

Required Report: Required - Public Distribution

Date: June 25, 2021

Report Number: VM2021-0054

Report Name: Retail Foods

Country: Vietnam

Post: Hanoi

Report Category: Retail Foods

Prepared By: Kiet Vo

Approved By: Benjamin Petlock

Report Highlights:

Vietnam's total retail sales were estimated at approximately \$172 billion, up 6.8 percent over 2019, with food and beverage accounting for approximately 30 percent. Effective control of COVID-19 has allowed the retail sector to overcome short-term challenges and constraints while strong economic growth, increasing foreign investment, benefits from free trade agreements, a growing middle class with higher disposable incomes, and rapid urbanization continue to drive long-term sustainable growth. Vietnam's modern retail food channels have seen expansions, exits, and mergers and acquisitions in 2020 and 2021. While e-commerce and food delivery services continue to enjoy sustainable growth, sales in traditional retail food channels have declined due to changes in consumer shopping habits as a result of COVID-19.

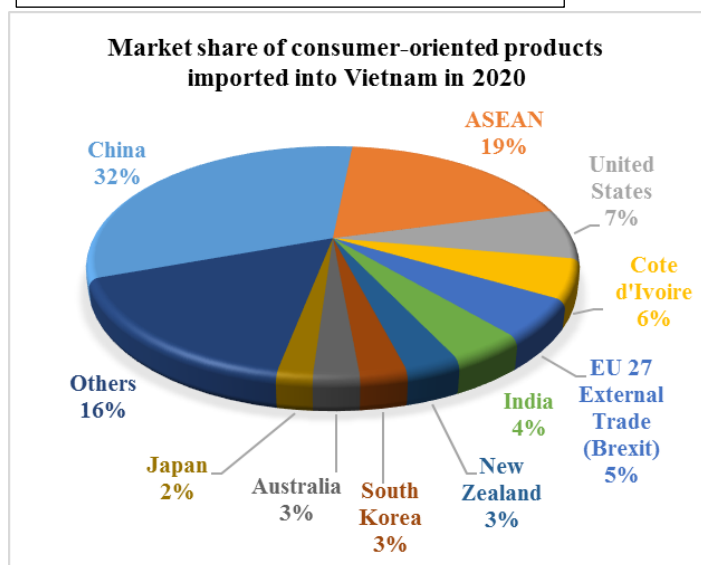
Market Fact Sheet: Vietnam

Executive Summary

Vietnam remained one of the fastest growing economies in Asia in 2020, with gross domestic product (GDP) growth at 2.9 percent despite the negative effects of COVID-19. GDP growth for 2021 is projected at 6.6 percent (World Bank).

According to the Trade Data Monitor (TDM), global exports of consumer-oriented products serving Vietnam's retail food channels were down 11 percent year on year, from \$14.8 billion in 2019 to \$13.1 billion in 2020. Although U.S. exports dropped 11 percent over 2019 to \$928 million, the U.S. market share remained unchanged at 7 percent in 2020 (Chart 1). Vietnam is the 14th largest market for U.S. consumer-oriented products.

Chart 1: Imports of Consumer-Oriented



Source: TDM

Food Retail Industry

Vietnam's retail sector remained strong in 2020 with total sales at approximately \$172 billion, up 6.8 percent over 2019, with food and beverage retail sales accounting for approximately 30 percent, according to Vietnam's General Statistical Office (GSO). Vietnam modern retail food channels have seen expansions, exits, and mergers and acquisitions in 2020 and 2021. While e-commerce and food delivery service continue to enjoy sustainable growth, traditional retail food channels, are down in sales as the pandemic has changed consumer shopping habits.

Quick Facts CY 2020

Imports of Consumer-Oriented Products

- Imports from the world: \$13.1 billion
- Imports from the United States: \$928 million

Top-10 Growth Products in Vietnam

Pork and pork products	Condiment and sauces
Fresh vegetable	Spices
Tree nuts	Meat products NESOI
Dairy products	Processed vegetables
Fresh fruit	Prepared foods

Food Industry by Channels in 2020 (billion USD)

Manufacture of food products	\$65.8	↑5.3%
Manufacture of beverages	\$7.0	↓5.2%
Exports of fishery products	\$8.4	↓1.5%
Exports of fruits and vegetables	\$3.3	↓12.7%
Exports of cashew nuts	\$3.2	↓2.3%

Total retail sales of goods and services 2020: \$218 billion, up 2 percent over 2019

Top-10 Vietnamese Retailers

Aeon Mega Mart	Vinmart
MM Mega Market	Circle K
Big C	7 Eleven
Co.op Mart	Bach Hoa Xanh
Lotte Mart	GS25

GDP/Population 2020

Population	97.6 million
GDP	\$269 billion
GDP per capita	\$2,777

Sources: TDM; GATS; GSO; CEIC, Vietnam Customs

Advantages	Challenges
U.S. products are perceived as safe and of premium quality.	U.S. products remain more expensive than those from other countries, partly due to higher tariffs and freight costs.
Growing market demand and increased focus on food safety	Free trade agreements reduce tariffs on competitors' products.

Contact: FAS Vietnam

Office of Agricultural Affairs in Hanoi

Tel.: 84-24-3850 6106; Email: aghanoi@fas.usda.gov

Office of Agricultural Affairs in Ho Chi Minh City

Tel.: 84-28-35204630; Email: atohochiminh@fas.usda.gov

SECTION I. MARKET SUMMARY

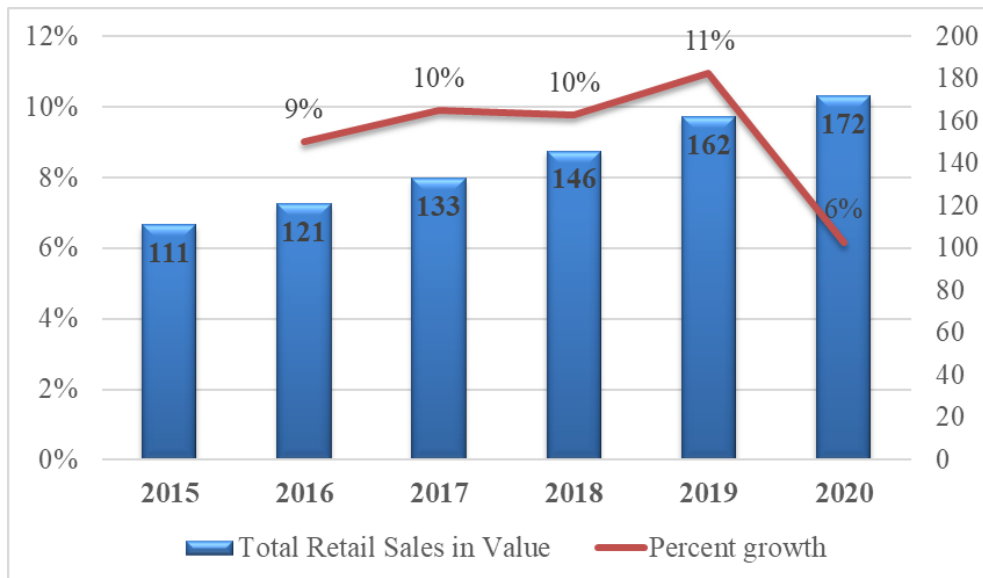
Overview

Vietnam's success in containing COVID-19 over the last year has allowed its key export-oriented industries including electronics, textiles and garments, footwear, furniture, and seafood products to maintain their production and export levels which are important to the country's social and economic development. Vietnam's GDP increased 2.9 percent in 2020 and is projected to grow 6.6 percent in 2021, according to the World Bank. Post notes that this estimate assumes that the Government of Vietnam (GVN) continues to effectively control the COVID-19 outbreak, providing stable conditions for export-oriented manufacturing industries and domestic demand to grow.

Vietnam's retail sector remained strong in 2020 with total sales at approximately \$172 billion, up 6.8 percent over 2019, according to GSO. Although this was lower than the 11 percent rate recorded in 2018 (Chart 2), local stakeholders considered this growth a success given the many difficulties encountered during the pandemic. Industry experts also estimate that the Vietnamese retail sector could grow by 10 percent in 2021. Again, this estimate is subject to change due to COVID-19¹.

While social distancing restrictions, targeted lockdown, quarantine requirements, and temporary business closures are effective measures to contain the outbreak, they reduce foot traffic at both traditional and modern retail channels, disrupt trade and production, and eventually reduce the nation's GDP growth in general and the retail food sector in particular.

Chart 2: Total Retail Sales (billion US dollars) and Growth Rate (percent)



Source: GSO

¹ At the time of this report, Vietnam is currently facing a 4th COVID-19 wave. As of June 23, there were over 10,000 cases being recorded across 43 cities/provinces. Post will continue to monitor the outbreak's development.

Vietnam Retail Food Sector

The Vietnam retail food sector remains vibrant despite temporary constraints and challenges caused by COVID-19, such as lower in-store traffic due to social distancing requirements, consumer's tightened budgets², and changes in shopping behavior. Strong economic growth, increasing foreign investment, benefits from free trade agreements (FTA)s, a growing middle class with higher disposable income, and rapid urbanization continue to drive long-term sustainable growth of this sector.

Vietnam's modern retail sector continues to be dominated by a number of central companies (Table 1). In addition to ongoing expansion of existing modern retail chains³, this sector saw several important events in 2020 and 2021, including Central Group Vietnam's rebranding of its Big C stores, mergers and acquisitions by the Masan Group, and Emart's exit from the Vietnam market.

Central Group Vietnam (CGV), based on its past success of developing the "GO" brand, rebranded its popular chain of Big C supermarkets to "GO!" and "Tops Market." "GO!" will be branded for malls and hypermarkets while the "Tops Market" will be branded for stores in urban locations. CGV expects this rebranding to support their competitiveness in the fast-moving retail environment.

Masan Group, after acquiring over 2,600 retail outlets from Vingroup in early 2020, began to implement its ambitious plan to restructure and develop their retail businesses. Masan started by setting up "The CrownX" (TCX), an affiliate to oversee online and offline retail channels and then sold shares in this operation to investors. One of the investment groups, a consortium led by the e-commerce giant Alibaba and the Baring Private Equity Asia, paid \$400 million to own 5.5 percent of TCX. This agreement also enabled TCX to partner with Lazada, Alibaba's Southeast Asian e-commerce platform, to develop an online retail shopping channel. Masan also recently agreed to acquire a 20 percent stake of the Phuc Long Heritage Joint Stock Company, a popular beverage brand with 82 stores nationwide. The deal allows TCX to operate Phuc Long kiosks at over 2,200 convenience stores to sell tea and coffee to consumers. Finally, Masan is planning to rename VinMart and VinMart+ to Winmart and Winmart+.

Emart, a Korean-owned hypermarket which has operated in Ho Chi Minh City since 2015, exited the Vietnam market this year due to intense competition. According to local media, the Truong Hai Auto Corporation (Thaco), a leading Vietnamese automobile manufacturer, acquired 100 percent of Emart's Vietnam operation, including existing and planned Emart hypermarkets. Thaco successfully obtained a franchise agreement, allowing the company to exclusively use the Emart brand for 9 years. The two sides have also agreed to continue distributing Emart's and private label products in Emart hypermarket(s) in Vietnam. This transaction will be completed in the second half of 2021. Thaco also announced its intention to expand the Emart hypermarket network from the one current location to 10 stores by 2025.

² According to Vietnam's GSO, GDP per capita in 2020 dropped 2 percent compared to the previous year, resulting in lower household spending. In 2020, nationwide household spending was estimated at approximately \$125 per person per month on average, up 13 percent over 2018. However, this rate of growth was lower the 18 percent rate recorded between 2016 to 2018.

³ Aeon opened its 6th mall in Hai Phong in December 2020; BRG inaugurated its 3rd FujiMart in Hanoi in May 2021; Bach Hoa Xanh increased the number stores from 1,000 in 2019 to over 1,700 in 2020. (Source: local media)

Table 1: Major Modern Retail Chains in Vietnam

Hyper/Supermarkets	Convenience Stores
Aeon Mega Market (www.aeon.com.vn)	7-Eleven (www.7-eleven.vn)
Aeon Citimart (www.aeonicitimart.vn)	Aeon Ministop (www.ministop.vn)
Big C (www.bigc.vn) Being renamed to GO! and Tops Market	B's Mart (www.bsmartvina.com)
Co-op Mart (www.co-opmart.com.vn)	Bach Hoa Xanh (www.bachhoaxanh.com)
Co-op Extra (http://coopextra.net)	Cheers
E-Mart (www.emart.com.vn)	Circle K (www.circlek.com.vn)
Hapromart (www.haprogroun.vn)	Co-op Food (www.co-opmart.com.vn)
K-Mart	Co-op Smile (www.co-opmart.com.vn)
Lottemart (http://lottemart.com.vn)	Family Mart (www.famima.vn)
MM Mega Market (http://mmvietnam.com)	GS 25 (http://gs25.com.vn)
Nam An Market (https://namanmarket.com/)	Q-Mart+ (https://www.qmartstores.com)
Q Mart (https://www.qmartstores.com)	Vinmart+ (https://vinmart.com/) To be renamed to WinMart+
Vinmart (https://vinmart.com/) To be renamed to WinMart	
BRG (https://brggroup.vn/)	

U.S. food and beverage products face a number of advantages and challenges in the Vietnam retail food sector (Table 2).

Table 2: Advantages and Challenges for U.S. products

Advantages	Challenges
Strong GDP growth, higher per capita income, rapid urbanization, and growing food safety concerns support the development of the modern retail sector.	The uncertainty of government regulations and regulation implementation negatively affects local importers of food and food ingredients.
Rising disposable income boosts demand for higher quality and safe food and food ingredients.	Most low and middle-income households in small cities and rural areas cannot afford imported products.
Consumer awareness of global retail brands is increasing, with more international brands entering Vietnam.	U.S. exporters are often perceived as not flexible or responsive to importers' needs or the local business environment. For example, some U.S. products are packed in large sizes that limit

	purchases.
Consumers in Vietnam view U.S. products as high quality and safe.	U.S. products are still expensive to middle-class households in first-tier cities.
Growing perception of modern retail outlets as cleaner, safer, more comfortable, more enjoyable, and containing more diverse food and beverage products over wet markets	A reference price list and high import duties make U.S. products less competitive and sometimes discourage importers from diversifying their portfolio with U.S. products.
The growing number of modern retail chains increases the opportunities for imported products, including those from the United States.	U.S. competitors, including the European Union (EU), Canada, New Zealand, Korea, and Japan, also have access to the Vietnam market for many consumer-oriented products.
Vietnam's continued economic integration and its FTA negotiations give more openings to foreign products in general.	Some U.S. products are at a tariff disadvantage as competitor countries sign FTAs with Vietnam.

E-Commerce

Although COVID-19 continues to challenge some of Vietnam's most important economic sectors including tourism, food service, and traditional and modern retail, it also resulted in growth of the country's e-commerce sector. According to the Vietnam eCommerce and Digital Economy Agency (iDEA), Vietnam e-commerce sales in 2020 were approximately \$11.8 billion, up 18 percent over 2019. Although this rate was lower than the 30 percent rate originally forecasted by the Vietnam e-Commerce Association, Vietnam was the sole market in Southeast Asia to record double-digit growth in this sector in 2020. Vietnam stakeholders forecast that e-commerce will continue to boom in 2021 and in the near future.

Key drivers supporting this robust growth include progressive GVN policies⁴, rapid urbanization, a growing middle class (currently 13 percent of the total population and forecasted to grow to 26 percent by 2026) with increasing per capita income (from \$430 in 2000 to \$2,777 in 2020), rising Internet access (70 percent of the country's population of 97.6 million) and smartphone users (70 percent of the total population)⁵, as well as strong consumer confidence in online shopping.

Additionally, the ongoing COVID outbreak has accelerated e-commerce's expansion in Vietnam. Due to social distancing requirements and concerns with physical contact, Vietnam consumers have moved towards online channels to purchase essential goods instead of shopping at brick-and-mortar stores. This development has provided opportunities for growth for several digital shopping platforms (Table 3).

⁴ In May 2021, the Government of Vietnam approved a national master plan for e-commerce development between 2021 – 2025. This plan lays out several ambitious goals including 1) having up to 55 percent of the total population participate in online shopping by 2025; 2) B2C e-commerce sales (for both goods and services of online consumption) to increase by 25 percent per year and 3) Non-cash payments for e-commerce activities will reach 50 percent of which payments made through intermediary service providers will account for 80 percent (see the attached e-commerce master plan for more details).

⁵ Sources: World Bank, iDEA

Modern retail chains, grocery suppliers, and food service stakeholders including restaurants, caterers, coffee and tea shops, and bakeries have also shifted to online sales via either their own or third-party platforms to respond to changes in consumers shopping habits amid the pandemic. Consumers are now able to easily place orders online and have the products they need, whether groceries or meals, delivered at home.

Competition in e-commerce is fierce. To capture business opportunities and remain competitive, digital shopping platforms are racing to advance technologies, increase product ranges, and expand relationships with suppliers, delivery service providers (Table 3), and financial institutions. All platforms, including websites, apps, and social media aim to draw consumer attention, and a variety of promotions, such as free delivery, contactless delivery, and discount programs are being offered to boost sales.

Table 3: Major digital shopping platforms and delivery service providers

Digital shopping platform	Delivery service providers
Foody (www.foody.vn)	AhaMove (https://ahamove.com/)
Lazada (www.lazada.vn)	Baemin (https://baemin.vn)
Now (www.now.vn)	Be (https://be.com.vn)
Sendo (www.sendo.vn)	Gojek (www.gojek.com)
Shopee (www.shopee.vn)	Grab Food (https://food.grab.com)
Tiki (www.tiki.vn)	GrabMart (www.grab.com/vn/mart/)
	Loship (https://loship.vn)

Traditional Food Retail (TFR)

Traditional food retail, with over 8,500 wet markets⁶ and an extensive number of “Mom-and-Pop” stores, still dominates Vietnam’s retail market, accounting for about 86 percent of total grocery retail sales.

Major factors supporting TFR include proximity to residential areas, competitive prices compared to modern retail⁷, concentration of diverse products in one marketplace, tight bonds with customers, flexibility in transactions, and gradual improvements in product handling. However, TFR continues to be challenged by longstanding difficulties, including poor hygiene and food safety, due to infrastructure

⁶ Source: GSO 2019

⁷ Products at modern retail outlets are usually sold at higher prices than the same items at traditional retail channels. Space rental, electricity for air conditioning and cold storage, labor costs, and taxes lead to high operation costs and increased sale prices. Modern grocery retailers strive to attract customers by offering clean, spacious, and enjoyable shopping environments, diverse products, promotional programs, and value-added services.

constraints. For example, as packaged foods, including dairy products (cheese, liquid milk) and canned foods, are not properly stored, external factors, such as temperature changes, improper handling, and pests can lead to quality deterioration over time. In addition, meat, fish, and fresh produce at wet markets are openly exposed to changes in air and temperature for hours until consumers take them home.

COVID-19 has badly affected TFR sales. Whenever there is a new wave of infections, sales at the wet market decline due to strict preventive measures and consumer concerns with crowds. Additionally, TFR's restrictive nature does not allow it to shift online as modern retail channels can. As such, the increase in online shopping means lower sales at TFR. Local media reported that due to low purchasing power, many wet markets have seen vendors leaving their business.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

FAS strongly encourages potential U.S. exporters to review related [GAIN attaché reports](#); in particular, the Exporter Guide, the Food Agricultural Import Regulations and Standards (FAIRS) report, the Food Ingredients report, and the Hotel and Restaurant Industry (HRI) Food Service Sector report. FAS regularly updates these reports to keep U.S. exporters apprised of the latest information related to Vietnam's food standards and safety regulations.

U.S. new-to-market exporters should also look into export requirements for Vietnam by other USDA agencies, including the Food Safety and Inspection Service (FSIS) (www.fsis.usda.gov), the Animal and Plant Health Inspection Service (APHIS) (<https://www.aphis.usda.gov/aphis/home/>), and the Agricultural Marketing Service (AMS) (<https://www.ams.usda.gov/>).

In addition, U.S. exporters should also refer to the United States Department of Commerce's [Country Commercial Guide Report](#) for information about the Vietnam market.

FAS/Vietnam recommends conducting intensive research to understand market demand, local business customs, and import requirements and to identify potential buyers. FAS/Vietnam and USDA Cooperators assist new-to-market U.S. exporters, including lists of importers/traders/processors, market insights, and information on import procedures. Contact information is available in the [2020 Exporter Guide](#). Exporters can also benefit from engaging with State Departments of Agriculture and State Regional Trade Groups (SRTGs).

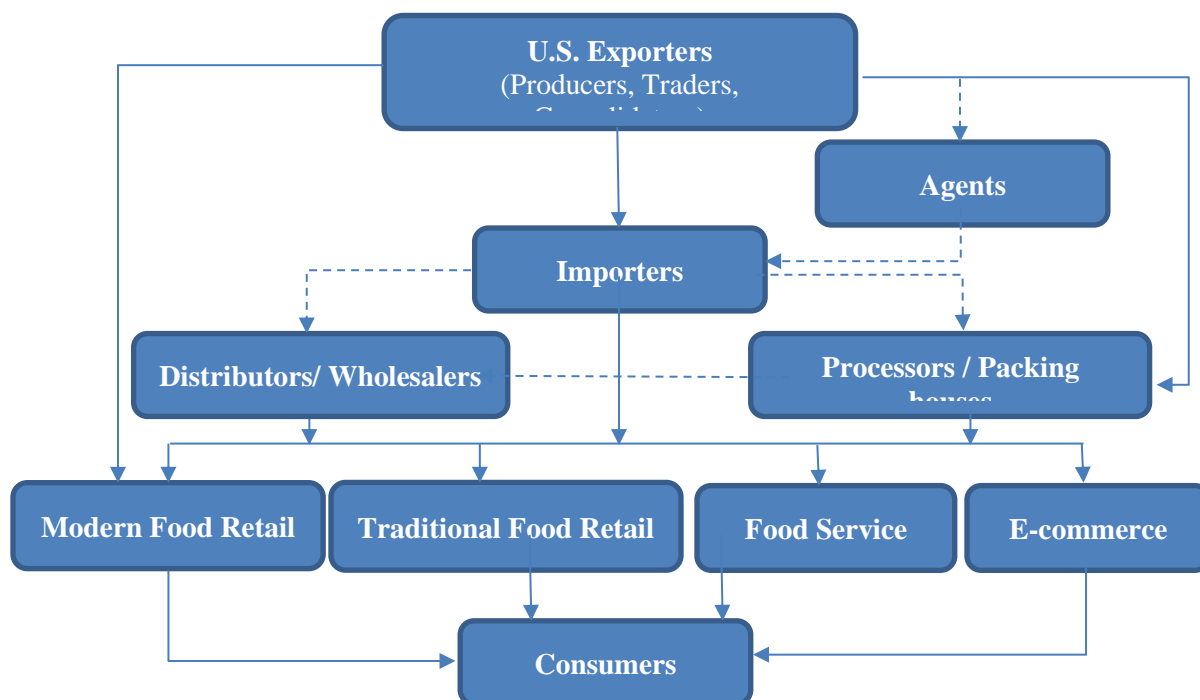
Participation in trade shows and trade missions may offer good opportunities to better understand the market and engage directly with potential importers, distributors, and local partners. There are two USDA-endorsed trade shows in Vietnam: Food and Hotel Vietnam (FHV) is the most important show for consumer-oriented products and takes place every two years in Ho Chi Minh City. Food and Hotel Hanoi (FHH) is another large show focused on the northern market that takes place in alternating years. Visit <https://foodnhotelvietnam.com/> and <https://foodnhotelhanoi.com/en-us/> for further information.

Please note that, due to COVID-19, FHH 2020 was canceled while FHV 2021 has been delayed to September 2021.

Market Structure

Most consumer-oriented products reach the shelves of retail food channels through importers, distributors, and processors (Figure 1). Recently, some of the largest modern retail food chains have started directly importing fresh fruits, beef and beef products, seafood, and non-alcoholic beverages for their outlets.

Figure 1: Retail Market Structure in Vietnam



SECTION III. COMPETITION

Competition between imported and locally produced consumer-oriented products is fierce, as Vietnam is a large producer of agricultural products including pork, poultry, fruits, and vegetables. The country is also developing major food processing and agro-industrial sectors, with leading multinationals establishing food processing operations in Vietnam and offering a wide range of western-style products at reasonable prices.

Competition between U.S. consumer-oriented products and those from other countries is also more intense as Vietnam continues to globally integrate through a range of multilateral FTAs, including the EU-Vietnam FTA (EVFTA) which took effect on August 1, 2020. At the EVFTA's entry into force, approximately 65 percent of EU's exports will enter Vietnam duty-free and remaining tariffs will be abolished over a 10-year period. Please see GAIN report [VM2020-0059](#) for more details.

Decree 57/2019/ND-CP issued by the GVN on May 25, 2020, will reduce tariff rates on a number of agricultural products, including dairy products, ethanol, almonds, apples, grapes, wheat, walnuts, frozen potatoes, raisins, and chilled pork, which are imported from most favorite nations (MFN), including the United States, beginning on July 10, 2020. In addition, this decree temporarily reduced the MFN tariff rate for frozen pork from 15 percent to 10 percent from July 10 until December 31, 2020. Please see GAIN report [VM2020-0051](#) for more details.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

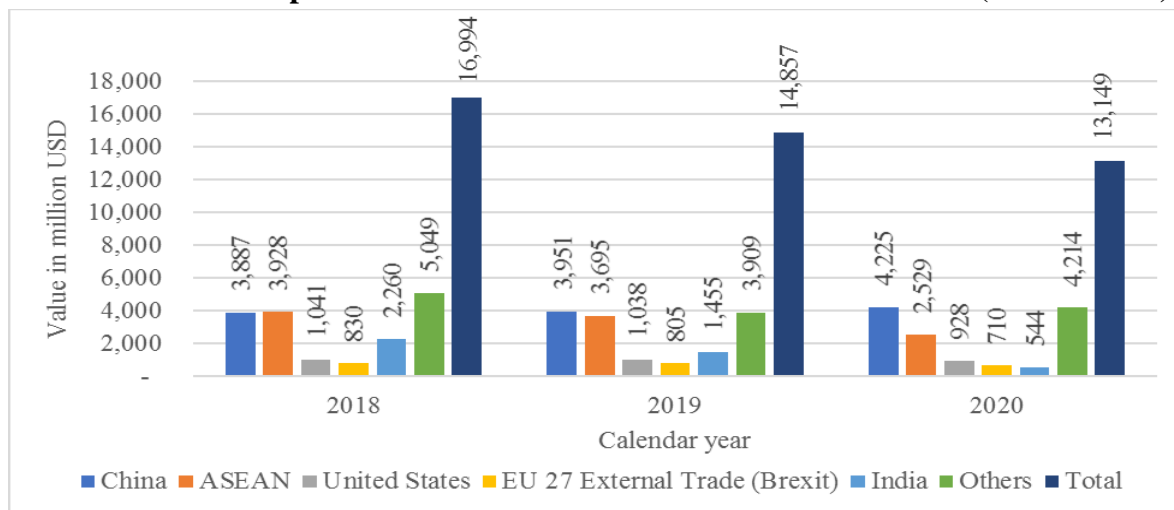
Pork meat, fresh produce, poultry, seafood, milk and dairy products, condiments, and sauces.

Top Consumer-Oriented Products Imported from the World

According to TDM, world exports of consumer-oriented products to Vietnam totaled \$13.1 billion in 2020, down 11 percent from 2019 (Chart 3) and China was the only country that saw a seven percent increase in its exports. U.S. and EU exports fell 11 percent and 12 percent, respectively, while India and members of the Association of Southeast Asian Nations (ASEAN) also saw significant declines in their exports to Vietnam.

The world's top-five exports of consumer-oriented items to Vietnam and their respective shares of the total were: 1) fresh fruit (\$2.7 billion, 20 percent share); 2) tree nuts (\$2.3 billion, 17 percent share); 3) fresh and processed vegetable (\$1.7 billion, 13 percent share); 4) dairy products (\$1.1 billion, 9 percent share); 5) Beef and beef products (\$0.7 billion, 5 percent share)

Chart 3: World Exports of Consumer-Oriented Products to Vietnam (Million USD)



Source: Trade Data Monitor

Top Consumer-Oriented Products Imported from the United States

U.S. exports of consumer-oriented products to Vietnam totaled \$929 million in 2020, down 11 percent over 2019; however, the United States maintained its 7 percent market share from the previous year. The top-five U.S. export items were: 1) dairy products (\$185 million, 20 percent share); 2) tree nuts (\$140

million, 15 percent share); 3) fresh fruit (\$135 million, 15 percent share); 4) poultry meat and products (\$128 million, 14 percent share); and 5) prepared food (\$89 million, 10 percent share).

Products Not Present in Significant Quantities, but which have Good Sales Potential

Cheese, ice cream, sweets and snacks, wine, craft beer, frozen and dried fruit, live seafood (geoduck, lobster, king crab, fish, oyster), cooked and prepared shellfish, and frozen wild salmon.

Product Not Present Because They Face Significant Barriers

Edible white offal (pork, beef, and chicken), fresh citrus (aside from oranges), strawberries, and certain kinds of seafood.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Please refer to the [FAS/Vietnam Exporter Guide 2020](#) for links to additional sources of information, including Post contacts, SRTGs, USDA Cooperators, and Vietnamese government agencies.

Other Useful Websites:

The Embassy of Vietnam in Washington <http://www.vietnamembassy-usa.org>

Ministry of Agriculture and Rural Development www.mard.gov.vn

MARD/Department of Animal Health <https://cucthuy.gov.vn/>

MARD/Plant Protection Department <http://www.ppd.gov.vn>

MARD/ National Agro-Forestry-Fisheries Quality Assurance Dept. <http://www.nafiqad.gov.vn>

Ministry of Health <http://www.moh.gov.vn>

Vietnam Food Administration <http://vfa.gov.vn>

General Department of Vietnam Customs <http://www.customs.gov.vn/English/>

Directorate for Standards, Metrology & Quality <http://www.tcvn.gov.vn/>

Ministry of Industry & Trade <http://www.moit.gov.vn>

Vietnam Tourism Administration <https://vietnamtourism.gov.vn/english/>

National Assembly of Vietnam <https://quochoi.vn>

Vietnam Ag Biotechnology <http://www.agbiotech.com.vn>

American Chamber of Commerce in Vietnam <http://www.amchamvietnam.com>

Major Media Websites:

Vietnam News <https://vietnamnews.vn/>

Vietnam Economy News <http://ven.vn/>

Vietnam Investment Review <http://www.vir.com.vn/news/home>

Saigon Times Daily <https://en.thesaigontimes.vn/>

Saigon Tiep Thi <https://www.sgtiepthi.vn/>

Tuoi Tre News <http://www.tuoiitrenews.vn/>

Attachments: [Vietnam Master Plan for E-commerce Development 2021-2025.pdf](#)