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Divestment and M&A emerge as vital lifelines for Vietnamese businesses

In the face of prolonged capital flow challenges, divestment and mergers and acquisitions (M&A) have become essential strategies for many Vietnamese businesses. Several major companies, including Development Investment Construction JSC, Vinaconex, Phat Dat Real Estate Development JSC, Hoa Binh Construction Group JSC, Nam Long Investment Corporation, and VRC Real Estate and Investment JSC, have taken decisive steps to divest from subsidiaries and liquidate assets. These actions are aimed at stabilizing cash flows and maintaining financial health.

Hoa Binh Construction, for example, has sold its entire stake in Hoa Binh Construction - Design Consultancy Co., Ltd., as well as its holdings in Anh Viet Mechanical and Aluminum Glass Corporation and Jesco Hoa Binh. Nam Long Investment has also finalized the transfer of a 25% stake in the Nam Long Dai Phuoc project, generating nearly VND 200 billion (USD 9.4 million) in profit after tax.

Phat Dat Real Estate is nearing the completion of its 49% stake sale in BIDICI Real Estate Investment JSC, expected to bring in over VND 1.4 trillion (USD 66 million) to support its capital flow. Similarly, Vinaconex and other firms like Trung Nam Group, Sam Holdings, and Vietnam Airlines are also engaging in divestments to focus on core business areas.

Simultaneously, the real estate and construction sectors have seen a surge in M&A activities, particularly in legally sound projects with growth potential. Industrial real estate is becoming a focal point for foreign direct investment (FDI), with significant transactions expected by year-end.

As businesses navigate ongoing market pressures, the importance of M&A as a strategic move to enhance competitiveness is increasingly evident. The shift towards collaboration and shared value creation is redefining the landscape of the real estate sector.

Savills' recent report highlights major M&A deals, including partnerships between Vietnamese and Japanese companies in large-scale residential and industrial projects. Experts anticipate continued momentum in M&A activities, driven by both domestic and international players, across various real estate sectors, including commercial office spaces and tourism properties.

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Vietnam's logistics companies to embrace digital transformation and focus on green logistics

Vietnam's logistics industry is undergoing significant transformation, making it an increasingly attractive destination for businesses and investors. At the Vietnam International Logistics Exhibition (VILOG) 2024 in Ho Chi Minh City, industry insiders highlighted Vietnam's emergence as a crucial production and trade hub, fueled by booming e-commerce and expanding global supply chains.

Deputy Minister of Industry and Trade, Phan Thi Thang, emphasized the industry's vital role in helping Vietnam navigate the challenges of the COVID-19 pandemic and ongoing global geopolitical fluctuations. The logistics sector has been a key contributor to the country's rising import-export turnover, which exceeded \$600 billion in 2021, \$700 billion in 2022, and reached \$683 billion in 2023. In the first half of 2024 alone, the figure hit \$369.6 billion, marking a 16% year-on-year increase.

The government's national strategy on green growth for 2021-2030, with a vision to 2050, prioritizes "greening" economic sectors, including logistics, as part of its economic restructuring and growth model reform efforts. A national action plan on green growth has identified logistics services as one of 18 key areas for development.

Vietnam's Logistics Performance Index (LPI) improved to 3.3 points in 2023, ranking 43rd globally and fifth among ASEAN countries. The country also ranks among the top 10 emerging logistics markets, with a strong focus on leveraging technology and collaboration within the logistics ecosystem.

The government's investment in transport infrastructure, including the North-South Expressway and Long Thanh Airport, is expected to drive further growth. Experts suggest that enhancing connections between seaports, inland ports, highways, and railways will be crucial for the sector's future development.

Vietnam's logistics companies are encouraged to embrace digital transformation, focus on green logistics, and improve workforce training to meet global supply chain requirements and achieve sustainable growth. VEN

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Foreign E-commerce platforms dominate Vietnam's online shopping market

E-commerce has been identified by the government as a key pillar in the growth of the national digital economy. However, the development of Vietnam's e-commerce market is significantly influenced by foreign platforms and suppliers.

In recent years, Shopee and Lazada have consistently led Vietnam's online retail market. Although, TikTok Shop entered the Vietnam market in 2022 but it quickly surpassed Lazada to take the second position. The fourth and fifth spots are currently held by two Vietnamese platforms, Tiki and Sendo.

Despite being among the top five platforms by revenue, Tiki and Sendo's market shares pale in comparison to foreign giants like Shopee, TikTok, and Lazada. According to a Q2 2024 report by YouNet ECI, Shopee dominates the market with a 71.4% share of total transaction value (GMV). TikTok Shop holds 20%, Lazada 5.9%, while the Vietnamese platforms have a modest 0.7%.

Vietnam is Southeast Asia's fastest-growing country for online shopping. Metric forecasts suggest that Vietnam's e-commerce revenue could exceed \$13 billion this year. By 2025, the E-commerce and Digital Economy Agency (under the Ministry of Industry and Trade) aims to grow Vietnam's e-commerce market to \$37 billion.

Nguyen Van Vung, CEO & Founder of BigX, one of the top three service partners of TikTok Shop, sees significant growth potential: First, those already accustomed to online shopping will continue, and those who haven't yet will gradually adopt it. Second, the gap between online and offline shopping is still wide, meaning the market is expanding.

Experts believe the e-commerce market has vast potential. However, for Vietnamese businesses to seize this opportunity, they need to accelerate their efforts to secure a strong position in this space—a crucial pillar for the growth of the national digital economy. Vneconomy



Rooftop solar power expected to see growth as new decree underway

The Vietnamese government is refining policies to boost rooftop solar power, particularly in the northern region, which has significant untapped potential. The Ministry of Industry and Trade (MoIT) is working on a draft decree that simplifies the process for developing self-sufficient solar power systems in homes and offices.

Key updates include a plan allowing northern residential solar systems to sell up to 20% of their excess electricity to the national grid—double the 10% cap set for the central and southern regions. This electricity will be purchased by Vietnam Electricity (EVN) at a rate equal to or below the previous year's average market price, aligning with national grid growth stages.

The MoIT is committed to streamlining certification procedures to avoid unnecessary administrative hurdles, with provincial People's Committees responsible for drafting and managing these processes. The goal is to ensure that systems meet environmental, electrical, and fire safety standards without burdening users.

Currently, the northern power grid supports 700MW of rooftop solar, with a capacity for up to 7,000MW. The government believes that the new policies will encourage investments in solar energy, allowing households to recover costs in five to six years, as the average lifespan of solar panels is 12-15 years.

These changes are part of the broader Power Development Plan 8 (PDP8), aimed at enhancing energy security, fostering socio-economic growth, and advancing Vietnam's commitment to clean energy. VNS

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Vietnam's electronics retail market is a fiercely competition

The potential of Vietnam's electronics retail market has long presented many opportunities for businesses but it is also a fiercely competitive battleground. Over the past decade, many domestic electronics companies have engaged in price wars to survive. In this race, some major brands, such as Topcare, Nguyen Kim, Pico, and VinPro, have collapsed, reduced their operations to a minimal level, or been forced to sell themselves to foreign entities.

As a result, the lucrative slice of the market is reserved for businesses that can secure the best market share and implement strong business strategies. Only those with a significant market presence and a solid reputation can effectively control both their suppliers and sales activities. At this point, the retailer can negotiate with brands to obtain various levels of support. Many retailers offer very low prices while still maintaining high profits due to their strong market share, which gives them an advantage in negotiations and securing supplier support.

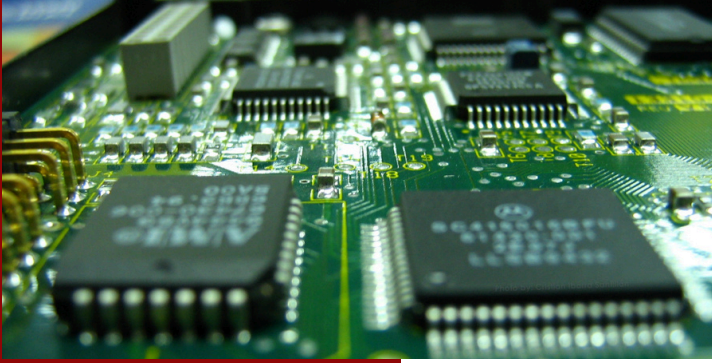
The strength of electronics retailers also lies in their sales performance. Large sales volumes and extensive market coverage are key factors that determine the level of support manufacturers provide to retailers.

In its retail industry report, Petroleum Securities Company (PSI) forecasts that Vietnam's retail market will grow by 12.05% annually between 2023 and 2027, driven by positive factors such as population growth, rising incomes, increased internet usage, and the proliferation of smart devices.

The retail market is projected to be worth up to \$163.5 billion by 2027, with key sectors including consumer goods, electronics, technology, and jewelry.

A report from SSI Research earlier this year anticipated that revenue for mobile phone and electronics retailers would grow by 5% in 2024, following a decline of 20–25% in 2023. According to PwC's 2023 consumer behavior report in Vietnam, up to 62% of consumers opted to cut unnecessary expenses. This figure is 72% in Southeast Asia and 69% globally. This trend indicates that while consumers are always looking for products at competitive prices, from the seller's perspective, deeper discounts inevitably "eat" into profits—the vital source of funding for services provided before, during, and after sales. Bao dau tu

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Vietnam is rapidly emerging as a hub for semiconductor design

Vietnam is rapidly emerging as a hub for semiconductor design, driven by a surge in demand for chip engineers amid global supply chain shifts and the rise of artificial intelligence. Tran Thi Ngoc Guong, a senior engineer at U.S. chip developer Marvell, reflects the country's growing importance in this sector. Fresh Vietnamese graduates are increasingly drawn to semiconductors, spurred by the government's ambitious goal to train 50,000 chip engineers by 2030.

Foreign companies are taking notice. Taiwan's Alchip Technologies, a leading AI chip design service provider, plans to open its first office in Vietnam this year, aiming to expand its engineering staff to 100 within two to three years. Similarly, South Korea's BOS Semiconductors and ADTechnology have established research centers in Ho Chi Minh City, impressed by the local engineering talent.

Vietnam's potential as a semiconductor hub is underscored by the activities of U.S. companies like Marvell and Synopsys, which are expanding their operations in the country. Marvell, for example, plans to increase its local headcount to around 500 by 2026, making Vietnam its third-largest chip design hub. Synopsys is also heavily investing in Vietnam, with over 500 employees working on cutting-edge projects like UCIe-connected, chiplet-based test chips.

Despite these developments, challenges remain. The rapid influx of tech investment is straining infrastructure, and the demand for skilled engineers far exceeds supply, leading to rising wages. Nonetheless, Vietnam's growing pool of engineering talent and the government's commitment to advancing the tech sector position the country as a key player in the global semiconductor industry.

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