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VIETNAM BUSINESS CONTEXT AND CONSUMER REACTION

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About the presenter

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Nguyen Phuong Nga has more than 14-year working experience in consumer and shopper insights, business development, project management and consulting. Acting as a partner and consultant to her clients, she has been servicing a diversified client portfolio including manufacturers, retailers, packaging suppliers, marketing agencies and investors.
In her current role, Nga is leading Business Development and Advanced Solutions of Kantar, Worldpanel division by helping clients gain competitive advantages and drive successful decisions, through providing Asian & Vietnamese shopper and consumer insights, actionable business ideas and a valuable business partnership.

Highlights of today

- Consumers confidence remains low with intention to tighten their budget on OOH entertainment
- For FMCG, polarization happens with consumers reacting differently by demographics & categories
- 3 key growth drivers of FMCG market in coming years

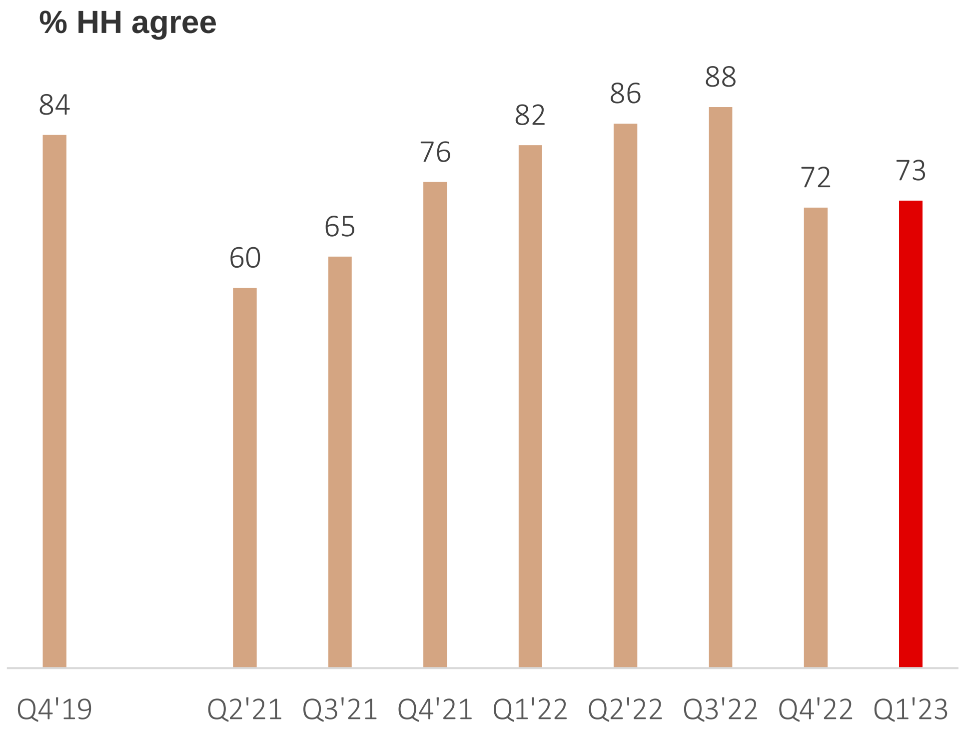
Highlights of today

Consumers confidence remains low with intention to tighten their budget on OOH entertainment

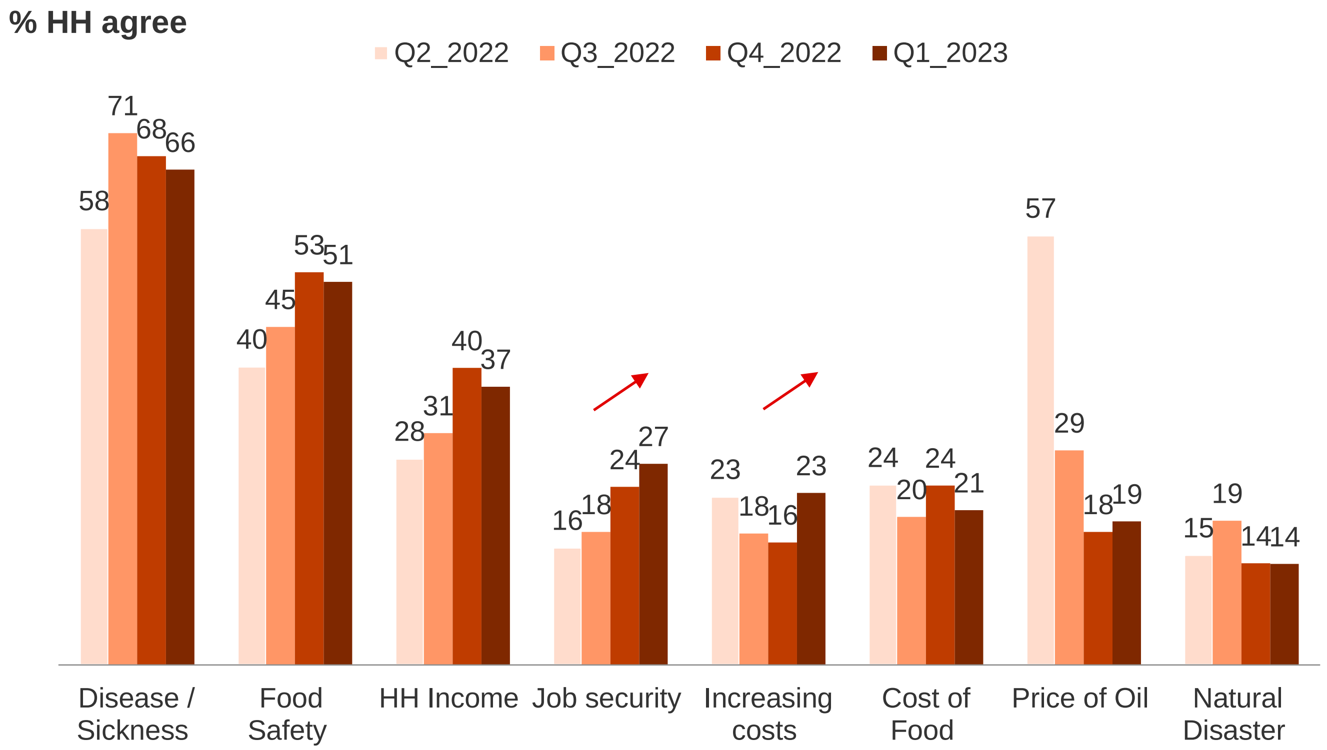
OPTIMISM IN Q1’23 STAYS LOW

As economic difficulty persists with lack of production orders, concern on Job security rises consecutively in the last 4 quarters.

The economic situation will be better or the same as today in the next 12 months



Currently what do you consider to be the biggest concerns you and your household is likely to face?



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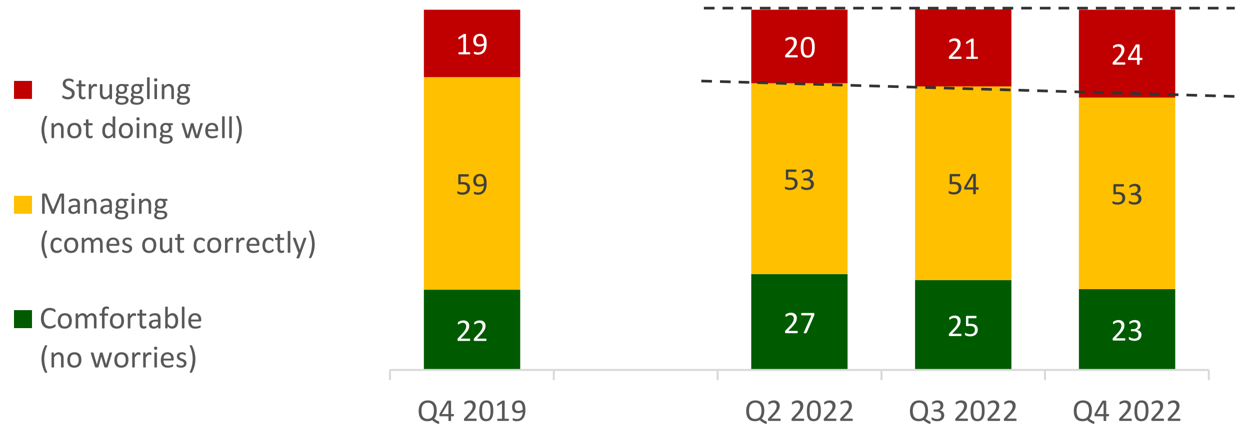
CONSUMER'S BEHAVIORAL SHIFT DUE TO ECONOMIC EXPECTATIONS

Many households are becoming concerned about their financial situations, suggesting more conscious spending. Out-of-home spending will be the first in line for slashing across groups.

Pressure groups

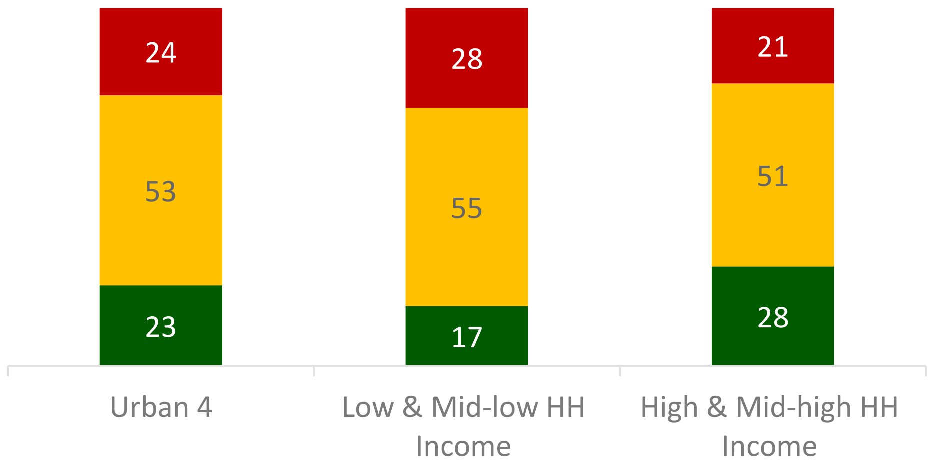
How do you evaluate the current financial situation of your Household?

% contribution of each group



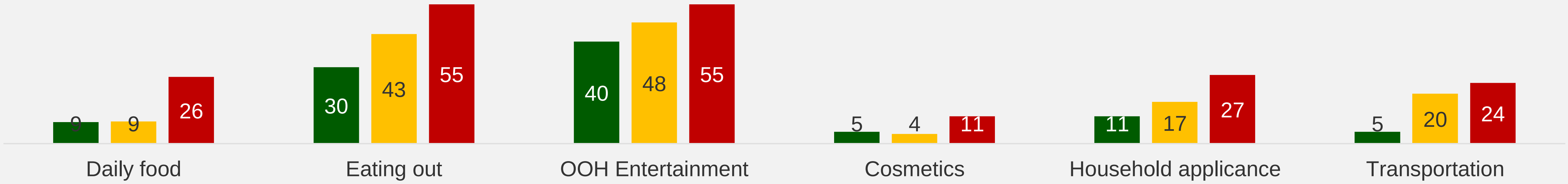
% Pressure groups by income

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



Future spend intention – understand the extent to which your category / brand shoppers intend to reduce their spend in the future

% respondent

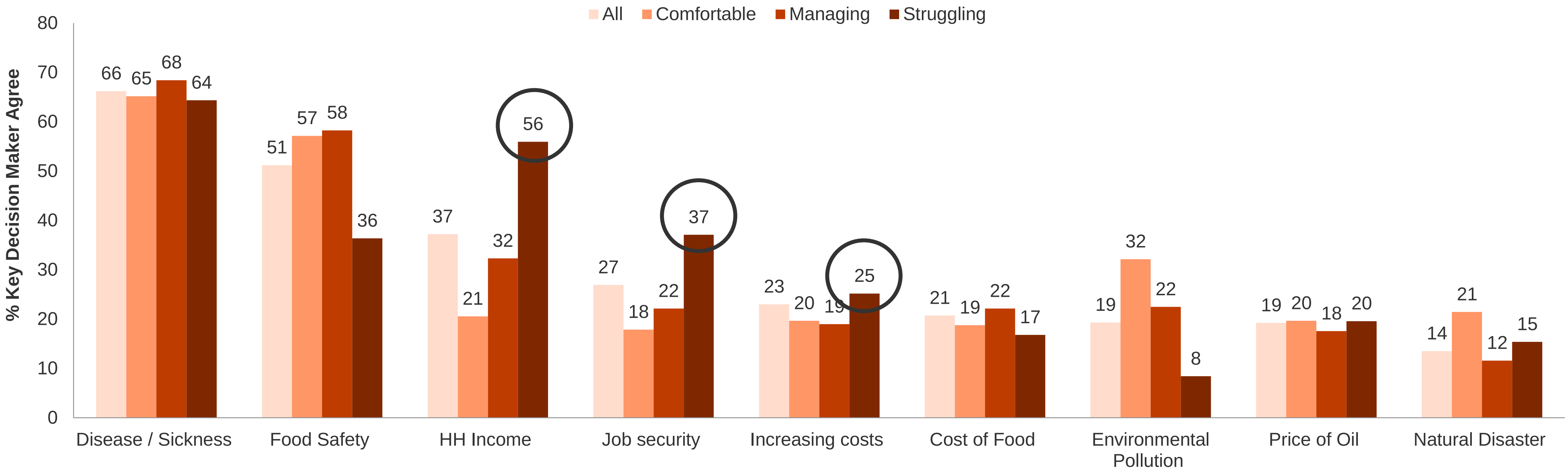


CONCERN BY PRESSURE GROUP

The struggling consumers are most impacted by the economic difficulty, while the comfortable consider Environmental Pollution in their top 3 concern. Brands are required to have different approach to fit their different target buyers' situation.

Currently what do you consider to be the biggest concerns you and your household is likely to face?

% HH agree

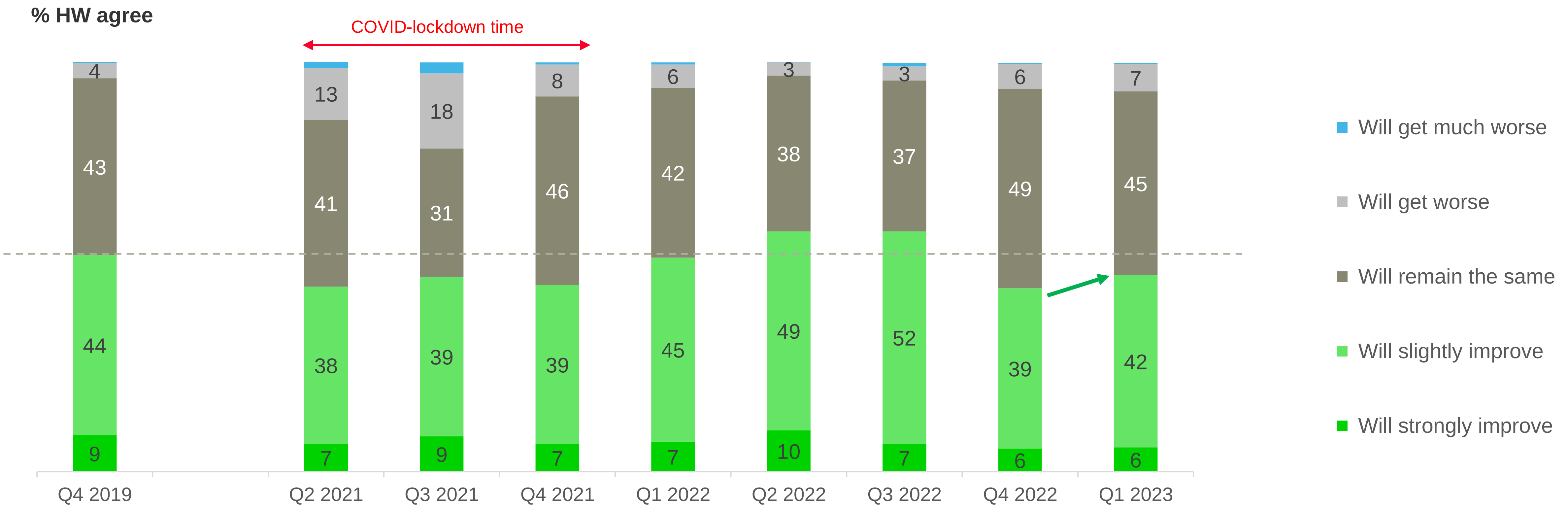


Source: Worldpanel Division | Consumer Confidence Survey | Urban Vietnam 4 key cities | Q1'23 | Field work from Mar 20th to Apr 2nd

FUTURE ECONOMIC OUTLOOK

Confidence on future financial situation remains low. However, sign of improvement is witnessed.

In the upcoming 12 months, do you think that the financial situation in your house…

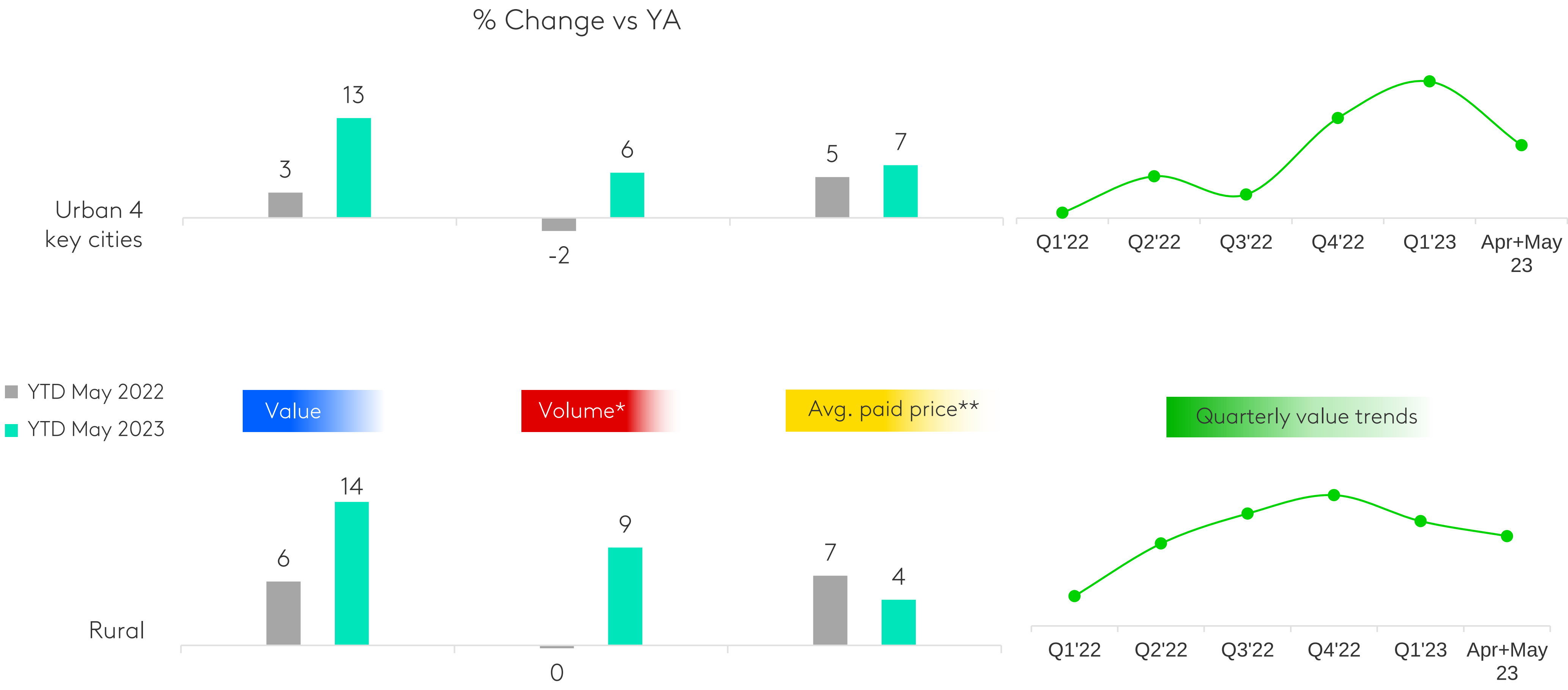


Highlights of today

For FMCG, polarization happens with consumers reacting differently by demographics & categories

FMCG overview

In Urban 4 areas, the rise in average price paid is noticeable and has a considerable impact on the overall value increase. On the other hand, Rural consumers show higher consumption levels, suggesting there is room for manufacturers to improve their penetration in Rural areas.



*: To calculate **FMCG volume change**, we calculate how much volume contributes to the value change for each category, sum up these contributions and relate to value YA (this results in an average category change in volume)

: To calculate **FMCG price paid change, we calculate how much price contributes to the value change for each category, sum up these contributions and relate to value YA

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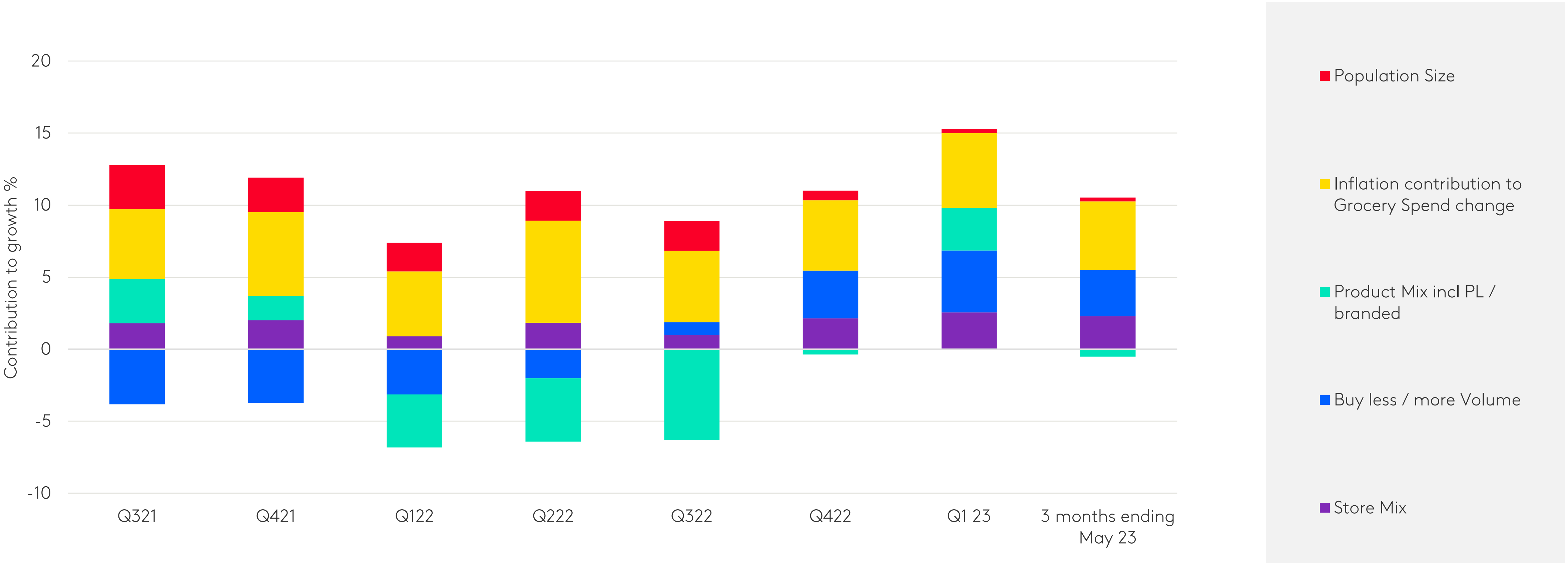
Source: Worldpanel Division | Households Panel | Urban 4 Key Cities & Rural Vietnam | Total FMCG including Gift

CONSUMER REACTION: VARIOUS WAYS OF COPING

Inflation contributes half of market growth in Urban. Consumers still buy more volume and visit more stores.

Rolling Contribution to FMCG Grocery Spend Change in urban 4 cities



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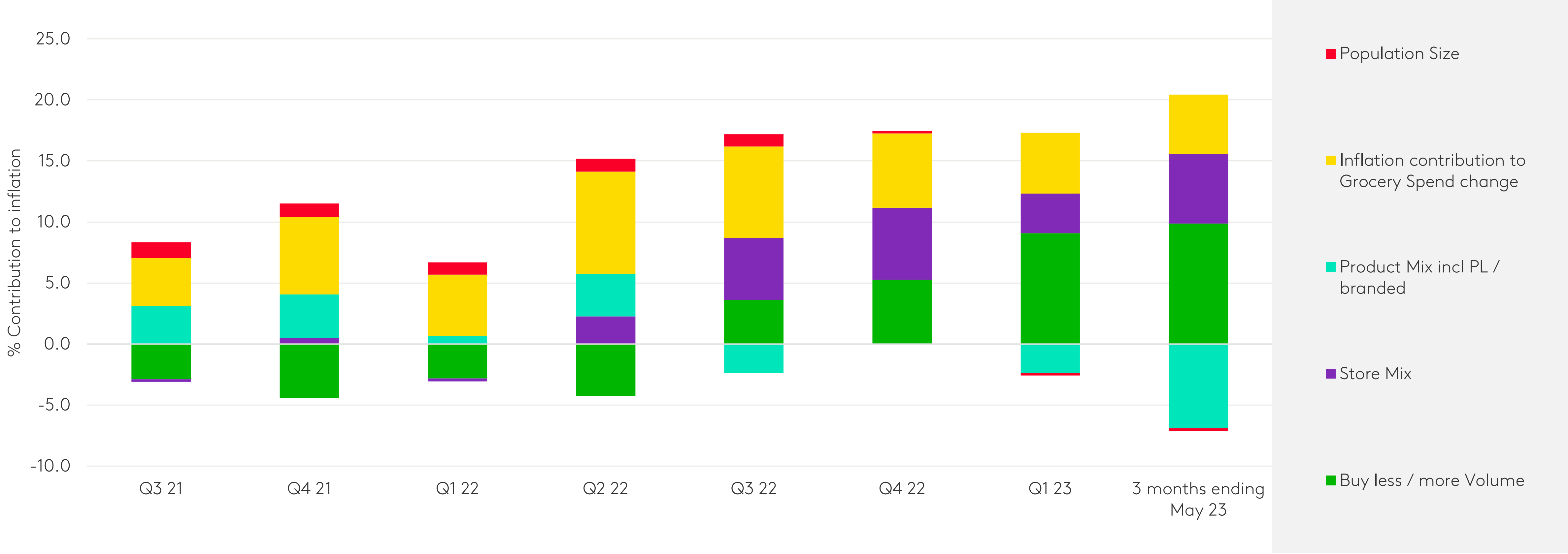
Source: Kantar, Vietnam FMCG Panel, 12 w/e 21 May 2023 vs YA

CONSUMER REACTION: VARIOUS WAYS OF COPING

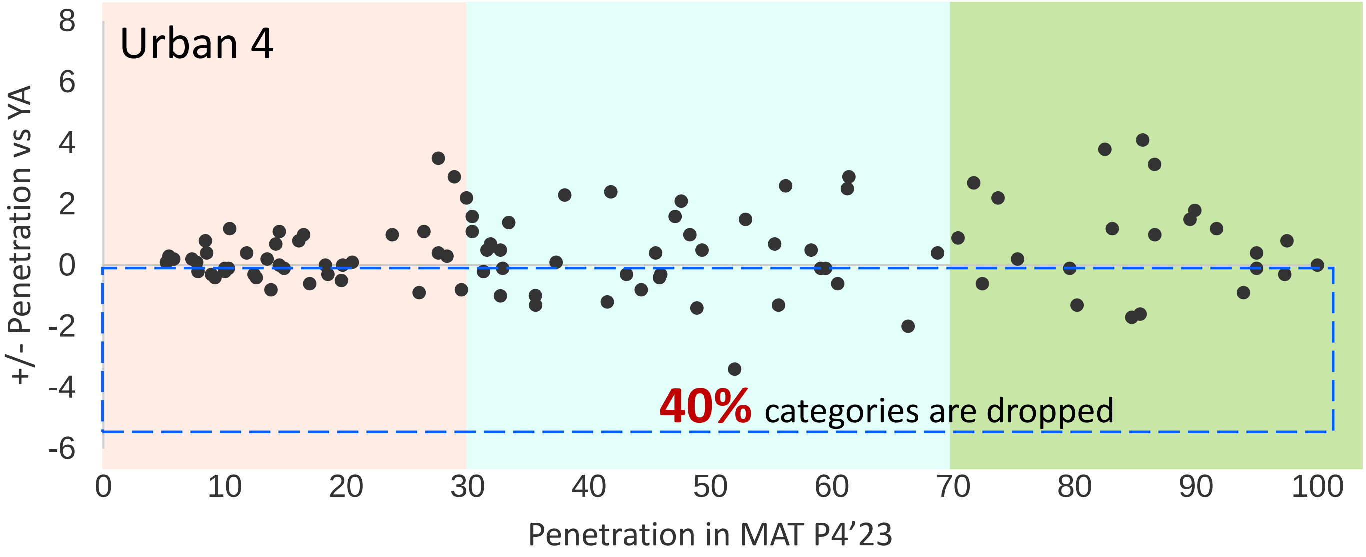
Meanwhile, downtrading is more significant in Rural area.

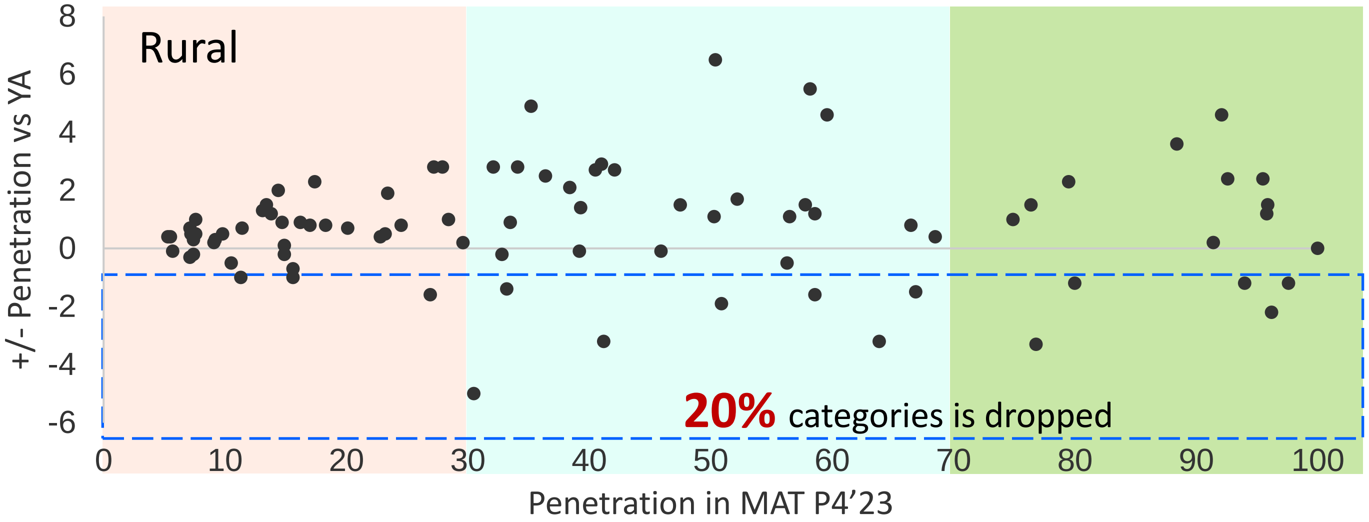
Rolling Contribution to FMCG Grocery Spend Change in Rural

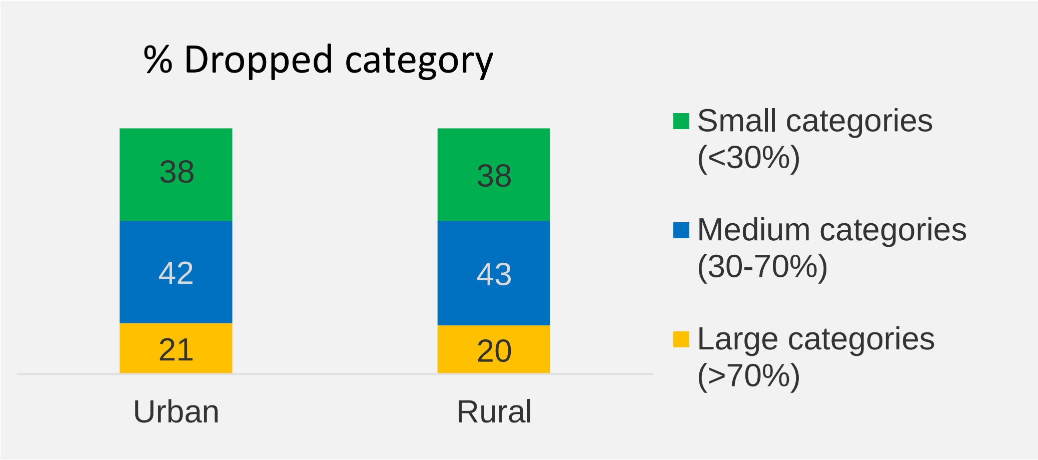


Source: Kantar, Vietnam FMCG Rural Panel, 12 w/e 21 May 2023 vs YA

CONSUMERS COULD CUT SPENDING ON LESS RELEVANT CATEGORIES







SHOPPERS SEEK FOR THE BEST VALUE

Manufacturers who can offer better value-for-money offer & adjust portfolio to meet consumers’ demand are key winners.

Cooking Oil: Downtrading

Top growing brands

#1 Orchid
Price id: 81

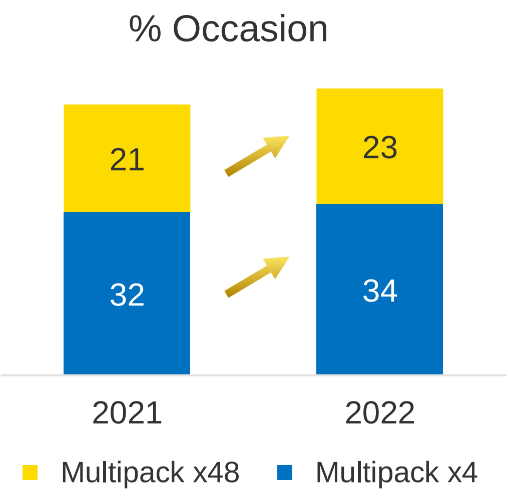
#2 Tuong An
Price id: 95

As heavily impacted category by inflation, Cooking Oil price rockets & puts heavy pressure on consumer. In this context, lower tier brands now win heart of consumers & drives market growth.

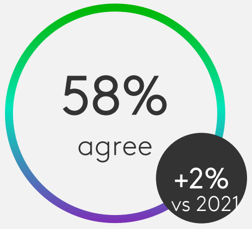
F&B: Bigger Pack Size

Capturing consumers’ need for value-for-money offer & bigger shopping trip size, manufacturers launched big pack size & reaps great success.

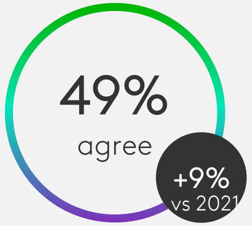
Dairy: Multi-pack trip



Consumers are now shopping with bigger trip size & large volume, creating chance for multi-pack & carton sales.



Households compare prices between outlets to get the best price (including ecom).



Households refer to many different stores to find attractive promotions.

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YET A PORTION OF BUYERS CONTINUE TO TRADE UP

Brands with value highly received & relevant to consumers can still convince buyers to uptrade & grow sustainably.

The rise of sophisticated need

More steps in beauty routine

On average, each year 1 household purchase

7.5 Beauty categories (+0.4 vs YA)

Sophisticated* HHs adopt more of


Mask


Make-up Remover


Toner


Serum

Leave-on treatment for Hair & Scalp


Hair Spray for dry, damaged hair


Pomelo spray for hair strengthening, prevent hair fall


Hair Serum recover damaged hair


Hair Mask offering Keratin coat

76% Agree 2022

Households are **willing to buyer brands that are of good quality, even more expensive**.

Wining consumers with the authenticity

Lay's: Real potato snacks

+98% volume
2022 vs 2020 in Urban

Emphasize on raw & real ingredients to capture consumers who value natural products.

+37% volume
2022 vs 2020 in Urban

Thuan Phat Fish Sauce

Local fish sauce brand with origin from 3 types of Phu Quoc's fish.

**Sophisticated refers to households with 5+ steps of beauty care*

Source: Kantar, Vietnam FMCG Panel

Highlights of today

3 key growth drivers of FMCG market in coming years

Demographic Shifts: the rise of affluent class & more nuclear families

Leading to a higher demand for personalization to cater for different demographic groups

1. Rising Affluent Class

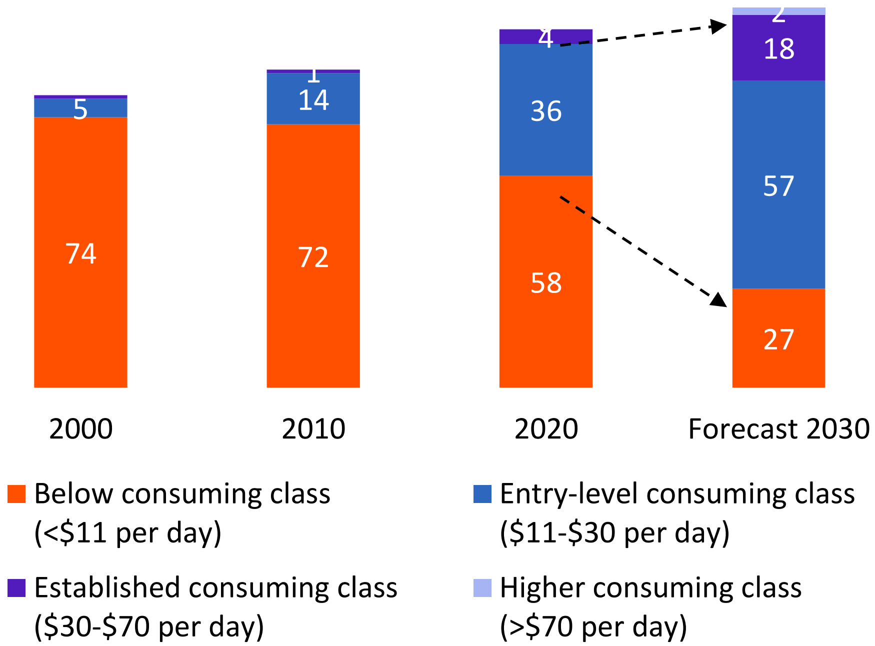
GDP per capita in 2022

4,110 USD

x4 times in 10 years

Source: *Mc Kinsey Global Institute analysis & GSO Vietnam*

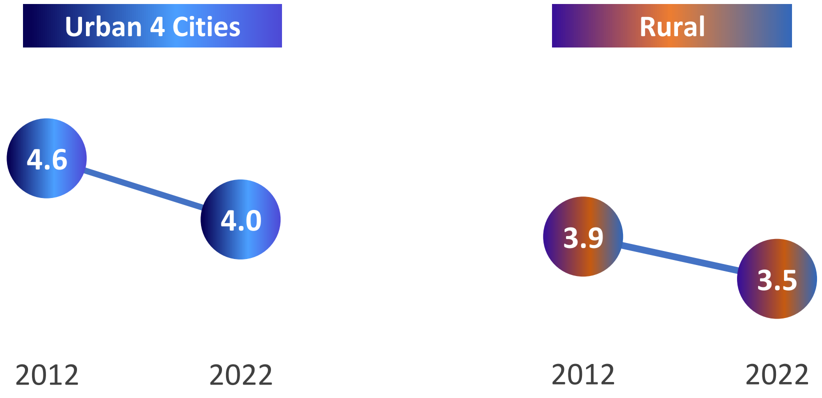
Population by income group (Millions) (daily spending)



Rising incomes, rising aspirations, greater purchase power in the long term

2. More Nuclear Families

Average HH Size



Leading to a higher demand for small-sized pack offers, especially for Households with < 3 members.

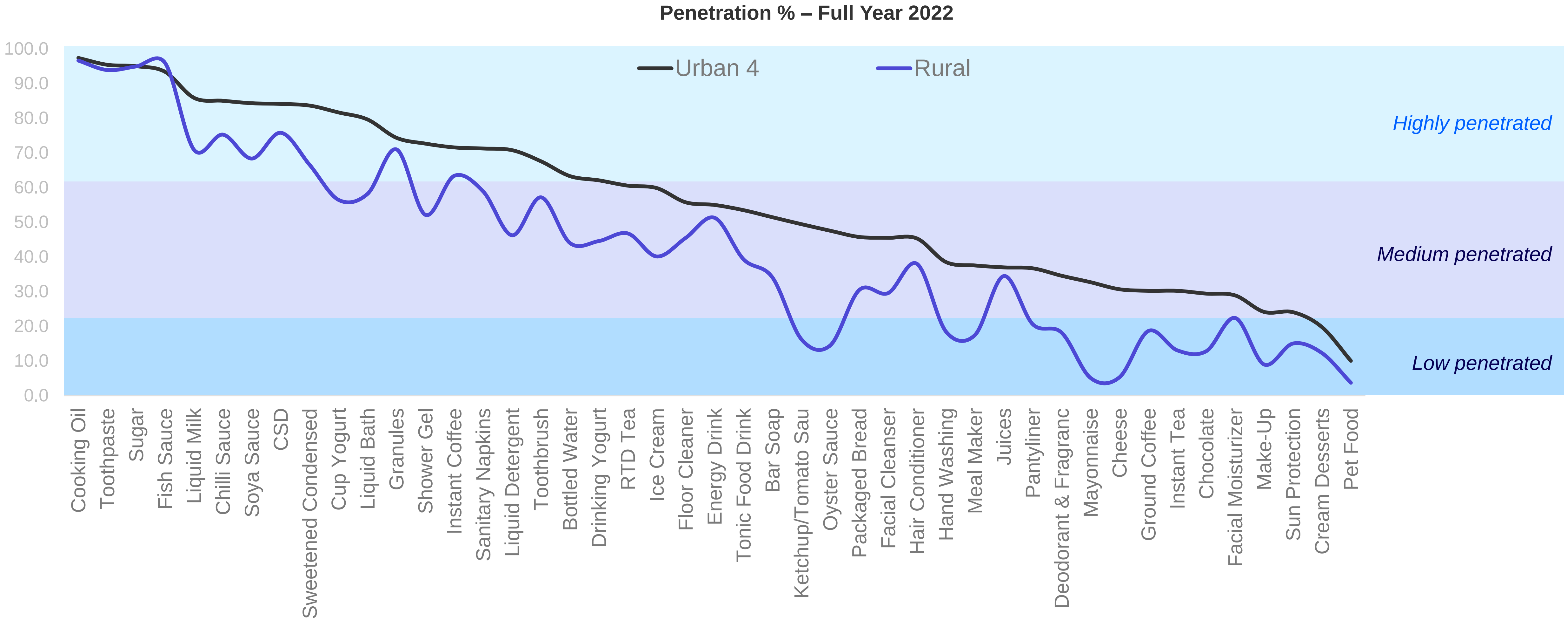
Smaller pack size
(cooking oil, shampoo, dish wash,…)

Fewer packs per trip
(beer, instant noodles, liquid milk…)

Source: *Kantar | Worldpanel Division - 2022*

Demographic Shifts: Rural Vietnam – remains a growth engine

There's a lot of headroom for brands to gain buyers in rural.



Source: *Kantar | Worldpanel Division - 2022*

Demographic Shifts: Young consumers as the future

As the population ages, Gen Z have emerged to become the future major spenders

Proportion of the population with genes Y and Z in the next 10 years

	Vietnam population 2020 - 97 million		Vietnam population 2030 - 105 million
Gen Y/ Millennials	**20%** 21 mil people	→	**25%** 25 mil people
Gen Z	**20%** 21 mil people	→	**25%** 25 mil people

Using media habits of gen Y và Z

	Y Gen Y (millennial) 1980–94	Z Gen Z 1995–2010
Context	• Globalization • Economic stability • Emergence of internet	• Mobility and multiple realities • Social networks • Digital natives
Behavior	• Globalist • Questioning • Oriented to self	• Undefined ID • “Communaholic” • “Dialoguer” • Realistic
Consumption	• Experience • Festivals and travel • Flagships	• Uniqueness • Unlimited • Ethical

The willingness to expose new experiences

A strong innovation pipeline has been proven to protect and even grow brands in challenging economic times. In Vietnam FMCG, innovation playground is getting fierce with new products being launched every hour.

GLOBAL
Winning v. Losing share brands during the last recession

Number of new products — **60%** more

Take a longer term view of the future & be the best predictors — **63%** of businesses

Brands perceived as highly innovation have grown — **7x** faster

VIETNAM
Innovation Landscape

2014	2022
5,909 new launches	**10,192** new launches
16.2 new bees/day	27.9 new bees/day

- New launches are counted based on new brand, variant, pack size, pack type
- Relaunches are included
- These launches/relaunches are not necessarily recorded in HH Panel

Source: Kantar | Worldpanel Division | Household Panel | Urban 4 key cities

The willingness to expose new experiences

It is becoming more challenging to recruit and retain shoppers. Yet, brands with strong NPD will have more opportunity to grow

% households a new launch reached after 1 year
(Trial Rate %)

4.6%

Accumulative 3 years up to **2014**

3.4%

Accumulative 3 years up to **2022**

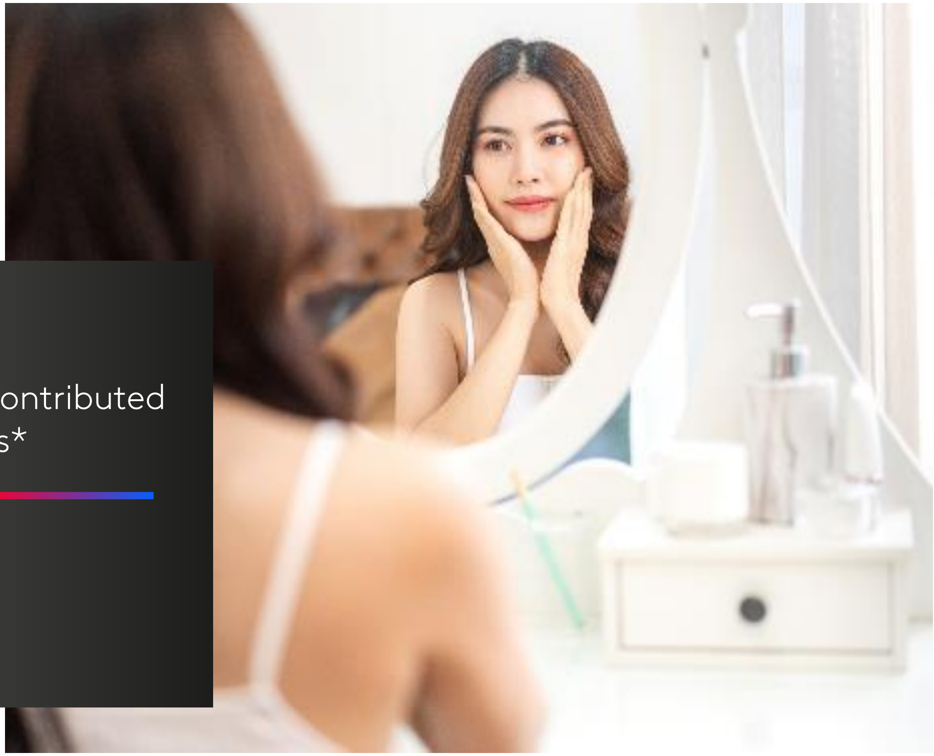
% households repeat purchase in the 1st year
(Repurchase Rate %)

25.4%

Accumulative 3 years up to **2014**

22.2%

Accumulative 3 years up to **2022**



26%
FMCG value is contributed by new products*

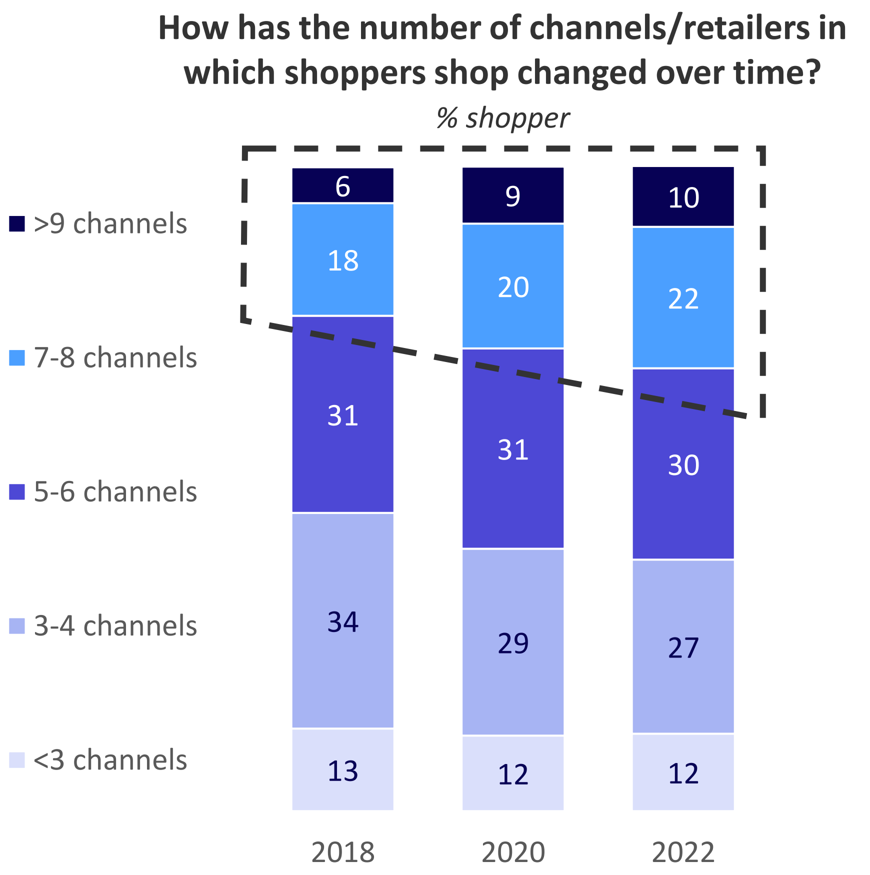
45%
in Personal care

Source: Kantar | Worldpanel Division | Household Panel | Urban 4 key cities

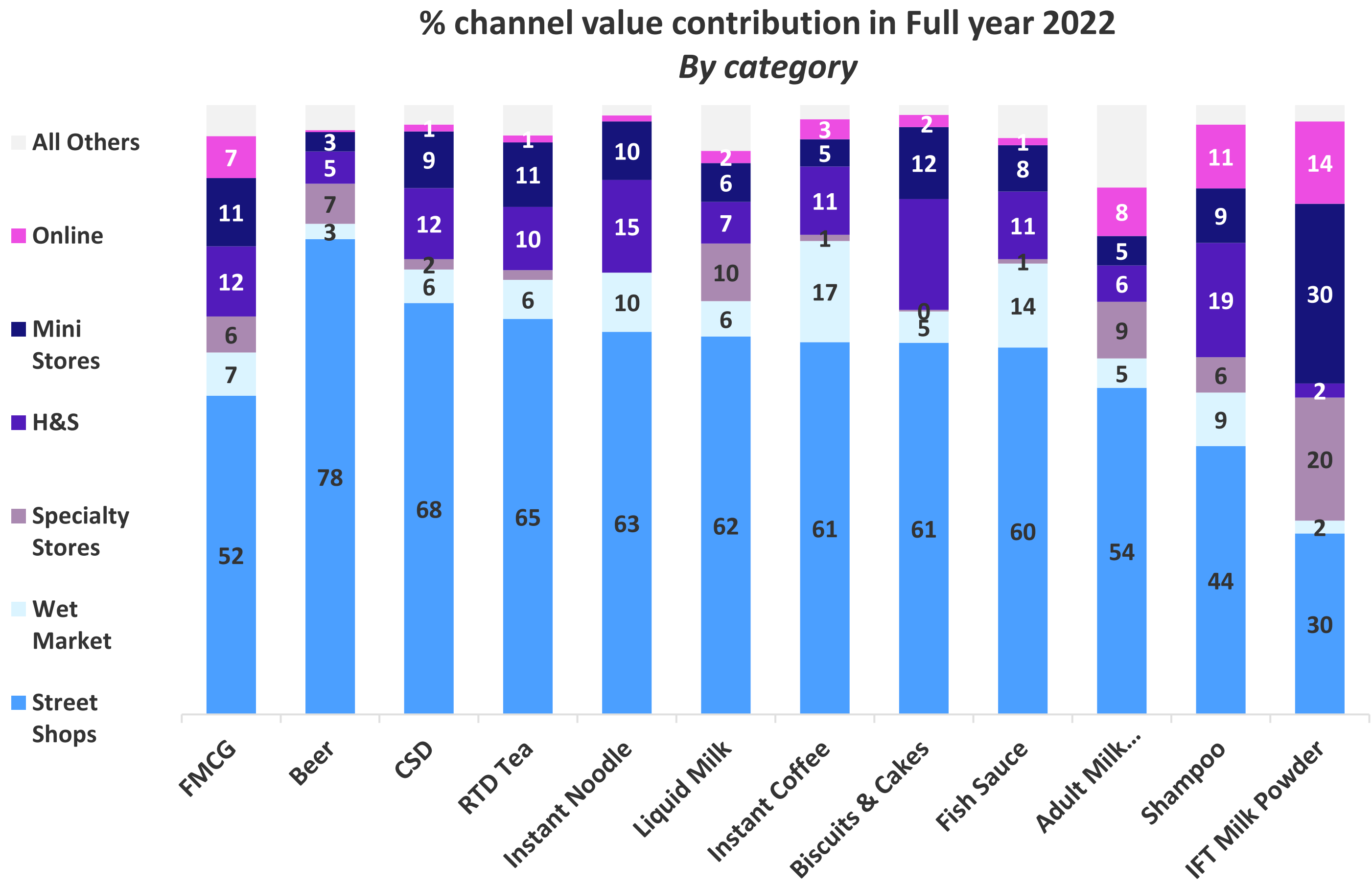
*new products: in recent 3 years

Omnichannel: Convenience & Diversity on the rise

Buyers have a wider range of options for shopping destinations, nearly 1/3 of households shop in at least 7 channels per year, indicating an opportunity for emerging channels to grow and the importance for manufacturers/ brands to be omnipresent.



	2018	2020	2022
>9 channels	6	9	10
7-8 channels	18	20	22
5-6 channels	31	31	30
3-4 channels	34	29	27
<3 channels	13	12	12



	Street Shops	Wet Market	Specialty Stores	H&S	Mini Stores	Online
FMCG	52	7	6	12	11	7
Beer	78	3	7	5	3	
CSD	68	6	2	12	9	1
RTD Tea	65	6		10	11	1
Instant Noodle	63	10		15	10	
Liquid Milk	62	6	10	7	6	2
Instant Coffee	61	17	1	11	5	3
Biscuits & Cakes	61	5	0		12	2
Fish Sauce	60	14	1	11	8	1
Adult Milk...	54	5	9	6	5	8
Shampoo	44	9	6	19	9	11
IFT Milk Powder	30	2	20	2	30	14

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- 3 key growth drivers of FMCG market in coming years

1. *Demographic shifts*
2. *Exposure to new product experiences*
3. *Convenience and Diversity in channel choices*