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FINANCE

TPBank expects a \$1billion market value after listing

Tien Phong Commercial Joint Stock Bank expects its market capitalization to rise to least \$1 billion in the fourth quarter after the scheduled listing this month, according to Chairman Do Minh Phu.

The Hanoi-based lender, known as TPBank, plans to sell about a 15% stake to investors via a private placement and issue 28% of dividend and bonus shares during the last three months of the year, Phu said in an interview in his office Monday. TPBank expects to raise its registered capital to 8.5 trillion dong (\$372m), up from its current 5.84 trillion dong, this year through the shares issuances, he said.

Tien Phong Bank will list 555 million shares at an initial price of 32,000 dong on April 19 on the Ho Chi Minh City Stock Exchange, which will value the lender at about \$781m. The benchmark VN Index has risen 21% this year, the best performer in Asia, prompting companies to sell shares to the public or start trading on the exchanges.

TPBank expects pretax profit to double this year to 2.2 trillion dong with total assets increasing 17% to 140 trillion dong, according to the chairman. The lender aims to keep non-performing loans below 1% this year, compared with the government's sector-wide target of below 3%.

VN Index becomes world's best performer in Q1

The VN Index, Vietnam's benchmark stock index, grew 19.33% in the first three months of this year, making Vietnam the best-performing market in the world, followed by Egypt with 15.52% growth and Brazil with 11.73%.

Vietnam's stock market has been upbeat since the second half of last year but the upward momentum slowed down after March 23 when the index surpassed its March 2007 peak. Rising volatility on the global markets and fears of a trade war between the two biggest economies—the U.S. and China—dampened investor confidence.

Gov't of Singapore no longer major shareholder of VietJet Air

The fund sold 265,900 shares of VJC on March 23, lowering its holding in the carrier to 22.44 million shares, or 4.97%, from the previous 5.03%. According to Vietnamese law, a major shareholder holds at least a 5% stake in the company. With the market price hovering around 200,000 dong a share, GIC is estimated to have fetched some \$2 million from the offloading.

Before the transactions, Founder and CEO Nguyen Thi Phuong Thao owned an 8.8% stake while her Huong Duong Sunny Co. and Sovico Holdings held respective 28.6% and 4.6%. HDBank, where Thao is a vice chair, owned 4.9%.

Sovico Holdings late last month announced a plan to purchase an additional 3.0% stake in VJC through put-through transactions. If this plan goes well, Thao and her related parties will raise their combined holdings in VietJet Air to 52%.

E-COMMERCE

E-commerce platforms line up to fill Facebook's boots

Online businesses may turn to other platforms to do business after Facebook blocked API, affecting many Vietnamese retailers using it as a trading platform.

Facebook remains a large business channel for many Vietnamese young people. According to newswire Bloomberg, Joe Nguyen, senior vice president of ComScore (the world's leading measurement system), said that a large number of Vietnamese people love using social networks for doing business, with the highest proportion in the world.

This is one of the main reasons why Facebook is focusing on Vietnam. Speaking at the APEC CEO Summit 2017, Facebook's COO Sheryl Sandberg said that 74% of the Asia-Pacific's SMEs use Facebook to increase sales and 70% of small enterprises use Facebook to find new employees for their companies. These rates have become more reality (shows more clearly) for Vietnamese enterprises.

According to 2017's data released by Facebook, Vietnam with 64 million users, including 27,000 users doing business, took 7th position in top 10 countries with the highest number of Facebook users.

However, Facebook's blocking the API to limit the data collected from users caused difficulties for a large number of online businesses in recent days.

Along with Facebook, many businesses also use other social networks and e-commerce applications for trading, such as Zalo and Lazada.

With over 50 million page requests and over 11 million downloads of the mobile application, Lazada helps retailers approach new customers more easily. From famous brands to small handicrafts, all businesses can sell their products and track their bills through the Lazada platform.

According to 2017 data released by The Nielsen, 390 million people in the Asia-Pacific region are using e-commerce platforms for shopping, and these channels' annual sales are approximately \$15 trillion globally and will increase by \$32 trillion by 2025. This shows that online shopping will continue to grow sharply in the near future

Millions of online sellers to compete with Amazon in Vietnam

Amazon will find it not easy to conquer the Vietnamese market as it will have to compete with millions of people selling products via social networks, especially Facebook, analysts say.

Mai Duong, 27, an officer in Hanoi who earns \$1,000 a month, is a middle-income earner in Vietnam. However, selling goods via Facebook brings her additional income 2-3 times higher.

Duong specializes in selling high-quality foreign products to high income earners. "I can make a profit of VND30,000-50,000 for each product. And I can sell thousands of products a month," she said.

Hoang Linh, manager of a fashion shop in Hanoi, also said that income from online sale – her extra job – is higher than the monthly pay she gets as a manager.

“There are numerous online sellers. But the market has a lot of potential,” she said.

Duong and Linh are big rivals to e-commerce websites and hold a considerable retail market share.

Nikkei News in a recent article commented that giants in e-commerce such as Amazon and Alibaba should beware of the millions of Vietnamese who sell and buy products via Facebook.

Some people who sell products via social networks can earn up to \$10,000 a month, and the trade has been developing so rapidly that the government is considering taxing the transactions.



Vietnam’s e-commerce market is growing by 25%, and high growth will continue in 2018-2020. It is expected to have a value of \$10 billion in the next four years.

Foreign investment funds and companies have continued to pour money into e-commerce firms.

An analyst in digital marketing said that it won’t be easy for Amazon to conquer the Vietnamese market.

“Individual online sellers are a better choice for many Vietnamese who want to make payments in cash,” he said, adding that payment via banks represents only 10% of total transactions in Vietnam.

“Besides, the biggest advantage of the retail model is the low cost,” he said. “Sellers can avoid tax, and unlike e-commerce firms, they don’t have to pay a lot of staff.”

Pham Thai Binh from Savills HCM City also said that though the business scale of individual online sellers is modest, the high number of such sellers will generate competitive power.

State officials have also tried to calm down Vietnamese e-commerce firms amid warnings that Amazon and Alibaba would dislodge them from the home market.

Tran Thanh Hai, a senior official of the Ministry of Industry and Trade (MOIT), said Amazon and Alibaba will not target market segments that Vietnamese firms target.

START-UP

TrueMoney wins payment services license in VN, launches TrueMoney wallet

TrueMoney Vietnam (“TrueMoney”), part of Southeast Asian Fintech company Ascend Money, has obtained the Intermediary Payment Services License from the State Bank of Vietnam to operate digital financial services in e-money, e-payment, wireless transfers, and payment gateways. TrueMoney is processing over one million transactions per month, with 500,000 customers a month transacting with TrueMoney agents and TrueMoney Wallet.

Consumers can now use TrueMoney Wallet to make online purchases, pay bills and top up their pre-paid mobile and gaming cards, as well as to transfer money from their bank accounts to the digital wallet and from their wallet to other wallets. Offline and online merchants can use TrueMoney’s system as a payment gateway. Companies will soon be able to disburse payroll to their employees via TrueMoney Wallet.

TrueMoney has a network of over 5,000 agents across 40 provinces in Vietnam. Agents are small business owners who conduct financial services for customers, enabling the largely underserved Vietnamese population to access fast and easy services such as top-up and bill payment near their location. TrueMoney Vietnam will soon offer additional financial services such as loans and insurance, in the second quarter of 2018.

TrueMoney, an e-payment and financial services provider for digital and unbanked consumers, is the only Fintech company with e-money licenses to operate financial services in Thailand, Myanmar, Indonesia, Cambodia, Philippines, and Vietnam. Across Southeast Asia, Ascend Money has reached over 35 million customers in 2017 and aims to reach 100 million customers by 2020.

TrueMoney Wallet was officially launched in Vietnam this year during the Lunar New Year with the TrueGift campaign, in which celebrities and users sent virtual red packets (hongbao) to their fans and friends to celebrate the special holiday.

The Asian Development Bank estimates that bringing digital financial services to Southeast Asia’s unbanked population can boost the GDP of economies by as much as 6%.

How this Vietnamese start-up brings luxury to the emerging middle class

Leflair doesn’t want to become just a regular online store

While working in Vietnam for Lazada more than four years ago, Loic Gautier, the co-founder and CEO of leflair, observed a shift in the rapidly growing middle class: Flush with a higher disposable income, they wanted to buy foreign brands to reflect their new social status, but many of these items still remained out of reach.

“At that time, most [e-commerce] players were focused on delivering the cheapest products by the thousands to reach scale as fast as possible in a race to become Vietnam’s first ‘everything store’,” says Gautier.

But Gautier wanted to do more. He wanted to make foreign brands more affordable and accessible to the country's emerging middle class.

"Although this consumer segment is mostly present in the two main cities--Ho Chi Minh and Hanoi--almost half of our customers order from outside those two cities, where offline retail is far less developed compared to the political and economical capitals. It means that for them, not only we are making brands more affordable, we are also the nearest source of supply," he says.

According to Gautier, 30 percent of leflair's customers spend an average of \$100 per month.

"You don't need to explain a woman why she should buy a Furla bag, especially when this one is 50 percent off," Gautier says.

Customer service is key

In a luxury marketplace, clients have certain expectations when it comes to customer service.

"We do the extra effort in customer service and all the customer touch points. We make [it a point to develop] a strong brand for leflair and never compromise on the quality of the merchandise we sell in exchange of a short-term push of revenue," Gautier says.

Since leflair does not purchase the stock of brands upfront, their relationship with them is more of a collaborative one, not just in terms of the selling process, but also in content production and marketing activities.

Gautier says the most successful brands are those that have a consistent strategy. He adds it is important for a brand to understand that it cannot have large amounts sold in a short amount of time. He notes that some degree of compromise is necessary to succeed on the platform.

Though leflair is currently focused on becoming the largest cross-border e-commerce site focused on fashion and beauty brands, Gautier wants to bring this model to other Southeast Asian countries that are in the midst of an economic resurgence as well.

"Any country which sees a large share of its population growing from low to middle income and an increasing demand for higher quality products and international brands is fertile ground for us. 2018 should therefore be the year where we prepare our company for geographical expansion," he says.

RETAIL

Hanoi retail development spreading beyond CBD

Hanoi's retail supply is growing outside the CBD area, reports real-estate company CBRE.

With a total of 157,000m² of retail coming from 8t projects under development in fast-growing residential areas with good connecting infrastructure, CBRE says the suburban growth is expected to be attractive to both retailers and consumers.

Malls inside residential complexes will continue to thrive, thanks to a high level of supply in the condominium market. Eight out of 12 future projects up to 2020 are retail podiums.

The company predicts an emerging CBD will soon form in the western area of Hanoi. As the largest retail cluster outside the CBD with 41% of total supply, the Cau Giay, Tu Liem and Thanh Xuan district will maintain its position in the next few years with 83,300sqm of supply in the pipeline

In the next three years, Aeon Mall Ha Dong, FLC and Vincom shopping centres will supply space to the east, while the north will have a new project from Lotte.

The CBRE report also shows that only 7% of total retail supply in Hanoi is in the CBD, and there has been nothing new since 2013. As a result, retailers have been finding alternatives in shop houses and old buildings around Hoan Kiem Lake (such as the first McDonald's Hanoi), creating demand for more space.

The CBD's retail rent is predicted to rise in the coming years.

National retail sales surge 8.6% in Q1

Vietnam's total revenue from retail trade and services rose 10% year-on-year to exceed VND1 quadrillion (\$44.05b) in Q1-2018. If inflation were excluded, the increase would be 8.6%, much higher than 6.4% growth recorded in the same period last year, GSO said.

The growth also reflected high purchasing power, which contributed significantly to gross domestic product (GDP) growth of 7.38%—a record in the first quarter in the past 10 years, GSO said.

GSO General Director Nguyen Bich Lam said the strong consumption also signaled that the economy is on track for stable development.

In the first three months, retail sales of goods, which accounted for more than 75% of total retail trade and services revenue, topped \$35.22b, up 10.5% YoY.

Sectors posting a positive revenue increase included food and foodstuff (up 12%), textiles and garments (13%), home appliances (up 11%) and transport services (up 8.4%).

Meanwhile, retail sales in accommodation, restaurant and catering services surged by 9% year-on-year to VND128.9 trillion (\$5.72b).

LOGISTICS

HCMC to remove 10 ports along Saigon River, replaced by high-rise buildings



According to the Ministry of Transport, to facilitate urbanisation, ten ports located along the Saigon River will be removed.

The affected ports are Ba Son Shipping Plant, Nha Rong-Khanh Hoi Port, Tan Thuan 2, Bong Sen, special port for vegetables, Bien Dong Port, Tan Thuan Dong Port, Ben Nghe Port, Logistic Development JSC, and ELF Saigon.

Tan Thuan Port, which is located at District 7, will be moved to Hiep Phuoc of Nha Be district in order to provide land area to build the fourth Thu Thiem Bridge.

Hiep Phuoc Port will become the main port of HCMC after 2020. The port can receive 4,000 tonne ships and serve neighbouring industrial clusters.

Nha Rong-Khanh Hoi port will be removed before December 31 this year. The land plot will be given to Fareast Pearl Urban Development Company to raise a multifunctional complex of high-rise buildings, trading centre, apartments, villas, primary and secondary schools, healthcare centre, and other infrastructure.

A number of other ports in HCMC are designated to become the major ports of the nation, including Cat Lai Port along the Dong Nai River, as well as the ports along Nha Be River and Hiep Phuoc Port on the Soai Rap River. The southeast group of ports of the country consists of those in HCMC, Dong Nai, Vung Tau and Binh Duong provinces.

According to the Ministry of Transport, by 2020, the total cargo transported via the this southeastern group of ports would be more than 238 million tonnes. This number will reach 317million tonnes by 2025 and 358 million by 2030.

In 2020, the above group of ports is expected to serve more than 340,000 passengers per year and 478,000 in 2025 and 705,000 in 2030.

Vietnam Airlines, VietJet adjust fees up

Vietnam Airline and VietJet Air announced increases of their ticket prices and services as from April 1.

Vietnam Airlines' ticket fee for children aged 2 – 12 will equal 90% of that for adults, compared to the current 75%. This means increases of between 30,000 and 400,000 VND (1.32 – 17.56 USD) per leg depending on the age of the passengers.

The airline said with the change, children will enjoy equal services as adult passengers in terms of seats, meals and baggage, among others.

Jetstar Pacific, which is majority owned by Vietnam Airlines, also raised the price of its children's tickets on domestic flights to 209,000 VND (9.18 USD) per person per leg from the previous 110,000 – 150,000 VND (4.83 – 6.58 USD).

Meanwhile, VietJet Air said it will increase the price to change passengers' names and flight dates for both domestic and international routes.

Between April 1 and June 30, in line with a roadmap designed by the Transport Ministry, service charges at airports like Noi Bai, Da Nang, Tan Son Nhat and Cam Ranh, will go up by 5,000 VND to 85,000 VND (3.73 USD). The fee will be 100,000 VND (4.39 USD) from July 1, 2018. Security screening fees will also increase by 6,000 VND per person.

In late 2017, air ticket prices increased significantly due to higher fees and service charges.

Economic experts said airlines can introduce higher fares due to market fluctuations, but stressed transparency to ensure consumers' rights.

Representatives from several airlines said all changes to fares are in line with the law.

Local firm invests in ride-hailing services following Uber withdrawal

Phuong Trang Tourism Service and Transport JSC will invest VND2.2 trillion (USD100 million) to develop an app-based taxi service following Grab's acquisition of Uber in Southeast Asia, including Vietnam.

Phuong Trang have invested in Vivu Technology Development JSC and renamed Vato. The brand is expected to be launched this month in Hanoi and HCM City.

The information was confirmed by Vivu Technology Development JSC founder Tran Thanh Nam. According to him, Uber's withdrawal from the market is an opportunity for Vato to develop its business in Hanoi and HCM City.

Vato, which has around 2,000 cars, has fares of VND8,500 (36.8 US cents) per kilometre, equal to that of Grab. However, the commission rate for Vato drivers is just 20% compared to 25% applied to Grab drivers. Just a day after the merger between Uber and Grab, the number of people who downloaded Vivu sharply increased.

Nguyen Tri Dung, general director of Phuong Trang Tourism Service and Transport JSC, said that Vato's operation would help to improve his company's taxi operations, which currently are facing losses. Vato will offer Vato CAR, Vato Bike and Vato ship services.

The withdrawal of Uber from Vietnam has prompted many firms, including foreign operators, to eye a larger slice of the ride-hailing market.

Indonesia's Go-Jek is recruiting staff for the Vietnamese market. Meanwhile, Mai Linh Group said that the number of drivers registered to use the company's technology platform has surged since the Grab-Uber merger.

INVESTMENT

Itochu positions Vietnam as textile production hub

Itochu has increased its ownership of a Vietnam state-owned textile company with an eye toward turning the country into a textile export hub for Europe amid rising labor costs in China.

The Japanese trading house spent about 5 billion yen (\$46.9m) to lift its stake in Vietnam National Textile and Garment Group, or Vinatex, to nearly 15%, becoming the second-largest stakeholder after the Vietnamese government. The company already had a roughly 5% interest, acquired in 2015. It is rare for a foreign company to own more than 10% of a state enterprise in Vietnam.

Vinatex operates about 200 sewing factories in Vietnam. It invested nearly \$200m over the past three years to add facilities for thread and cloth production. The company now handles everything from material production to sewing.

Since its 2015 investment, Itochu has collaborated with Vinatex on suits, shirts and functional undergarments for cold weather, for instance. It plans to boost production of high-performance apparel in Vietnam and export the output to Japan, Europe and the U.S. Itochu may have Vinatex produce such items as sportswear through collaboration with materials makers.

Itochu exports a little over 60 billion yen worth of apparel from Vietnam a year, with half of that produced by Vinatex. The company aims to increase outsourced production and raise exports to 100 billion yen by 2021.

Foreign OTAs dominate Vietnam's online travel market

Global online travel agencies (OTAs) currently hold up to 80% of Vietnam's online travel market share, said Nguyen Van Tuan, head of the Vietnam National Administration of Tourism (VNAT).

Tuan gave the information at Online Tourism Forum 2018 held by Vietnam E-Commerce Association (VECOM) and VNAT in Hanoi on March 29.

Rapidly-developing technology has had an impact on many sectors, including tourism. Over the past two years, personal and group experience travel booked using smartphones to search information has been on the rise, replacing travel agents. Visitors often book flights tickets or rooms through OTAs.

At the meeting, Tuan cited VECOM's information as saying that OTAs such as Agoda.com, booking.com, Traveloka.com and Expedia.com account for up to 80% of Vietnam's online travel market share.

Most foreign visitors who come to Vietnam and domestic holidaymakers use foreign OTAs. Meanwhile, Vietnamese firms supply online travel service, including vivu.com, chudu24.com, mytour.vn, tripi.vn, gotadi.com and vntrip.vn mainly serve the local market but see low numbers of transactions.

For more information, please contact us:

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