Vietnam consumer trends 2019

Vinamilk woes – what constrains growth in consumer goods

Vinamilk lacks growth in a saturated category.

Yet per capita consumption is ½ of ASEAN neighbours and is 1/3 of European levels.

So plausibly under priced?

Constraints

1. Decelerating birth rate, under 12s and pester power.
2. Rural the next growth frontier….population is in long term decline.
3. Consumer naivety is over, brands face rapid claim wear out.
4. Food safety challenges trust and force consumers to be smarter.
5. Convenience stores ease market access.
6. The choice paradox is now overwhelmingly counter productive.
7. Brands have forgotten how to innovate.
8. Experiences over tangible goods, shift purchase priorities.
9. More data yet less informed. Massive media fraud.

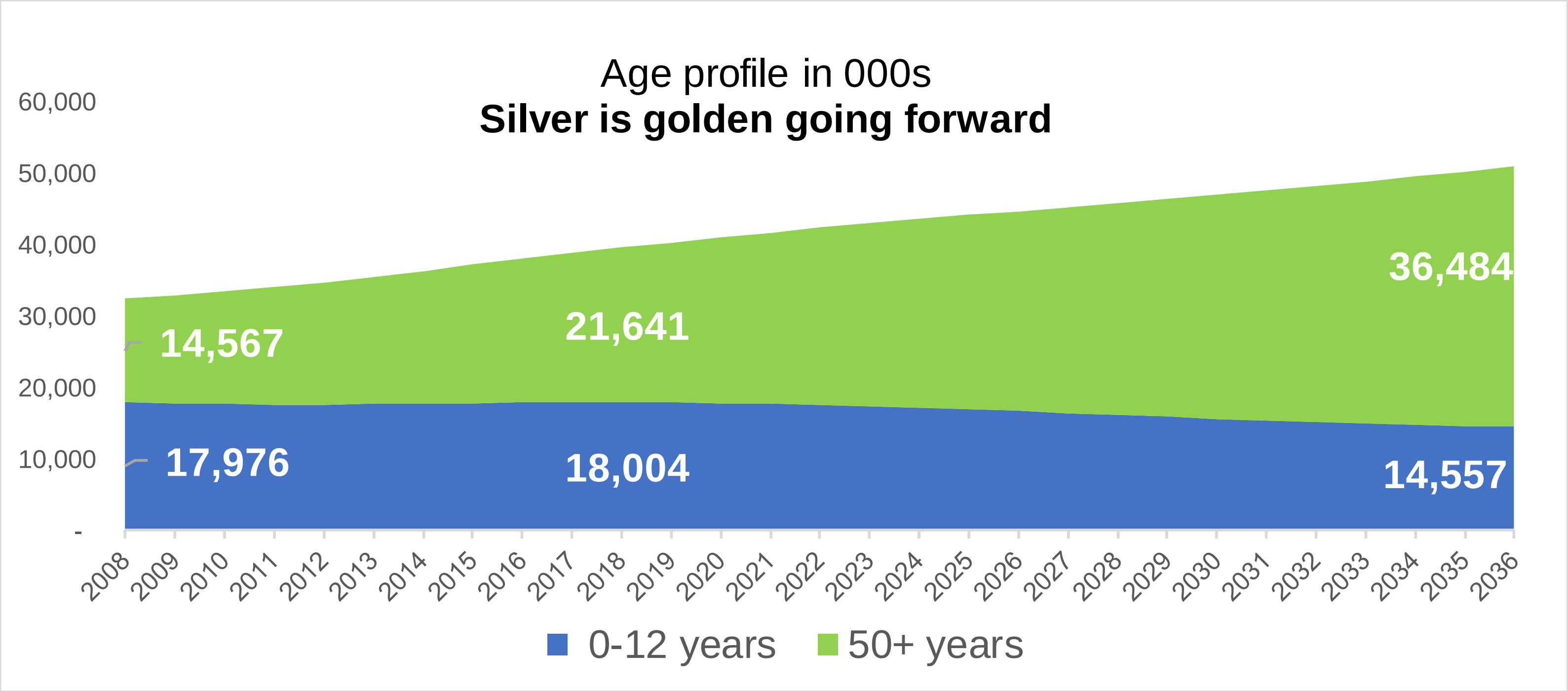
Decelerating birth rates, under 12s and pester power

1,425,000 births in 2018. The fifth year of decline.

The demographic that drives much of mums purchase behaviour has commenced a slow decline.

The birth rate has declined from 75 in 2008 to 59 in 2018 (rate per 000 females 15 to 49).

There will be 241,000 less births in 2028 than in 2018.



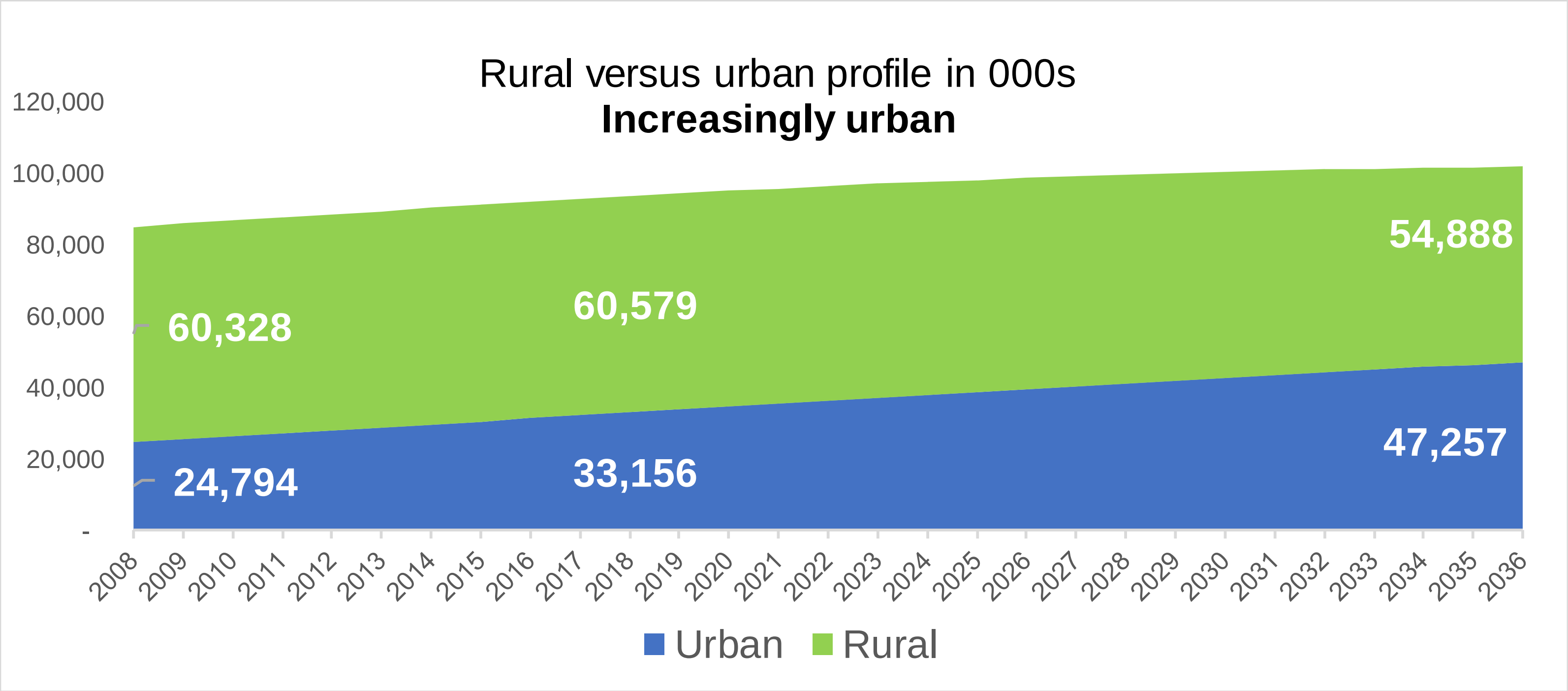
Rural the next growth frontier….population is in a long term decline

The rural population commenced a decline in 2017.

35% urban in 2018 to 43% in 2036.

Expect declining rates of return on rural portfolio and distribution efforts.

Yet erratic agricultural incomes shift to stable manufacturing incomes.



Source: GSO, Global Demographics, Cimigo

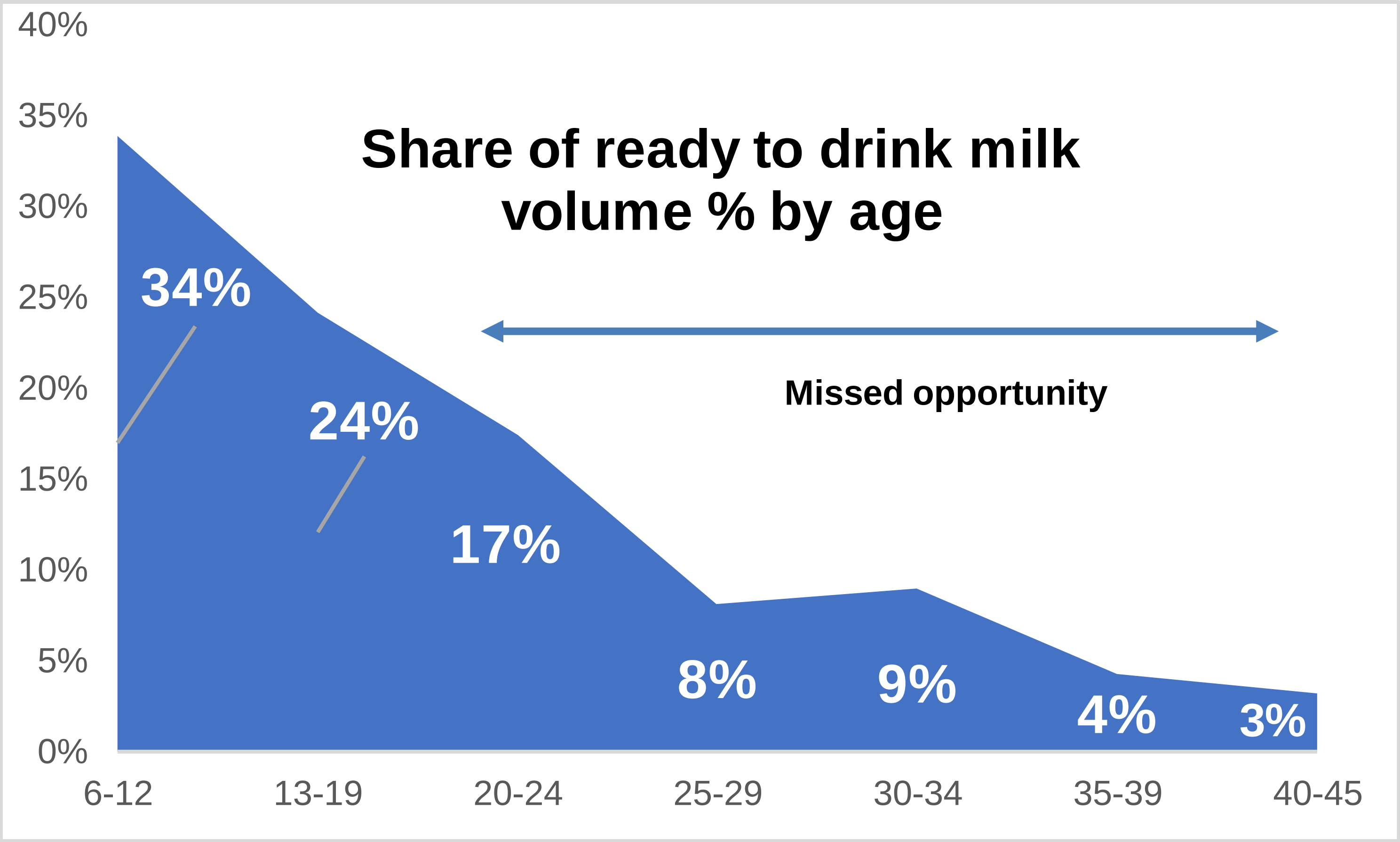
Consumer naivety is over, brands face rapid claim wear out

20 years of mostly double digit growth and no successful innovative propositions to address the cliff edge.

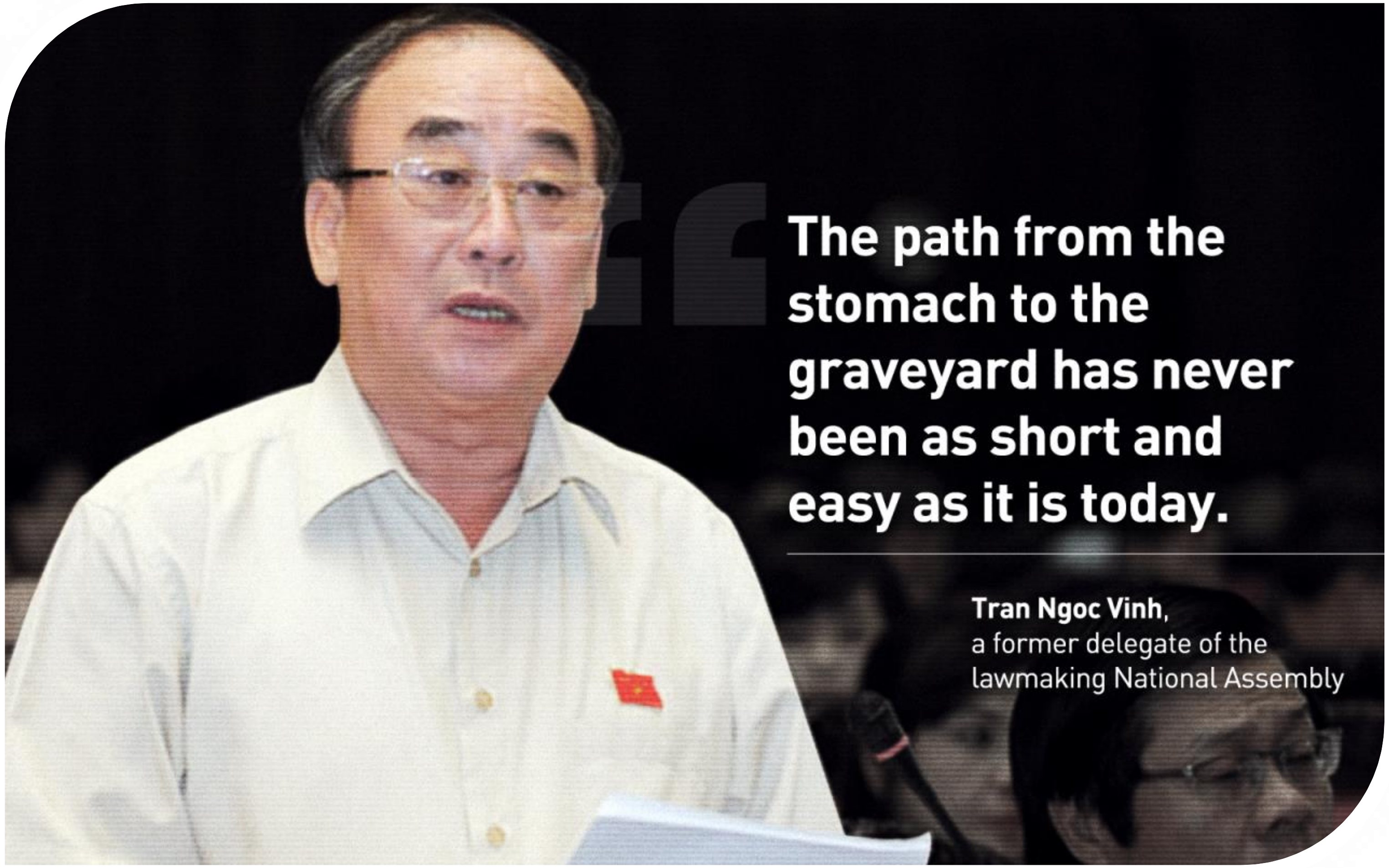
Brands using out date playbook to market evolutions of former fortification concepts.

Consumers have heard it all before.

Advertising budgets have shifted to low CPM online formats, away from strategic brand building.



Food safety challenges trust and force consumers to be smarter



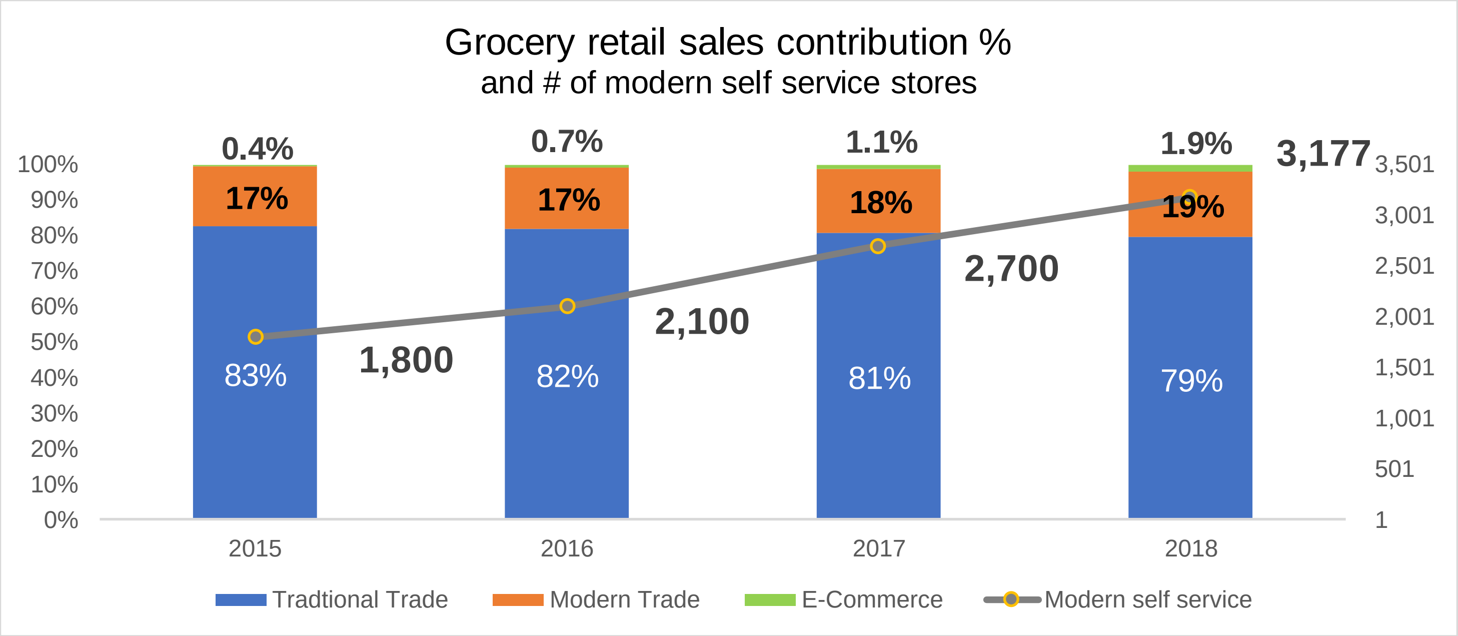
Yet to be profitable, not so convenient, convenience stores ease market access

Blame (at least in part) the yet to be profitable not so convenient, convenience stores.

They provide ready access for a listing fee.

Market entry and testing has become viable through modern and online channels delivering 21% of retail sales.

All without the sales and distribution investment required to service the traditional trade.



Bach Hoa Xanh account for 46% of additional modern self service outlets in 2018 with 218 new outlets.

Source: GSO, Cimigo

The fight
for share of throat

Year 2004 : 2018

Brands 205 : 348
Packaged (NA) beverages
This is just brands.

RTD milk alone had
74 variants in 2018

Choice paradox
overwhelmingly counter productive

Water
69 : 81

RTD milk
32 : 39

Fizzy soft
14 :15

Energy
9 : 16

Tea
16 : 52

Malt
2 : 2

RTD coffee
1 : 8

Drinking yoghurt
13 : 18

Powdered milk formula
32 : 39

Nut milk
3 : 14

Soy milk
7 : 13

Sports
0 : 9

Source: Cimigo beverage panel

Brands have forgotten how to innovate

Consumer product categories are saturated and have matured.

Brands product evolutions lack innovation.

Emergence of store and platform own brands. More modern retailers, shopping platforms, media channels, fragmentation means... all requires more work.

Greater sophistication and hence consumer segmentation.

Greater fragmentation.

Experiences over tangible goods - shift purchase priorities

THEN (and 45+)	NOW (and 20+)
Long-term planning, work hard before enjoying, thinking about the future	Looking to enjoy life NOW, less focus on delaying gratification
Income is spent on gathering assets, possessions and savings	Income is spent on experiences that create memories, they "make-do" with possessions
Narrower definition of "success" – being wealthy, many possessions & property, high-level title	Broader definition of "Success" – being happy, self fulfilment, recognition in social media

Experiences over tangible goods - shift purchase priorities

Experiences and achievements are more important than tangible goods.

Reinforced by 64 million Facebook users.

Education: US$881 million spent by 24,325 students in US on education.

A further 72,354 students went to Japan in 2018. 27,061 to S Korea.

20%+ growth over 2017, reaching 33 million international passengers.

Just over 1 million Vietnamese tourists visited Thailand in 2018.

Source: Cimigo, Open Door, JASSO, National Institute for International Education, VCSC, Ministry of Tourism and Sports

More data yet less informed

More hype, more fools. More marketing illusions.

The marketing budget pendulum has swung to far away from brand building efforts to tactical online garbage.

Online CPM race to the bottom of a very dark pit. Massive ad tech fraud. Slow awakening from marketers.

Tide begins to turn on people farming.

Constraints on consumer goods growth

Less kids

Failure to innovate beyond 12 years

Rural decline

Experience shift

Shattered trust

Market access

Choice paradox
76 milk brand variants

Sales activation

Brand build

Vietnam unleashed

93.7 million

US$240 billion
GDP 7.1% growth

US$2,560
GDP/capita

Internet economy
US$9 billion
3.8% of GDP

Retail sales
US$145 billion
12% growth

72 million
users

64.4 million
users

What drives Vietnam’s phenomenal success?

67% internet
National
All

85% smartphone
National
Adults 15+

US$2.89 billion
All advertising

605 new cars
per day

88,000 new
Apartments
HCMC, HN, DN

45% banked
National
Adults 18+

Unleashed

1. Rapid urbanisation demands ultra convenience.
2. Most interconnected trading nation globally.
3. Increasing intra Asia trade and investment.
4. More women work in Vietnam than anywhere else in region. Entrepreneurial spirit and multiple income sources.
5. Middle class acceleration.
6. Internet economy shifts consumer priorities. Internet economy at US$9 billion.
7. Online shopping will surpass modern trade share of sales in 2028.
8. Keeping up with the Nguyen’s with consumer finance.
9. Speed of change – opportunities to leap frog abound.

Fevered nationalists

Rapid urbanisation demands ultra convenience

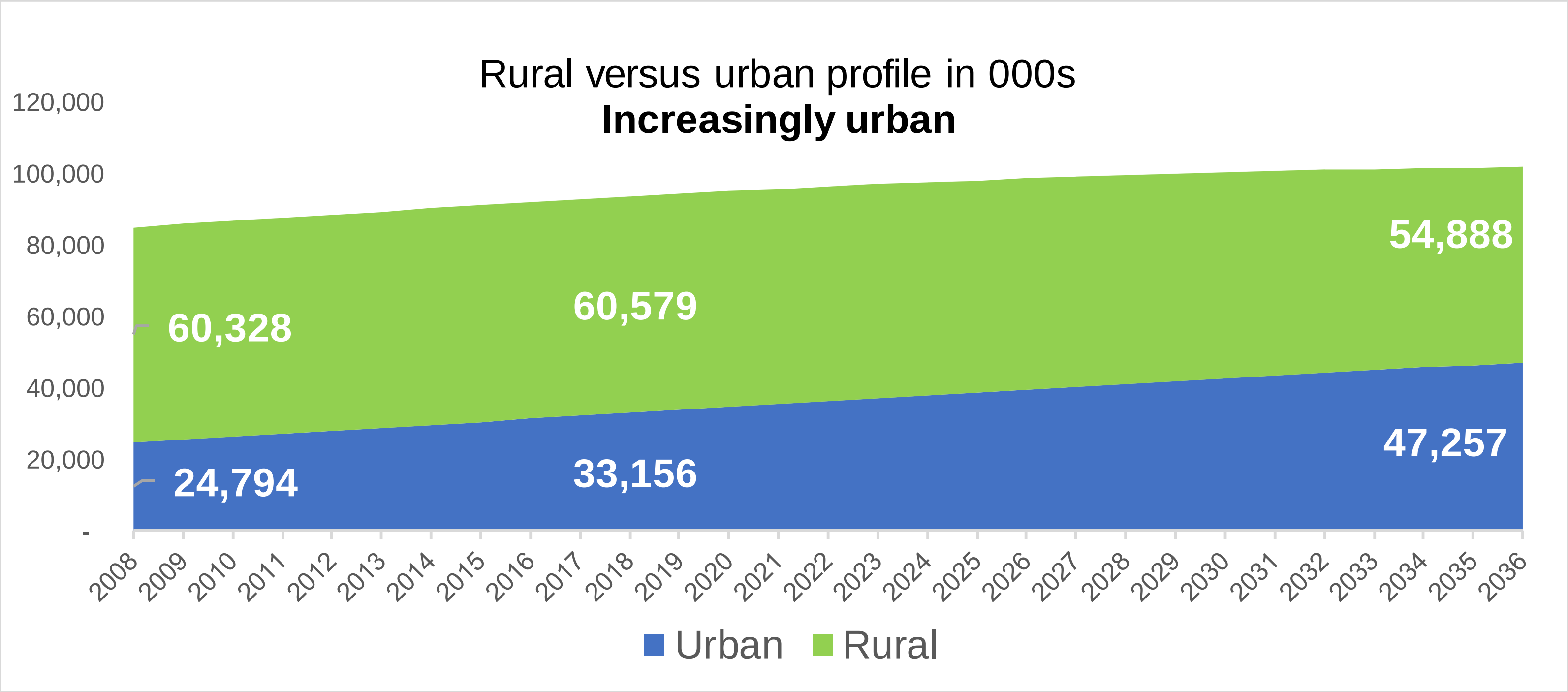
Stressed infrastructure.

Changing living conditions.

Rise in convenience outlets.

Rise in online shopping.

Rise in delivery and ride services.



Most interconnected trading nation globally

Free trade agreements abound.

Interconnected global trade is defined as imports plus exports as a % of GDP.

Vietnam is at 200%.

Thailand as 122%

China 38%.

India 41%.

Increasing intra Asia trade and investment

50% of trade is now intra Asia.

79% of FDI from within Asia led by Japan, Korea, Singapore, Hong Kong and China.

US China trade tensions push strong FDI investments in manufacturing. Many had moved ahead of TPP outcome.

2019 minimum wages in Saigon at US$181, just 57% of the minimum in Guangzhou at US$320.

Vietnam has moved beyond the “1” in the ‘China plus 1’ approach. Manufacturing accounts for 47% of foreign direct investments.

Source: FIA (MPI), GSO, Cimigo, Guangzhou Provincial Government

More women work in Vietnam than anywhere else in region

This desire to get ahead, work hard and the informal economy helps explain the rise in the middle class.

Highest % working population in region. It significantly lowers dependency ratios. This gives GDP a huge boost.

40% of SMEs owned by women.

Entrepreneurial spirit many aspire to work for themselves. 131,275 new business registrations in 2018.

Urban working adults have on average 1.67 sources of income.

Independent retailers on Facebook make up 2nd largest source of online sales (more than Lazada, less than Shopee shopping platforms).

Working population at 58% of total in 2018.

Up from 50% in 2004.

88% of women (20-64 years) work.

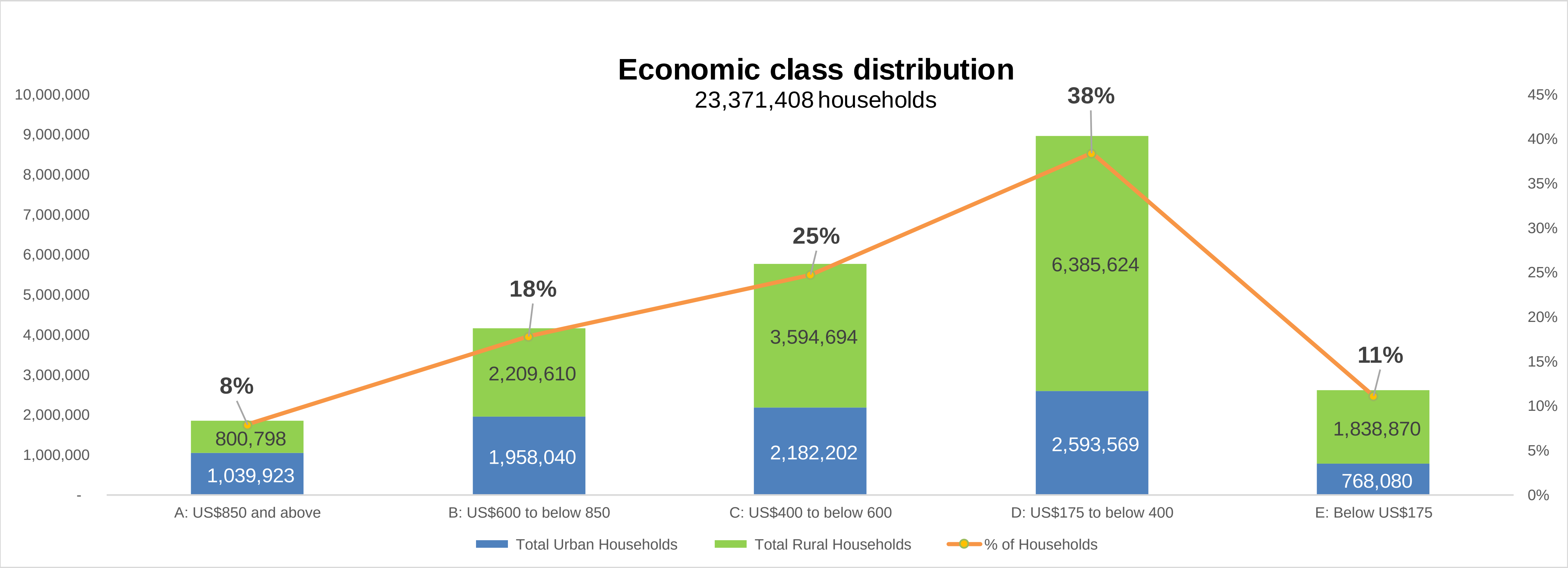
Dependents per employed person at only 0.7

96% of men (20-64 years) work

Source: GSO, Global Demographics, Cimigo

Middle class acceleration

Tipping point of middle class now surpassed with 50% of all households with income above US$400 per month. Today there are 11,785,266 middle class households.



Source: GSO, Cimigo

Internet economy shifts consumer priorities

Internet, mobile & social media

Causing the most fundamental change in people's lifestyles and behaviours.

New business models and the sharing economy

Democratising access to goods and services previously only available to a limited segment

Aggressive financing

Easier to gain access to promotions, discounts and loans – making purchases more "affordable"

Internet economy at US$9 billion

Internet economy
US$9 billion
3.8% of GDP

39%
Online travel

31%
Online shopping

24%
Ads, media, games

6%
Ride hailing

US$3 billon in 2015 and 1.7% of GDP.

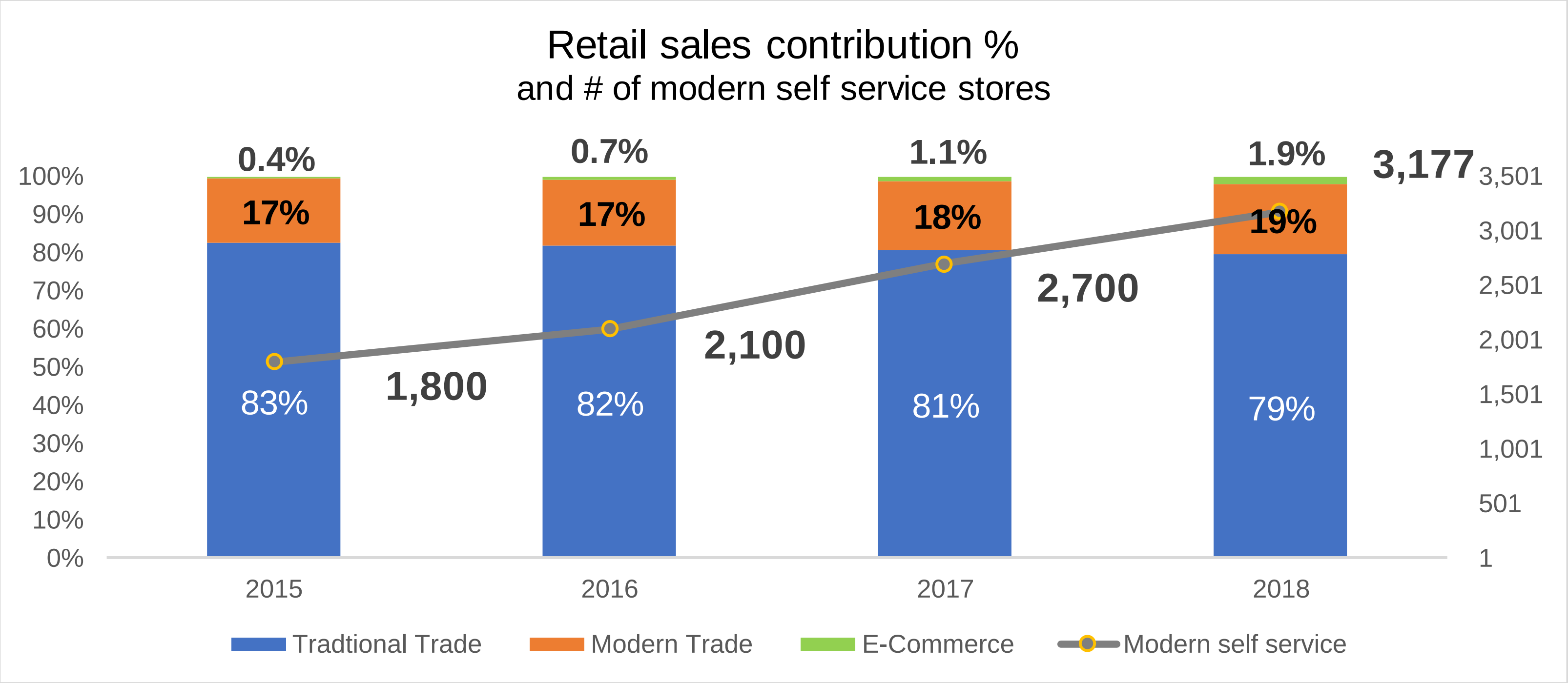
Source: GSO, Temasek, Google, Cimigo

Online shopping will surpass modern trade share of sales in 2028

Despite off the rise in yet to be profitable, not so convenient, convenience stores.

Modern trades contribution to retail sales has moved from 15% in 2005 to 19% in 2018.

E-commerce has reached a tipping point with consumer trust now granted. The 60% incidence in metropolitan cities suggests growth is set to explode.



Source: GSO, Temasek, Google, Cimigo

Keeping up with the Nguyen’s with consumer finance

Smaller household size changes priorities.

Less older dependents in the 250,000 apartments sold in the last 4 years.

Lower birth rate see less pester power.

US$51 billion

21% of GDP

35% of retail sales

Source: MoF, Stoxplus and Biinform

Speed of change – opportunities to leap frog abound

Almond milk took years of vegetarian attitudes and diets to develop, before veganism evolved.

In Vietnam. Skipped!

The speed of change today enables Vietnam to leapfrog the adoption curve of developed markets.

- Telephone to internet.
- ATM to mobile banking app.
- Traditional to online shopping.
- Own to shared rides.
- Fresh produce stays fresh.
- Milk to not milk.

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Delivering your competitive advantage

Cimigo for agile action-oriented results...

- At Cimigo we aim to be *the* voice of the customer. Our goal is to put the voice of the customer into your boardroom to be at the heart of your decision-making process.
- To achieve this, we pursue three “A”s:
- **Agile:** Informed decisions are better than uninformed ones. Decisions need timely data and that requires agile deployment.
- **Advanced:** Research technology has caught up with business needs. We deploy advanced data-collection and analytical tools to capture the “true voice” and get that information to you quickly.
- **Asian focused**: We’re not a global company and that is our critical advantage. All of our solutions have been designed in Asia for Asia-focused research.
- Our solutions capture all of these elements to deliver metrics ***when*** you need them and ***where*** you need them.

Cimigo ensures your business remains connected to your consumers

Services

Motivational research
Market scoping and segmentation
Concept testing
New product development
Brand positioning

Market tracking
Product optimisation
Brand equity
Touch point management
Customer loyalty

Data collection

Ethnography
Accompanied shopping
In-depth interviewing
Focus groups
Vox pops

Telephone interviewing
Street intercepts
Mystery shopping
Online and onmobile surveys
Social media tracking

All digital data collection

7 offices nationally

600 strong tablet armed field force

40,000 online active panel members

40 CATI stations

400 m sq. CLT space

4 group rooms

Cimigo **OnMobile** native app

Cimigo MROC **community** platform

Cimigo is the leading independent data collection agency in Vietnam. Cimigo has interviewed 950,000 consumers, 700,000 retailers and 30,000 healthcare professionals in the past 24 months. Let us bring our unrivalled resources to bear on your projects in Vietnam.

Engagement communities

Co-creation

Inspired consulting

AdTraction

Cimigo

Response to challenges

Asian centricity

Innoscope

Rapid deployment

Qualitative insights

Founded in Saigon in 2002, we have seven offices in Vietnam

Cimigo now has offices in six Asian markets.

China
India
Indonesia
Macau
Hong Kong
Vietnam

Our 250 consultants unveil the dynamics behind 3 billion consumers' choices.

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