

# VIETNAM - 2017 RETAIL/FASHION

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## Latest updates on retail

- According to the General Statistics Office, Vietnam's retail revenues for 2016 came in at USD117.6 billion, growing at 10.2% year over year.
- Merger and acquisition activity in the retail sector has been high. Deal value rose over 2016, though volumes were lower than 2015 - indicative of larger transactions. A large proportion of these acquisitions were made by investors from Thailand, Japan and South Korea.
- Growth of affluent consumers, a sizeable young adult population and rapid urbanization continue to booster growth of non-essential spending in Vietnam.

## Fashion- Clothing & Footwear

### *Attentive brands*

Most of the foreign and local fashion retailers are based in large shopping centres or department stores in Hanoi and Ho Chi Minh City. They are looking to expand their business in these markets. Vincom- the biggest local retailer also seeks to expand in other provinces across Vietnam.

Known for having one of the world's largest garment and textiles industries for worldwide export, local companies such as VietFashion Corp, Blue Exchange, Nhabe Corporation and Vinatex have a considerable market share. According to Vietnamnet, at the end of 2015 there were around 200 foreign fashion retailers operating in Vietnam, comprising around 60% of the clothing market. International brands range from premium ones such as Christian Dior, Ermenegildo Zegna and Hermes to high-street such as Zara, Banana Republic and Topshop. Hong Kong-based fashion retailers Bossini and Giordano are increasingly popular, running under franchise agreements with local companies. In April 2016, Japanese lifestyle and fast fashion retailer Miniso signed a franchise agreement with the Vietnamese group Le Bao Minh and opened the first three Miniso stores. The company went

on to claim that they would open 200 stores by 2021.

In September 2017, H&M and two Inditex's brands (Stradivarius and Pull & Bear) arrived in Vietnam, expected to diversify the market for youngsters and make competition among international brands stiffer. Japanese retail giant Fast Retailing is also widely anticipated to be planning to join its fast-fashion rivals in Vietnam soon.

### *Department stores*

Department stores segment has been observing increasing competition. In July 2014, British retailer Marks & Spencer opened its first store in Ho Chi Minh City by the Thailand's Central Retail Corporation under a franchise agreement, while later in the year Thailand-based Robins entered the market. Debenhams has recently announced its partnership with Vietnamese conglomerate VinDS to distribute its products via the Fashion Megastore department store chain. Japan's Aeon and South Korea's Lotte are also present.

Entering the Vietnamese market in 2005, Malaysia-based retailer Parkson, part of the international conglomerate The Lion Group, currently operates 8 outlets in Ho Chi Minh City, Hanoi and Hai Phong. Its department stores offer more than 300 well-known foreign and local brands catering to mid- range and luxury segments.

### *Shopping centres*

The number of mall and shopping complex developments remains comparatively small, given the size of the potential consumer market. One particularly large project is the planned complex in Thu Thiem urban area (Ho Chi Minh City), developed by South Korean retailer Lotte along with Japanese partners which covers more than 16 hectares and features an international trading-financial-banking centre, hotels, serviced apartments, offices, multifunctional condos with as well as a 50 -storey skyscraper. Another major shopping centre, located in Ho Chi Minh, is SC VicoCity mall. The complex was developed by Mapletree and Saigon Co-op in April 2015 with around 150 tenants, along with a hypermarket and an education centre. South Korean group Emart has also entered the Vietnamese market, opening a USD60mn shopping complex in early 2016 which includes restaurants and entertainment facilities in Ho Chi Minh City. Japan-based retailer AEON currently has four shopping centres in Vietnam and plans to expand its network to 20 branches by 2020.

Vietnam's largest real-estate company Vingroup operates large and luxurious Vincom Centres in Ho Chi Minh City and Hanoi. They host a number of upscale brands such as Louis Vuitton, Armani, Dior, Hermès and feature a five-star hotel and various entertainment facilities. Vingroup plans to open 400 shopping centres by the end of

2019.

### *E-Commerce*

Vietnam has one of the highest online shopping penetration rates in Asia, still being the smallest e-commerce markets in the region with a value of less than USD0.1bn in 2014. Lack of a reliable integrated payment platform, poor logistics and delivery services are the biggest challenges for e-commerce players. On the other hand, consumers prefer to pay very small sums for goods purchased online, most often through deals and flash sellers.

Lazada is the leading e-commerce site in Vietnam, controlled by Germany-based Rocket Internet Group. The start-up has been growing fast and in April 2016, it was acquired by Chinese e-commerce giant Alibaba Group.

Attentively, Zalora offers apparel, accessories, footwear and beauty products featuring well-known international brands, primarily targeting Vietnam's young adults in the mid-range segment and investing in special educational showrooms, where consumers can buy products online via mobile phones or computers, with the purchases later delivered to a designated address. In May 2016, Vietnamese electronics retailer Nguyen Kim completed an acquisition of Zalora in Vietnam. At that time, the Central Group owned 49% shares of Nguyen Kim.

### **Rising opportunities in non-essential retail**

In the next five years, non-essential spending in Vietnam is forecast to grow at 10.9%.

Affluent consumers are key to non-essential retail growth with substantial purchasing power. Their decision making is largely shaped by trends, quality and convenience while price does not play a significant role.

Young adults continue to make up a large percentage of around 30-35% in the next 5 years and contribute to higher income of the sector. On the other hand, rapid urbanization is driving higher income and modern consumption patterns among a specific group of consumers.

## References

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