an emerging market and emerging technologies.

Winnie Wong, the Mastercard country manager for Vietnam, Cambodia and Laos, says the company is preparing for technological changes in Vietnam so it can be a part of most payment methods of the future, from smartwatches to QR codes.

Her company must contend especially with the rise of e-wallets across Asia, where many people have leapfrogged credit cards altogether and gone straight to the virtual wallets.

Mastercard is starting from a very small base in Vietnam because only 56% of Vietnamese have a debit or credit card, by far the lowest in the region's six big economies, according to the Visa Consumer Payment Attitudes Study released in 2020.

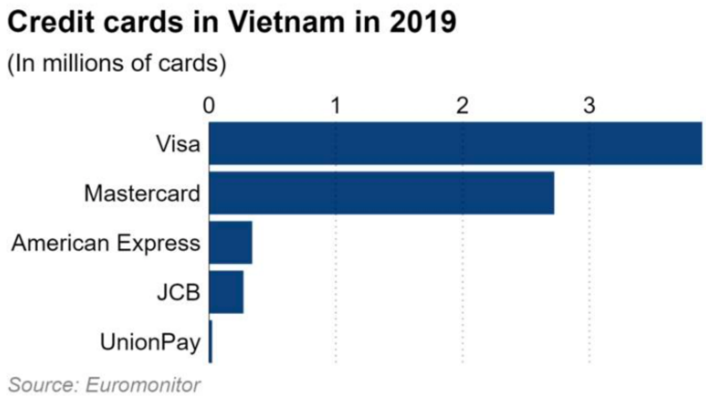
Meanwhile, with investments from Warburg Pincus and Goldman Sachs, Vietnam's biggest e-wallet, MoMo, said it reached 20 million users in 2020 and is angling for 50 million within three years. That far eclipses the 3.9 million Visa, 2.7 million Mastercard, 340,000 American Express and 270,000 JCB credit cards in the country, according to 2019 data from Euromonitor. More broadly, Vietnam has licensed 29 companies to provide e-wallets, according to the central bank.

This presents a problem for all credit networks that operate in Vietnam. Shops can avoid credit card fees, instead having their customers pay via MoMo or another fintech app.

Wong doesn't say Mastercard will go head to head with the payment startups, but instead presents a friendlier-sounding scenario: cooperation through using their technologies.

One example is called "pass-through" -- customers already can link their Mastercard to various e-wallets, from Vietnam's Moca to South Korea's Samsung Pay. In the past a shopper might carry a leather wallet holding five credit cards. In the future he is more likely to carry a smartphone with five virtual cards loaded into an app.

What happens when MoMo's 20 million users want to travel outside Vietnam but have no credit cards? That was the question for Grab, which added an option for customers from Singapore and the Philippines to use GrabPay to buy a prepaid virtual or physical Mastercard. This allows them to spend at 53 million merchants globally, a scale that Mastercard will offer to more e-wallets.



Credit card networks have their own e-wallets, too. A Visa or Mastercard holder can use those brands' apps, or add her card to an app from a bank or fintech company. The networks also work with banks to issue virtual versions of traditional credit cards. These options allow them to stay in the game as more shoppers skip physical cards and increasingly make contactless payments, which can certify customers who prefer to avoid any form of direct touching.

These options also are matched on the merchant side, where payment by smartphone can be accepted in three main ways: Shoppers can open an e-wallet app on their phone to scan the screen of a payment terminal; they can send money directly from their e-wallet account to the merchant's; or they can use their phone to scan a store's QR payment code provided by Visa, Mastercard or Vietnam's VNPay network.

For now, the credit networks aim for compatibility with e-wallets, which can hold multiple cards from Discover to UnionPay. Someday they will strive for interoperability, Wong said. That means if Mastercard partnered with Vietnam's ZaloPay, for example, cardholders could pay wherever ZaloPay is accepted, and vice versa. Mastercard has inked these interoperability deals in other markets, such as with the Zapper fintech app in South Africa.

For its growth in Vietnam, the first step is getting consumers to relinquish cash, as Wong puts it. The second step is having them use credit in a country where people are more likely to save than borrow. Some Vietnamese still buy homes and cars with cash.

Ultimately, its key goal remains wooing locals with Mastercard-branded products, usually cards issued by a bank. It deploys conventional marketing methods, giving discounts to customers who pay with their Mastercard at partner companies, from the Lazada e-commerce site to the Grab superapp.

But it is also playing such a long game that some of its methods seem oblique at times. For example, the company urges Vietnam's small and medium-size businesses to work with its partner Zoho, which sells software for office functions like bookkeeping.

The rationale is that businesses will replace informal accounting with a digital track record that generates data they can take to a bank for assessment of their creditworthiness. Those business owners could go on to apply for corporate credit cards.

On the consumer side, credit remains an opportunity. Vietnam's credit card payments were worth $12 billion in 2019 -- more than quadrupling since 2015, Euromonitor data shows.

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E-COMMERCE

Modern trade channels, e-commerce to further thrive: experts

Modern and online shopping channels recorded strong growth last year and will continue to thrive this year, according to experts.

Customers shop at a supermarket in HCM City. Modern and online shopping channels recorded strong growth last year and will continue to thrive this year.

Modern and online shopping channels recorded strong growth last year and will continue to thrive this year, according to experts.

Le Hoang Long, manager of Nielsen Vietnam's retail chain consulting, said the Covid-19 pandemic has boosted online shopping and more consumers would choose to shop online even after the pandemic ends.

"The modern trade channel saw strong evolution last year due to new added chains."

As of December there were around 8,500 stores nation-wide, including 453 supermarkets and 5,566 minimarts with the rest being convenience, health and beauty, drug, and cash & carry stores, he said.

There is a fierce competition in the retail market, and so each chain has to identify its strengths to retain competitiveness, he said.

"Supermarkets should embrace the model of shopping associated with entertainment. That is the strength of supermarkets compared to others such as minimarts and convenience stores."

He said the customer base is changing, with an increase in the number of customers aged between 50 and 65.

"Therefore, supermarkets must make changes in terms of services and goods to meet the needs and experiences of this emerging customer group."

According to the Ministry of Industry and Trade, average retail sales and consumer services revenue per capita increased from VND 19.3 million in 2010 to VND 51.2 million in 2019, accounting for 8% of GDP.

E-commerce, supported by electronic payment, has grown especially strongly in recent years, averaging over 27% growth, it said.

Nguyen Phuc Khoa, deputy general director of Saigon Trading Group (Satra), said, "The modern retail market in Viet Nam has great potential for development, mainly thanks to its large population size, a high ratio of young people and an average annual increase of 10.5% in household spending."

The number of internet users reached 68.17 million last year, with more than 145 million mobile devices connected, which would fuel the growth of online buying, he said.

“Viet Nam’s retail market has great potential but not everyone can grasp the opportunity.

“Some big brands like Auchan, Parkson and Shop&Go pulled out of the market completely or contracted their network, which shows it is not an easy market.”

He also mentioned other difficulties facing the retail market.

“Commercial infrastructure is developed but is still weak and out of date in some areas. Retail commercial infrastructure such as markets, supermarkets, commercial centres, convenience stores, and specialised stores have increased rapidly, but are mainly concentrated in cities and towns.

“E-commerce infrastructure has not developed comprehensively, and there is a lack of connectivity and support services for e-commerce such as payment and logistics infrastructure.”

Long said retailers have actively adopted new technologies and tied up with e-commerce platforms and cashless payment solution providers to offer more convenience and new services to shoppers.

As a leading consumer retailer, Saigon Co-op would in 2021 continue to embrace digital transformation to adapt to the changing market and consumer behaviour, Nguyen Anh Duc, its general director, said.

Private label products

“Private label products offer a great competitive advantage to retail chains,” Long said, adding that consumers prefer them.

In countries with developed modern trade channels such as the EU, revenues from private label products account for 40% while the global average is 16.5%.

The ratio of private label products in Viet Nam remains modest, offering retailers the opportunity to exploit this segment, he added. — VNS

E-commerce realm requires roadmap

The growing demand for imported products in Vietnam and other markets will fuel runaway growth for cross-border e-commerce. However, the speed of expansion could also impose a burden on the government as it looks to efficiently supervise the fresh business model.

Greenjoy, a local startup specialised in grass-based straws has been using Amazon’s and Alibaba’s sites as effective tools to approach overseas markets for more than a year now. Straws from Greenjoy are present in Japan, the Republic of Korea, Taiwan, Cambodia, and Europe.

The go-global strategy through e-commerce platforms has greatly profited the company. “To date, Europe is occupying about 60% of our outputs,” Nguyen Vo, co-founder of Greenjoy, said.

“Thanks to cross-border e-commerce, we have quickly shifted to markets such as Japan and South Korea, and the number of orders from these countries remains stable since the third quarter 2020,” Vo added.

In addition to Amazon and Alibaba, Greenjoy diversified its sales channels through Tiki, Lazada, and Shopee which have also promoted cross-border trading.

According to Tiki, the growing local demand for overseas purchases is the main reason behind its decision to penetrate cross-border trade through its Tiki Global site.

Along with Tiki, smaller platforms such as Fado and newcomers Phong Duy and 1Ship have also targeted cross-border trade as the business form from their very beginning.

Positive prospects

From the end of last year, payment providers like Payoneer, an American financial services company that provides online money transfer, digital payment services and provides customers with working capital, have been organising several workshops aimed at informing and connecting local vendors as they feel the time has come to penetrate the market through cross-border trade on sites like Alibaba and Amazon.

Tran Xuan Thuy, director of Amazon Global Selling Vietnam, said that cross-border e-commerce will keep developing from the end of 2020. “The growth rate of cross-border e-commerce will be much larger than local e-commerce in certain markets,” Thuy said.

Thuy projected that the current global value of cross-border e-commerce of around US$900 billion will keep extending thanks to favourable conditions. With international e-commerce growing, smaller players like Greenjoy may also be able to profit and extend their business.

New international trade deals, such as the EU-Vietnam Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – which both came into effect for Vietnam – formed a solid base for local importers and exporters. About 32% of domestic companies have established business relations with foreign partners through online platforms, according to information published by Alibaba at a seminar on cross-border trade last October.

According to the Ministry of Industry and Trade’s (MoIT) e-Commerce and Digital Economy Agency (iDEA), the pandemic has leveraged the annual growth rate of Vietnam’s e-commerce sector to 35%, 2.5 times against Japan’s, and its scale is forecast to reach US$33 billion in 2025, ranking third in the region, only behind Indonesia and Thailand.

The agency’s recent survey with 4,000 participating businesses also showed that most of them are using the internet for parts of their business, with about 70 per cent of them being small- and medium-sized enterprises (SMEs).

More than half of the remaining 30% constituting larger enterprises participate in e-commerce platforms, while the rate for SMEs stood at about 36%. In addition, about 42% of businesses with online sales activities claimed that their online sales make up about 50% of total revenue.

With cross-border e-commerce growing in popularity, domestic import-export could expand. According to the General Statistic Office, the total import-export turnover of the country reached US$544 billion last year with a trade surplus of US$19 billion, the highest level over the past five years.

Right time to enter

“Through cross-border platforms, businesses can approach new markets and integrate into global supply chains with reasonable operation costs,” said Dang Hoang Hai, director of the iDEA.

However, Nguyen Hoa Binh, chairman of technology developer Nexttech, said that reaching global markets requires the right blueprint. “A slew of larger Vietnamese businesses have been inferior to overseas medium-sized competitors, just because of their strategy.”

Binh referred to the example of VNG and its competitor Garena under Singaporean SEA Group in the gaming sector. For about a decade, both companies have been the biggest competitors to each other in the local market. Currently, the total business value of local unicorn VNG is assessed at over US$2 billion, while Garena’s value amounts to up to US$100 billion.

“Garena went global as soon as it entered the gaming market, while VNG initially focused on the local sphere, which is the main reason for the disparity,” Binh said.

Similarly, many local businesses from other sectors are also facing the risk of losing the upper hand to overseas players. Hai therefore argued, “this time should be the most appropriate to map out a strategy and make use of the favourable conditions for cross-border e-commerce development. Vietnamese companies should quickly grasp the opportunities to keep the initiative in the market.”

Most e-commerce platforms in Vietnam have been backed by overseas investors from China, Singapore, and Japan, among others. As a result, Vietnamese goods may potentially lose market share on those platforms.

In comparison with other retail business models, supervision on e-commerce sites has been less tight. Perceiving the issue, the MoIT last year published a draft amendment for Decree No.52/2013/ND-CP from 2013 on e-commerce.

The draft decree outlines the responsibilities of operators of e-commerce platforms regardless of where overseas vendors operate from. Accordingly, these operators are obliged to gather and filter information about international vendors to ensure they can be held liable for their trade activities on the platform.

The draft is currently awaiting comments from related agencies before being finalised and enacted, which typically takes a few months.

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LOGISTICS

Logistics sector to step up digital transformation

Logistics, considered a backbone of Vietnam's economy, is among eight sectors prioritised by the national programme for digital transformation until 2025.

According to the Vietnam Logistics Business Association (VLA), the sector has grown 14-16% annually over recent years. It now gathers together some 3,000 domestic firms and 30 others offering transnational services. Of those, 89% are domestic businesses and 10% are joint ventures while the number of foreign-funded companies represents just 1% of the total.

The VLA said the cost of logistics in the country as a proportion of GDP is 18%, compared to 9-14% in developed countries. The high cost is attributable to limited seaport infrastructure and weak cost reduction efforts. Together with fierce competition, the digital economic boom, and pressure from the COVID-19 pandemic, these have made digitisation in the sector a must.

Vietnamese logistics companies offer between two and 17 services, mostly in transport, warehousing, and fast delivery. About half apply technology in their operations.

Nguyễn Tường, VLA Deputy General Secretary, said investment shortages from the very beginning, difficulties in choosing suitable technological applications, a sense of distrust in technology, and a fear of change are hindering the sector from pressing ahead with digital transformation.

Trần Thanh Hải, Deputy Director of the Agency of Foreign Trade at the Ministry of Industry and Trade, said transformation in this core sector would trigger a similar process in other parts of the supply chain.

Experts have said that smart logistics involve master plans and strategies with the involvement of cloud computing technology, adding that it will be conducive to improving customer services, information flows, and automation.

Administration reform and capital support are also necessary for logistics firms undertaking digital transformation, insiders have said. — VNS

Vietnam Airlines suffers $483m loss

Vietnam Airlines reported a loss of over VND11.1 trillion ($483 million) last year as the Covid-19 pandemic grounded all its international flights. The figure was lower than its projection in December of over VND12 trillion.

Revenues were down nearly 59% to VND40.83 trillion as its total number of flights fell by over 27% to 86,978.

The government recently approved a bailout for the carrier, with the State Bank of Vietnam (SBV) allowed to provide a refinanced loan of up to VND4 trillion at zero interest. Vietnam Airlines also received permission to issue more shares to existing shareholders to increase its capital.

The country's aviation industry suffered badly last year due to flight restrictions to curb the spread of the novel coronavirus, and the number of air passengers plunged by 41% to 32.3 million, according to the General Statistics Office.

Vietnam ranked among world's top 10 emerging logistics markets

Vietnam has jumped three spots to eighth in this year's global index of emerging logistics markets after emerging as a popular manufacturing hub.

The country had an overall score of 5.67 out of 10 in the 2021 Emerging Markets Logistics Index released by leading logistics company Agility.

The firm ranked 50 economies based on three factors that make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers, and distributors: domestic logistics opportunities, international logistics opportunities and business fundamentals.

Vietnam performed well in international opportunities, ranking fourth globally. It was 18th in domestic logistics opportunities and 21st in business fundamentals, which include regulatory environment, credit and debt dynamics, contract enforcement, anti-corruption safeguards, price stability, and market access.

"Vietnam has made strides as a manufacturing destination as a small number of companies has looked to ease dependence on Chinese production as a result of U.S.-China trade friction, rising costs and the Covid-19 crisis," the report said.

Vietnam's climb by three places to eighth demonstrates it effectively contained the spread of the virus, positioned itself deftly to absorb manufacturers seeking to leave China and possesses an enviable investment pipeline across a number of sectors, including fashion and electronics, which could see its rise continue in 2022, the report said.

China remained the world's leading emerging logistics market followed by India. Indonesia (3rd) and Malaysia (5th) were Southeast Asian countries that did better than Vietnam in the ranking.

According to the Vietnam Logistics Business Association's latest survey, there are around 30,000 logistics companies in the country, 4,000 of them foreign-owned.

The industry has been growing at 12-14% annually and is now worth $40-42 billion.

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RETAIL

Masan wants to be among world's 50 most admired brands

A year after acquiring VinCommerce, Masan is restructuring the supermarket chain to realise its vision of becoming a retail-consumer unicorn. During a turbulent 2020, when many businesses were hit hard by the COVID-19 pandemic, Masan and its affiliates went on to complete major M&A deals, including the acquisitions of VinCommerce, NET Detergent and the tungsten business platform of H.C.Starck, and buying a stake in 3F Viet, a leading Vietnamese poultry player.

Right after taking over VinCommerce, the Masan management quickly streamlined the network by closing stores with revenue per square metre that was less than 50% of the level required to achieve breakeven.

At the same time Masan also created new looks and display models for VinMart and VinMart + supermarkets with an increased focus on fresh products. It also cut operation costs, optimized its product portfolio, and renegotiated pricing policies with suppliers.

Having the MEATDeli chilled meat value chain is considered a big advantage for Masan in operating VinCommerce.

It has enabled VinCommerce to become the only consumer-retailer platform that integrates the fresh produce segment. Masan MEATLife's acquisition of stakes in 3F Viet and adding poultry meat products to its existing meat value chain have helped VinCommerce increase its competitive advantage in the market.

Thanks to the above, business indicators such as revenues per square metre and average invoice value have all grown.

The retail chain achieved breakeven in terms of earnings before interest, taxes, depreciation and amortization (EBITDA) by the end of 2020.

Meanwhile, Masan's core business, FMCG, continues to grow strongly driven by many new innovations.

With consumers eating at home more frequently instead of eating out due to the impacts of Covid-19, Masan has launched many new convenient food products and processed meat to capitalise on the new trend.

Besides launching a series of new products across sectors, the strategy of premiumization of products has also yielded fruitful results for Masan.

In 2020 Masan Group fulfilled all the targets set for the year including net revenues of VND77 trillion (US$3.36 billion) and a net profit of VND1.234 trillion ($53.78 million).

On a like-for-like basis (which assumes consolidation of VinCommerce numbers for 2020), net revenues grew by 19.7%, and its consolidated EBITDA margin increased by 13.4%.

2021 revenues could exceed VND93 trillion

Viet Capital Securities (VCSC) has made optimistic forecasts for Masan Group for 2021.

It expects Masan to achieve revenues of VND93.1 trillion ($4.06 billion) and believes that VinCommerce's profit margin will improve when restructuring activities gradually have an effect.

They will see VinCommerce offer more fresh products to attract customers, focus on supply of Masan's own meat and vegetable brands and improve pricing and logistics efficiency.

Based on these and the cost saving effected by closing stores that did not meet profit targets, VCSC believes that VinCommerce will have a positive EBITDA in 2021.

The Masan management aims to have 10,000 retail stores by 2025. It also plans to have 20,000 points of sale under a franchise format.

With a total of 30,000 stores, Masan can serve 30-50 million consumers.

With the domestic consumer market expected to be worth over $100 billion, Masan expects to reach the revenue milestone of $5-10 billion in the next five years.

The company also wants to be among the 50 most admired brands in the world.

Competition heating up in alcoholic beverages sector

The beer, wine, and spirits sector has encountered mounting hardships in 2020 due to impacts of COVID-19 as well as from regulations which impose tougher sanctions on drink-drivers. Nguyen Van Viet, chairman of the Vietnam Beer-Alcohol-Beverage Association, elaborates on how businesses in the sector have adapted a multitude of innovative measures to counter headwinds.

What is your assessment of the beer, wine, and spirits market in the past year, along with the efforts of companies to take on new challenges?

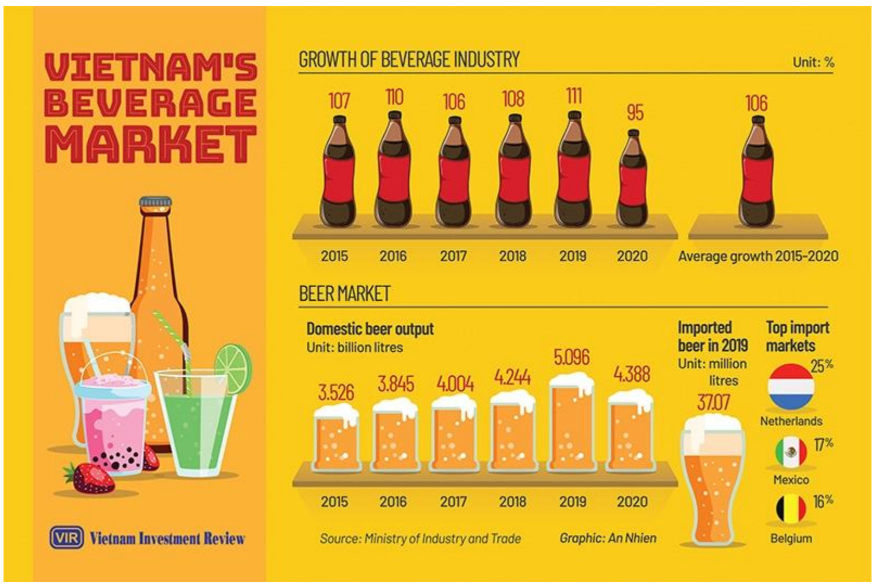
The beer, wine, and spirits sector has undergone three decades of development. Many years ago it was one of the sectors bogged down in difficulties due to the chronic shortage of input materials, while foreign goods – particularly Chinese items – overwhelmed the domestic market. With the clear-sighted leadership of the government, the sector has gradually consolidated its footing and managed stable on-year growth.

From last January, the Law on Prevention and Control of Harms of Liquor and Beer Abuse came into force, and shortly after that was the enactment of a decree featuring heavier sanctions on drivers with alcohol on their breath. After the pandemic approached in March, the sector had almost been paralysed in the wake of these factors. Earlier last year, the tax authorities even delivered a forecast of a possible loss of more than VND30 trillion ($1.3 billion) in tax payments.

The sector’s contribution is significant given the fact that each year the alcoholic beverage sector contributes more than VND50 trillion ($2.2 billion) to the state coffers with its revenue doubling that level.

From the second quarter last year, the government began to deploy wide-ranging measures to support businesses. Although players in the sector were not direct beneficiaries of this support, improved performance by other sectors is a favour factor to their growth.

New circumstances have prompted businesses to adopt innovative measures in order to get ahead. Businesses launched products directly serving consumer needs, for instance the rollout of non-alcoholic drinks and fruit-based beverages that are selling well. These include Saigon Chill and Lac Viet from SABECO, HEINEKEN’s non-alcoholic offering, and Habeco’s canned draught beer.



Businesses have also diversified the sales format with an aggressive shift to online transactions. Consequently, the sector’s business rebooted sharply in the second and third quarters of 2020, even reaching revenues seen in the similar periods in 2019.

Over the whole year due to pandemic implications, the sector incurred about 15-16% drop in revenue on-year. But with improvements in products and profits, other business targets had resumed to fairly satisfactory levels amid COVID-19 impacts.

This year continues to be a challenging one due to a combination of factors, especially the complex and unpredicted situation with the pandemic both domestically and globally. But with effective containment of COVID-19, I expect the sector’s performance this year here could be equal to, and even surpass, last year.

The sector is deemed a fertile land which is charming a slew of leading players, as the country integrates further into the global economy. What difficulties does this pose to its development?

The domestic market has certain advantages. For years, the government has been stimulating development with fairly open policies that provide the best conditions for foreign players. Key global players like AB InBev, HEINEKEN, Carlsberg, and Sapporo have all made forays into Vietnam. This has heated up competition in the domestic market that forces local players to improve themselves, including their management expertise to compete head-on with foreign players.

However, current management mechanisms are cause for some concern. For instance, in regards to equitisation plans at state-owned enterprises, there are roadmaps on stake sales to strategic investors or capital divestment. These plans sometime bother management and employees in crafting well-conceived development plans for the long haul. Otherwise, state-owned enterprises trusted with their proven capacity and well-conceived investment in improving consciousness, management skills, and finance can compete head-on with weighty foreign players.

Sustainability is one of the key pillars of business development. How have businesses in the sector embraced the trend?

Since the first years of open-door policy in Vietnam, many local businesses in the sector have made great efforts in investment to reach the level seen in the wider region and worldwide in terms of equipment, technology, management expertise, environmental protection, and sustainable development.

For instance, the personnel at the sector's top players like SABECO possess very good management skills. They have a good grip on advanced management such as environmental management, or latest management methods.

Foreign players based in Vietnam also do a smart job in this field, leveraging their track record.

These top players, both from here and overseas, are not only good at production but also properly care for sustainability factors. They have all participated in national programmes on sustainable development, worked on concrete annual plans, and held top positions on Vietnam's sustainability list.

Amazon's Vietnamese partner reports surge in profit

Textile company Gilimex said its net profits almost doubled in 2020 thanks to a number of high-value contracts with international retailers.

It reported record revenues of VND3.45 trillion ($150 million), up 36% from 2019, and net profits of VND308 billion for the year.

Gilimex's main products are handbags and backpacks.

It tied up with Amazon, the world's largest online retailer, in 2016 and seen average revenues grow at 20% a year since then.

Its other large foreign partner is Swedish furniture retail giant IKEA with whom it has eight long-term contracts worth $16.2 million.

The firm also develops new products for Dutch baby products maker Bugaboo and Puma, the German multinational that manufactures athletic and casual footwear, apparel and accessories.

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ENERGY

Hapaco eyes investment in 4-trillion-VND wind power project

The Hapaco Group JSC is planning to invest 4 trillion VND (174.1 million USD) in a wind power project in the Central Highlands province of Gia Lai.

Hanoi - The Hapaco Group JSC is planning to invest 4 trillion VND (174.1 million USD) in a wind power project in the Central Highlands province of Gia Lai.

The project is among those to be submitted for approval at the group's annual shareholders' meeting, which is slated for March 14.

The meeting will also discuss an investment in building a 23-ha care centre for the elderly in the northern city of Hai Phong's Thuy Nguyen district as well as Hapaco's new development orientations in social housing and guest worker services.

Hapaco (stock code HAP) was one of the first listed on Vietnam's stock market. As of December 31 last year, its total asset exceeded more than 808 billion VND.

Last year, the group reeled in 335 billion VND in revenue, an annual decrease of 11%. Its after-tax profit, meanwhile, hit 34.3 billion VND, up 69% on-year.

Renewable efficiency for Vietnamese cities

Energy developer Copper Mountain Energy JSC (CME) is carrying out the first renewables venture at a Vietnamese airport. CEO Bui Trung Kien talked with VIR's Nhat Ha why the initiative is important, and how the company's moves will ultimately benefit both customers and the environment.

CME has inaugurated the first phase of rooftop solar power project at Tan Son Nhat International Airport's cargo terminal. What benefits does the renewable energy bring to such urban projects?

This is the first renewable energy project to be installed at an airport in Vietnam that has been fully licensed regarding the design, review, and installation by Ho Chi Minh City Department of Fire Fighting and Prevention.

The project meets the rigorous accreditation requirements of AFRY in Sweden, one of the world's leading energy consultancy firms. This project has brought the image of a dynamic and modern international airport which is using clean energy in order to protect the environment. The project will provide 1.5 million kWh of electricity annually, meeting 40 per cent of Saigon Cargo Service Corporation (SCSC)'s electricity needs and saving about 15 per cent of energy costs. In addition, the operation of a solar rooftop system is expected to help SCSC save over $65,000 a year in costs and about $1.4 million over 25 years of use while also generating significant savings on operating costs.

Solar energy is a development trend worldwide, and especially in the south of Vietnam. The advantages of this system are exploiting the natural radiation and available industrial roof area to generate clean energy. This energy becomes more necessary than ever to improve the quality of life, develop a sustainable economy, and create great recognition from the environmentally-conscious for business branding.

What obstacles have you faced to when constructing renewable energy projects in big cities?

In cosmopolitan cities, the density of people and production activities are always in high frequency and continuous. In addition, construction ground is often limited which leads to requiring highly technical, safety requirements. Lack of one of those things could have a huge impact on the daily operations of the business.

Therefore, technical criteria for design and construction of the operation, maintenance, and supervision systems include detection of potential failures that may affect system operation while electrical and fire safety are both reviewed and implemented with the highest quality to ensure quick construction progress which does not affect the normal operation of factories.

For the project in air cargo terminal at Tan Son Nhat as well as others invested by CME, we always have careful preparation for our execution – from the selection of equipment from top tier qualified suppliers, engineers, and reputed constructors, ensuring security and safety for a project in the inner city, especially in the airport.

CME also works closely with the facility owners in each step of implementation to meet progress with the highest quality. In fact, the solar rooftop system project at SCSC was inaugurated and put into use after 10 weeks of construction with excellent performance and no impact on the operation of the facility during the construction process.

So after Tan Son Nhat international Airport, where will CME's next investment lead to?

CME has cooperated with many corporate customers, including foreign-invested enterprises (FIEs) and domestic enterprises in many fields (footwear manufacturing, garment, logistics, pharmaceuticals, iron and steel, among others). CME's projects are located in many provinces across Vietnam and have a common vision to enhance sustainable development and increase efficiency.

In the coming time, we would like to expand our business through direct connection and introduction of this investment model to potential partners and customers, especially factory owners in industrial zones, FIEs, large domestic enterprises, and those with sustainable development orientation, increasing efficiency.

CME would like to accompany and implement all necessary solutions to help customers consume as much green energy as possible with lower electricity costs - a real win-win for both customers and the environment.

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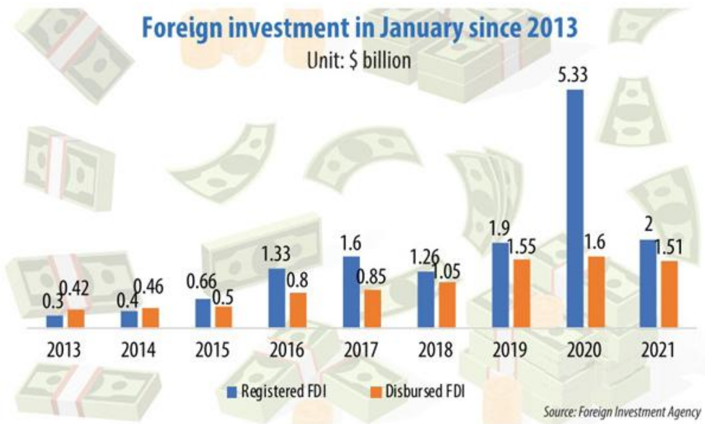
INVESTMENT

Deluge of foreign capital marks strong start to 2021

The wave of high-tech companies investing billions of US dollars in Vietnam is already materialising, raising the question for the country on exactly how to absorb all the incoming capital.



Intel Corporation, the US-based manufacturer of semiconductor computer circuits, last week announced injecting an additional $475 million into its plant in Vietnam, taking its total involvement in the country to $1.5 billion.

The new investment will develop complex technologies like manufacturing 5G products and the next generation of Intel Core processors.

Kim Huat Ooi, general manager of Intel Products Vietnam (IPV) said, “As of the end of 2020, IPV has shipped more than two billion units to customers worldwide. We are very proud of this milestone, which shows both how important IPV is to helping Intel meet the needs of its customers all around the world and why we continue to invest in our facilities and team here in Vietnam.”

The plant is IPV’s single largest assembly and test plant globally, with more than 2,700 employees as well as cutting-edge technologies and machinery.

Nguyen Anh Thi, head of the management board at Saigon Hi-Tech Park where the plant is located, highlighted that Intel’s decision to increase investment “indicates its confidence in the workforce and Vietnam’s reliable investment environment”.

Rise of high-tech giants

A number of electronics giants in Vietnam are expanding operations as they seek to diversify their supply chains. In the middle of January, Foxconn received an investment certificate to build a $270-million Fukang Technology plant in the northern province of Bac Giang’s Quang Chau Industrial Zone (IZ) to manufacture eight million laptops and tablets annually.

Foxconn Vietnam general director Harry Zhuo said as of December, the company had invested $1.5 billion in Vietnam, including $900 million in Bac Giang, creating 35,000 jobs. “The company is planning to inject an additional $700 million in 2021 and create a further 10,000 jobs,” added Zhuo.

In addition to Bac Giang, Foxconn is setting sights on the central provine of Thanh Hoa, and along with other tech giants such as Heesung Electronics, Goertek Technology, Mitac Computer, and Luxshare ICT Vietnam, Foxconn has met with Hanoi authorities to find investment opportunities related to high technologies thanks to favourable conditions like high-quality human resources and proximity to international airports.

Luxshare is also developing its second project in Bac Giang's Van Trung IZ with a total investment sum of $190 million, and is expanding a project in the central province of Nghe An.

In another case, Chinese acoustic components company Goertek has just visited the northern province of Thai Nguyen to look for new prospects, with a factory manufacturing headsets, microphones, speakers, AirPods, and phone components for Samsung and Apple.

Meanwhile, Capital United, an investment advisor and real estate financial services firm from the United States, met Thai Nguyen provincial leaders and proposed to develop an industrial and technology centre on 900 hectares and the total investment of $390 million to set up a location for companies in IT, high-tech, light and clean industries, and logistics.

"US investors are always good at catching up on trends and seizing opportunities. They have surely seen something attractive and profitable here, along with the wave of technology companies arriving at Vietnam," said Van Duc Phu, representative of the Foreign Investment Agency's (FIA) Investment Promotion Centre for North Vietnam.

Retaining the wave

A recent report by the Economist Intelligence Unit has indicated that Vietnam has emerged as an attractive foreign direct investment (FDI) destination in Asia, beating China and India to become a new hub for low-cost manufacturing in Asian supply chains.

Indeed, over the last two years, the trend of technology companies entering Vietnam has been strong. Huge investors arriving in the country in the first wave such as Samsung and LG are now expanding their investment and facilities, not only for manufacturing lines and factories but also research and development centres.

Panasonic of Japan has also decided to end the production of washing machines and refrigerators in Thailand and move it to a consolidated appliance assembly facility in Vietnam.

In addition to Foxconn and Luxshare, Pegatron has invested $500 million in Haiphong city in the north to produce electronics components (motherboards, graphic cards, laptops, netbooks, cable modems, and smartphones); while Wistron has forked out $273 million in the northern province of Ha Nam to manufacture electronics devices as well as networking and communication products.

Besides these, numerous well-known high-tech investors were already present in Vietnam like Universal Global Technology (Taiwan) which has a facility in Haiphong. In Bac Giang, three projects have just received investment certificates – Ja Solar PV Vietnam (of Hong Kong's Ja Solar Investment Ltd.), Risesun New Material Vietnam, and Vietnam Kodi New Material (by Singapore's Risesun Investment Pte., Ltd.) with the combined investment of $300 million.

Such moves are always followed by billions of US dollars in projects by suppliers and supporting firms tagging along.

However, economist Tran Dinh Thien remains concerned. “Although Vietnam has prepared carefully, including policies, incentives, infrastructure, energy, land, and human resources, to welcome these investments, administrative procedures still need to be simplified, human resources improved, and infrastructure modernised,” said Thien.

The report from the Economist Intelligence Unit suggested that factors that place Vietnam above its peers are the available incentives for international investors to set up units to manufacture high-tech products, the pool of low-cost workers, and the proliferation of free trade agreements.

Vietnam has scored higher than both India and China in FDI-related policies, as well as higher than India in terms of their respective labour markets. The report also raises a bright outlook for Vietnam to offer generous arrangements for international corporations with incentives for investment.

Additionally, the FIA has been having discussions with Japan about a potential cooperation in training employees. This will significantly contribute to enhancing the quality of human resources, meeting more requirements of foreign investors, and improving the competitiveness of the country.

“The new investment from Intel is expected to encourage more Japanese investors and suppliers to Vietnam, and Vietnam is ready in all aspects to welcome both Japanese and all other investors, as well as absorb the investment as best as possible,” said Phu from the FIA.

Saigon Hi-Tech Park seeks to attract investment in tech, supporting industries

The Saigon Hi-tech Park will create favourable conditions to attract investment in the tech and supporting industries this year, its head has said.

Dr Nguyễn Anh Thi, head of the board of management of Saigon Hi-tech Park (SHTP), said the park has this year set an FDI target of US$200 million.

It recently issued investment registration certificates to two major hi-tech projects.

They include $19.5 million by US company Arevo to manufacture 3D-printing machines and carbon fibre and nanotube-reinforced polymers for 3D printing and provide software services.

Korea’s SNST and Finger Vina have invested $1 million to produce high quality integrated circuits.

Last year Hong Kong company TTI, Inc., a wireless industrial electrical equipment manufacturer, invested $650 million in the park and is looking for local suppliers to increase its use of local parts.

It plans to set up a plant and an R&D centre with the intention of making Vietnam its new manufacturing base.

It wants to increase investment in manufacturing for export, while simultaneously developing German-standard training schools to improve the quality of the Vietnamese engineering workforce.

It is set to encourage companies to relocate to Vietnam to join its supply chain.

The plant will manufacture hand-held power tools with integrated technology for designing and manufacturing control devices, electronic transformers, mechanical engineering products, and others.

As part of its efforts to attract investment, the park has organised high-tech supporting industry development programmes to help local firms link up with lead firms, through business matching activities between foreign and Vietnamese enterprises, and with export processing zones and industrial parks around the country.

The park has also developed 162,000sq.m of high-rise factories for local firms in supporting industries, according to Thi.

Hứa Quốc Hưng, chief of the HCM City Export Processing and Industrial Zones Authority (HEPZA), said his agency has set an investment target this year of $550 million in industrial parks and export processing zones.

Science and Technology Park

Speaking at a recent meeting Thi said the park would focus on building a 'world-class' science and technology park.

It has a vision of laying the foundation for development of high-tech industries in HCM City, he said.

"We aim to create an environment to improve the quality of human resource training as this is the most important factor in production."

He said it is important to enhance links between educational institutions, businesses and the park.

In the last 20 years various types of science and technology park models have sprung up globally such as innovation centres, incubation centres, innovation towns, and public science and AI technology urban areas.

In 2011 the city began consulting experts for building the park at a cost of more than VND4.3 trillion ($185 million).

The new park will tie up with educational and research institutes as part of a city programme to improve the quality of human resources, especially in new technologies. — VNS

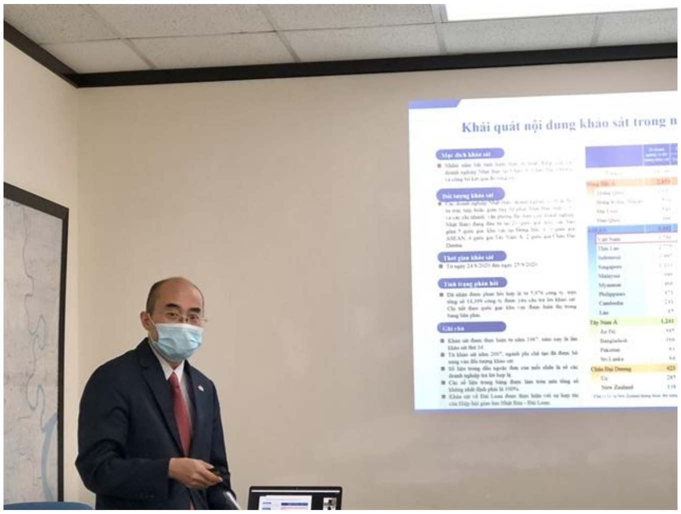
Almost half of all Japanese firms plan to expand investment in Vietnam

Almost 47% of Japanese enterprises plan to expand their business in Vietnam in the next one to two years, a survey by the Japan External Trade Organisation on business conditions of Japanese companies in Asia and Oceania has found.

Announcing the survey results in HCM City on Monday, Hirai Shinji, chief representative of JETRO in HCM City, said the ratio is lower than in the previous year, but still only ranks fourth in the region behind Pakistan, India and Myanmar.

They want to expand in Vietnam since their revenues are growing from both local sales and exports, and the market's high economic growth and huge potential.

Besides expanding local sales, they also eye increased exports to Japan, ASEAN, the US, and China.



Hirai Shinji, chief representative of JETRO in HCM City, announces the survey by the Japan External Trade Organisation on business conditions of Japanese companies in Asia and Oceania in HCM City on Monday

Some 49.6% of the businesses were profitable in 2020, a 16.2 percentage point fall, while 30.1% incurred losses, up 9.9 percentage points.

"Like elsewhere in the region, Japanese businesses in Vietnam were also affected by the Covid-19 pandemic, and their profit fell. But the decline were low [compared to place like] Indonesia, the Philippines and Thailand."

Asked about future development, many firms in the manufacturing sector said they plan to review their procurement due to changes in the global supply chain as a result of the pandemic and changes in the global trade environment, with 18.8% preferring suppliers in Vietnam compared to 12.9% in China, 9.3% in Thailand and 8.3% in Indonesia.

Many also plan to reassess where they manufacture, with Thailand being their top choice followed by Vietnam.

Japanese firms appreciate the growth potential of the Vietnamese market, its stable social and political situation and low labour cost, the survey said. But they mentioned risks such as rising labour costs and tortuous administrative procedures and tax regulations.

The survey also showed that Japanese companies have increased purchases of raw materials in Vietnam to 46.1%, the same as Malaysia but low compared to China, Thailand and Indonesia, he said.

Besides, many Japanese firms want to enhance co-operation with Vietnamese start-ups.

The survey was carried out in September and October last year, with the participation of nearly 6,000 businesses in 19 countries and regions, including 905 in Vietnam, the highest number in a single country. — VNS

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