



Highlight

Soaring 3G, 4G to boost mobile ads, commerce

VIETNAM BUSINESS REVIEW

What's in it today?



FINANCE

VinaCapital reconciles to leading egg firm breakup demand
Five major SOEs to be restructured



ECOMMERCE

Soaring 3G, 4G use to boost mobile ads, commerce
Shopping website removes to with controversial nine-dash line



STARTUP

Vietnamese startup EzQ wins 2 prizes at APEC meet
This 500 startups alum build a tool to help founders find investors



RETAIL

Asia's large format retailers set for steady growth
Lotte Duty Free exits Incheon Airport T1 contracts, sets its sights on Vietnam
Vietnam's Vingroup to take control of Vien Thong A
Fresh robot-baked bread hints at future of retail in China



LOGISTICS

Vietnam gives nod for \$300m railway update
Logistics giant in divestment spree



INVESTMENT

US real estate firm makes surprise return to Vietnam
Shortage of IT personnel in Japan: Opportunities for Vietnam

Vol 30, August 8th 2018

FINANCE

VinaCapital reconciles to leading egg firm breakup demand

VinaCapital and egg firm Ba Huan seem set to part ways acrimoniously after the fund agreed to the company's demand to stop their partnership.

"VinaCapital has decided to stop investing in Ba Huan JSC and is negotiating with the firm in closing the deal on the basis of the law and mutual interest," it said in a statement.

VinaCapital's flagship fund Vietnam Opportunity Fund (VOF), in February, invested \$32.5 million in the country's leading egg firm Ba Huan for an undisclosed minority stake. The firm holds over 30% of the pasteurized egg market in Vietnam.

The latest move follows Ba Huan's letter to Prime Minister Nguyen Xuan Phuc Monday seeking to end the deal it made with VinaCapital, one of the largest investment funds in Vietnam. It accused the fund of trying to take over its brand and management.

Pham Thi Huan, CEO of Ba Huan JSC, told *VnExpress* that one of the reasons for this request is the disparity between the English and Vietnamese versions of the deal.

VinaCapital had "added by itself" an internal rate of return of 22% a year to the Vietnamese memorandum, three times bank interest rates on deposits, without the approval of Ba Huan JSC, she said. VinaCapital also set a condition that Ba Huan will have to return to the fund its investment capital with the 22% interest, or transfer a stake of at least 51% to VOF, should it cannot achieve its business plans within three years, she said. It also claimed it does not have any intention to manage or take over Ba Huan JSC, which has never been part of its strategy.

Five major SOEs to be restructured

The Prime Minister has approved the restructuring plans for five of the six major State-owned enterprises (SOEs), and two large corporations under his jurisdiction, in the first half this year.

According to the Steering Committee for Enterprise Innovation and Development, the aforementioned economic entities are Electricity of Vietnam (EVN), Vietnam National Coal - Mineral Industries Corporation, Vietnam National Chemical Group, Viettel Military Industry and Telecoms Group and Vietnam Posts and Telecommunications Group (VNPT), as well as the State Capital Investment Corporation and the Vietnam Northern Food Corporation.

The Prime Minister also approved the list of enterprises to be restructured during 2017-2020 under the Vietnam Oil and Gas Group (PVN). The Ministry of Industry and Trade is completing the PVN's comprehensive restructuring plan to be submitted to the PM for approval.

For SOEs under the management of ministries, agencies and localities, there is updated data from only three ministries, four localities and one economic group so far.

E-COMMERCE

Soaring 3G, 4G use to boost mobile ads, commerce

Widespread adoption of 3G and 4G networks in Vietnam presents a lucrative growth opportunity for mobile advertising and commerce.

Vietnam had more than 123.9 million mobile subscribers active on 2G, 3G and 4G networks as of June this year, according to the Ministry of Information and Communications.

The number of 3G and 4G subscribers had soared by 29.2 percent year-on-year. Preliminary statistics showed that the combined adoption of 3G and 4G reached 51.5 million subscribers in early 2018.

Mantosh Malhotra, Southeast Asia and Pacific head of telecom equipment giant Qualcomm, said the growth was impressive and predicted 3G and 4G numbers to rise to 120 million by 2020, or 67 percent of all mobile devices.

Doan Duy Khoa, head of consumer insight, banking and technology industry division at Nielsen Vietnam, told *VnExpress International* that the extensive 3G and 4G adoption in Vietnam would create huge opportunities for mobile advertising and commerce.

Vietnam is ranked third in consumers' internet access in Southeast Asia, behind only Singapore and the Philippines, he said. "Vietnamese spend 24.7 hours a week on average on the internet compared to nearly 26 hours in developed countries like Singapore."

Two-thirds of local internet users surveyed by Nielsen said they regularly use smartphones to browse the net.

Khoa said this trend has been fostered by the upgrades to the 3G and 4G telecom infrastructure and the increasing mobile connection speeds on smartphones.

By 2020 some 60 percent of Vietnam's population is expected to use smartphones.

Khoa quoted statistics from market research company eMarketer as saying Vietnam's mobile advertising revenues were worth \$77 million last year, double that of the previous year.

He presumed the growth is on the rise.

Mobile advertising growth would be driven by new ad formats like in-app ads, mobile video ads and mobile search services, Khoa said. "The rising trends of connectivity and smartphone use also give impetus to mobile commerce growth."

Smartphones inspire consumers to search online for brands, products and services before buying, and share their impressions after a purchase, he said.

Khoa recommended that marketers should use smartphones as a tool to build brands and loyalty programs and promote sales. “Many providers of air, accommodation, and tourism services are leading the mobile commerce charge in Vietnam.”

eMarketer predicted the mobile retail sector to grow by 24.3 percent to \$1.14 million this year. The figure is expected to climb to \$1.8 million in the next three years.

But Khoa warned that mobile advertising and mobile commerce sectors face challenges since consumers tend to quickly turn off ads or even block and skip them. “Thus, to get past this, the advertising content must be very good.”

“Consumers’ attention span is very short when it comes to mobile phones, especially compared to tablets and laptops. So, ads must be designed to run for six or 12 seconds instead of the 30 or 60 seconds of traditional ads,” he added.

Shopping website removes toy with controversial nine-dash line

Authorities had ordered that Shopee removes a toy showing a Chinese map violating Vietnam’s sovereignty. The Vietnam eCommerce and Digital Economy Agency (iDEA) had demanded that e-commerce service Shopee Vietnam get rid of a toy map showing the infamous nine-dash line that China has used to illegally claim sovereign Vietnamese territory in the East Sea, also internationally known as the South China Sea.

The line is a demarcation that claims 90 percent of the 3.5-million-square-kilometer East Sea as Chinese territory. This claim has been rejected by the international community. It overlaps with claims by Brunei, Malaysia, the Philippines, and Taiwan, and violates Vietnam's water sovereignty.

iDEA, which functions under the Ministry of Industry and Trade, has also required that Shopee and other e-commerce firms apply an online filter to block future items with content that violates Vietnam’s sovereignty. It has taken 30 boxes of the toy for further investigation. Shopee also promised that it would recall the product and refund customers.

The map, a toy for children to learn countries’ flags by putting them in the correct locations, got public attention after a mother in Hanoi discovered the nine-dash line on Wednesday and reported it to local media.

The map incorrectly shows Vietnam’s Hoang Sa and Truong Sa archipelagoes (Paracel and Spratly Islands) as part of China’s territory, and a product description on Shopee said the toy would help children aged three years and up understand more about countries in the world. The map was printed in English and Chinese without a Vietnamese translation.

The nine-dash line had caused an uproar in Vietnam in May when it was found on T-shirts worn by 14 Chinese tourists as they passed through immigration at the Cam Ranh International Airport in the central province of Khanh Hoa.

START-UP

Vietnamese startup EzQ wins 2 prizes at APEC meet

A Vietnamese startup has won the top prize at a regional contest with a win-win business model for vendors and customers. Demonstrating a good understanding of user's needs and applying technological advances for community development, the EzQ model impressed 14 judges from Creative HQ (New Zealand), Samsung Ventures, TechGrind Thailand, Plug and Play (United States), Born2Global (Korea) and Vietnam Silicon Valley to win two prizes: "Best Startup" (Jury Gold) and another reward from TechGrind.

Starting with the needs and potential of the Vietnamese market, EzQ developed the idea of an ecosystem that links all market constituents. EzQ's model aimed to cut back on middlemen, increasing profitability for the vendors but reducing costs for consumers.

Using the forthcoming trend of blockchain technology, EzQ seeks to provide a secure, safe and transparent ecosystem, Giang said. In particular, it will increase income generation opportunities to students, office workers, housewives and people with idle time.

This 500 startups alum build a tool to help founders find investors

3Arnaud Bonzom is co-founder at Map of the Money, a tool that helps entrepreneurs raise funds in Southeast Asia by identifying investors. Previously, he was a venture partner at 500 Startups. In this interview, Bonzom gives an overview of Map of the Money and shares some insights on the investment landscape in Southeast Asia.

How did you go from joining 500 Startups to working on Map of the Money?

I moved to Southeast Asia around six and a half years ago. I joined 500 Startups three years ago, and left just couple weeks ago. Basically, 500 Startups hired me to build their first piece of thought leadership, which was about the 500 biggest public corporations working with startups.

Previously, I was working for INSEAD in Singapore and, on top of my job, I was already building some tools for entrepreneurs. At that time, I made my first report for the startup ecosystem in Singapore, and it had around 30,000 views on SlideShare. Since then, I published a second version with now 120,000 views. I'm currently working on the third edition.

Tell us more about Map of the Money.

Map of the Money is a tool that helps entrepreneurs raise money. Our vision is that entrepreneurs will not have to spend their time to raise money. They should instead spend time building their products and talking to their customers. So, we're trying to help them by providing a list of active investors (currently 100+ in Singapore). Then, we give a range of the size of investments these investors are doing. The data is based on the past months, so it doesn't predict the future but gives a good indication. We also started creating some filters, depending on the quality of the data we are showcasing, the stage of investment, as well as the vehicle of investment (angel, VC, Corporate, etc.).

RETAIL

Asia's large format retailers set for steady growth

Global research organisation IGD has reported that Asia's large format retailers are set to grow 3.3% a year to 2022, with Vietnam, India and the Philippines forecast to see double-digit growth from large format players over the next five years.

Most of this growth is predicted to be driven by domestic retailers, except for Vietnam where foreign retailers have been investing to gain a foothold in this fast-growing market. Indonesia will see steady growth, also driven mainly by domestic players; with China coming through as another market with significant growth opportunities due to its vast geography.

Many large format retailers in Asia are still enjoying steady growth through expansion although they are facing pressures from increased competition in more developed markets.

Besides expansion to new regions, retailers are also digitising physical stores to create a seamless shopping experience in more matured markets.

Lotte Duty Free exits Incheon Airport T1 contracts, sets its sights on Vietnam

Lotte Duty Free exits its contentious Incheon International Airport Terminal 1 cosmetics, fashion and leathersgoods contracts, to be replaced by Shinsegae Duty Free. The company cited "the burden of rent increases" following the sharp downturn in Chinese tourists in 2017 amid the THAAD dispute with China.

The 3 concessions, later consolidated into 2 by Incheon Int'l Airport Corporation, were subsequently awarded to Shinsegae Duty Free, which commences business on 1 August. Lotte Duty Free will continue to operate its DF3 liquor, tobacco and foods business at T1 until 2020.

Lotte Duty Free said that it expects to save about 1.4 trillion won (\$1.25b) in rent by 2020 through its premature exit. It also aims to boost downtown and online sales of cosmetics and fashion to avoid losing custom to its Incheon successor. A customer prepaid card for Lotte's vacated T1 business can now be used downtown.

Lotte Duty Free plans to concentrate its efforts on expanding business overseas, with Vietnam the key focus. As reported, the company celebrated the grand opening of its Da Nang International Airport concession on 1 November last year, after a soft opening in May. The business, registered as Phu Khanh Duty Free, is a 60/40 joint venture between Lotte Duty Free and a local partner.

In June this year Lotte Duty Free opened arrivals and departures stores at Cam Ranh International Airport in Nha Trang, after being awarded an exclusive ten-year duty free concession.

Lotte said that it also plans to invest heavily in additional downtown stores in Hanoi, Ho Chi Minh City and Da Nang.

Vietnam's Vingroup to take control of Vien Thong A

Vietnamese conglomerate Vingroup's electronics retailing arm VinPro is set to acquire mobile retail chain Vien Thong A next month.

A source familiar with the matter told that staff have been informed about the deal, and a merger process has commenced. However, Vien Thong A's vice GM Huynh Viet Anh responded to a local newspaper asking about the report's accuracy: "That can not be disclosed now." Vien Thong A is one of the largest mobile device retailers in Vietnam. Founded in 1997, it has 200 stores across the country.

The deal is said to have been on and off since early this year, before being deferred to the second quarter. According to the report, VinPro, which has 35 outlets nationwide, would buy 71% of Vien Thong A, and rebrand its stores to VinPro+. VinGroup, meanwhile, recently unveiled its first smartphone, branded the Vsmart.

Fresh robot-baked bread hints at future of retail in China

A Chinese company is offering a glimpse into how automated stores could evolve beyond a simple fad by spicing up otherwise dull shopping trips.

A store cryptically called X-24h opened in a busy shopping area of Shanghai late this June, with its sleek blue exterior revealing little about what was sold within. Inside, a female attendant urged visitors to step on circular panels in front of capsule-style cases filled with such baked goods as croissants, doughnuts and sausage rolls. Scanning a 2D bar code with a smartphone opened a case.

The automated convenience store is a project of Shanghai Geant Investment Co., the company behind the Vingoo vending machines that squeeze fresh orange juice. The platform tallies which products customers pick based on weight, automatically charging them through their phones when they leave.

Behind the bread case, robots can be seen baking and packing products. Though a little pricey, with one croissant selling for 16 yuan (\$2.34), the store was full of shoppers excitedly snapping photos.

Automated stores, made possible by artificial intelligence and mobile payments, are popping up all over China. But while lower labor costs help them compete with e-commerce on price, they lack the human touch that online stores can never replicate. Frequent technical glitches have also held them back.

Many of these outlets look like convenience stores on the outside. But they tend to stock cheaper, lesser-known brands that the companies want to sell instead of what consumers really want. They could easily follow the path of department stores and supermarkets that failed by not putting the customer first. Shanghai Geant Investment is instead trying to fill a unique niche with fresh-baked bread and visual "entertainment" in the form of robots. Visitors to its store included industry players checking out the competition.

Given the popularity of e-commerce, convenience alone is not enough of a selling point for automated stores. The key to their future could lie in going the extra mile to offer a shopping experience that cannot be had anywhere else.

LOGISTICS

Vietnam gives nod for \$300m railway update

Vietnam's National Assembly has approved a \$300m budget for 4 railway upgrade projects on its transnational route. The 4 projects are to be implemented along the Hanoi-HCMC route. The funds will be sourced from the contingency budget of the Public Investment Plan 2016-2020 that the parliament approved in 2016.

A total of VND1.95 trillion (\$84m) will be spent to reinforce over 100 weak bridges on the Hanoi-HCMC route. Propulsion systems on this route will also be improved.

Another VND1.8 trillion (\$77m) will be spent on reinforcing 11 of over 22 tunnels on the route section between Vinh and Nha Trang provinces. New stations will also be opened along this route.

The route section from Hanoi to Vinh will be upgraded at a cost of VND1.4 trillion (\$60m), which will be spent on reinforcing the current foundation, opening a third track in stations that currently have only two, and other upgrades.

Similar upgrades will be applied on the route from Nha Trang to HCMC with a budget of VND1.85 trillion (\$79m).

The Standing Committee of the National Assembly has also approved VND8 trillion (\$343m) for 10 road projects.

The Vietnamese government has recently initiated efforts to upgrade the country's outdated railway system. Many experts, including former senior railway officials, have said that the sector has suffered government neglect for a long time. Vietnam's railway sector has not received any major investment in the last 140 years.

Logistics giant in divestment spree

Gemadept Corporation's after-tax profit in H1 rose nearly 6.8 times year-on-year to VND1.55 trillion (\$68 million), partly owing to stake divestments.

In Q1, the HCM City-listed logistics firm sold its 50.9% and 49% holdings in Gemadept Logistics Holdings and CJ - Gemadept Shipping Holdings, respectively.

Then, in the second quarter, it sold its 51% stake in Hoa Sen-Gemadept Logistics and International Port JSC, the corporation stated in a newly-released financial report for the second quarter.

In the first half, Gemadept also dissolved its subsidiary Bien Sang Logistics One Member Company Limited in Vietnam and two others in Singapore, Gemadept (S) Pte. Ltd and Grand Pacific Shipping Pte. Ltd.

Gemadept owns and operates a large number of ports in major cities and key economic zones.

INVESTMENT

US real estate firm makes surprise return to Vietnam

It left with no explanation, and there is no explanation about an unexpected return by MGM Resorts International to Vietnam.

MGM had withdrawn from a \$4.2 billion project in March 2013 without saying why, but seems to have encountered no difficulty in returning with a new investment project.

The global hospitality and entertainment company will now be a part of a new resort project near travel hot spot Hoi An in central Vietnam.

MGM will partner with Vietnamese real estate firm Bamboo Capital in managing the VND2 trillion (\$86 million) Malibu Resort Hoi An on Ha My beach.

MGM would have managed the first resort on the Ho Tram Strip project in the southern Ba Ria – Vung Tau province, had it not broken a deal with the Canada-based Asian Coast Development Ltd (ACDL) which was the project's main investor.

It didn't give a reason for withdrawing from the mega project, which would consist of 9,000 5-star hotel rooms, a golf course and a casino with 2,000 slot machines by 2020.

But MGM has returned with a new vision and will only focus on managing resorts, said a representative of Bamboo Capital at the Malibu Resort Hoi An signing ceremony.

The company will not manage both casinos and hotels as it used to years ago, the representative said, adding that the current partnership is based on sound legal foundations.

MGM reported a net income of \$2.0 billion last year.

Shortage of IT personnel in Japan: Opportunities for Vietnam

A shortage of IT personnel has prompted Japan to adopt measures to attract foreign talents in the field, which opens up opportunities for Vietnamese IT engineers and firms

The Ministry of Economy, Trade and Industry of Japan estimated that the country will lack 369,000 IT engineers in 2020 and 789,000 by 2030.

To fill in the gap, Japanese firms have stepped up efforts to hire foreign IT personnel in recent years.

At the Vietnam IT Day in Japan in February this year, Chairman of FPT Software Hoang Nam Tien confidently declared that with a skilled workforce, Vietnam is the answer to Japan's problem on IT manpower.

Vietnam's universities graduate around 55,000 IT engineers each year.

According to FPT Software, initial statistics showed around 20,000 Vietnamese workers are serving the Japanese market in IT outsourcing (ITO) and business product outsourcing (BPO).

The company itself has 1,000 employees working at its 5 offices in Japan and 5,000 others involving in contracts for Japanese customers.

FPT Software reported revenues of nearly VND3.6 trillion from the Japanese market in 2017, up 26% from 2016 and accounting for 58% of its total revenue.

The company needs to recruit 2,000 more employees this year to meet the increasing flow of orders from Japan.

Since 2014, Vietnam has been the second largest partner of Japan in terms of ITO and BPO. A dozen of Vietnamese software firms have opened subsidiaries in Japan.

Recently, several Japanese companies have joined hands with universities in Asian countries, including Vietnam, to train IT human resources for the Japanese market.

One such example is Framgia Inc., which set up its subsidiary in Vietnam in October 2012. Framgia Vietnam has partnered up with Vietnam's three leading universities in terms of IT training to provide training and help students find jobs in Japan. Students participating in the cooperation programme will attend two classes entirely in Japanese a week with Japanese lecturers who are experienced IT engineers.

According to Framgia, nearly 800 Vietnamese students have joined the training programme so far at the Hanoi University of Science and Technology, the Da Nang University of Science and Technology and the University of Engineering and Technology under the Vietnam National University-Hanoi.

The company hopes to increase the number of students joining the programme to 1,000.

For more information, please contact us:

SEIKO IDEAS - 12th Anniversary
Research & Consulting Division

Our services	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Address	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
PIC	Tram Nguyen (Ms.)
Mobile	+84-91-4994-830
Email	tram.nguyen@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via namecard.*