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VIETNAM RETAIL MARKET AND COMSUMER TRENDS 2020

Consumer and retail trends for FMCG in 2020.

Understand and anticipate Vietnam retail and consumer dynamics.

Wednesday December 2nd 2020

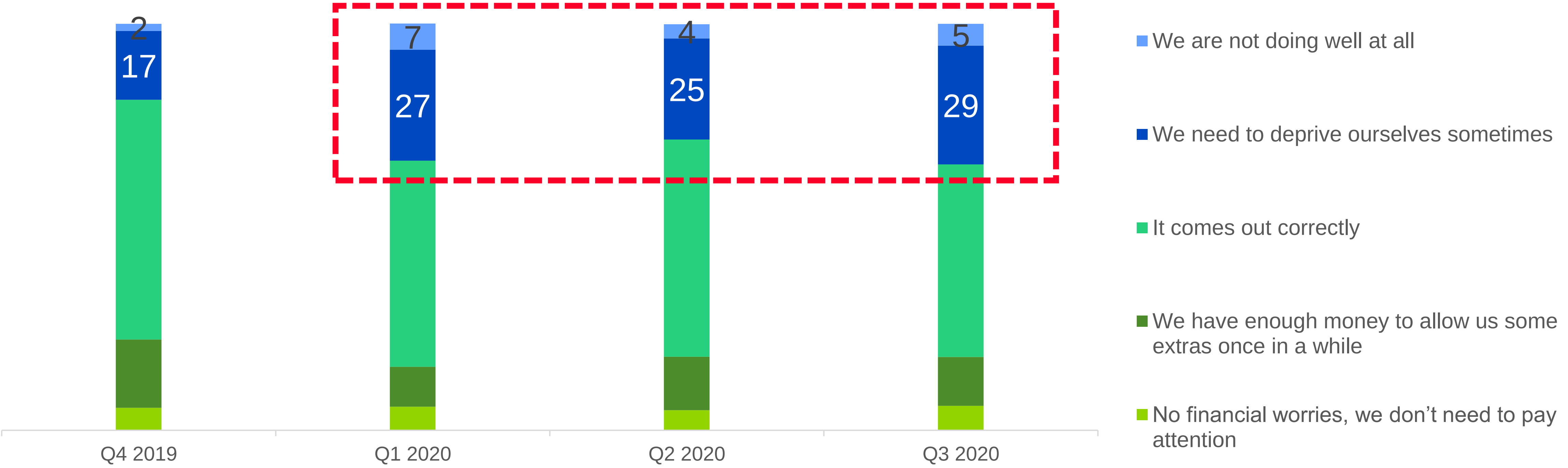
Kantar, Worldpanel Division, in partnership with Eurocham

Macro trends

There remains an elevated concern towards the current financial situation of the HH with over 1/3 HH depriving themselves or worse…

How do you evaluate the current financial situation of your Household?

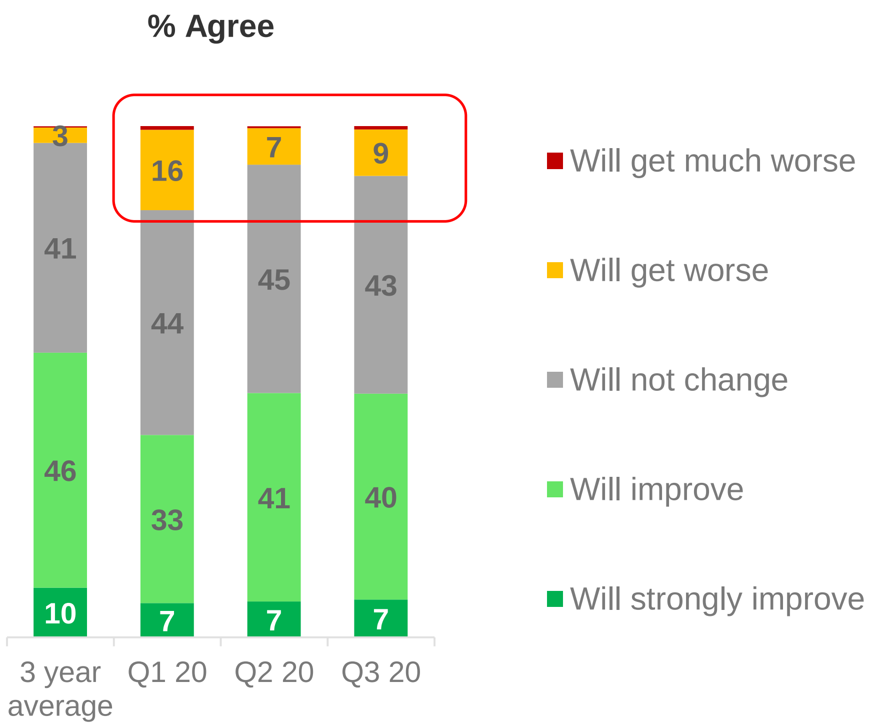
% HW agree



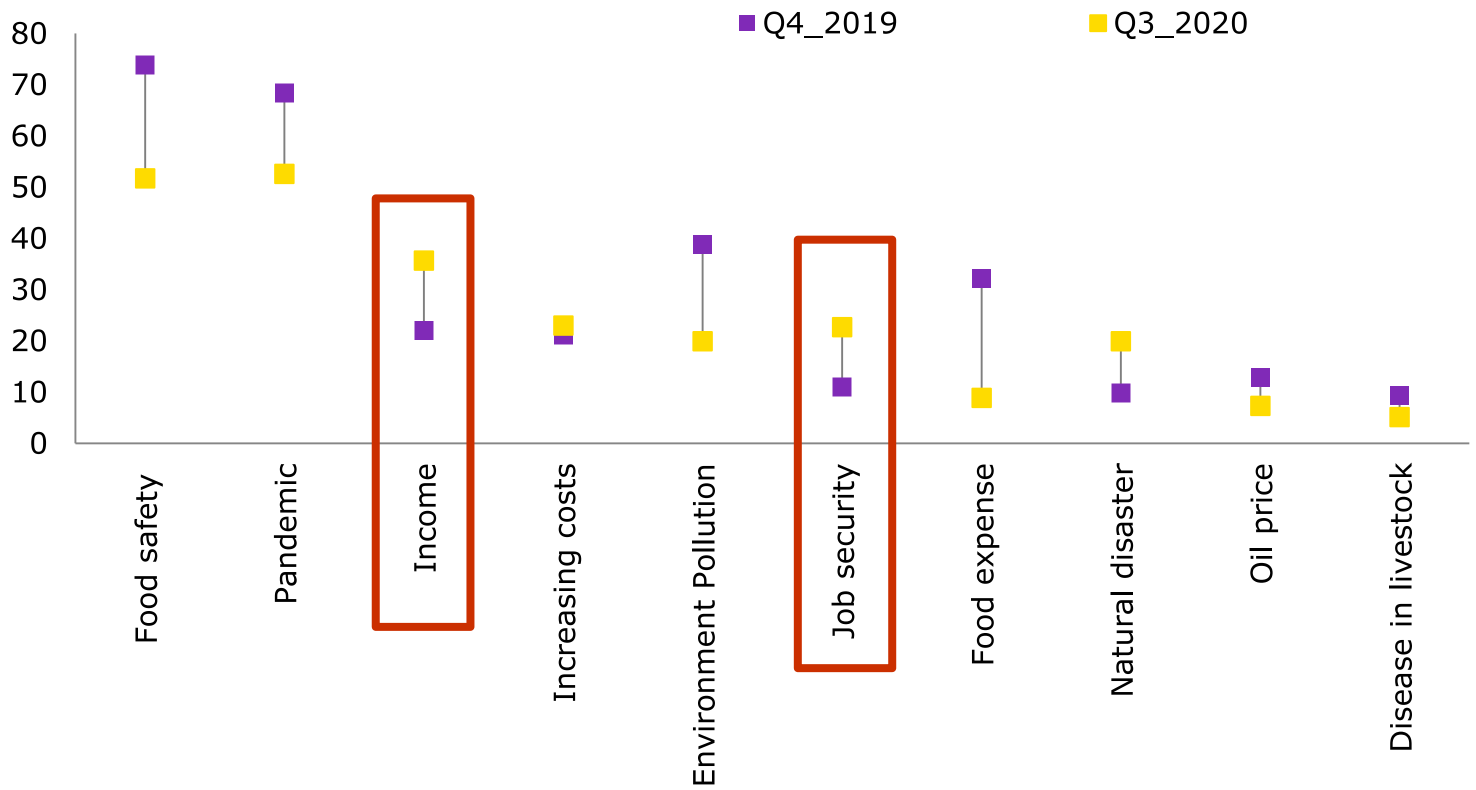
…while the optimism towards the future financial situation also remains lower. Consumers are still concerned about income and job security

Urban 4 cities

When asked about the family's financial situation in the future:



Concerns about **income** and **job security** are still higher than usual (% HW Agree)



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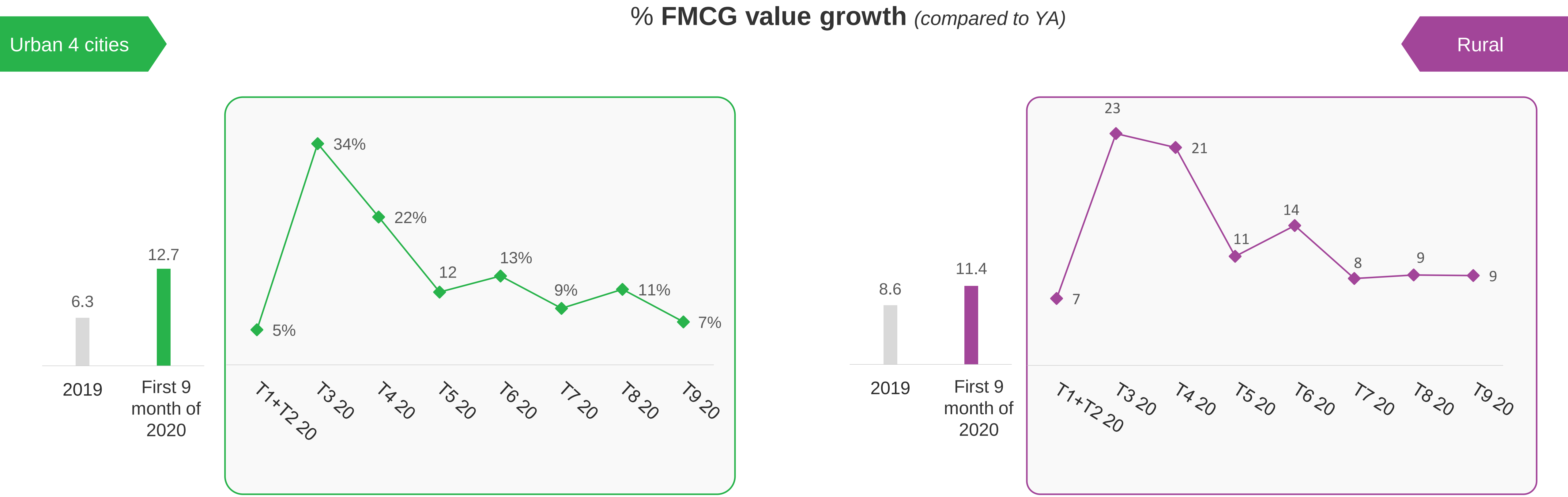
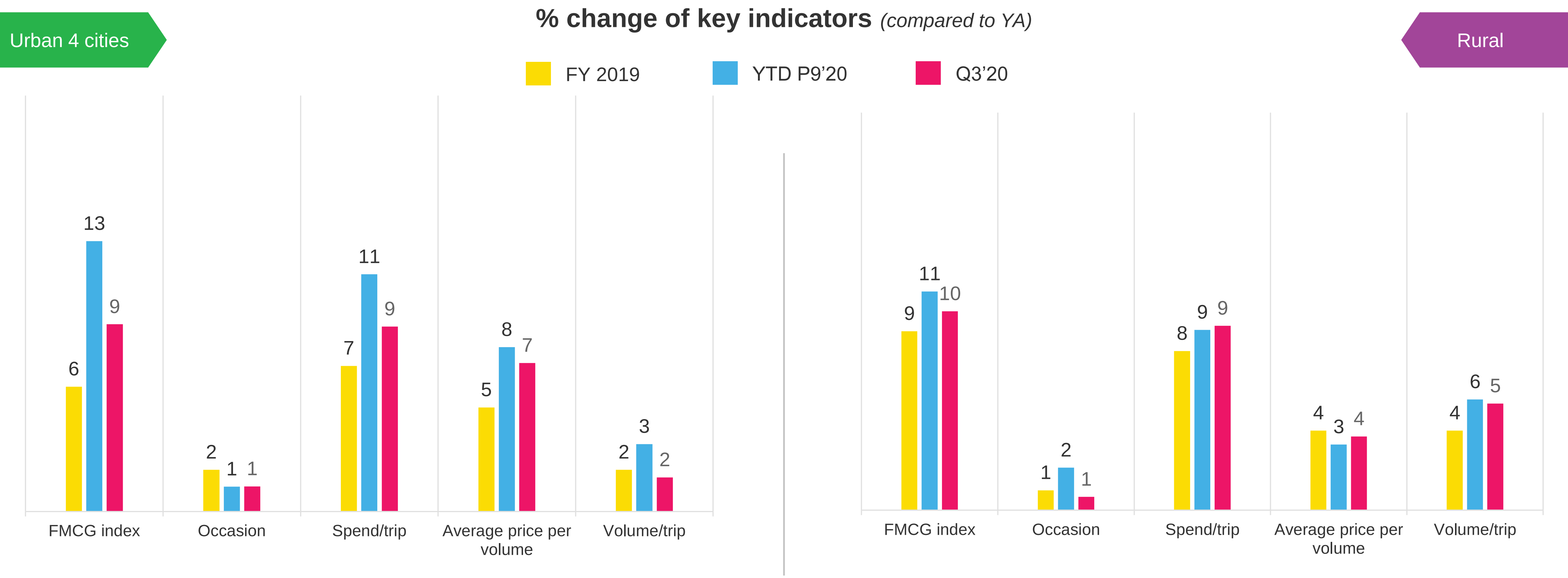
FMCG landscape in the first 9 month of 2020

The second wave of outbreaks in Da Nang in late July did not show much of an impact. In the short term, FMCG growth gradually returns to pre-COVID rate and is likely to continue to slow down in the last months of 2020 as consumers may cut back on shopping.



Stocking behavior happens intensively due to the pandemic and slowly returning to normal

During the pandemic months, consumers tended to buy a lot in each shopping occasion to stock. Recently, the shopper's basket size has gradually returned to normal rate.

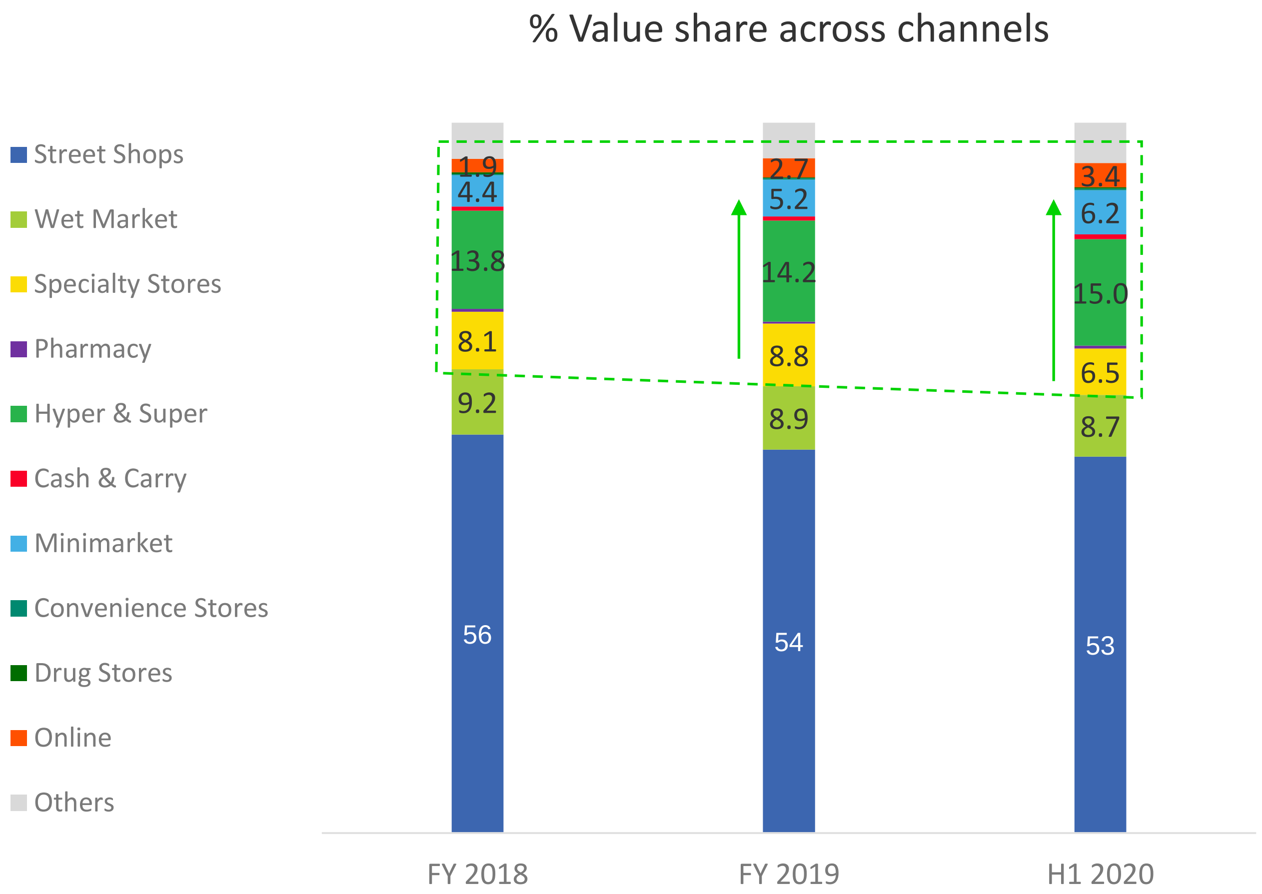


Source: Worldpanel Division | Households Panel | Urban 4 cities and Rural Vietnam | FMCG excl. Gift

COVID-19 impact on channel choices

Retail environment is changing with the evolution of emerging channels* and big retail formats, which is more apparent during the pandemic

Urban 4 cities



Emerging channels including specialty stores, pharmacy, minimarkets, convenience stores, drug stores and online.*

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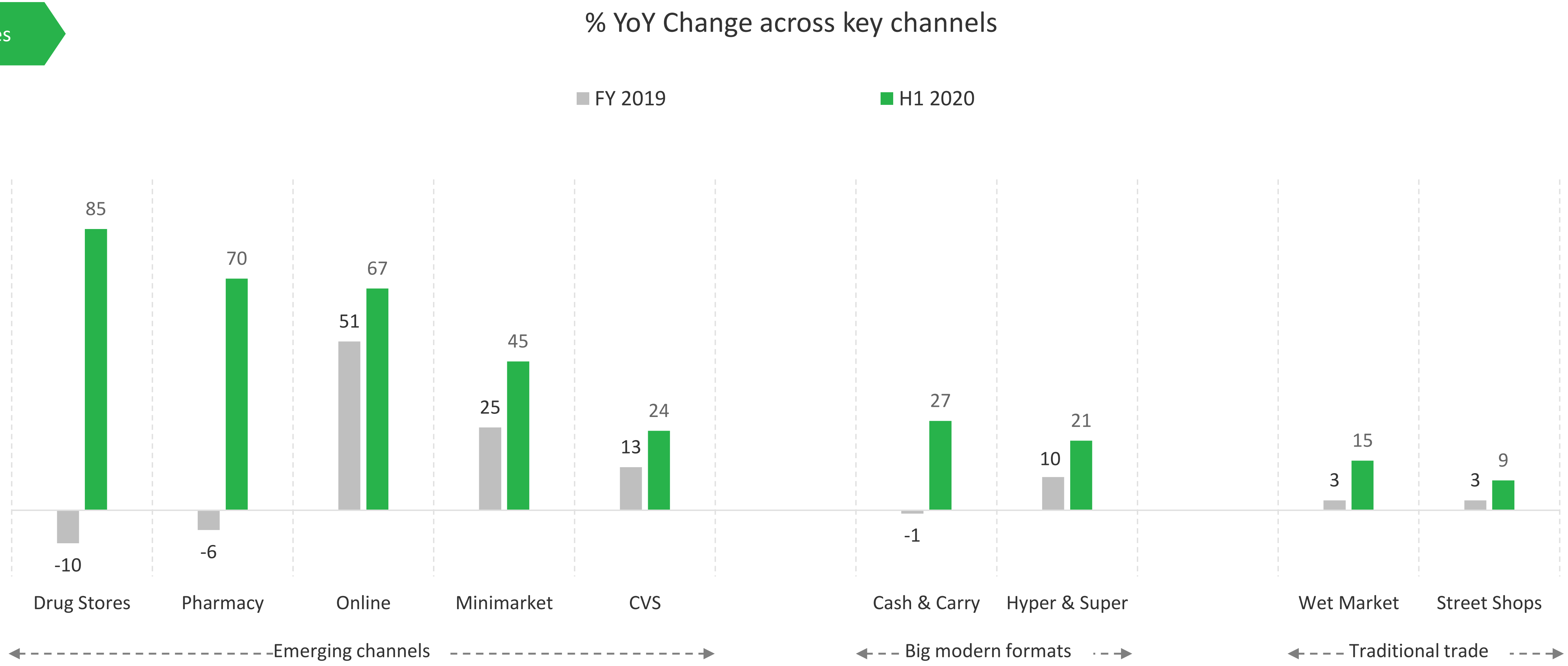
Source: Worldpanel Division | Households Panel | Urban 4 Key Cities | Total FMCG excluding Gift | YTD P6 20 vs YA

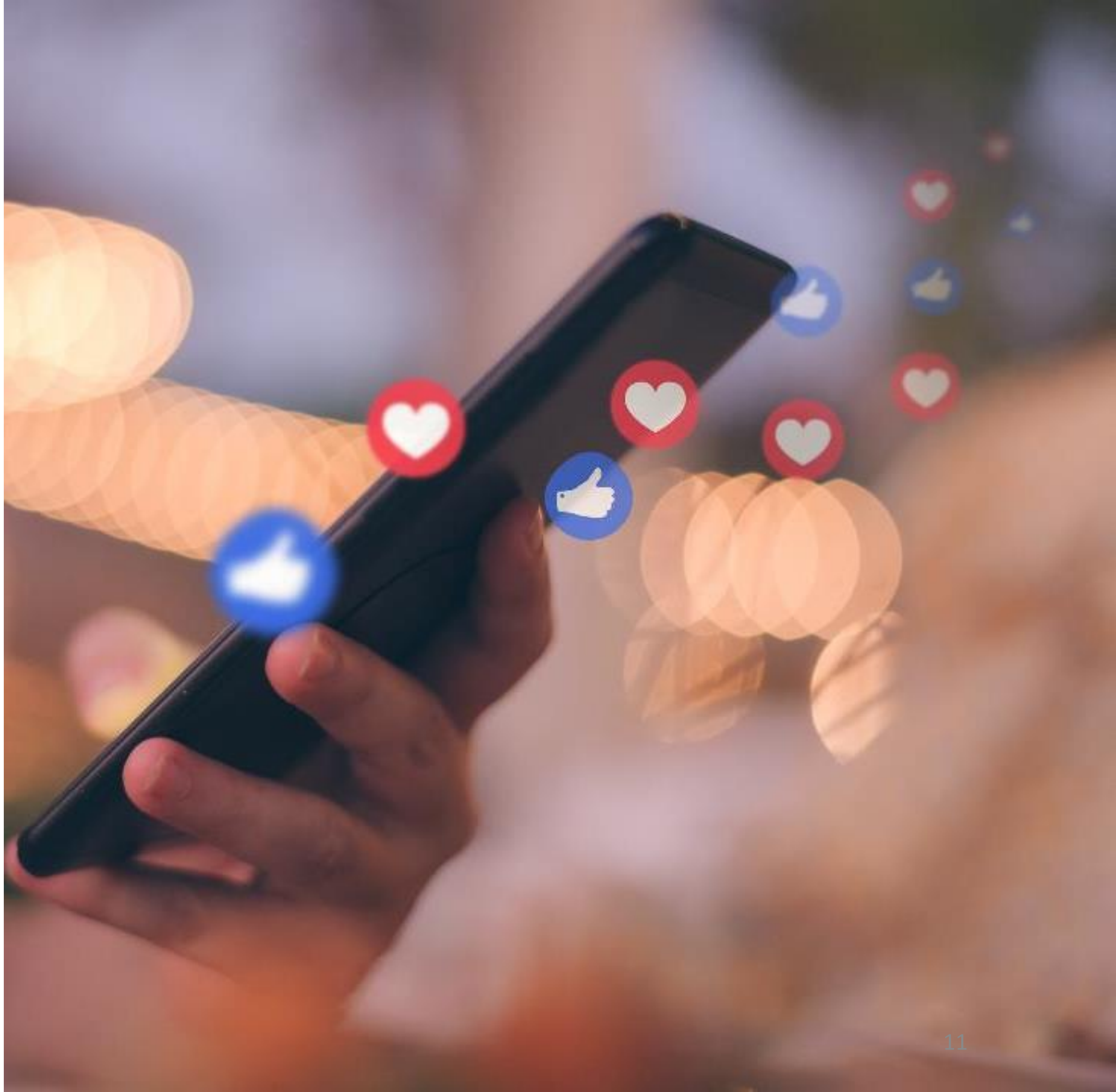
Amid C19 situation, emerging channels and big modern formats are riding the growth wave, which might continue post pandemic

Urban 4 cities



2 Key Retail trends in the new normal

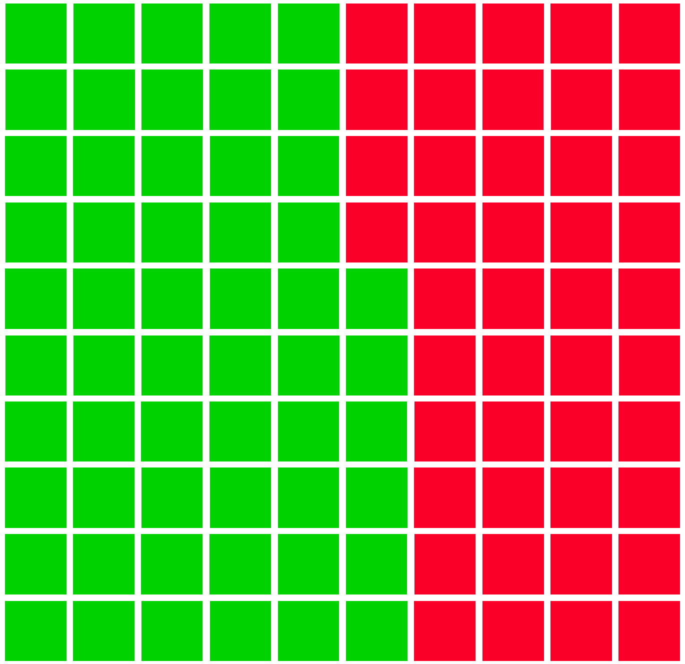
Digital Acceleration



Online channel today has reached over half of population, yet having many things to do in order to tap into the other half, mostly in +50yo

% Online penetration – MAT P6’20
(FMCG + non-FMCG)

56%
Online shoppers



44%
Non-online shoppers

(2/3 of non-online shoppers are > 50YO)

For FMCG purchases, more and more consumers move to online

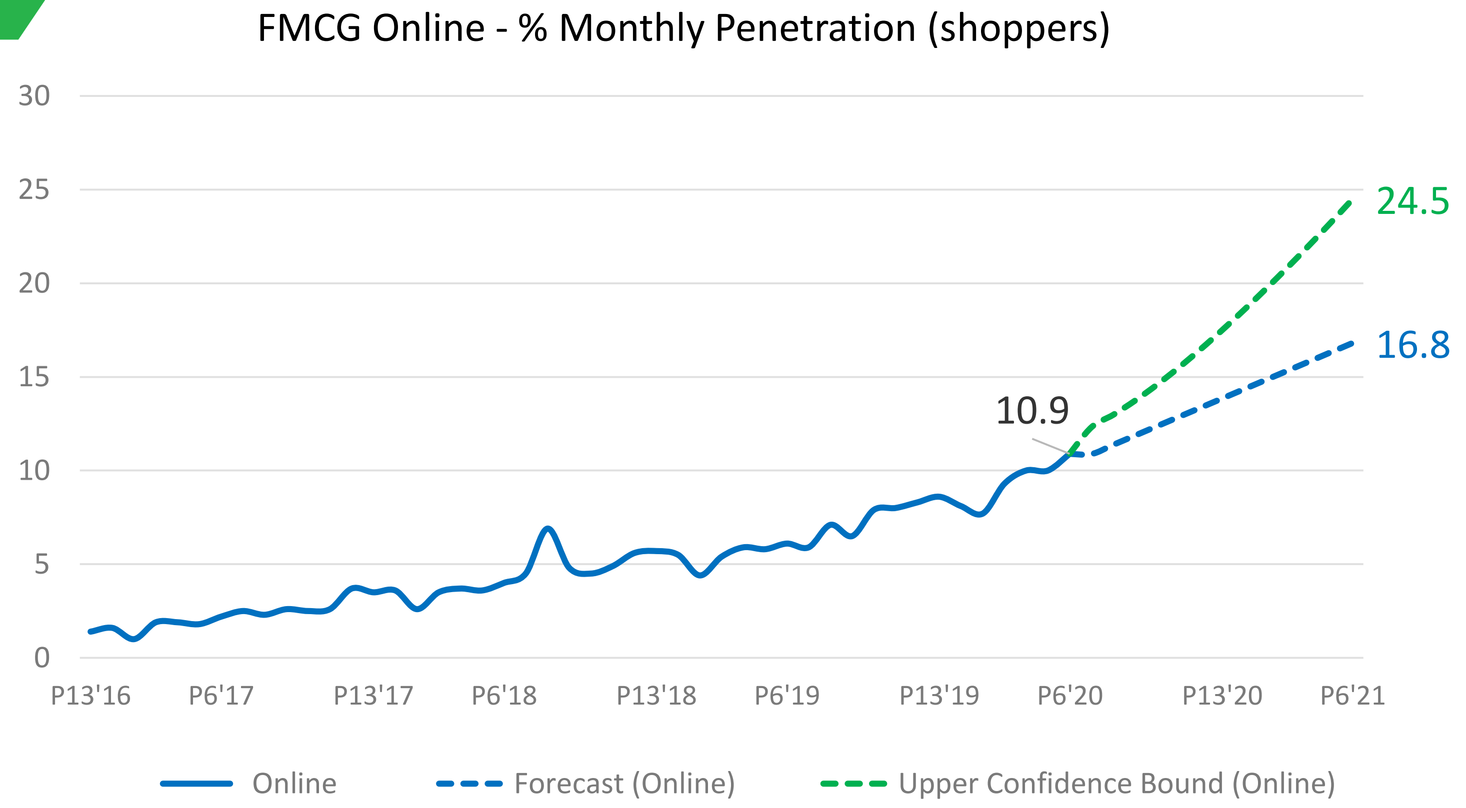
There is still headroom to further grow in both shopper base and shopping traffic, which is expected to bring more incrementality to FMCG market.

- More than 1/3 of urban households (35%) now shop FMCG online, adding +500,000 new households in 2 years.
- Shoppers buy FMCG online every 2 months and a half…
- …and spend more than 300k each trip on average.

Source: Worldpanel Division | Households Panel | Urban 4 key cities Vietnam | Total FMCG excluding Gift

Online shopping for FMCG products sees a step change in monthly shopper traffic under C19, which will likely accelerate post pandemic

Urban 4 cities

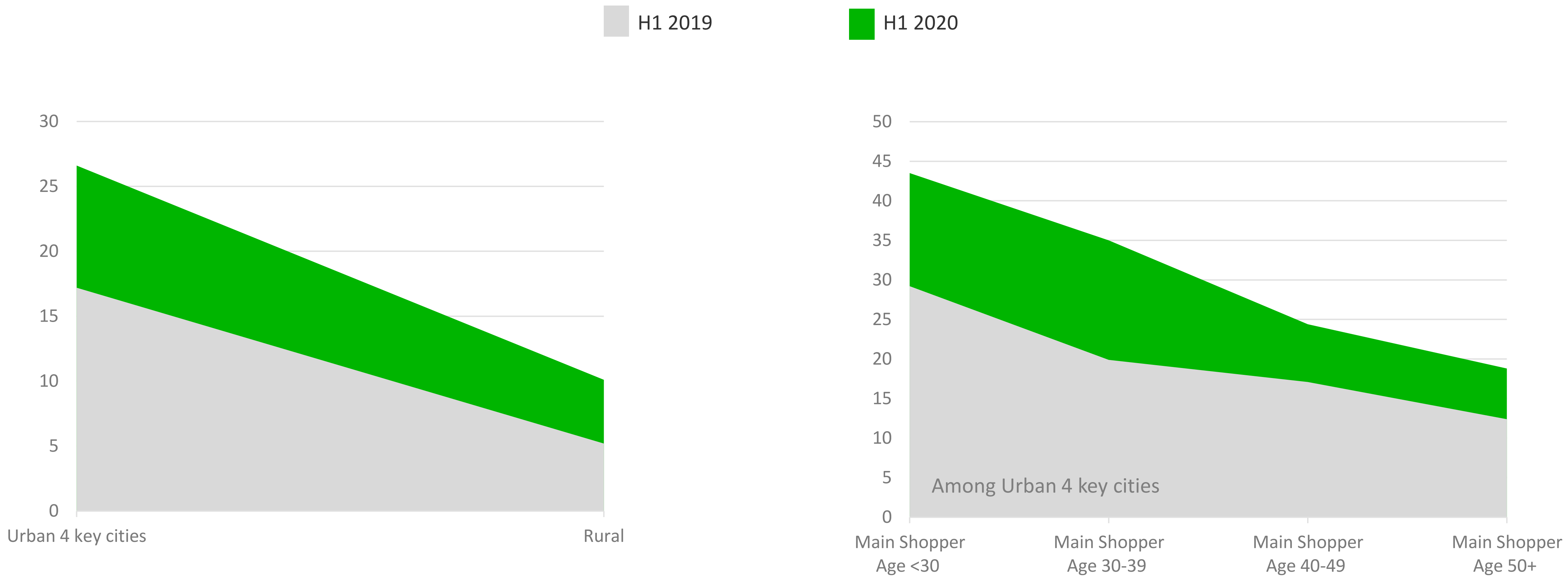


With current trends we could expect monthly penetration to be between **17% - 25%** in one year

Source: Worldpanel Division | Households Panel | Urban 4 key cities Vietnam | Total FMCG excluding Gift

E-commerce grows in all demographics, even in 50+yo and in rural and it is mostly incremental for FMCG

% Online shoppers by demographic



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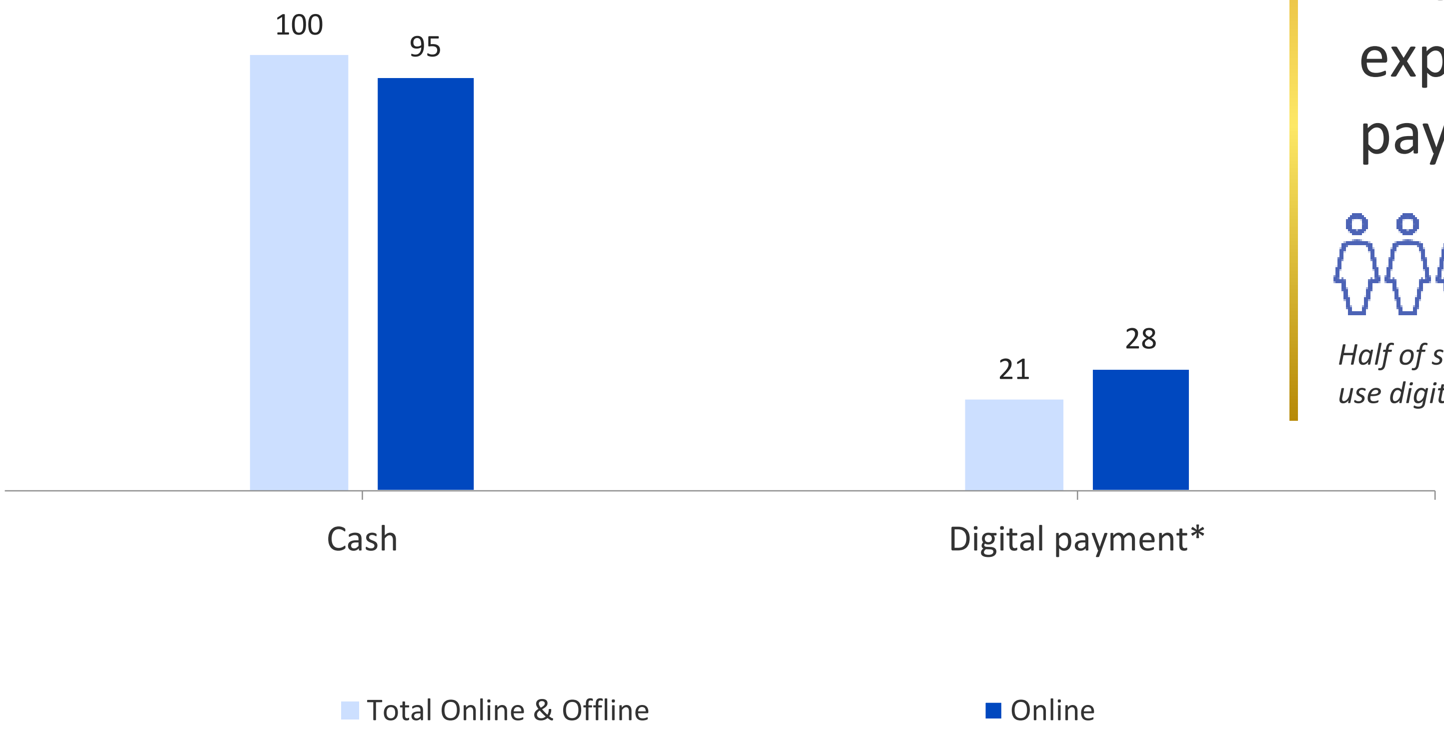
Source: Worldpanel Division | Households Panel | Urban 4 key cities & Rural Vietnam | Total FMCG excluding Gift | H1 2020 vs YA

Understanding the barriers and triggers for online shopping, which are different across consumer groups, will be key in order to expand

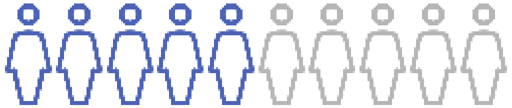
Triggers	Top 5 common	Barriers
Time saving	1	Shopping habit: not used to online shopping
Avoid crowds/ queues	2	Product quality & guarantee
24/7 shopping	3	Product experience: touch & feel
Doorstep delivery	4	Delivery time
Easy shopping via social network	5	Shipping fee

Most consumers prefer cash on delivery (COD) method when making online purchases, yet great promising for digital payment to take off

% Shoppers - Payment method when shopping Online or Offline



The younger, the more exposure to digital payment

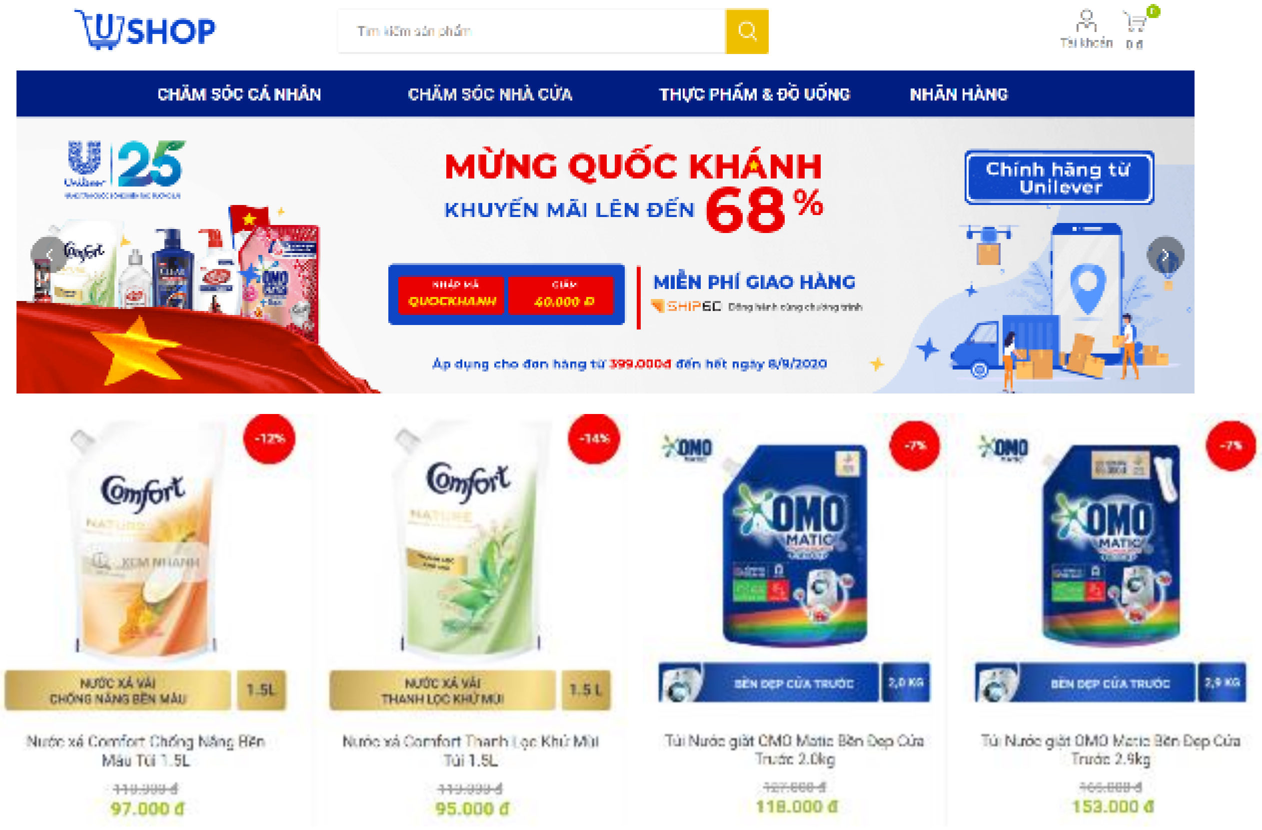


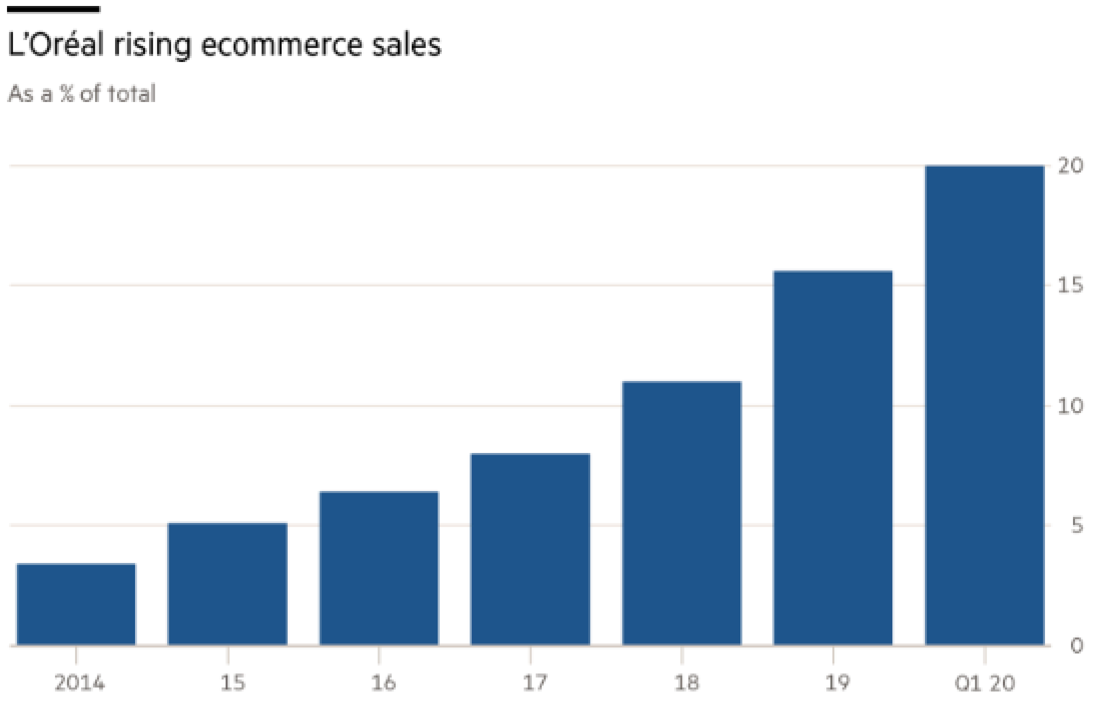
Half of shoppers <30yo today use digital payment

**Digital payment: Bank transfer, e-wallet, credit card.*

What's next: Direct to consumer (D2C), subscription model!?

Unilever solutions: D2C platform





Convenience, Greater Convenience!

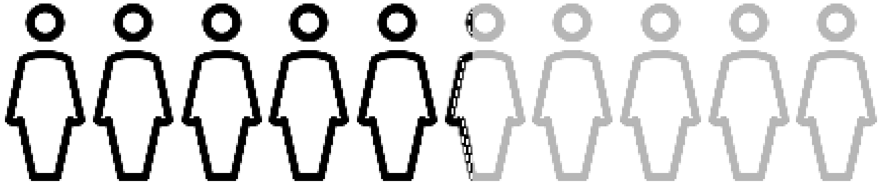
Consumers now seek for a greater convenience, which means not only proximity but also ease and speed

Urban 4 cities

Top 7 reasons to choose a shopping place (% agree vs YA)

1. The store is clean
2. It has good quality products
3. You can easily find what you want
4. It's near my home or on my way back to home
5. The staff are friendly/ responsive to my request
6. I save a lot of time shopping there
7. It's convenient to get there

As such, street shops – a traditional channel remain dominant and manage to grow healthily even in challenging time amid the fiercer competition coming from modern & emerging channels



More than half (54%) of consumer spend on FMCG happened in **street shops** in 2019.

↓ *5 pts vs 2 YA*

Street shop during C19 time…
(H1 2020)

+9%
Value growth

More than
1/3
% Contribution to FMCG growth

In the context of C19, they quickly adapt and respond to consumer changing needs in order to survive

#1. Safety first

In support of national social distancing campaign, they applied many measures to control the spread of COVID-19.

- Wearing mask
- Limiting physical contact
- Washing hands

#2. Product availability

Prioritize “pandemic” categories which are in high demand during quarantine time.

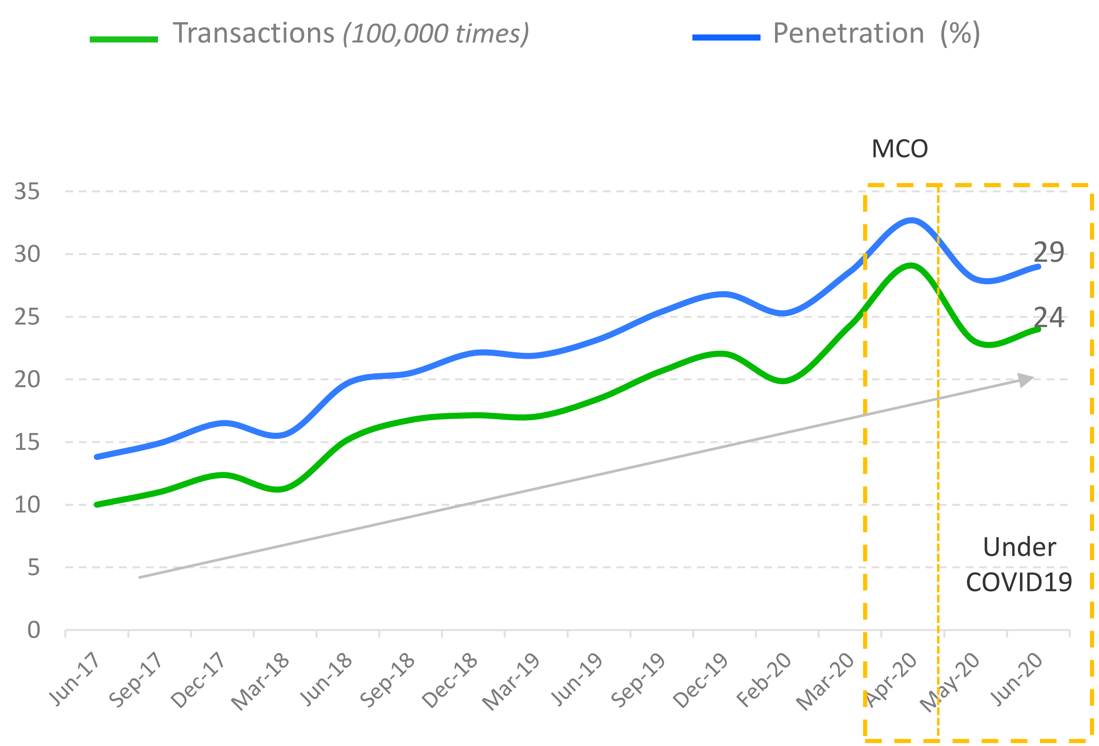
Work with more than one supplier/distributor both online and offline to make sure products available to capture consumer needs.

#3. Improvisation

Provide safe, speedy and convenient solutions to their consumers: “Less physical contact” shopping via phone/online & doorstep delivery.

Minimarkets continue growing its shopper base, which even shows a significant uplift under pandemic, promising to keep momentum post C19

FMCG purchases in Minimarket – 4 week rolling



Minimarkets now have reached nearly 2/3 of urban households, adding **240,000** new households into its shopper base over 12 months to June 2020.

On average, shoppers make 4 trips every quarter, spend about 100k each trip in minimarkets.

Source: Worldpanel Division | Households Panel | Vietnam Urban 4 Key Cities | Total FMCG excluding Gift

This smaller modern format is also an organic source of FMCG growth with the majority of its FMCG sales increase not being shifted from other channels

Urban 4 cities

Source of value change

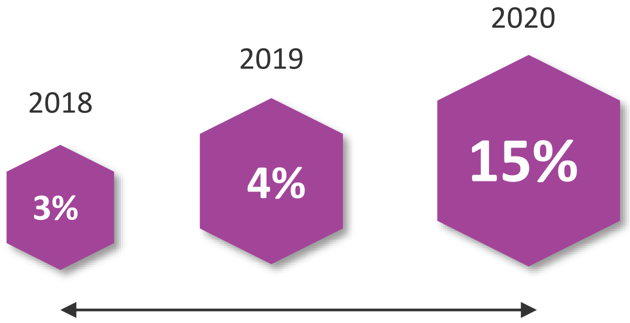
80%

Of FMCG sales gained in Minimarkets are incrementality, by adding or increasing incremental spend to total market, not from switching among channels.

Additionally, minimarkets are winning rural consumers with the aggressive expansion of Bach Hoa Xanh, opening up huge opportunity to further surge

Rural

Minimarkets - % Penetration



Shopper base are **x5** within 2 years, acquiring more than **2 million** new rural households.

Rural shoppers spend the same amount (100k VNĐ) for each trip, compared to Urban citizens...

… and shop there every quarter, likewise in Hyper & Super.

Bach Hoa Xanh is now the main retailer, which has already reached 12% of rural households.

What’s next: Virtual stores, vending machines, click & collect

Vingroup chose 20 points in Hanoi and Ho Chi Minh City to officially launch the VinMart **virtual store 4.0** which allows users to buy a product by **scanning its QR code** via smartphone. The products are listed on large banners in crowded public areas such as bus stations and office buildings, offering **delivery within 2-4 hours**.

There is an increasing number of **vending machines** in public areas i.e. bus station and soon metro stations. The format which skews more to **younger consumer groups** is potential for drinks & snacks brands to win **impulse purchases.** It is expected to see more in the near future.

We are here to help – additional resources and further content

- There is a **huge amount of content** on Kantar.com/inspiration/coronavirus
- News/updates specific to Vietnam on Kantarworldpanel.com/vn

linkedin.com/company/worldpanelbykantar/

To discuss on your key business questions at category/ brand level, please get in touch with me via Peter.christou@kantar.com or Vietnam@kantarworldpanel.com

THANK YOU!