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VIETNAM BUSINESS REVIEW

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FINANCE

'Vin' stocks drag down Vietnam market

Shares dropped on Tuesday as investors dumped stocks in the 'Vin' family, weighing down the overall stock market.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) declined 0.48%, or 6.02 points, to finish Tuesday at 1,252.68 points.

The southern market index had declined 0.60% on Monday, to finish the trading day at 1,258.70 points.

The market breadth Tuesday was negative as 274 stocks declined while 143 rose and 46 ended flat.

The market's liquidity was high with over 692.5 million shares traded on the southern market, worth VND21 trillion (US\$915 million).

The shares of the 'Vin' family performed poorly as IT-real-estate-manufacturing-retail conglomerate Vingroup (VIC) and real estate giant Vinhomes (VHM) dropped.

Vingroup (VIC) dropped 2.4%, Vincom Retail (VRE) declined 2.3% and Vinhomes (VHM) was down 1.9%.

Bank stocks also performed poorly on selling pressure, including Asia Commercial Bank (ACB), Bank for Investment and Development of Vietnam (BID), Vietinbank (CTG), Saigon-Hanoi Bank (SHB), Vietcombank (VCB), VPBank (VPB) and HDBank (HDB).

"In this period, there is a lack of information supporting the market, thus, VN-Index is likely to continue fluctuate with alternating ups and downs in the 1,200-1,220 zone to 1,275-1,285 zone to accumulate and create a new base in the short term," said Bao Viet Securities Co.

"Investors should maintain the proportion of shares in the portfolio at 30-35%, prioritising holding medium-long term positions and consider taking a short position in the short term when the index is testing the support zone of 1,200-1,220 points," it said.

On a sector basis, 28 out of 25 sectors witnessed downtrend, including insurance, seafood processing, real estate, agriculture, home appliance production, logistics, construction, banking, rubber production, securities, agriculture and healthcare.

The 30 biggest stocks tracker, VN30-Index, rose 0.53% to finish Tuesday at 1,378.59 points. Of the VN30 basket, 11 stocks increased while 18 decreased.

Meanwhile, on the Ha Noi Stock Exchange (HNX), the HNX-Index declined 0.72% to close Tuesday at 294.64 points. The northern market index had risen 0.70% to close Monday at 296.79 points. During the session, nearly 123 million shares were traded on HNX, worth VND2.5 trillion. — VNS

Transactions made via digital channels to reach 70% by 2025

The Vietnamese government will support boosting the application of new payment methods to achieve the digital transformation goals of the banking industry.

At least half of the total Vietnamese adult people will use e-payment services and at least 70% of total transactions will be made via digital channels by 2025.

It is one of the goals set out in the digital transformation plan of the banking industry to 2025, with a vision to 2030, which has been issued by Governor of the State Bank of Vietnam (SBV) Nguyen Thi Hong this month.



Vietnamese users are experiencing virtual reality viewing projects in BIDV Home app.

At least 50% of banking operations of credit institutions and foreign bank branches will be performed completely in the digital environment.

Under the plan, by 2025, 60% of credit institutions will earn more than 30% of revenue from digital channels and 50% of small and consumer loans will be extended via digital channels.

About 70% of the credit institution's files are processed and stored in the digital environment (except for files classified as state confidential data).

“By 2030, 70% of the SBV’s inspection and supervision activities of the banking industry will be carried out in the digital environment,” the plan noted.

A recent report shows that 95% of credit institutions planned to build a digital transformation strategy, 39% of surveyed organizations have approved a digital transformation strategy or integrated it into the strategy of information technology business development.

In the next 3-5 years, about 82.5% of banks expect revenue growth of at least 10%, more than a half of which want over 60% of customers will use digital channels.

Assoc. Prof. Dr. Ngo Tri Long, a local economist, said that digital development has been changing economies around the globe at a rapid pace.

"Digitalization is an inevitable trend and a "survival battle" of the banking industry. The Covid-19 pandemic has contributed to speeding up this process," Long emphasized.

The use of a range of payment technologies is trending upwards as users are comfort with them and their understanding increases.

A latest report titled "the Mastercard New Payments Index" found that nearly 70% of respondents in APAC say they will use digital or mobile wallets in the next year. The number is higher than the global average of 62%.

The majority of respondents in the region perceive new payment methods like QR codes to be cleaner (76%) and more convenient (71%) for in-person payments as it is likely consumers are using their own mobile device.

The survey underlined businesses of all scales will face greater expectations to provide multiple ways to purchase and pay.

Looking forward, the SBV will support the processing of new payment methods and connection models involving QR code, e-wallets, mobile money (direct carrier billing), cards, payment accounts, and cross-border transactions.

From an expert's view of point, Vice Director of the Vietnam Institute of Digital Transformation and Innovation (VIDTI) Hoang Nguyen Van said that the Covid-19 pandemic is making digitalization an urgent issue for firms to increase their survivability by transforming business operation and technologies to cope with a new situation.

According to SBV Governor Hong, the central bank will modernize the payment infrastructure, improve connectivity and interoperability including upgrading and modernizing the inter-bank electronic payment system (IBPS), towards meeting international principles and standards.

Besides, the SBV will also hold an annual "Digital Transformation Day" event to promote the process.

Super app explosion signalling a digital payment revolution

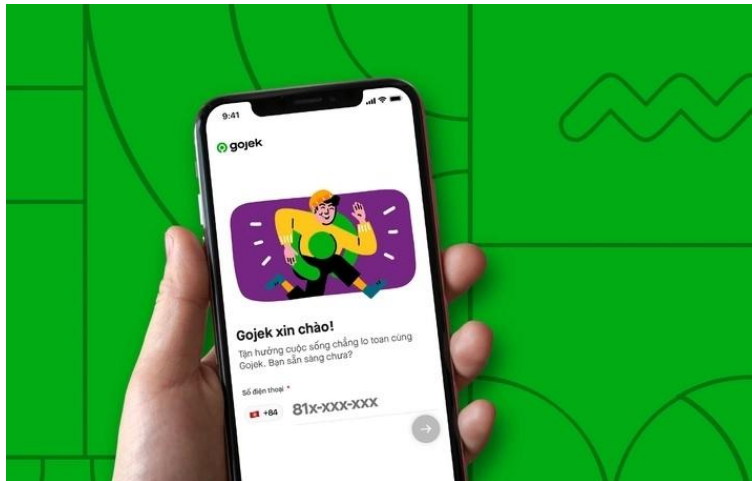
Multi-purpose apps are gearing up for fiercer competition to grab a slice of Vietnam's fast-growing, mobile-first market.

At the beginning of May, Gojek announced it will unveil its car-sharing services in Vietnam in the next few months. The move follows its official launch in the country last August after the rebranding of its existing local operation, GoViet.

A representative of Gojek Vietnam told VIR that Gojek's business is built around transport, food, and pay. "Car-sharing and cashless payment services will be the addition to this triangle in 2021," he said.

According to Filippo Bortoletti, senior manager of International Business Advisory at Dezan Shira & Associates, Gojek completing its super app is likely to increase the competition in Vietnam's ride-hailing

market. “Scale is everything in such a business and includes creating a base of regular users, who can then be leveraged into other businesses, like food delivery and e-commerce,” Bortoletti said.



In this case, both Gojek and Grab could fight over users with appealing promotions on their apps while competing over local drivers with attractive compensation schemes.

“Potentially, partnering with other tech companies could break the equilibrium between the two super apps, but this is unlikely as Gojek and Grab have been evenly competing in Southeast Asia for years without

gaining a clear advantage,” said Bortoletti.

“Also, the competitive landscape of e-wallets may change. Currently, MoMo, Moca, and ZaloPay dominate about 90% of the local market. Gojek’s recent acquisition of Vietnamese e-wallet WePay may also alter the market for ride-hailing and food delivery services which may reduce the number of transactions for Moca who partnered with Grab,” he added.

Market researcher Decision Lab’s latest connected consumer report revealed that Vietnam’s ride-hailing industry could reach \$4 billion by 2025 and is one of Southeast Asia’s fastest-growing ride-hailing markets. Grab is dominating the ride-hailing app scene, while Gojek and Be Group are striving to keep up with traditional taxis. After Grab, Gojek is the second-most popular ride-hailing app in Ho Chi Minh City, while in Hanoi, this position belongs to Be Group.

The latest report by mobile platform provider Appota shows that online food delivery has boomed during the pandemic. The growth of such deliveries on on-demand platforms have skyrocketed 82% in 2020, from 58% in 2018. GrabFood, Now.vn, GoFood, and Baemin are now main players of the online food delivery competition.

Meanwhile, these platforms also compete in last-mile delivery, which has witnessed surging demand owing to the high growth in e-commerce. The market is highly competitive with the expansion of Tiki, Lazada, and Shopee, as well as other local and foreign logistics service providers such as Vietnam Post, Viettel Post, GHN, DHL, and FedEx.

One segment that the on-demand platforms are focusing their efforts on is e-wallet services. The market is crowded with 37 licensed intermediary payment services, including 34 e-wallets. However, there is vast potential as total transaction value of digital payments is expected to show an annual growth rate of 15.02%, resulting in a projected total amount of \$26.37 million by 2025, according to Germany’s data analyst Statista.

The ongoing addition of new services is not surprising for multi-purpose platforms. In January, Be Group joined forces with VPBank to launch an electronic banking solution system and digital bank called Cake, which is available on the Be Group app.

CEO of Be Group Nguyen Hoang Phuong said that one of the ways be differentiates itself is by positioning the company as an open platform. It is veering away from the super app strategy adopted by many other ride-hailing firms, and instead wants to be a mobility-as-a-service provider and is relying on building partnerships with other companies to grow its ecosystem in a sustainable manner.

Be Group offers more than 10 services such as motorbike and car booking, express delivery, grocery delivery, online ticket ordering, and more. The company reached break-even last year and aims to achieve profitability in 2021.

According to Dezan Shira & Associates' Bortoletti, Vietnam is a fertile ground for development of super apps and an attractive market. Like China a decade ago, Vietnam could be in the early phase of a digital payment revolution. "Cashless payments are on the rise in Vietnam as more people use e-wallets to pay for groceries, taxi fares, phone and electricity bills, and plane tickets," Bortoletti said.

"The pandemic also fostered the development of cashless payments among locals due to high internet penetration and smartphone ownership. Finally, Vietnam's banked population is one of the lowest in Southeast Asia, which offers a great opportunity for super apps and e-wallet players to become the next Alipay or WeChatPay," he added.

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E-COMMERCE

Vietnam mobile e-commerce to value \$10.2 billion by 2023

E-wallets in Vietnam have strongly benefited from the change in payment habits during the Covid-19 pandemic.

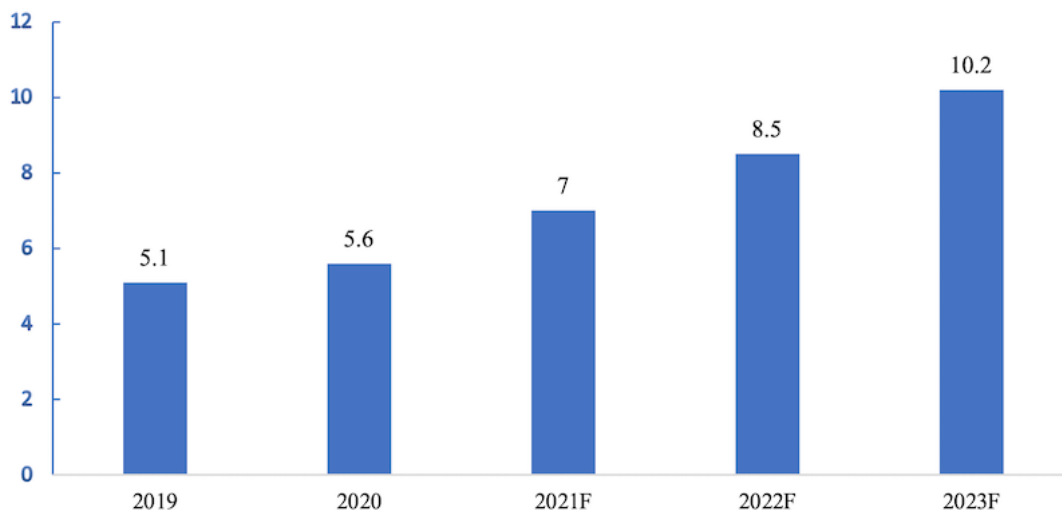
Vietnam's mobile e-commerce is rapidly growing with an estimated value of US\$10.2 billion by 2023, according to 2021 Vietnam Mobile Application Report, conducted by the market research company Appota.

The report revealed that mobile e-commerce is showing dramatic growth as it accounts for nearly half of all business-to-consumer e-commerce revenue in Vietnam.

In terms of transaction rates, the mobile platform also manifested a strong superiority over the desktop, accounting for 62% of all transactions. Meanwhile, the number via the desktop accounted for only 38%.

Last year, the country had 49 million online shoppers aged 15 and above, the 3rd highest in Southeast Asia, behind Indonesia (137 million) and the Philippines (57 million). However, this figure only accounted for 65% of the total number, a modest rate compared to Malaysia (83%), Singapore (79%) and the Philippines (74%).

Revenue of mobile e-commerce in Vietnam, 2019-23F
(Unit: US\$ billion)



Source: Appota, May 2021

“This shows the opportunities of the payment and e-commerce markets both in terms of number of users and purchase value in Vietnam is potential in the coming time,” the report noted.

According to a We Are Social's survey, the age group from 25 to 54 years old is those who shopped the most, accounting for about 82-85% of the surveyed respondents. Generation Z, accounting for 70.6%, is

the pioneer and easily updates online shopping trends. However, the middle-aged customer group is familiar with this model and thus, continues promoting online shopping.

Sharp growth in digital payment

As financial and economic losses affect the purchasing power of consumers, transaction value in 2020 didn't witness a sharp growth compared to 2019. Total digital transactions in Vietnam in 2020 reached US\$11.6 billion.

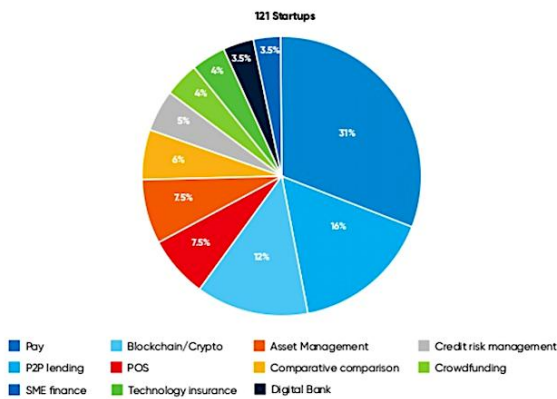
In 2020, total spending through online channels in the country averaged US\$280.3 per person, of which transactions via mobile POS and digital commerce accounted for 21.8% and 78.2%, respectively.

When Vietnam's economy is expected to recover after the pandemic, the digital payment value this year is forecast to reach nearly US\$15.1 billion, an increase of 30% against 2020.

According to the German-based market research company Statista, spending via digital commerce is estimated at nearly US\$250 per capita in 2021 while it will be nearly US\$74 via mobile POS payments.

E-wallets are booming

PAYMENTS STARTUP ACCOUNTS FOR THE MOST IN TOTAL NUMBER OF FINTECH STARTUP IN VIETNAM



Source: Appota, May 2021

In 2020, there were 121 startups operating in the fintech sector in Vietnam, of which e-payment has the largest number of fintech startups, accounting for 31%, followed by peer-to-peer (P2P) lending with a 16% market share.

From a business' view, Natalia Kovalenko, Managing Director of Lendtop Ltd, providing MoneyCat app, believes Vietnam will see great growth in the field if the legal framework for fintech activities including P2P is completed soon.

The Vietnamese government is making great efforts in building and preparing the legal basis for this field, also known as the sandbox test management mechanism, Kovalenko added. "We look forward to

join in the sandbox," she told *Hanoitimes*.

Vietnam's leading e-wallets have strongly benefited from the change in payment habits at home and the number of users increased sharply over the past year.

Last September, Momo wallet announced 20 million individual users, becoming the most used e-wallet in Vietnam. Meanwhile, the Vietnamese payment startup VNPAY was valued at over US\$1 billion, according to Google's Economy SEA 2020 report, and it is considered as the second unicorn startup behind VNG.

Regarding the number of downloads, Momo holds the position as the most downloaded e-wallet, peaking in February and March with 992,000 and 839,000 downloads, respectively. Viettel Pay and ZaloPay are in fierce competition when the latter's number surpassed the former's ones as of February.

Fake and low-quality goods: the biggest problem for e-commerce platforms

Counterfeit and poor-quality goods are the biggest obstacle that customers face on online shopping platforms.

On most e-commerce platforms, sports clothing branded Nike and Adidas are priced at around VND100,000 (\$4), 5-10 times cheaper than products sold at official stores. All of them are counterfeit.

According to a report by Reputa (Viettel's online monitoring platform), fraudulent stores, wrong delivery, bad quality, and counterfeit goods are the main factors (46%) causing dissatisfaction among customers of major e-commerce floors in Vietnam.

According to statistics, in the first nine months of 2020, the market management agency inspected more than 2,400 cases, handled over 2,200 violations, and imposed fines worth over VND16 billion for violations on e-commerce sites. Some took advantage of e-commerce to sell smuggled, fake goods, goods of unknown origin, and goods infringing intellectual property rights with a value of about VND41 billion (nearly \$2 million).

According to the Department of E-Commerce and Digital Economy of the Ministry of Industry and Trade, 463,865 online shops and nearly 1.8 million products were inspected in March 2020. About 5,200 shops with over 21,000 products were fined for violations.

The three main groups of counterfeit goods that trade mainly on online platforms include electronic and technology products; clothes, footwear, cosmetics; and houseware.

Counterfeit goods are also a problem globally. According to the World Customs Organization (WCO), counterfeit goods account for 7-9% of global trade.

A memorandum of understanding signed by former US President Donald Trump in 2019 stated that the value of counterfeit and pirated goods traded worldwide could increase to \$500 trillion a year, with about 20% of these violating intellectual property laws of the US.

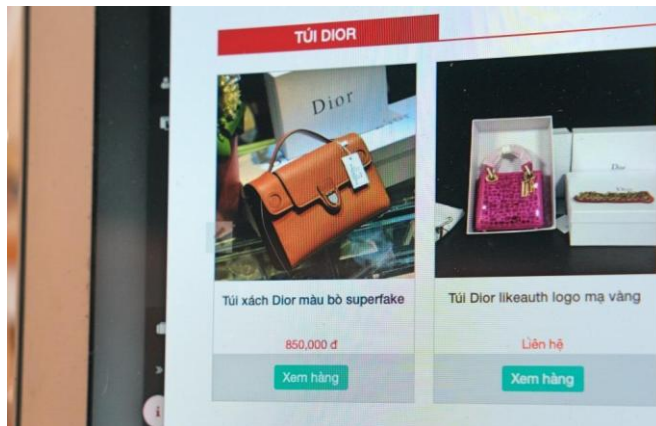
In India, the trade of fake goods in 2019 increased by 24% compared to 2018, causing losses of up to 1 trillion rupees.

The convenience of online shopping platforms enables the trade of fake goods. Besides economic and loss of trust loss, counterfeiting certain products can also affect the health of consumers.

How do e-commerce floors combat counterfeiting?

In Vietnam, the most aggressive action of e-commerce floors against counterfeits is blocking accounts of sellers. Tiki commits to compensate 111% of the goods' value to people who bought counterfeit and fake goods.

Representatives of popular e-commerce sites in Vietnam like Shopee, Lazada, and Tiki told VietNamNet that they have staff check goods, images and infringement of keyword filtering systems. However, many sellers have applied tricks to overcome these protective barriers.



Handbags clearly noted as fake goods sold on a website

Online shoppers avoid buying low-quality products by choosing reputable stores and official online stores. In addition, e-commerce platforms have guaranteed shops, such as Lazada's LazMall and Shopee's Shopee Mall, which sell genuine, guaranteed products.

Among major e-commerce sites in Vietnam, Tiki started from the B2C model, or goods sold by Tiki, so the quality control is guaranteed. In theory, counterfeit and fake goods are controlled on the site. However, Tiki has now applied the C2C model, which means it allows

third parties to open shops, so the control of counterfeit goods is more difficult. The C2C model is also used by Shopee and Lazada.

E-commerce platforms must have anti-counterfeiting solutions

According to Reputa's Vietnam e-commerce report 2020, the motivation for customers to shop online is their trust in that site (20.5%). This factor is just behind the delivery time (25.9%). At the same time, the main feedback on social networks about major e-commerce floors in Vietnam is also related to the issue of goods quality and fraud. Therefore, combating counterfeiting is one of the most important issues for the development of e-commerce platforms.

In the US, former President Donald Trump last February signed a decree to prevent the sale of counterfeit goods from abroad to US citizens who shop online on Amazon.com, Walmart.com or other e-commerce websites. The US government asked Amazon, Walmart and other sites to take policies to ensure that the goods they sell are safe and legal. Four months later, Amazon formed an anti-counterfeiting team, including former prosecutors, investigators and analysts.

In March 2020, four members of the US House of Representatives proposed a bill that would require e-commerce companies such as Amazon or eBay to be liable for counterfeit goods sold on their platforms. The Shop Safe Act of 2020 is awaiting approval from the US House of Representatives' Judiciary Committee.

In Vietnam, the law on violations on e-commerce sites still lags behind the actual situation. The Ministry of Industry and Trade has proposed amending the Government's Decree No. 52/2013/ND-CP on e-commerce.

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ENERGY

Renewable energy output up nearly 160% during Jan-Apr

Vietnam's total output of electricity from renewable energies hit 9.5 billion kWh in the first four months of 2021, up 156.9% year-on-year, and accounting for 11.8% of the total electricity output, according to a report by the Vietnam Electricity (EVN).



Renewable energy output up nearly 160% during Jan-Apr

The electricity output from solar energy alone reached 8.73 billion kWh, a nearly three-fold increase compared to the same period last year.

Meanwhile, during January-April, Vietnam produced a total of 18.39 billion kWh from hydropower, up 59.3% year-on-year, and making up 22.8% of the total.

The thermal power electricity yield reached 41.48 billion kWh, a year-on-year decrease of 8.7%, and accounting for 51.4% of the total. The total output of electricity generated by gas turbines was 10.55 billion kWh, down 16.4%, and equivalent to 13.2% of the total.

The output of oil-fuelled thermal power plant was small, reaching 2 million kWh, while electricity import volume stood at 481 million kWh, down 62.5% over the same period in 2020, and accounting for 0.6% of the total electricity production of the whole system.

The average daily electricity consumption of the whole system is expected to reach 774.3 million kWh per day in May, and the largest load capacity is estimated at 39,859 MW, as severe heat waves are forecast to linger throughout the country.

EVN also sets a target of well fulfilling the dual tasks of ensuring COVID-19 prevention and control and providing sufficient electricity for socio-economic development and people's daily activities, especially during the elections of deputies to the 15th National Assembly and all-level People's Councils for the 2021-2026 term on May 23.

New green growth strategy to promote carbon-neutral economy

The Ministry of Planning and Investment is working with relevant ministries, sectors, and localities to draft a national strategy on green growth for 2021-2030 and vision to 2050.

Hanoi - The Ministry of Planning and Investment is working with relevant ministries, sectors, and localities to draft a national strategy on green growth for 2021-2030 and vision to 2050.

Part of making Vietnam a carbon-neutral economy as soon as possible, the draft strategy sets targets on reducing greenhouse gas emissions, greening all economic sectors, promoting sustainable consumption, and enhancing resilience during the green transition process, among other matters.

Science and technology, digital transformation, innovation, culture, healthcare, education, and equality in access to opportunities and benefits from growth achievements will be promoted to ensure the dual tasks of achieving green and inclusive growth and building a Vietnamese society in which no one is left behind.

Targets, missions, and measures in the new strategy will be based on a wide range of quantitative methods, econometric models, cost-benefit analysis, and the impact on socio-economic development.

The strategy updates new factors of influence to the green growth and ensures synchronicity with the 2030 Sustainable Development Goals and the Paris Agreement on greenhouse gas emission reductions.

The strategy will be adjusted to limit any overlaps and create favourable conditions for implementation, monitoring, and evaluation.

According to the ministry, the national strategy on green growth during 2011-2020 and vision to 2050 was approved by the Prime Minister on September 29, 2012. After eight years of implementation, it helped raise public awareness about the significance of green growth. Measures to cut greenhouse gas emissions were carried out widely, resulting in such emissions falling 12.9% compared to the normal development scenario.

Energy consumption per unit of GDP declined by an average of 1.8% each year, while 46.9% of businesses targeted cleaner production by 2020 compared to 28% ten years earlier. In particular, outstanding loans funding green growth stood at nearly 238 trillion VND (10.36 billion USD) by 2018, or 235% higher than the figure in 2015.

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RETAIL

E-mart to sell retail business in Vietnam

E-mart said it will sell its retail store business in Vietnam to a local firm there after facing repeated obstacles to expanding its operations in the Southeast Asian country. Korea's largest retailer will receive royalty payments from the Vietnamese buyer instead.



E-mart's discount store in Go Vap, Vietnam / Korea Times file

E-mart revealed through a public disclosure on Monday that its board of directors has decided to sell off a 100% stake in E-mart Vietnam Co. to Truong Hai Auto Corporation (THACO) Group. THACO Group is one of the leading car manufacturers in Vietnam and the fourth-largest firm in the country.

Through the deal, E-mart will no longer operate its brand discount store in Vietnam. The discount store will be run as franchises

managed by THACO, which will pay royalty fees to E-mart.

The retail giant entered the Vietnamese market in December 2015 and opened its first discount store in Ho Chi Minh City. However, it was unable to open additional stores there, due to the local government's delays in approving construction plans.

Last year, E-mart decided to sell the business to THACO Group, which is also engaged in the real estate business and runs several shopping malls in Vietnam.

E-mart expects THACO to open over 10 discount stores in the Southeast Asian country by 2025.

"Our strategic alliance with THACO will not only pay us royalties for using the E-mart brand in Vietnam, but also give us the opportunity to export our private brand products," an E-mart employee said.

Vietnam has a population of around 100 million, a large proportion of which is people in their 20s and 30s. Private spending in Vietnam has been growing every year, boosting the country's appeal to retailers around the world, especially for those running supermarkets or discount stores. Big cities like Hanoi and Ho Chi Minh City have over 8 million people residing there

After more franchise stores open in Vietnam, E-mart said it will help small and medium-sized enterprises (SMEs) in Korea export their products to the Southeast Asian country.

The number of Korean products sold at E-mart's store in the Go Vap district of Ho Chi Minh City increased from 170 in 2015 to 1,000 in 2019 and 1,200 in 2020. About 85% of the products carry E-mart's proprietary "No Brand" label.

Also, 70% of No Brand products are made by SMEs in Korea.

Coffee chains, foreign and local, keep expanding

Since entering Vietnam last October, Thailand's leading beverages chain Café Amazon has opened an outlet each in Ben Tre, Tien Giang and Tra Vinh provinces and HCM City, and has plans to expand across the country.

It has said Vietnam is one of its 10 important markets and it plans to spend a large amount of money in the next five years to expand in the country.

The US's Starbucks is another chain that plans to expand after opening six new stores last year despite the pandemic.

Trung Nguyen's E-Coffee, a small coffee franchise targeted at takeaway customers, plans to open 16 more stores nationwide.

The Coffee House, which opened 24 stores in the first quarter of this year, plans to open at least another 50 this year to increase its total number to nearly 230, and 1,000 by 2025.

King Coffee plans to have 105 stores this year, including 50 franchised outlets, from the current number of 40 stores.

Other brands such as Phuc Long, Ong Bau and Highlands Coffee have also announced expansion plans.

Phuc Long has said it will open stores all over the country though with a focus on downtown HCM City, Da Lat, Bao Loc, Vung Tau, Bien Hoa, Nha Trang, and Da Nang.

After recently opening the third The Bunny coffee shop in HCM City's District 3, Nguyen Dinh Tung, chairman and general director of Vina T&T Group, which owns the chain, said, "In the mid-priced segment and above, there are only a few brands, and so the epidemic period opens an opportunity for new investors because premises for opening coffee stores in prime locations have never been so easy to find or cheap.

"It is also easier to hire skilled human resources than before. Customers are now different from before, they need high-class cafes."

Launched amid the epidemic, The Bunny has been attracting a lot of customers, and revenues have been very good, he added.

Huge potential market

According to Euromonitor Worldwide, the middle class is growing in Vietnam, whose coffee and tea retail market is worth more than US\$1 billion.

According to the Vietnam Coffee and Cocoa Association, the rapid increase in the number of coffee chains has boosted their consumption to over 10% of the country's coffee output.

But the per capita coffee consumption in the country is only a third of the global average, which makes it a very attractive market for both domestic and foreign businesses, it said.

Another factor is the country's young population, Dinh Anh Quan, chairman of The Coffee House, said, adding that Gen Z (people born between 1997 and 2005) is becoming a large customer base since it always wants to try new and different things.

In the past, a number of foreign brands like NYDC - New York Dessert Café, Gloria Jean's Coffee, Caffe Bene, and the Kafe have pulled out of the country.

According to experts, there is fierce competition in the cafe chain market, and only brands that make methodical investments, differentiate in their products and are knowledgeable about Vietnamese coffee tastes and create unique customer experiences can attract and retain customers.

In addition to investing in expansion and making a difference in terms of products and services, many coffee chains are also stepping up co-operation with delivery platforms for online sales.

Foreign food chains unable to sustain in Vietnamese market

Vietnam has for many years been considered as an attractive market for the retail industry, including fast foods and beverages.

For reasons of fast growth, many big names in the foreign fast food industry and well known coffee chains entered the Vietnamese market. However, now many of these brands are withdrawing due to huge and consistent losses over long periods of time.

Impressive entry

With a population of one hundred million people, of which 60% are youth who are willing to try out new products, the Vietnamese market looks highly attractive to foreign retailers. There are currently about 44 million Vietnamese in the middle class, and according to some forecasts this number will increase to 95 million by 2030. In the food and beverages sector alone, the annual growth rate is about 10% per year, outperforming the general growth rate of many other industries. This is also the reason why many big names in fast food and beverages ambitiously entered the Vietnamese retail market.

Starting in the late 90s, three fast food chains, namely, Jollibee from the Philippines, KFC from the US, and Lotteria from South Korea, invested in opening fast food stores in Ho Chi Minh City in Vietnam. Jollibee opened its first store in 1996, KFC in 1997, and Lotteria in 1998. Since then, Vietnamese people have become well acquainted with fried chicken, hamburgers, and carbonated drinks. More than ten years later by 2012, the famous American fast food brand, Burger King, made its presence in Vietnam in prime locations across several provinces. However, the most impressive opening of the fast food industry in Vietnam was the entry of McDonald in 2014 in Ho Chi Minh City.

Along with the fast food and the beverage sector, many international coffee brands have also well penetrated the Vietnamese market, such as NYDC from Singapore, which appeared in 2009, and Gloria Jean's Coffee from Australia which opened its first store in 2006 under the name Coffee Bean & Tea Leaf

Company. Among the major coffee brands, Starbucks has continued to attract a lot of Vietnamese consumers since its first store opening in District 1 in Ho Chi Minh City in February 2013. Now, the Vietnamese market seems to have a pretty big presence of world famous fast food and beverage companies.

The common factor of all these brands when coming to Vietnam, is that they quickly dominated the market by opening dozens of stores across many provinces and cities. Seeing the financial potential and global reach of these food chains, one would think that their goals are well defined. However, reality seems to be just the opposite. Other than a few profitable brands, many names have already quietly withdrawn from the market, while many others have had to slow their speed in expanding their chain of stores.

Struggle to grow

According to The Korea Times of South Korea, the Lotteria fast food chain in Vietnam did not generate any profit for Lotteria GRS last year, and hence it is now withdrawing from the Vietnamese market. However, a representative of Lotteria Vietnam denied this information and said that they want to continue to expand in the Vietnamese market. Nonetheless, with this news, it is necessary to look back at how this South Korean fast food giant fared in recent years. After a strong presence for 23 years, Lotteria currently has around 200 stores, but in recent years it has continuously reported losses. In 2016, Lotteria reported a loss of VND 135 bn, in 2017 it showed a loss of VND 20 bn, and in 2018, although maintaining a revenue of about VND 1,000 bn, the company showed losses of upto VND 400 bn.

Big companies like Burger King or McDonald also did not achieve their original target of opening their scheduled number of stores. In particular, Burger King poured USD 40 mn into Vietnam in 2012 and set a target to open 60 stores by 2016, but up until now it has opened only nine stores. Similarly, after a highly anticipated and resounding opening, McDonald was unable to meet its target of 100 stores by 2022, and has only achieved a mere opening of 23 stores, with the number of customers also declining by the day.

While many fast food brands have reconciled to prolonged losses by going slower than their original plan, many foreign coffee brands have already quickly withdrawn from the Vietnamese market. First to go was the Gloria Jean's Coffee Company after almost ten years in Vietnam, after the chain had to narrow its business and then finally withdrew from the market in April 2017. NYDC also withdrew from the market after opening six stores. On the other hand, Starbucks is still being considered a success even though the brand has only 60 stores in major cities up until now.

When entering Vietnam, foreign brands often target the mid-end or high-end segment of consumers, so they have to open stores in prime locations. Over the years, consumers in these segments have dwindled, which perhaps could also be reason why so many foreign fast food and coffee chains are looking at withdrawing from the Vietnamese market altogether.

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LOGISTICS

Logistics enterprises grow strongly in Q1, boosted by FTAs and industry's bright outlook

Vietnamese logistics enterprises reported outstanding business results in the first quarter of 2021.

In the quarterly financial report, Transimex Joint Stock Company (TMS) said that its net revenue jumped 104.9% year-on-year to nearly VND1.1 trillion.

As cost of goods sold increased during the period, Transimex's gross profit rose 55% against same period last year to VND112.56 billion. After diminishing expenses, its profit after tax reached VND101.2 billion, up 75.7%.



Hai Phong Port at night. The Port of Hai Phong JSC recorded a growth of 41.7% in profit after tax in Q1

Transimex is a logistics service provider with businesses in international freight forwarding, warehousing, domestic transportation and distribution.

TMS stock also witnessed impressive performance. Last Friday, TMS shares, listed on the Ho Chi Minh Stock Exchange (HoSE), traded at VND49,700, up nearly 37.3% since the beginning of the year.

The leading enterprise in the seaport industry, Gemadept Corporation (GMD), also posted good results in the first quarter with net revenue of nearly VND687.5 billion, up 14.4% over last year. Of which, port operation activities accounted for 85% of total revenue, with the rest from logistics and office leasing.

Higher revenue led to a strong rise of 40.2% in profit after tax to over VND171.8 billion.

GMD shares, also listed on HoSE, finished last Friday at VND36,400 per share, up nearly 10% compared to earlier this year.

In the first quarter, Dong Nai Port JSC (PDN) posted net profit of over VND144 billion, up 48% year-on-year thanks to higher revenue from port operation activities as the COVID-19 pandemic has been contained. The Vietnamese economy is entering a state of operation under normal conditions. PDN shares, trading on HoSE, also increased slightly by 3.1% compared to the beginning of the year.

Meanwhile, Port of Hai Phong JSC (PHP) said that in the first quarter, the company's total cargo volume reached 7.126 million tons, exceeding 4% of its business plan. This led to an increase of 16.1% in revenue to VND518.3 billion. The company's profit after tax also climbed 41.7% to VND173.2 billion.

In March, the number of ships passing through Hai Phong Port reached 217, equaling 110.2% over the same period last year. As of March 31, the number reached 585 ships.

As the maritime channel in Hai Phong has its standard depth (-7.0m) published, shipping lines have increased the amount of goods imported and exported on each trip, especially for containers.

On the Hà Nội Stock Exchange, PHP shares rose 6.8% from the beginning of 2021.

Another logistics company with good results in the first quarter was Petrovietnam Transportation Corporation (PVT).

During the period, the company recorded net revenue of over VND1.7 trillion, with profit after tax of nearly VND173.8 billion, up 8.8% and 94.6%, respectively. Its gross profit margin jumped from 14.3% to 15%.

On HoSE, PVT shares ended last Friday at VND16,500, a growth of 13.4% compared to the beginning of 2021.

Boosted by bright prospects of the industry, port stocks were also supported by bullish momentum.

According to SSI Securities Corporation (SSI), the port and logistics industry had very positive developments in 2020, with a growth of 42%.

This securities company assessed that the bullish sentiment in the port and logistics stocks was largely due to the expectation of Viet Nam's trade growth, helped by the positive impact of signed free trade agreements, specifically, the European-Vietnam Free Trade Agreement (EVFTA) and the Regional Comprehensive Economic Partnership (RCEP).

Investors' expectations for growth in foreign direct investment (FDI) thanks to the wave of supply chain diversification and production is also supporting the industry. — VNS

Warehouse demand swelling investment

Local and foreign investors are gearing up their efforts to develop warehouses amid demand surges.

Denmark's Maersk has strengthened its contract logistics and distribution capabilities in Vietnam with three new facilities coming into operation in the southern province of Binh Duong and the northern province of Bac Ninh. These warehouses, together with 11 other self-managed facilities in the country, will enhance Maersk's logistics capacity for future growth in Vietnam. The two facilities in Binh Duong cover around 10,000 square metres each. At around 18,000sq.m, the new facility in Bac Ninh is situated next to another Maersk distribution centre, scaling up the area here to a combined 29,000sq.m.

Marco Civardi, managing director of Maersk in Vietnam, Cambodia, and Myanmar, told *VIR* that the demand for warehousing in Vietnam has increased for both import and export cargo. Container shortages and vessel omissions due to the pandemic crisis has created a strong impact on international freight, therefore generating increase in the warehouse storage demand.

“We have also noticed strong growth in digital products and e-commerce/last-mile delivery. While landlords are trying to maximize yields by shifting away from dry-lease to self-operated models, substantial investments in industrial and logistics land are ongoing,” Civardi said.



“Warehouse supply from new property developers was over 25% in the north of Vietnam and over 28% in the south last year compared to the same period of the previous year.”

He stated that the ramping up of warehouse development is partly occurring in support of organic sourcing increases of Vietnamese-made goods, and also accelerating due to relocation of

manufacturing activities from China to Vietnam where foreign direct investment in manufacturing needs more supportive logistics infrastructure.

Eager to tap into the market growth, Hong Kong-listed warehouse giant ESR Cayman Ltd. also announced a partnership with BW Industrial Development JSC to develop My Phuoc 4 Industrial Park in Binh Duong.

ESR’s foray to Vietnam follows the moves of its two key competitors in the region. Accordingly, Australian warehouse specialist Logos Property established LOGOS Vietnam Logistics Venture in Vietnam last year. Just two months after launch, the venture made its first acquisition in Vietnam – a 13-hectare development site located in Bac Ninh’s Vietnam-Singapore Industrial Park.

Also last October, Asia’s largest warehouse builder GLP announced a joint venture to invest in and develop modern logistics real estate in Vietnam. The company quickly acquired two sites in the north and in the south with plans to develop 210,000sq.m of logistics facilities along with its local affiliate SEA Logistic Partners.

In addition to foreign players, local companies are also ramping up development in the field. Nhat Tin Logistics has developed 100,000sq.m of warehouse space across the country, including Van Giang warehouse in the northern province of Hung Yen and Song Than warehouse in the southern province of Binh Duong.

Nguyen Van Tu, general director of Nhat Tin Logistics, said that more logistics developers are increasingly investing in warehouses for various reasons including optimising operations to improve goods flow as well as providing high-speed delivery to consumers. In particular, there is a growing demand for third-party logistics fulfilment services including warehouse management/leasing and order fulfilment so logistics service providers are building large-scale warehouses to cater to the demand.

The Vietnam Logistics Market 2020 report by the Ministry of Industry and Trade revealed that Vietnam is home to 30,000 logistics service providers, of which warehousing and transportation companies

accounts for 33.26%. Warehousing services is one of the key segments for Vietnamese logistics companies.

According to real estate group Jones Lang LaSalle, the outlook of Vietnam's logistics industry is bright, drawing the interest of investors even in the midst of the pandemic. During the past year, nearly \$3 billion was pumped into the warehouse system and modern logistics centres in the country.

Le Duy Hiep, chairman of the Vietnam Logistics Business Association, said that previously businesses developed small warehouses to serve their own purposes, but more recently they have developed more large-scale warehouses with multiple functions to form logistics centres.

The general director of Nhat Tin Logistics added that today, warehouse systems are built on larger space and higher space to optimise operations. Many logistics companies also install racking systems to increase storage space and capacity while reducing expenses for merchants. In particular, merchants in retail and electronic goods have a higher demand for warehousing and storage, which opens up opportunities for logistics services providers to invest in more modern facilities to accommodate this demand.

Another reason for warehouse expansion is Vietnam's low operating costs. A global report by Savills pointed out that the boom in e-commerce, especially amid the pandemic, is boosting warehouse demand in a majority of markets and, among them, Vietnam has the lowest warehouse operating costs. In Hanoi, costs can be as little as around \$5 per square foot, and in Ho Chi Minh City under \$10.

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INVESTMENT

Alibaba, Baring Private Equity Asia invest \$400m in Masan retail arm, The CrownX

Masan Group Corporation (HOSE: MSN) and a consortium led by Alibaba Group and Baring Private Equity Asia on May 18 announced the signing of definitive agreements for the acquisition of a 5.5% stake in The CrownX for a cash consideration of US\$400 million.

The CrownX is Masan's integrated consumer retail arm that consolidates its interests in Masan Consumer Holdings (MCH) and VinCommerce (VCM). The transaction implies a pre-money valuation of \$6.9 billion for the company, or \$93.5 per share.

Masan will own 80.2% of the company after the consortium's investment.

The formation of The CrownX last year brought together two industry leaders to form a consumer and retail powerhouse. As part of Alibaba's investment, The CrownX will now partner with Lazada to build the company's digital presence and capabilities and accelerate the offline to online (O2O) market in Việt Nam.

The transaction marks a shared vision across the company's shareholders that The CrownX has the potential to establish Việt Nam's first tech-enabled consumer ecosystem and expand its reach to serve consumers nationwide.

Danny Le, chief executive officer of Masan Group, said: "This strategic partnership will accelerate our ability to achieve our goal of transforming The CrownX into a one-stop shop to serve consumers' everyday needs, whether offline or online, 'Point of Life.'

"Our immediate priority is to modernise Việt Nam's grocery market and develop an unparalleled consumer proposition from assortment to shopping experience.

"I strongly believe that this partnership will reduce our learning curve and enable us to reach our endgame more efficiently and effectively."

Janice Leow, managing director at BPEA, said: "We are delighted to be partnering with Masan and Alibaba, and believe this strategic investment has the potential to supercharge The CrownX's growth in a nascent retail market and create the largest consumer ecosystem in Việt Nam.

"As a long-term investor in the country, we think Việt Nam has a long runway for growth supported by strong macroeconomic tailwinds and attractive demographics.

"The CrownX also has tremendous digital potential, particularly in e-commerce and data analytics. BPEA prioritises digital transformation in all of our portfolio companies, and we look forward to working with the company in its next stage of growth."

As a part of the transaction, VCM will enter a strategic cooperation agreement with Lazada, Alibaba's Southeast Asian e-commerce platform.

It will be the grocery retailer of choice on Lazada in Việt Nam.

The parties will share know-how, co-develop analytics to develop grocery as a key online category, transform VCM's offline stores into pick-up points for online orders, and explore synergies between the respective parties' logistics platforms for service and cost optimisation for consumers.

Grocery accounts for 50% of Việt Nam's retail market and 25% of consumer wallet share and is of essential daily use, but online penetration is still nascent.

Masan targets The CrownX's online gross merchandise accounting for at least 5% of its total sales in the near future.

Credit Suisse (Singapore) Limited and Deutsche Bank acted as the exclusive financial advisors respectively to Masan Group and BPEA. The transaction is subject to customary corporate regulatory approvals.

Masan is also in advanced discussions for a further strategic investment of \$300 - 400 million in The CrownX from other investors, and these are expected to be wrapped up in 2021. — VNS

Manufacturers localise supply to circumvent chip shortages

A global chip shortage is creating more pressure for manufacturers in Vietnam as they deal with slowed-down production for electronics and tech products, while local and overseas players are racing to prepare new premises for the production of much-needed supply.

Last week, Vingroup officially announced the shutdown of VinSmart, its smartphone and TV production arm, to focus on its automobile unit VinFast. The move is not seen as a surprising one as Vingroup has also withdrawn from retail, agriculture, and aviation in recent times to focus its resources on smart homes and electric vehicles.

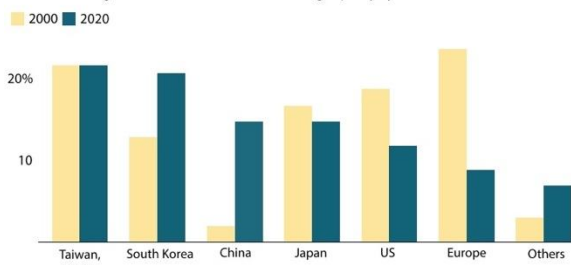
Vingroup also plans to introduce its version of electric cars in the United States in 2022, with the conglomerate reportedly mulling an initial public offering in the US for VinFast that could raise \$2 billion.

According to Nguyen Viet Quang, vice president and general director of Vingroup, the smartphone and TV production market is highly saturated with low-profit margins so many big players like Sony, LG, and HTC have also quit the game. Moreover, the costs for smartphone production are increasing significantly due to the severe shortage of chipsets and the rising costs of accessories over the past year, making it difficult to compete.

In the first quarter of 2021, VinSmart accounted for a 10-per-cent market share in Vietnam but its annual growth had been stagnant, according to a report by Singapore-based market analyst firm Canalys. The supply of critical components such as chipsets has quickly become a major concern and will hinder smartphone shipments in the coming quarters.

Where chips are made, then and now

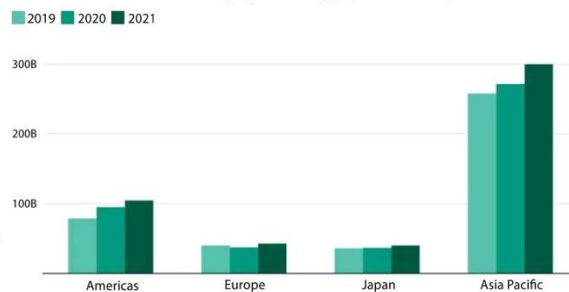
Estimated % of global semiconductor manufacturing capacity by location in 2000 and 2020



Source: BCG, SIA, "Government Incentives and US Competitiveness in Semiconductor Manufacturing" *
Created with Datawrapper

Chip sales by region

Annual semiconductor market sales by region including projections for 2021, in \$USD



Source: WSTS * Created with Datawrapper

Holding up sales

The global shortage of chips is quickly spreading across different industries from smartphones to cars. On average, a car has between 50 and 150 of the semiconductors, which are used in a growing number of applications, including driver assistance systems and navigation control.

In Vietnam, a slew of car brands from Toyota, Kia, Mitsubishi, Mercedes Benz, and Suzuki have been affected by the problem. Most recently, Mitsubishi Vietnam has postponed delivery of the Xpander units due to the shortages. Meanwhile, Suzuki Vietnam announced that the volume of its XL7 and Ertiga models imported from Indonesia will be limited in the next three months because of slower production.

Other electronics manufacturers are also getting slammed by such shortages. Dang Van Chung, plant manager of Ho Chi Minh City-based Datalogic Vietnam LLC operating in Vietnam for 10 years, told VIR that the company has been in short supply of semiconductors since the end of last year. Datalogic is currently specialised in designing and producing barcode readers, mobile computers, and sensors, as well as vision and laser marking systems.

"We are trying to negotiate with our customers because we can't deliver full orders for them. Furthermore, the industry-wide supply shortage also results in higher expenses and logistics costs for manufacturers. However, Datalogic is making efforts not to increase prices while looking for alternative suppliers in a desperate bid to keep supplies flowing," Chung said.

Nguyen Tu Quang, CEO of Vietnam's technology corporation BKAV, also pointed out the reasons behind the global chip shortage. He noted that Huawei Technologies has stockpiled critical chips amid the US-China trade tensions to ensure the supply to Chinese carriers in their rollout of 5G technology. Other Chinese manufacturers, fearing similar treatment, followed suit.

At the same time, the problem became worse in light of the unprecedented demand for semiconductors during the pandemic. National lockdowns saw a massive surge in the demand for virtual office devices such as laptops and network peripherals as companies scrambled to accommodate their employees in the mass shift to working from home.

"To overcome the challenges, technology manufacturers like BKAV are racing to find foreign suppliers who have changed their business plans and may have available components for sale. This sale and procurement of chipsets and electronic accessories is happening all over in the market," Quang said.

Many chip producers and suppliers have reported shortages, warning that the delivery time could be extended to over 10 months.

Domestic development

Semiconductor chips are used everywhere, from simple ones like Vietnam's new identity cards to common household electronic devices such as televisions, refrigerators, induction cooktops, and rice cookers. Furthermore, Vietnam has the growing demand for chips given that the country is preparing to roll out 5G and accelerate digital transformation. Therefore, the global shortage will disrupt supply chains and the digital transformation efforts of Vietnam.

This multifaceted issue shows no signs of abating. In a recent blog, Glenn O'Donnell, vice president and research director at advisory firm Forrester, believed the shortage could last into 2023. "The PC surge will soften a bit in the coming year but not a lot. Data-centre spending will resume after a dismal 2020, and edge computing will be the new 'gold rush' in technology," he said. "Couple that with the unstoppable desire to instrument everything, along with continued growth in cloud computing and cryptocurrency mining, and we see nothing but boom times ahead for the chip demand."

To be proactive in the chip supply and avoid risks, Vietnamese telecom giant Viettel had the ambition to develop its semiconductors for the core networks for its 5G services, though it could be challenging for Viettel to realise this target as it requires accumulated efforts and years to bear fruit. Meanwhile, the company would need numerous different chips to build a reliable system.

Meanwhile, other foreign investors are looking to increasing chip production in Vietnam. Austrian chipmaker AT&S intends to develop two factories in Vietnam with an investment capital of nearly \$1.8 billion in the first phase. Ingolf Schröder, director of AT&S, said that his company is confident it can implement the factory in a short time to serve the huge demand in the field. The chipmaker is hurrying to inaugurate its factory by the end of the year.

In January, Danang Hi-Tech Park Management Board also granted an investment certificate to the US' Hayward Quartz Technology to develop a semiconductor factory with the total investment capital of \$110 million in the central city. Hayward Quartz Technology is based in Silicon Valley and a leading supplier supporting all major original equipment manufacturers in the semiconductor segment.

Covering an area of over 102,000 square metres, the Hayward factory is designed in two phases. The first has an area of more than 61,000sq.m with the investment capital of \$66 million. The project is expected to begin construction in the second quarter of 2021 and be put into operation in the second quarter of 2023.

Also, Intel Corporation has invested a further \$475 million in Intel Products Vietnam. This new investment comes in addition to \$1 billion of funding to build a state-of-the-art chip assembly and test manufacturing facility in Saigon Hi-Tech Park, which was first announced in 2006.

Danang lures over \$830 million investment from Singapore

Danang is emerging as an attractive investment destination for investors from Singapore, which have poured over \$838.4 million into the central city.

Speaking at a recent webinar, leaders of Danang People's Committee stated that Singapore is one of Vietnam's most important investment and trading partners. Despite the impact of the COVID-19 pandemic, Singapore remains the leading foreign investor in Vietnam by registering 248 projects worth \$9 billion in the country last year.

As of March 15, Danang was home to 895 foreign-invested projects with the total capital of \$3.86 trillion. Among them, there are 28 projects invested by Singapore worth \$838.4 million. Singapore is currently the second-largest investor in 50 countries and territories investing in the central city, accounting for 22 per cent of the total registered capital.

The city has partnered with the joint venture between Sakae and Surbana Jurong to implement the general planning adjustment of Danang to 2030, with a vision until 2045. The project was approved by the prime minister on March 15, which is an important foundation for the city development in the future.

Singaporean investors and companies highly appreciate the potential and advantages of Danang. According to Holly Bostock, corporate affairs director at HEINEKEN Vietnam, Danang has developed complete infrastructure with land sites for investors. Its industrial zones and high-tech zones boast more convenient location than the neighbouring provinces. Moreover, the city has simple and transparent administrative procedures, creating favourable conditions for investors.

On the same note, Douglas Foo, president of the Singapore Manufacturing Federation (SMF) cum chairman of Sakae Holdings, lauded the potential of investment climate in Danang as a member of the ASEAN Smart Cities Network.

"Danang needs to establish an information centre about the city at SMF's Vietnam Connection Center to connect Singaporean investors and Vietnamese partners. Singaporean investors want to invest in areas in line with the city's development orientation, ensuring the progress and quality of investment projects," he said.

Danang authorities said that they are proceeding with the establishment of the Danang Desk at the Vietnam Connection Center to promote Danang to more Singaporean businesses. With a view to becoming a smart city and startup hub, Danang is actively making changes and implementing innovative strategies. The city is committed to supporting Singaporean investors to do business locally.

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