Market Opportunity Report: VIETNAM

A custom report compiled by Euromonitor International for

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INTRODUCTION

Introduction

The following report is part of a series of Market Opportunity reports created by Euromonitor International that explore export opportunities for agrifood and seafood producers in British Columbia (B.C.). The report was commissioned by the B.C. Ministry of Agriculture and funded by Agriculture and Agri-Food Canada and the B.C. Ministry of Agriculture through *Growing Forward 2*, a federal-provincial-territorial initiative.

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Purpose

The purpose of this report is to:

- Identify key macro trends influencing food purchase and consumption in Vietnam
- Analyse the Vietnamese food market to identify the largest and fastest-growing food categories
- Provide insight into Vietnam's participation in the global food market, including factors influencing its trade environment
- Highlight commodities offering B.C. exporters the greatest opportunity in the Vietnamese market

Scope

The geographic focus of this report is Vietnam. The report is divided into six main sections: Opportunities for B.C. Exporters, Market Opportunity, Barriers to Trade, Overview of Vietnam's Economy, Consumers in Vietnam, and Retail Landscape. The report begins by looking at the current state of B.C. exports to Vietnam in order to understand how this aligns with the dynamics of Vietnam's food market and to identify the areas of immediate opportunity. This is followed by the market analysis section, which serves as the support behind the highlighted opportunities. The report provides specific market analysis of two categories: agrifood and seafood. The report does not include analysis of non-alcoholic beverages, but does include a special section on wine. The market analysis includes total market size and growth, largest and fastest-growing subcategories, analysis of imports, and identification of where the largest opportunities reside. This is followed by a discussion on the barriers to market entry, which provide context for the logistics behind a market entry strategy. The final three sections of the report serve to provide context for the principle macro factors influencing Vietnam's food market, including economic performance, structure of the economy, participation in foreign trade, demographic shifts, consumer trends, and retailing landscape.

KEY TAKEAWAYS FOR B.C. EXPORTERS

Vietnam: An emerging consumer of imported food

- ### Consumers seek safer food sources due to recent food contamination incidents

A number of food scares, from rotten meat to fruit laden with pesticides, have Vietnamese consumers looking for new food sources. Higher income shoppers are often willing to spend significantly more for untarnished fruits and vegetables, while foods from China, where many of the contaminated food derive, are unpopular. Consumers, for instance, are increasingly purchasing Thai instead of Chinese fruit.

- ### Growing health consciousness pervades many food categories

Government health improvement campaigns are helping to increase consumption of healthy foods, boosting fresh foods like nuts, seafood, fruits and vegetables. In frozen and packaged food, health and wellness is also gaining in popularity, as consumers become more sophisticated in their understanding of healthy eating and manufacturers increasingly advertise the health benefits of their products. Still an emerging trend, healthy eating has plenty of room for growth.

- ### Rising disposable incomes boost demand for premium products

Despite a recent slowdown, Vietnam experienced strong period growth in disposable income between 2006 and 2011. Social class A (the highest income class) is expanding and seeking more premium products. Consumption of indulgences such as ice cream and wine are on the upswing, as well as higher-priced health and wellness options, especially functional foods and beverages. These consumers are also willing to pay considerably more for basics, such as vegetables, that are deemed free of contaminates.

- ### Government eager to increase foreign trade and investment

While direct investment in Vietnam still carries a high level of risk, foreign trade encounters fewer obstacles and, as result, is on the rise. On average, it costs less money and requires less documentation to import/export a container into Vietnam than other countries in the region. In addition, the government is actively seeking free trade agreements and bilateral agreements with other countries, which bodes well for foreign producers looking to enter the Vietnamese market.

- ### Apples, poultry, cherries, and geoduck clams offer greatest immediate opportunity

Among the products B.C. currently exports to Vietnam, apples, poultry, and geoduck clams offer the greatest immediate opportunity, due to current consumer preferences and dynamics in the Vietnamese market. While apples and poultry currently enjoy high demand and rising imports in Vietnam, geoduck clams are a more niche product benefiting from its unique position in the market.

OPPORTUNITIES FOR B.C. EXPORTERS

TOP EXPORTS FROM BRITISH COLUMBIA

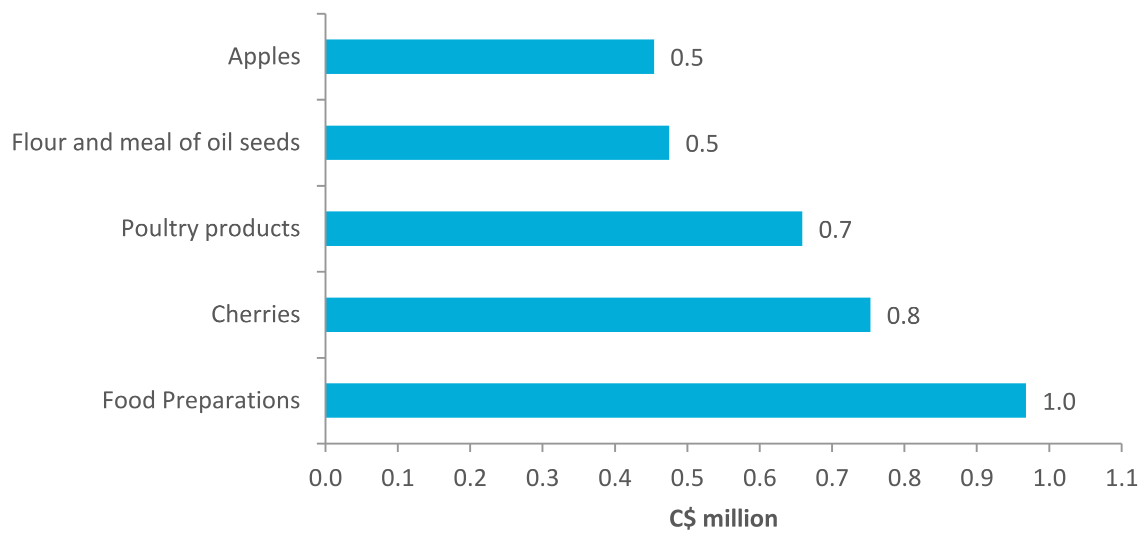
Agrifood

Vietnam: a small, but growing market for B.C. agrifood exports

- B.C. exported C$4.5 million in agrifood products to Vietnam in 2012, representing 0.3 per cent of total agrifood exports.

- The top agrifood exports from B.C. to Vietnam in 2012 were food preparations (C$1.0 million), cherries (C$0.8 million) and poultry products (C$0.7 million).

Chart 1 Top B.C. Agrifood Exports to Vietnam: 2012



Source: CATSNET Analytics, February 2014 and Global Trade Atlas, February 2014

Cherries, apples, and poultry products offer B.C. the greatest opportunity in Vietnam

- Among B.C.'s top agrifood exports to Vietnam, cherries, apples, and poultry products offer the greatest long-term growth, due to their growing penetration in the market. In regard to cherries and apples, fruit remains an important fresh food in Vietnam, and is expected to grow in consumption as result of healthier eating habits among consumers. Cherries are extremely niche at the moment, catering only to high income consumers, while apples have broader appeal. Opportunities for poultry products are being created by rising disposable incomes in Vietnam, which is allowing for more frequent consumption of meat, and poultry is the second most popular type behind pork. While B.C. did not register any pork exports to Vietnam in 2012, it is important to note that B.C. does export this product to other Asian markets, so it also represents an attractive opportunity to B.C. exporters.

Table 1 Opportunity Assessment of Select B.C. Agrifood Exports to Vietnam

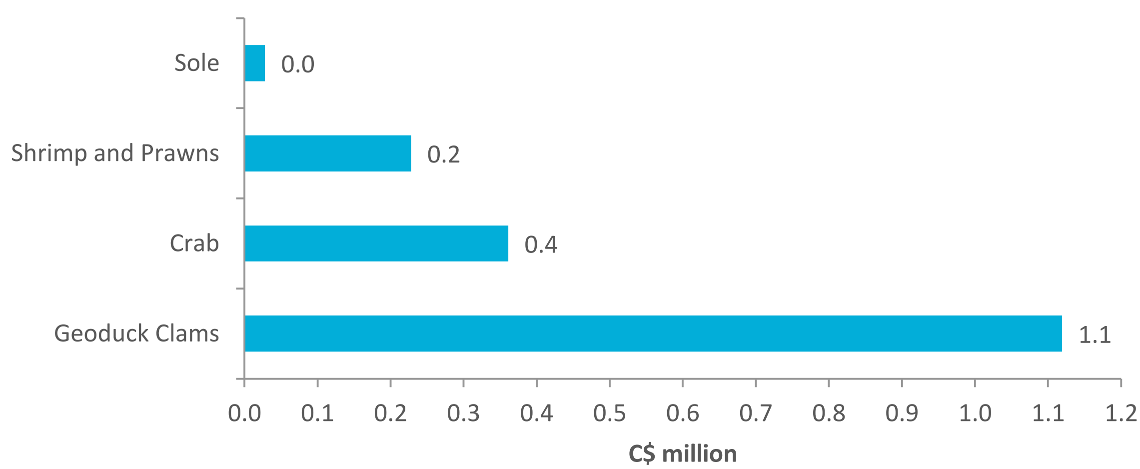
Top B.C. Exports	Explanation
Food Preparations	Rising urbanisation is increasing demand for convenient and easy-to-prepare products, fuelling growth for food preparations
Cherries	Still a niche market, but one of the fastest growing fruits in Vietnam, as a result of increased interest from high income consumers
Poultry Products	Second-most popular meat behind pork, but growth expected as a result of rising disposable incomes
Apples	A maturing category in Vietnam dependent upon imports to meet growing domestic demand, fuelled by increasing attention to healthy eating

Seafood

Vietnam has a strong local seafood industry, but consumers are increasingly looking abroad for non-traditional products

- B.C. exported C$2.1 million in seafood products to Vietnam in 2012, representing 0.2 per cent of total seafood exports.
- The top seafood exports from B.C. to Vietnam were geoduck clams (C$1.1 million), crab (C$0.4 million) and shrimp and prawns (C$0.2 million). The majority of seafood exports were in fresh form.

Chart 2 Top B.C. Seafood Exports to Vietnam: 2012



Source: CATSNET Analytics, February 2014 and Global Trade Atlas, February 2014

Geoduck clams and crab offer greatest opportunity

- Among B.C.'s top seafood exports to Vietnam, geoduck clams and crab offer the greatest growth opportunities as a result of their unique positioning in the Vietnamese market. With Vietnam benefiting from a strong local fishing industry, opportunities for imported seafood are most present in higher-priced and niche products, such geoduck clams and crab. Moreover, as disposable income continues to increase, more consumers will be able to afford these products, fuelling growth over the long-term.

Table 2 Opportunity Assessment of Select B.C. Seafood Exports to Vietnam

Top B.C. Exports	Explanation
Geoduck Clams	Overall growth in seafood consumption is increasing consumer awareness of different seafood products, leading to rising consumption of more niche products like geoduck
Crab	Within the top 10 imports of fresh and frozen seafood, crab is a good opportunity for foreign suppliers in the Vietnamese market
Shrimp and Prawns	Local production of shrimp is very developed in Vietnam, limiting opportunities for foreign suppliers
Sole	Fish represents the majority of seafood consumption in Vietnam and sole is a variety that is within the top imports for fresh seafood products

MARKET OPPORTUNITY

Key Points

- Value sales rise due to inflation and consumer preference for premium, safe food options.
- Frozen and packaged food consumption picks up as urban Vietnamese work longer hours, desiring convenient food options.
- Food choices become more conscientious as consumers are increasingly aware of health benefits.
- Moderate imports are expected to rise, as Vietnamese look outward for product diversity.

OVERVIEW

Food contamination scares and inflation lead to bump in value and premium sales

- Rapidly rising inflation has most low- and medium-income consumers budgeting and cutting out non-essentials more than ever. For instance, high-priced meats are consumed less frequently and often substituted with low-cost vegetables. On the other hand, a number of food contamination incidents, such as rotten meat, antibiotics in fish and vegetables with excessive pesticide residues, are leading consumers to search out safer food sources, which command a much higher price.

Urbanisation drives up demand for convenient frozen and packaged foods

- Vietnamese consumers are working longer hours and increasingly living in urban environments that offer better paying jobs. In turn, they desire quick and easy food solutions. Frozen food consumption is on the upswing as result, as is packaged food. Consumers are also switching from wet markets (open-air food markets selling fresh food) to modern groceries for their food needs, which expose them to packaged and frozen food options more frequently than ever before.

Health and wellness trend spurs growth across a number of food groups

- Vietnamese consumers are becoming more conscientious of their food choices, leading to higher demand for healthy products. Consumption of nuts, vegetables, fruits and seafood is growing. Consumers are often replacing animal fats with seed and olive oils, while the government promotes milk consumption in order to increase average population height.

Imports are modest, but expected to rise

- Vietnam is a relatively self-sufficient country in terms of food production. As disposable incomes continue to grow and technology and infrastructure improves, imports are expected to rise as well. Coming from a low base, demand for imported packaged and frozen foods will likely grow, as Vietnamese continue to gain exposure to popular food items from the West through modern groceries. In addition, improvements to cool chain technologies will expand distribution of frozen foods and seafood throughout the country. Lastly, there are opportunities to replace China, which is losing share as a result of contamination incidents, as the supplier of a number of food items.

AGRIFOOD

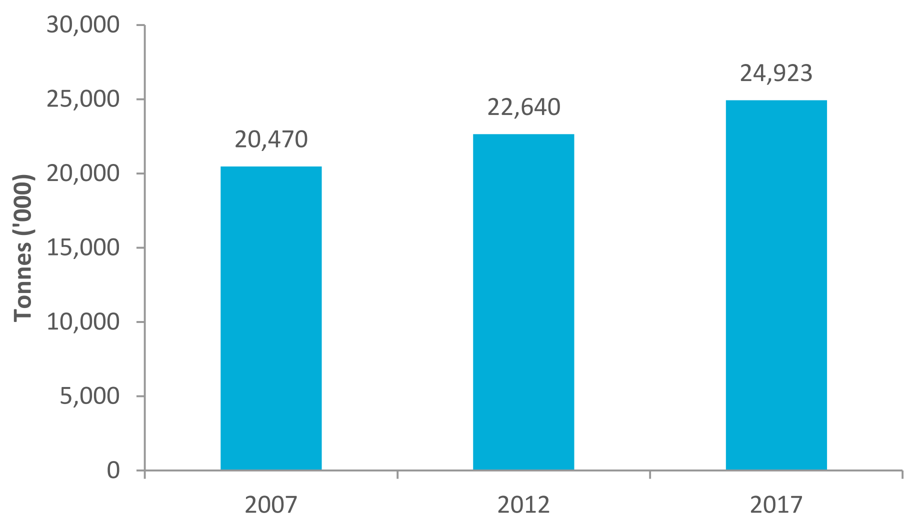
Fresh Food

Key Points

- Rising inflation has caused consumers to cut back on fresh food expenditures, but most consumers still willing to pay a premium for foods they consider to be safe.
- An integral part of the Vietnamese diet, vegetables lead category consumption in 2012.
- Nuts and fruit benefit from growing concerns for health and are among the fastest growing fresh foods in Vietnam.
- Fruits account for six of the top 10 fresh food imports. Coconuts lead, followed by cassava, grapes, guavas and apples.
- Apples and onions offer the most immediate opportunities to B.C. exporters, while cherries, cranberries, and blueberries present interesting long-term growth prospects.

Rising food prices alter consumption habits, but consumers willing to pay for food safety

Chart 3 Total Volume Consumption of Fresh Food: 2007-2017



Source: Euromonitor International

Vegetables boast the largest sales within fresh food due to their importance within Vietnamese eating habits

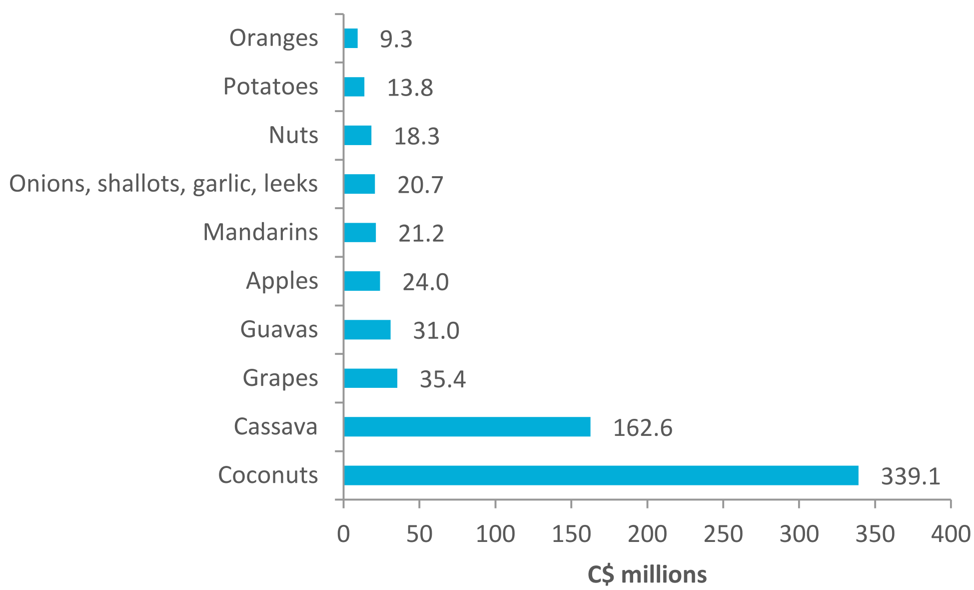
Table 3 Top Fresh Food Categories in Vietnam: 2012

Largest Categories	Fastest Growing Categories
1. Vegetables	1. Nuts
2. Fruits	2. Eggs
3. Starchy Roots	3. Fruits
4. Meat	4. Sugar and Sweeteners
5. Nuts	5. Meat

Source: Euromonitor International

Six of top 10 imports are fruit, led by coconuts

Chart 4 Top 10 Subcategories by Import Value of Fresh Food: 2012



Source: Euromonitor International

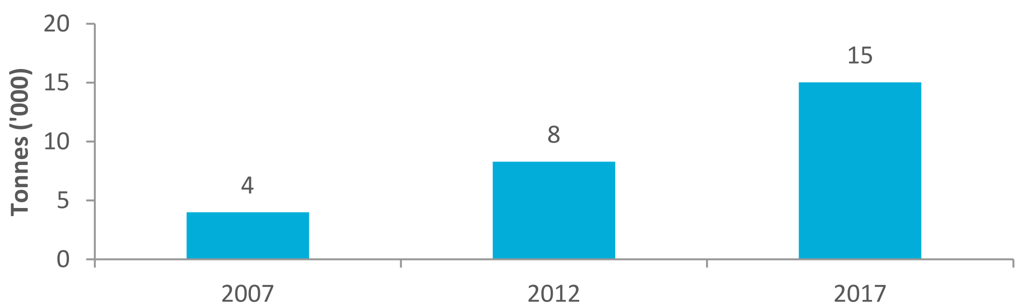
Frozen Food

Key Points

- In 2012, sales of frozen processed food reached eight thousand tonnes. The category is expected to almost double in size to reach 15 thousand tonnes by 2017, driven by rising urbanisation and increased demands for convenience.
- Although the average unit price of frozen processed food is higher than that of canned/preserved food, frozen processed food is preferred because it is perceived to be healthier and fresher. Frozen processed food is also preferred over chilled processed food as it reasonably priced and lasts longer.
- Other frozen processed foods is the most popular frozen food category, mostly consisting of popular dim sum items such as shu mai, spring rolls, and dumplings. The only frozen food product not in the 'other' category in Vietnam is frozen processed poultry.
- Vissan continues its reign as the leading player of frozen processed food sales. It has strong brand identity and a well-established distribution network.

Urbanisation and time constraints drive rapid frozen food growth

Chart 5 Total Volume Sales of Frozen Food[1]: 2007-2017



Source: Euromonitor International

Other frozen processed foods and frozen poultry are the only categories present in Vietnam

- Other frozen processed food was the largest category within frozen foods. The majority of other frozen processed food consists of frozen dim sum, which is very popular and widely available in Vietnam. Popular dim sum in Vietnam includes shu mai, spring rolls, and dumplings. These products are complicated and time-consuming to prepare so frozen processed products are popular. Within frozen processed poultry, chicken sausages account for the largest retail share, followed by chicken meatballs and frozen pate. Like pork sausages, chicken sausages are easy to store and use in various dishes.

[1]Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include products that are used for other purposes.

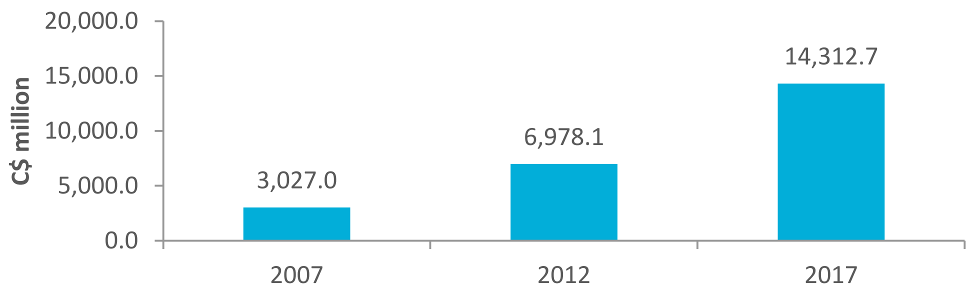
Packaged Food

Key Points

- Due to increasingly busy lifestyles, Vietnamese consumers are embracing packaged food for their convenience, helping sales climb from between 2012 and 2017.
- Health concerns drive leading categories oil and fats and drinking milk products. Vegetable, seed and olive oils are increasingly replacing animal fats, while government campaigns promoting the health benefits of milk consumption are boosting drinking milk products.
- Ice cream, one of the fastest growing categories, is benefiting from rising disposable incomes and more indulgent behavior from Vietnamese consumers.
- Products offering the most opportunity to B.C. exporters are baby food and ready meals.

Urbanisation boosts sales of convenience products through the modern retail channel, while increased health awareness shapes innovation and marketing direction

Chart 6 **Retail Sales of Packaged Food (C$ Million): 2007-2017**



Source: Euromonitor International

Rising disposable incomes drive growth in more value-added categories like chilled processed foods and ready meals

Table 4 **Top Packaged Food Categories in Vietnam: 2012**

Largest Categories	Fastest Growing Categories
1. Oils and Fats	1. Chilled Processed Foods
2. Drinking Milk Products	2. Ice Cream
3. Noodles	3. Ready Meals
4. Baby Food	4. Pasta
5. Sauces, Dressings, and Condiments	5. Ready-To-Eat Cereals

Source: Euromonitor International

SEAFOOD

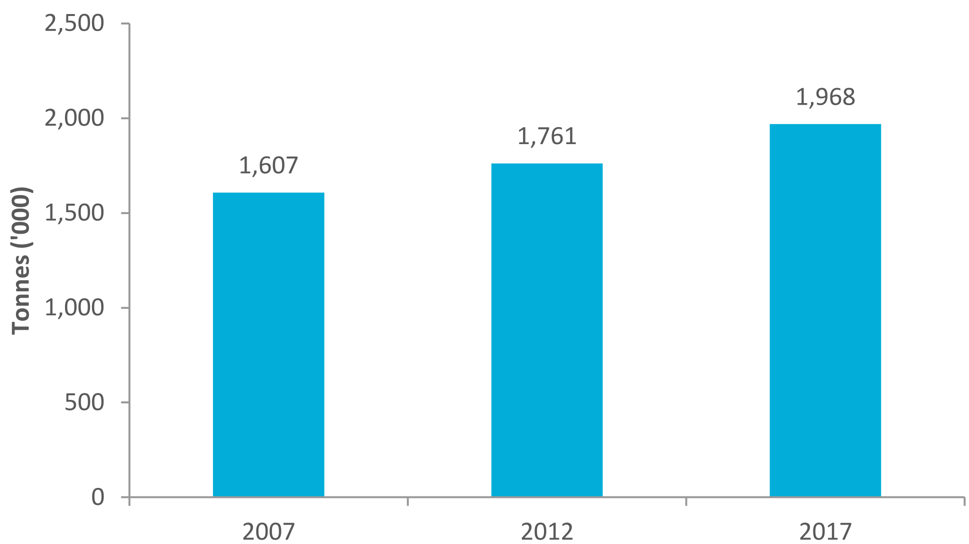
Fresh Seafood

Key Points

- At 9.6 per cent, growth of fresh seafood consumption was moderate over the 2007-2012 period, as the economy slowed and food contamination scared consumers.
- Going forward, however, the economy is expected to rebound, allowing fresh seafood consumption to grow by 11.8 per cent to reach 2.0 million tonnes by 2017.
- The main obstacle to growth is Vietnam's poor cold chain technology in the country.
- Fish consumption far outnumbers molluscs and cephalopods and crustaceans, accounting for 89.1 per cent of total seafood consumption.
- Rock lobster and bigeye tuna are the top seafood imports. Norway, India and Indonesia are the leading seafood suppliers to Vietnam.

Fish consumption on the rise, with positive outlook for 2012-2017 period

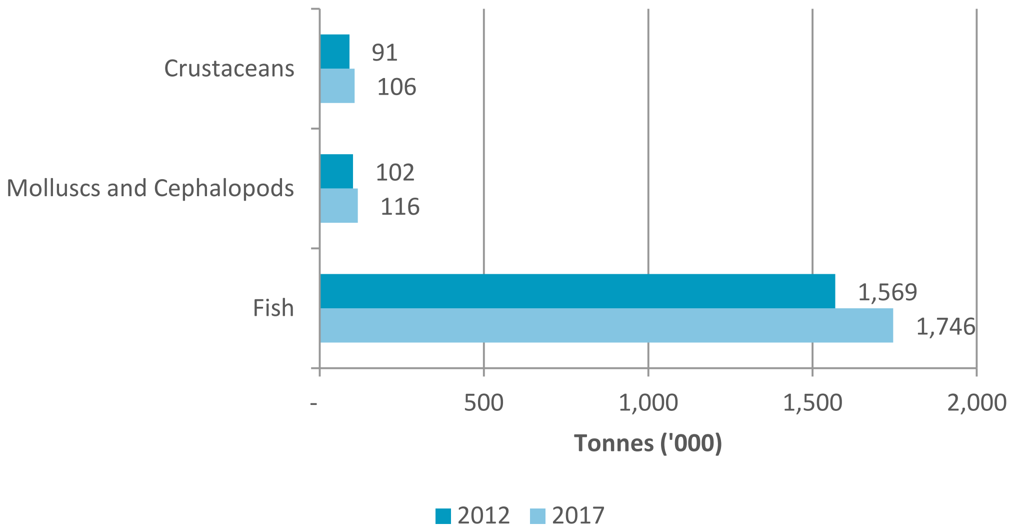
Chart 7 Total Volume Consumption of Fresh Seafood: 2007-2017



Source: Euromonitor International

Poor cold chain storage limits fresh fish consumption, causing frozen seafood to be more popular

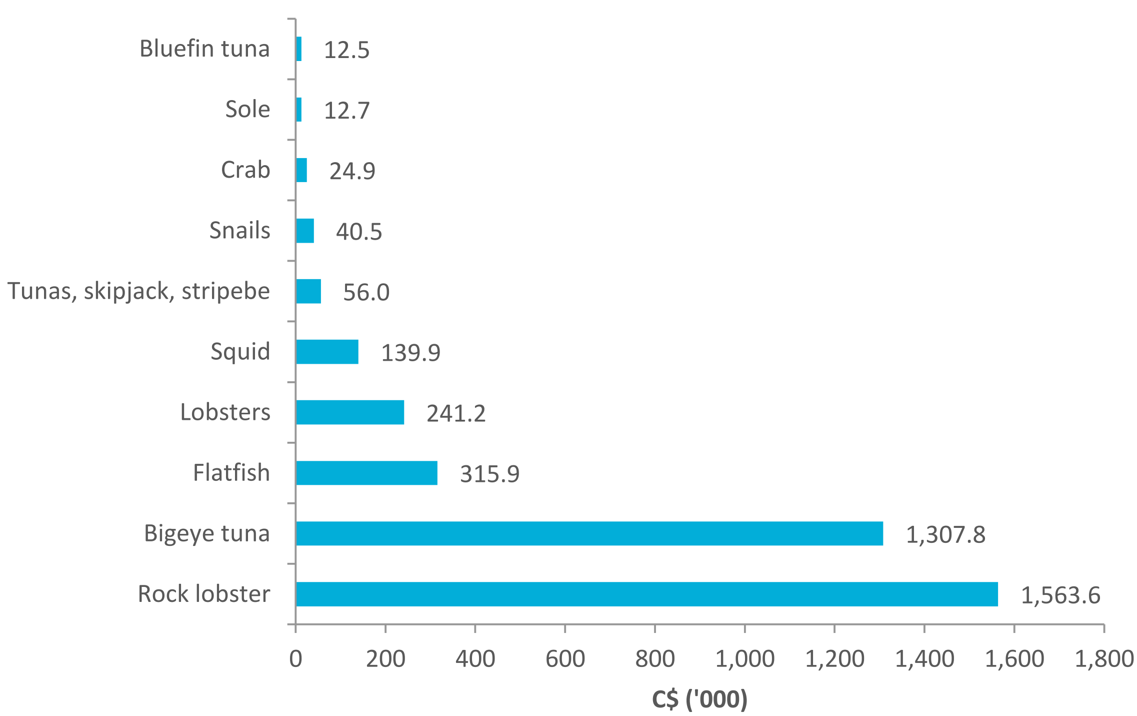
Chart 8 Volume Consumption by Fresh Seafood Category: 2012-2017



Source: Euromonitor International

Rock lobster and bigeye tuna lead fresh seafood imports

Chart 9 Top Categories of Fresh Seafood by Import Volumes: 2012



Source: United Nations Comtrade

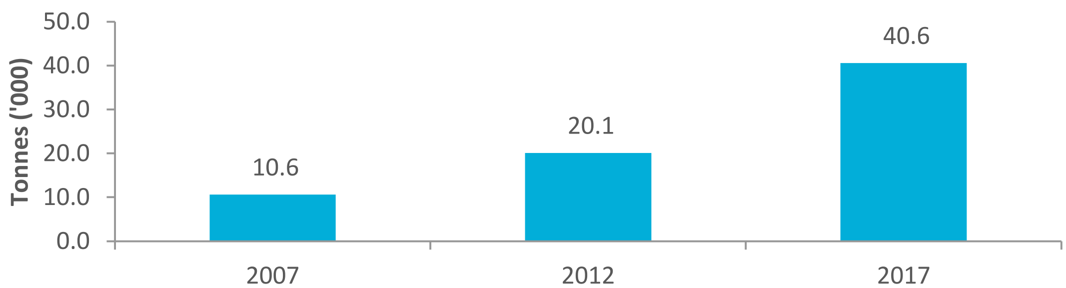
Frozen Seafood

Key Points

- Convenience and health are the primary drivers of frozen seafood consumption, helping the category to grow between 2012 and 2017.
- Yellowfin tuna, skipjack and stripe-bellied bonito are the largest imports of frozen seafood.
- The USA, South Korea and Indonesia lead a fragmented import market.

Convenience and health initiatives are windfall to frozen fish market

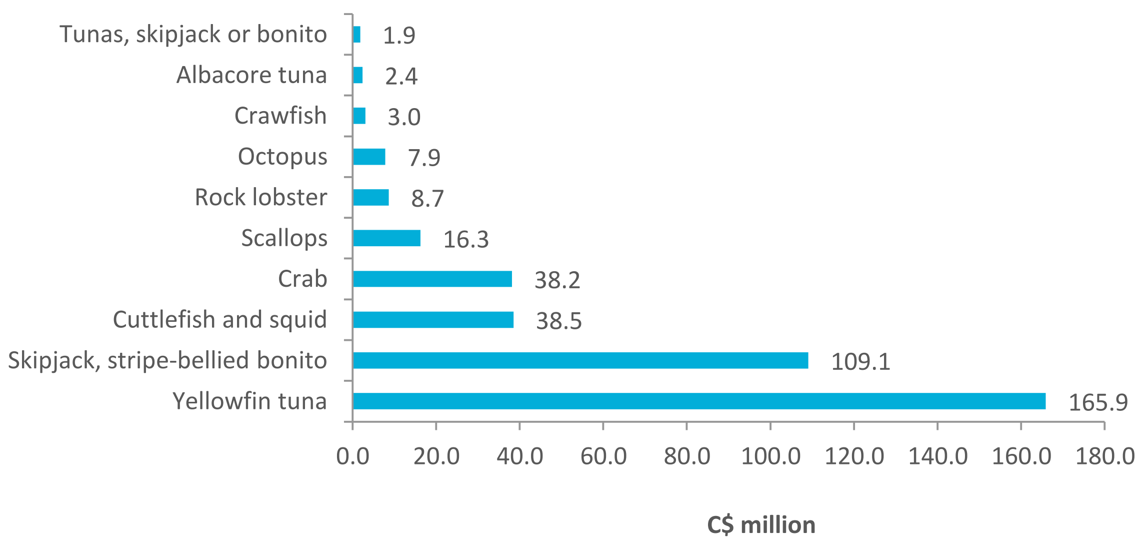
Chart 10 Total Volume Sales of Frozen Seafood[2]: 2007-2017



Source: Euromonitor International

Yellowfin tuna and skipjack/stripe-bellied bonito are the most important frozen seafood imports

Chart 11 Top Categories of Frozen Seafood by Import Volumes: 2012

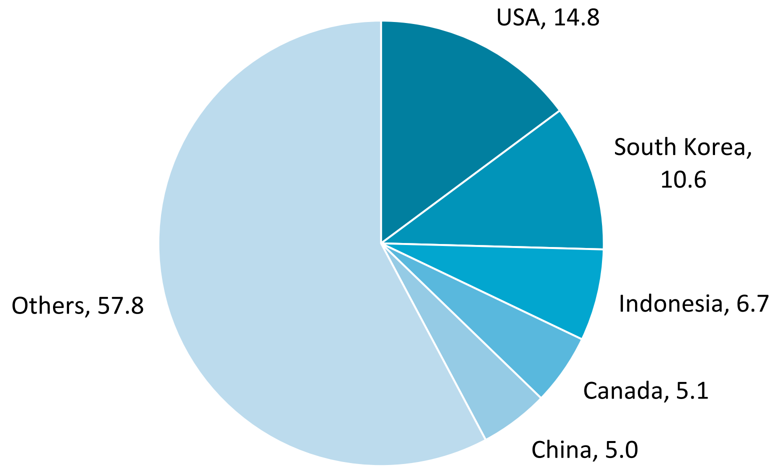


Source: United Nations Comtrade

[2] Total Sales is the aggregate of products sold through both the retail and foodservice channels. Does not include fish that is used for other purposes.

Frozen seafood supply is fragmented, with the USA leading the way

Chart 12 Top Suppliers of Frozen Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

Canned/Preserved/Processed Seafood

Key Points

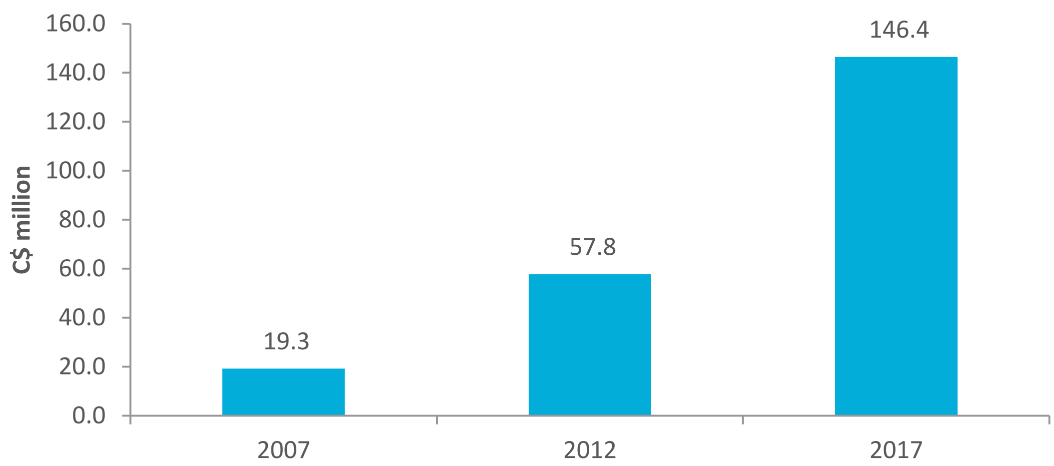
- Canned/preserved/processed seafood is a dynamic market in Vietnam, growing from C$57.8 million in 2012 to an expected C$146.4 million by 2017.

- Tuna, skipjack, and bonito and sardines are the most important preserved seafood imports.

- Asian suppliers provide the vast majority of preserved seafood sales to Vietnam, with the Philippines and Thailand in the lead positions.

Canned/preserved/processed seafood benefiting from healthy image of seafood in general

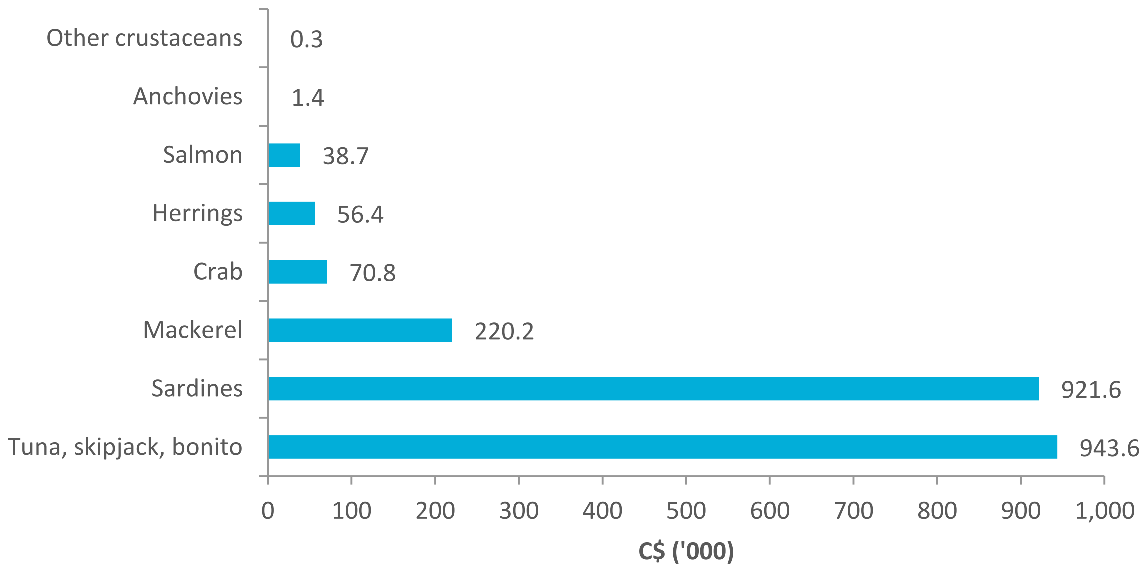
Chart 13 Retail Sales of Canned/Preserved/Processed Seafood (C$ Million): 2007-2017



Source: Euromonitor International

Tuna, skipjack, and bonito and sardines vie for lead position in preserved seafood imports

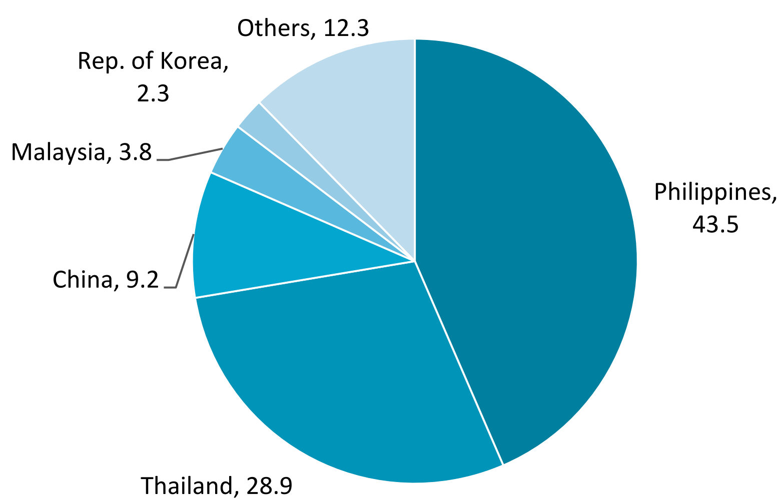
Chart 14 Top Categories of Preserved Seafood by Import Volumes: 2012



Source: United Nations Comtrade

Asian countries monopolize imports

Chart 15 Top Suppliers of Preserved Seafood by Import Volumes (per cent share): 2012



Source: United Nations Comtrade

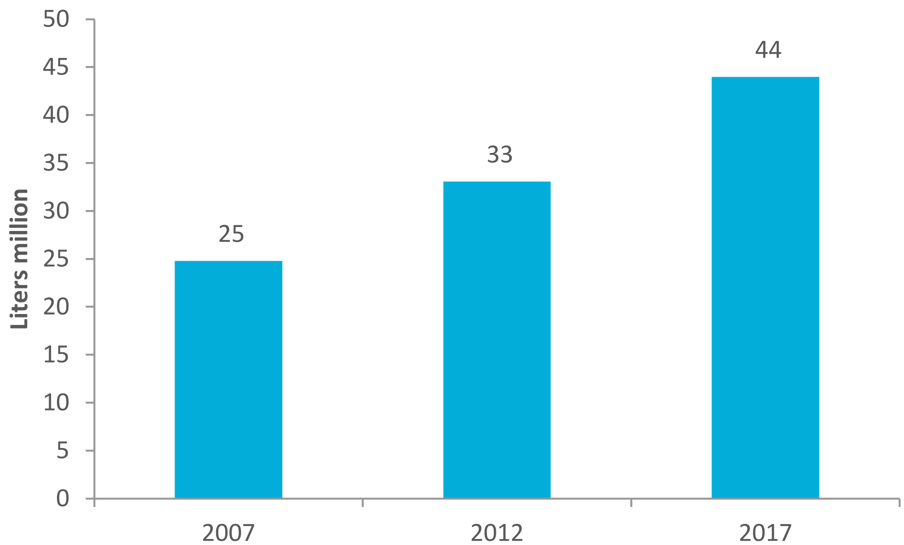
WINE

Key Points

- Wine records five per cent total volume growth in 2012 to reach 33 million litres.
- Imported wines have prestige appeal, but affordability of local wines is more appealing
- Still red wine continues to record the fastest growth in total volume terms.
- Wine is predicted to grow by a total 33.3 per cent between 2012 and 2017.

Sales are moderate due to maturation of wine category

Chart 16 Total Wine Consumption: 2007-2017



Source: Euromonitor International

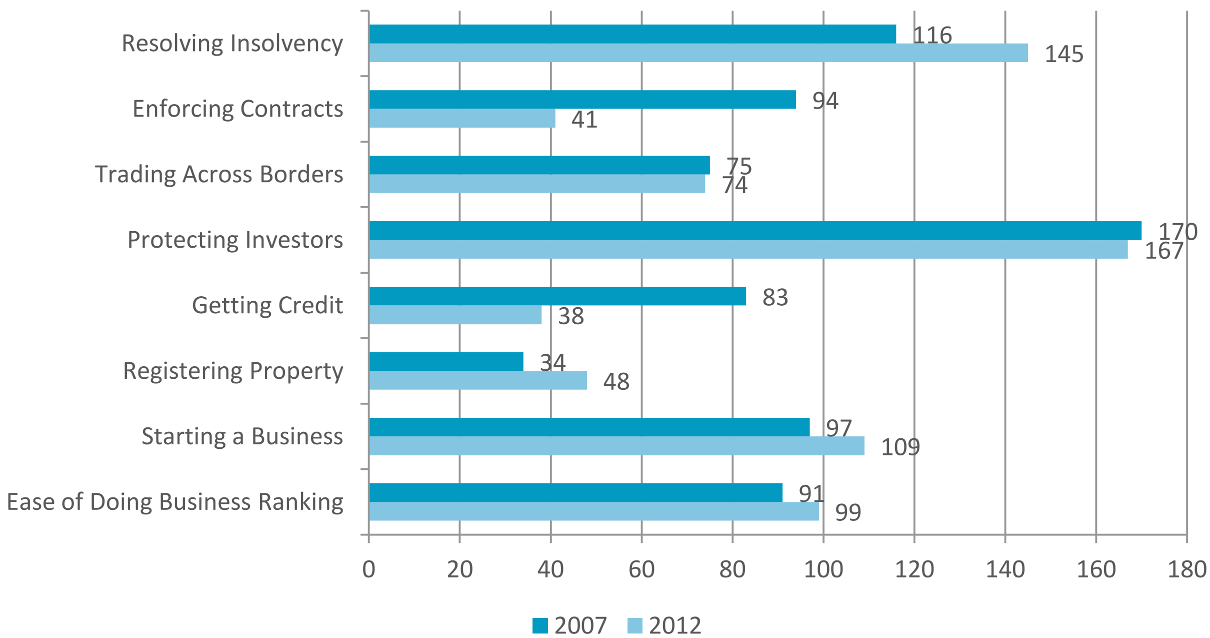
BARRIERS TO MARKET ENTRY

Key Points

- Although Vietnam has made significant progress towards liberalising its economy and attracting new foreign investment, there remain several structural weaknesses that make it a less attractive place to do business than some of its regional peers.
- Vietnam's ranking in the World Bank's Ease of Doing Business was 99th position out of 189 countries. The country receives high marks for creating a supportive environment for enforcing contracts and allowing businesses to obtain credit, but falls short in protecting investors and resolving insolvency.
- The country is actively seeking foreign investment and trade partnerships. It recently signed FTAs and bilateral agreements with Japan (2009) and Chile (2011).

Vietnam faces tough competition from regional peers in providing an attractive environment for conducting business, but the government is keen on improving international trade and investment

Chart 17 Ease of Doing Business Ranking: 2007 vs. 2012[3]



Source: *Doing Business, World Bank*
Note: *This chart does not include all of the metrics that factor into the total ease of doing business, but rather highlights ones that are more applicable to foreign exporters.*

[3] Note: (1) Regulations in Doing Business 2012 are measured from June 2010 until May 2011. The data for all sets of indicators in Doing Business 2012 are from June 2010 until June 2011 (except for paying taxes data which refers to January–December 2010). (2) Rankings are based on data sets across 183 countries. (3) Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies. A high ranking means the regulatory environment is conducive to the operation of business.

OVERVIEW OF VIETNAM'S ECONOMY

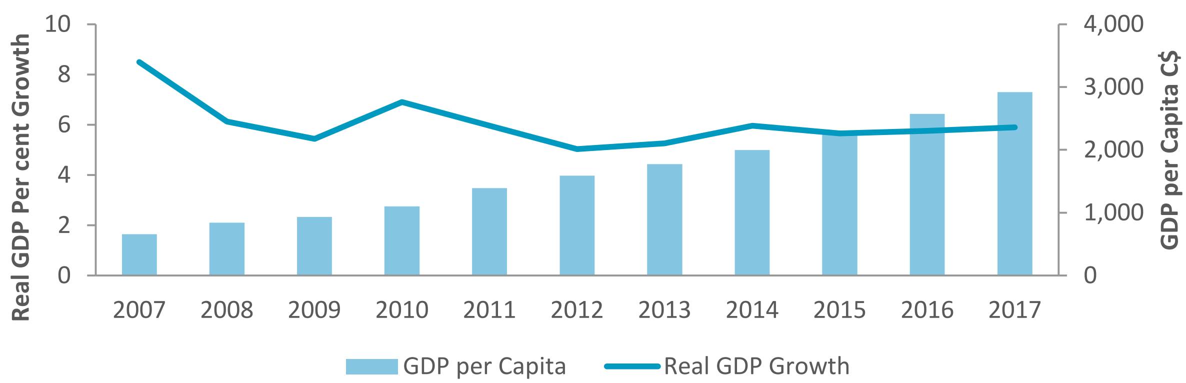
Key Points

- Vietnam is a second tier emerging market. While the country is continuing to industrialise as a result of low labour costs, agriculture remains the largest contributor to economic output.
- Real GDP grew by 5.3 per cent in 2013, up from 5.0 per cent in 2012. This is still below historical trends. The sluggish pace of structural reforms in the banking sector and the importance of state-owned companies continue to present obstacles to higher growth.
- Agriculture still accounts for 47.3 per cent of the work force. Major exports include coffee, cashews, pepper and rubber.
- Exports have been an important part of Vietnam's economic progress; in 2012 they represented 81.6 per cent of the country's total GDP, a result of the number of intermediary products that are modified in Vietnam.

PERFORMANCE

Growth slows as financial problems mount and exports suffer, but future looks more positive

Chart 18 Real GDP Growth and Per Capita GDP: 2007-2017

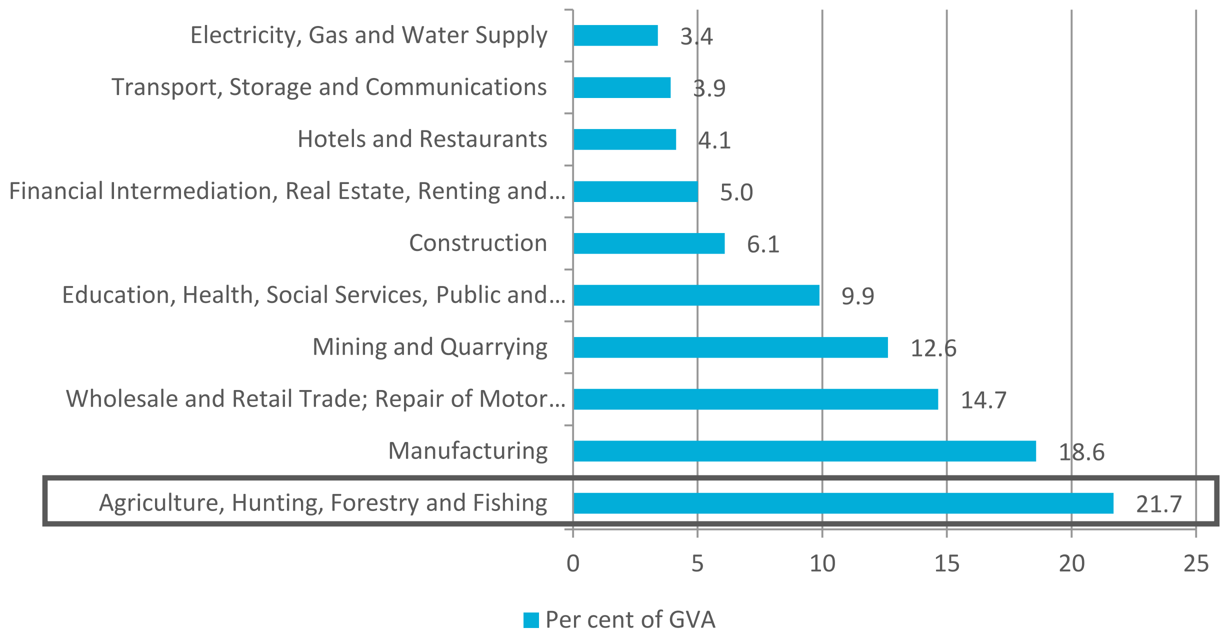


Source: Euromonitor International

STRUCTURE AND MAJOR INDUSTRIES

Manufacturing sees slow growth, despite substantial FDI inflows

Chart 19 Gross Value Added by Sector in Vietnam: 2012



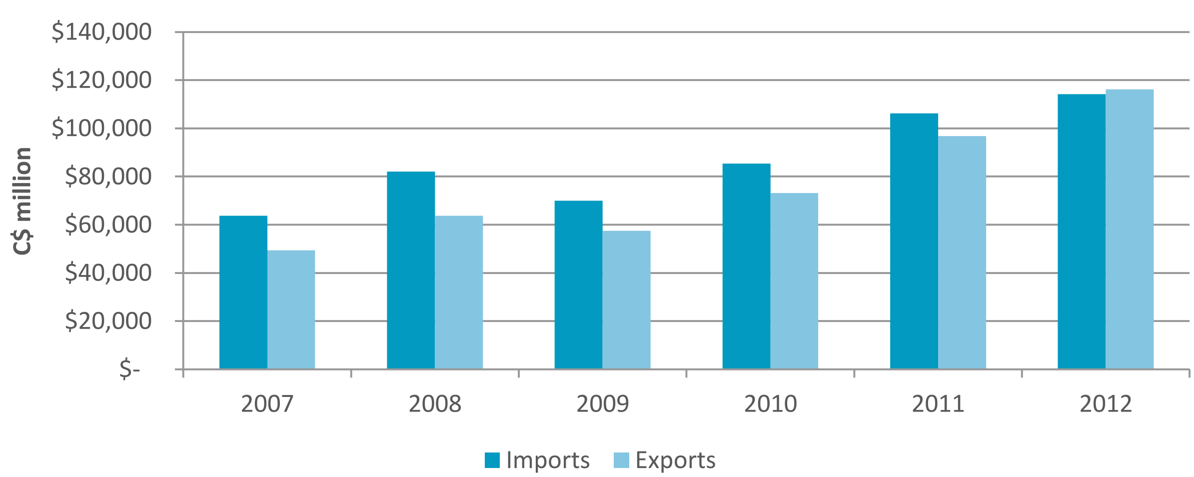
Source: Euromonitor International from national statistics

Notes: (1) Wholesale & Retail Trade includes Repair of Motor Vehicles, Motorcycles and Personal and Household Goods. (2) Financial Intermediation includes Real Estate, Renting and Business Activities. (3) Public Administration includes Defence and Compulsory Social Security. (4) Education, Health & Social Work includes Other Community, Social & Personal Service Activities

FOREIGN TRADE

Exports hold up in face of weak global growth

Chart 20 Vietnam's Foreign Trade: 2007-2012



Source: Euromonitor International from national statistics/OECD/IMF

CONSUMERS IN VIETNAM

Key Points

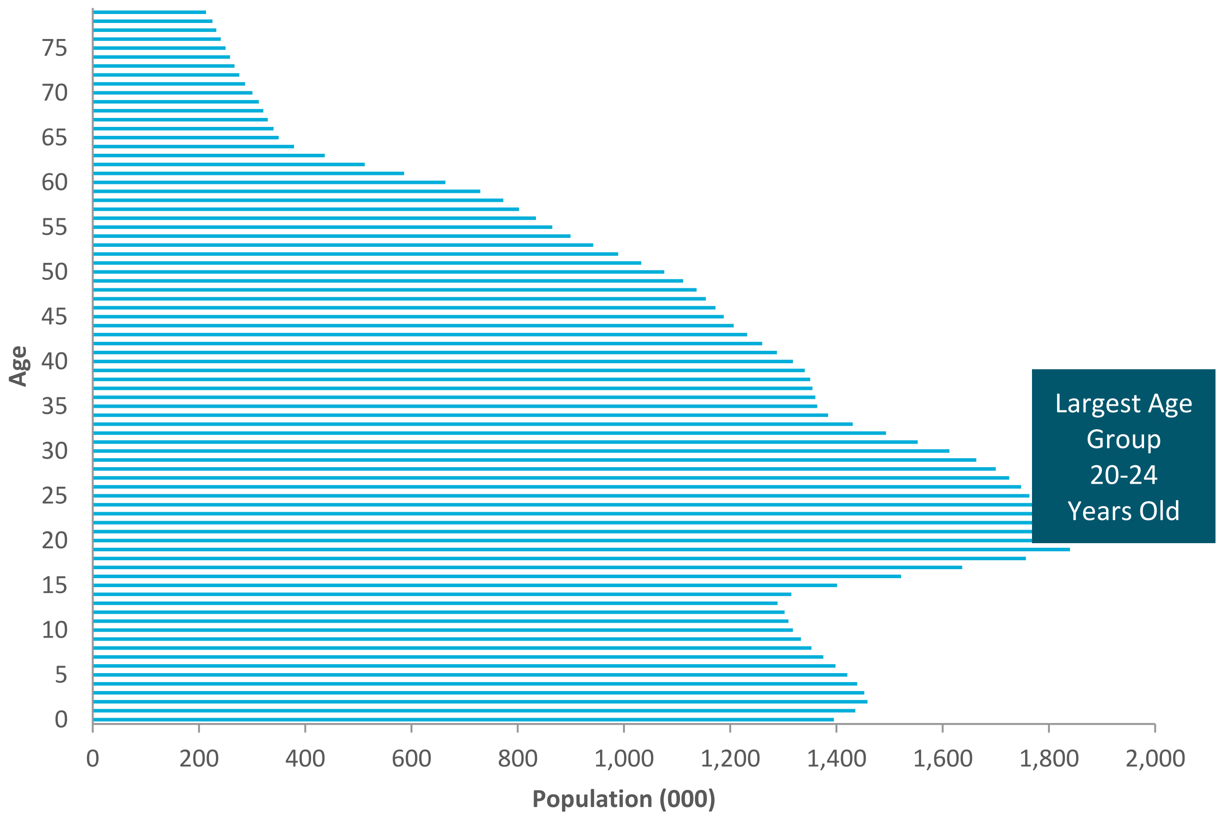
- Vietnam's total population was 90.7 million in 2013 and its median age has been slowly rising over time, reaching 29.5 years.
- The country is undergoing a gradual ageing process, but it is not so pronounced as in other countries such as China, Japan or Singapore. Nevertheless, the elderly population is growing and this upward trend will clearly continue in the foreseeable future.
- The majority of Vietnamese consumers still belong to lower-income groups. In 2011, social class E and D (below average per capita gross income) combined made up more than two thirds of the population aged over 15. The country's middle class is growing in absolute terms but remains stagnant in size, primarily due to a relatively high level of income inequality.
- International chained fast food continues to strengthen its presence in Vietnam, appealing to young consumers.
- In 2012, the introduction of new naturally healthy (NH) products, together with existing consumer familiarity with NH products, has made the NH category the top seller of the health and wellness industry.

DEMOGRAPHICS

Population rate slows as birth rates decline and women continue to enter the work force

- Vietnam's population remains large, at 89.7 million in 2012. This has provided the country with significant advantages, as it benefits from a large number of workers. However, poverty in the region and a lack of development means rural areas remain relatively unproductive. The population is also ageing. Although the median age was just 29.5 in 2013, falling birth rates and healthier lifestyles will see this rise to 38.6 in 2030. Currently, the largest age group in Vietnam is between the ages of 20 and 24 years old, representing 10.1 per cent of the total population.
- Vietnam has experienced a remarkable drop in fertility rates over the past 25 years. In 1980, the rate was 5.4 children per woman, but by 2013 it had fallen to just 1.7 children per female – slightly below replacement level and well below the regional average. Demographers believe a number of factors have contributed to the decline. These include Vietnam's exceptionally high rate of work force participation for females, the country's rapid rural-to-urban migration, and significant improvements in education and family planning policies.

Chart 21 Age Pyramid in 2012



Source: *Euromonitor International from national statistics/UN*

Low-income earners made up the majority

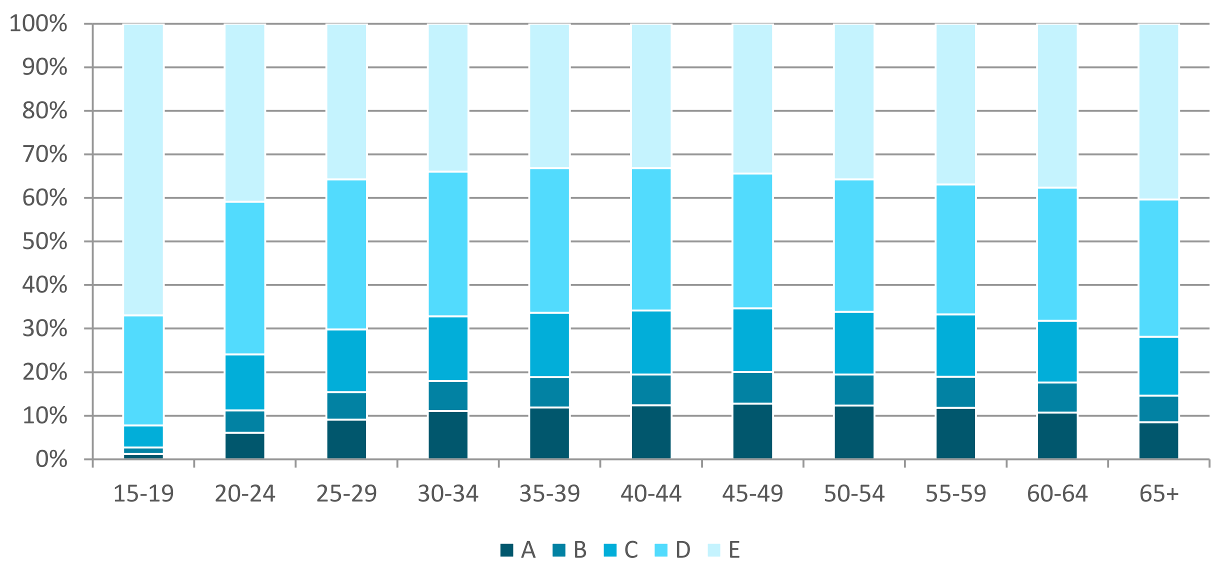
- Social class E made up the largest share of Vietnam's social class distribution in 2011, at 39.0 per cent of the population aged 15 and over in that year. Social class D ranked the second, as it accounted for 32.2 per cent of the population aged 15 and older. These two social classes are largely made up of students, casual and semi-skilled workers, pensioners and those living on welfare.

- Given the country's young population, the 15- to 19-year-old age group was the most dominant in Vietnam's social class E in 2011, while those aged between 20 and 24 were most representative in social class D. With more than two thirds of the population belonging to social class E and D, the majority of Vietnamese consumers are low-income earners, who typically spend most on necessities, such as foodstuff and housing. Due to their sheer size, however, they represent great potential for basic, budget products and services. Given Vietnam's wide income gap, social class E will continue to expand strongly and remain as the largest group, with 31.4 million people or 41.4 per cent of the population aged 15 and older by 2020.

Social class A expected to expand, supporting a blossoming luxury market

- At the other end of the spectrum, Vietnam's social class A included 6.3 million people or 9.3 per cent of the population aged 15 and older in 2011. Like in other Southeast Asian countries, such as Thailand and the Philippines, which also have relatively youthful populations, the most dominant demographic in Vietnam's top social class was the 30-39 age group, which made up about a quarter of social class A in 2011. By 2020, social class A will expand to reach 7.2 million people or 9.4 per cent of the population aged 15 and older, thus, creating a growing market for luxuries. In fact, the demand for international and high end designer products, such as Luis Vuitton, Burberry, Gucci and Rolex as well as high end cars, is growing fast among Vietnam's wealthiest consumers, as they often consider such products as a symbol of their higher social status.

Chart 22 Age Composition of Social Classes ABCDE: 2011[4]



Source: Euromonitor International from national statistics

[4] Social Class A presents data referring to the number of individuals with a gross income over 200per cent of an average gross income of all individuals aged 15+.
Social Class B presents data referring to the number of individuals with a gross income between 150per cent and 200per cent of an average gross income of all individuals aged 15+.
Social Class C presents data referring to the number of individuals with a gross income between 100per cent and 150per cent of an average gross income of all individuals aged 15+.
Social Class D presents data referring to the number of individuals with a gross income between 50.0per cent and 100per cent of an average gross income of all individuals aged 15+.
Social Class E presents data referring to the number of individuals with a gross income less than 50.0per cent of an average gross income of all individuals aged 15+.

CONSUMER HABITS

General Purchase Habits

Economic slowdown increases savings rate

- Since the vibrant days after the country joined the WTO in 2007, consumers in Vietnam have now come under great pressure as a result of the country's recent economic slowdown, high inflation rates, growing number of bankruptcies and depreciating currency. Adding to the negative sentiment has been declines in the real estate sector and the high levels of unemployment, particularly among young Vietnamese. A growing number of consumers are questioning the government's ability to guide the nation's economy and to resolve the fundamental financial problems it faces. In this climate, consumer confidence has been shaken and a growing number of Vietnamese believe their personal standards of living are eroding. In response, cautious households have turned to saving rather than spending. In particular, spending on discretionary products and services and big ticket items such as consumer electronics, appliances and cars has been significantly curtailed.

Eating and Drinking Habits

Eating breakfast and lunch outside the home is common

- Vietnamese consumers dine out often. The majority of people eat breakfast outside the home. Lunching out is popular with office workers, while eating dinner out is usually for special occasions or when there is nothing to eat in the house. However, with the recent economic downturn, more people are taking lunchboxes to work to save money. Typically, lunch for workers is a simplified version of a normal meal, including rice, a savoury dish (pork, chicken, duck, fish or egg), stir-fried vegetables (without any meat) and thin soup (mostly liquid with some meat or vegetable).

- Informal family restaurants and street vendors are popular among consumers, partly because they have long been integrated into people's daily lives. Informal family restaurants are a popular option for dining outside as their prices are affordable, the foods are similar to what people usually have at home and they are widely available. Street vendors are convenient and inexpensive and can be found anywhere, even in the smallest alleys within the city. Carts selling Vietnamese sandwiches are available at almost every corner in the city.

Vietnam pays more attention to food safety as well as healthy meals

- In line with higher disposable incomes, higher education levels and higher living standards, Vietnamese people are becoming more aware of nutrition and their health, which is causing them to pay more attention to food safety and healthier meals. More people, especially those residing in big cities, are learning to watch the ingredients used to prepare the food they consume and to closely monitor the levels of fat, cholesterol and sodium. Furthermore, the government is showing more of an effort in terms of controlling food safety standards, especially those of street stalls/kiosks. An outstanding example was in December 2012 when the MOH issued the Circular 30/2012/TT-BYT regulations on food safety conditions for street stalls/kiosks. This was intended to improve stalls/kiosks food safety in order to prevent serious outbreaks of food-borne illness.

- Consumer foodservice operators have been quick in responding to this increasing trend, by offering healthier choices as well as trying to show consumers that they follow strict food safety standards. For example, many full service restaurants are adding fruit juice and smoothies or vegetarian dishes to their menus. Additionally, more cafés/bars are offering different teas, while educating customers on the benefits of this hot drink.

Quick Facts on Dining Out in Vietnam

- Most popular formats:
  - **Full-service restaurants**
  - **Street stalls/kiosks**
  - **Cafes/bars**

- Top foodservice chains
  1. **KFC**
  2. **Lotteria**
  3. **Pizza Hut**
  4. **Highlands Coffee**
  5. **Pho 24**

International chained fast food strengthens its presence in Vietnam

- Fast food outlets have been growing strong in recent years, increasing from 250 outlets in 2010 to more than 300 outlets in 2011. They are proving popular among young people for their convenience and comfort. Fast food is more popular with children and young adults than with older consumers, and fast food restaurants are a favourite hangout spot for teenagers. Some fast food chains like KFC and Lotteria even provide birthday packages and organize birthday parties for children. While fast food restaurants are normally considered low-end and inexpensive in most developed countries, in Vietnam they are viewed as a more expensive option. An average meal for one person in a fast food restaurant costs around C$3.39 to C$4.85. The average annual income of a person in Vietnam in 2011 was around C$1,261, according to an article published in Dan Tri in December 2011.

- In addition, Vietnamese consumers are leading increasingly busy lifestyles, leaving less time for eating. Hence, the demand for fast and easy meals continues to grow. The increasing Westernisation trend in culture, especially among the youth population, is another main reason for the development of fast food. In Vietnam, fast food is dominated by international brands, successful due to their long term establishment, well-known brand names and strong financial ability. In contrast, local brands in the category were much weaker; the only popular chained local brand was VietMac (VietMac Foods JSC).

Health & Wellness Habits

Strong increase in consumer health awareness

- Improved living standards together with educational marketing from food and beverage companies are resulting in a large increase in consumer health awareness. Consumers are developing greater interest in food and beverage products that are beneficial to their mental and physical development. They are paying increasingly more attention to nutrition labels and choosing products that claim to have a positive impact on health. Nevertheless, it is necessary to differentiate between consumers who are truly knowledgeable about nutritional and health-related issues, and those choosing products based on advertising and health claims. In Vietnam, the latter exceeds the former and this fact needs to be considered by any players in the industry. In general, even though the number of health-conscious consumers is gradually increasing, most Vietnamese consumers simply listen and easily agree with what the manufacturers claim in their advertisements.

RETAIL LANDSCAPE

Key Points

- Modern grocery continues to grow strongly due to its more diversified product portfolio of grocery and non-grocery items.
- Convenience stores experience the fastest growth in 2012, but from a small base. Additionally, growth was limited to large cities such as Ho Chi Minh and Hanoi.

Modern groceries outpacing traditional, but traditional remains most important

- Modern grocery channels are increasingly preferred by Vietnamese consumers as a result of their pleasant shopping environment, as well as diversified product portfolios. In fact, the number of supermarkets nearly doubled over a five-year period. Nonetheless, some consumers, especially in rural areas, opt for traditional grocery channels, as they offer more flexibility and convenience. Consumers can ask independent small grocers to customise pack sizes and these outlets also offer an easier return policy. Thus, traditional grocery stores still represent the largest channel.
- Total grocery retailing continues to experience strong growth, due to rising disposable household income levels and improvements in living standards. International modern grocery retailers are expected to continue to strengthen their presence in the country. However, the growth is expected to remain concentrated in big cities such as Ho Chi Minh, Hanoi and Danang. In these cities, consumers have higher disposable income levels and are willing to pay higher prices for a pleasant shopping environment and guaranteed product quality.

Table 5 Ranking of Largest Retail Distribution Channels in Vietnam by Outlets: 2012

1. Independent Food Stores
2. Food/Drink Specialists
3. Supermarkets
4. Convenience Stores

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

REFERENCES

For data sources and more information on topics discussed in this report, please visit the links listed below.

Description	Source
Export Tools for British Columbians	http://www.britishcolumbia.ca/Export/Index.aspx
Exporting Your Products from British Columbia	http://www.britishcolumbia.ca/Export/Exporting-Your-Products.aspx
Contact our Trade and Investment Representative Office: Asia-Pacific Business Centre	http://www.britishcolumbia.ca/global/trade-and-investment-representatives/asia-pacific-business-centre.aspx
Agriculture and Agri-Food Canada - Agri-Food Trade Policy	http://www.agr.gc.ca/itpd-dpci/index-eng.htm
Foreign Affairs, Trade and Development Canada	http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx
Vietnam Ministry of Agriculture and Rural Development	http://www.agroviet.gov.vn/en/Pages/default.aspx