

Retail Network in Vietnam Situation and Solutions

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1. Networks

In recent years, the retail market in Vietnam has developed well and been considered as one of markets full of potential. According to AT Kearney Consultancy – one of companies that established the global retail development index – Vietnam ranks eighth among the world's 30 fastest growing markets. A survey by Pricewaterhouse Cooper recognizes Vietnam as one of the world's seven most attractive economies in terms of trading opportunities. These are encouraging signs of the Vietnamese retail market.

At present, there are two retail networks in Vietnam, a traditional and a modern one.

The traditional network includes marketplaces, individual shops and stores. According to the trading authority, there are 8,751 marketplaces and some 150,000 retailer of all sizes. Of these marketplaces, there are 150 wholesale markets of provincial level and four ones of zonal level for farm products.

The modern network comprises supermarkets and shopping centers. According to the Ministry of Trade, there were 160 supermarkets and 32 shopping centers in Vietnam by the end of 2005. This network has just come into being in the early 1990s and op-

erates mostly in such big cities as Hà Nội and HCMC, and some provincial towns and develops at high speed.

In 2005, the retailing rose by 8.3% accounting for 13.7% of the GDP. The average added value is two times higher than the planned target. It employed 11.5% of the working population creating new jobs for some 170,000 laborers and contributing a lot to development of other sectors.

Structure of this business, however, is still obsolete, which leads to modest retail sales of the modern network (supermarket with the highest sales is only some US\$12.5 million a year) while in developed countries, such as the U.S., some 80% of the retail sales are made by

supermarkets and shopping centers.

According to the Ministry of Trade, the total retail sales of goods and services in 2005

reached VND475,381 billion increasing by 20.5%. Of this total, the retail sales of goods amounted to 370,221 billion increasing by 19%. The traditional network supplied some 90% of goods sold to customers (40% by marketplaces; 44% by individual shops and stores and 6% by companies' outlets while the modern network accounted for only 10%.

The retail networks are generally of small scale; major wholesalers and retailers are still lacking; the better part of these networks concentrates in big cities; specialization and mod-

ernization are slow to take place; and most managers are not well trained. In addition, infrastructure and facilities needed for expanding the networks are poor; the supply of information about market prices isn't well developed; and ability to control market prices of relevant authorities is limited.

In big cities, the modern network is developing well with presence of many chain supermarkets (CoopMart, Maximart, Citimart, etc.) and foreign distributors such as Cora (or BigC now), Metro and Parkson. Their appearance has changed buying habits of city dwellers. Superiority of their ways of doing business, wide array of goods, better pricing and ser-

Figure 1: Retail sales by distribution networks

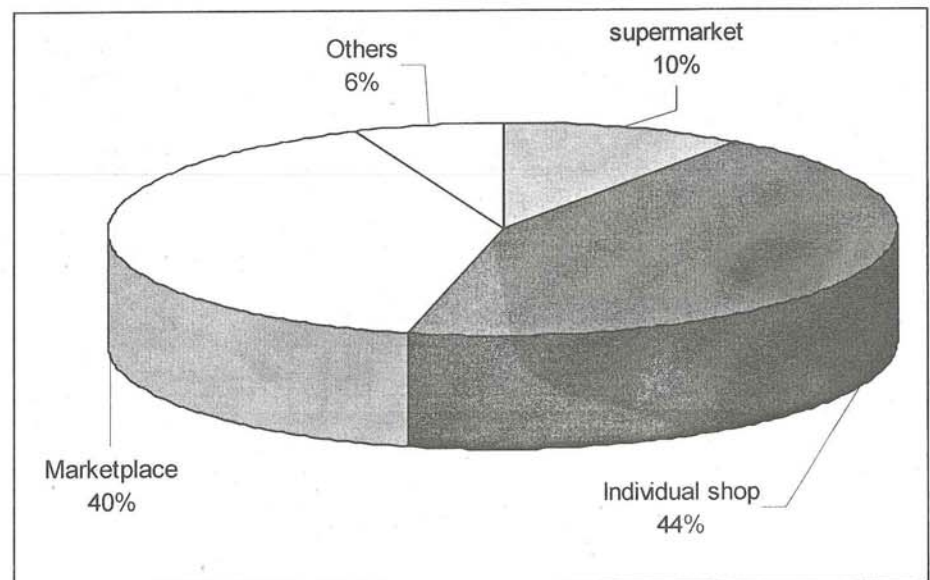


Table 1: Retail sales in 2001- 2005 (VND billion)

	2001	2002	2003	2004	2005
Sales of goods and services	245,315	280,884	333,809	376,894	475,381
Sales of goods	200,011	221,569	262,832	305,377	363,398

vices, etc. have made it a favorable option for customers. This trend shows that in the near future the traditional network will be contracted remarkably.

In the coming years when Vietnam becomes a WTO member, foreign distributors will put more money in the Vietnamese market. This situation force local trading companies to work out a new model appropriate to current conditions in both cities and rural areas in order to maintain their market shares.

2. Measures to perfect retailing in Vietnam

a. Prediction of growth of the retail market:

has improved remarkably in recent years.

b. Measures to perfect the retailing

(1) Local companies had better form chain supermarkets according to foreign model in order to compete against foreign rivals. They could cooperate with one another to achieve this aim.

(2) Three major distribution centers under chain supermarkets could be built in three regions of Vietnam in order to supply goods to local shops and stores directly instead of depending on middlepersons.

(3) Building or re-vamping traditional marketplaces and giving free training courses

in food hygiene and selling techniques, etc. are good measures to beef up the traditional distribution network although it will certainly contracted in the future.

(4) A fund for infrastructure development is necessary. This fund could be established by the government and trading companies and run privately according to a Chinese model. The fund will help link producers with both small and big traders and save producers from developing their own distribution networks.

3. Petitions to the government

- Standards for supermarkets and shop-

ping centers must be set forth in order to protect trade marks of companies and interests of buyers.

- An ordinance on the retailing is necessary to make this business more professional.

- Including the building of the modern distribution network in urbanization plans in order to facilitate its development.

- After joining the WTO, the government couldn't prevent more foreign distributors from entering the domestic market but it could allow them to establish their outlets in suburbs only in order to assist local trading companies. ■

Table 2: Per capita GDP in 2001- 2005

	2001	2002	2003	2004	2005
GDP (VND bil.)	481,295	535,762	613,443	713,071	772,968
Population (1,000 persons)	78,681	79,726	80,897	82,018	83,120
Per capita GDP (VND 1,000)	6,177	6,720	7,583	8,694	9,299

The retail market will keep increasing because of the following factors:

- Population growth: Although the birth rate has been reduced in recent years, the population kept increasing, from 80.902 million in 2000 to 82.032 million in 2004 and some 83 million in 2005.

- Total retail sales: The retail sales rose considerably in recent years as shown in the following table.

- Personal income: This is also a factor affecting the retail sales. The personal income

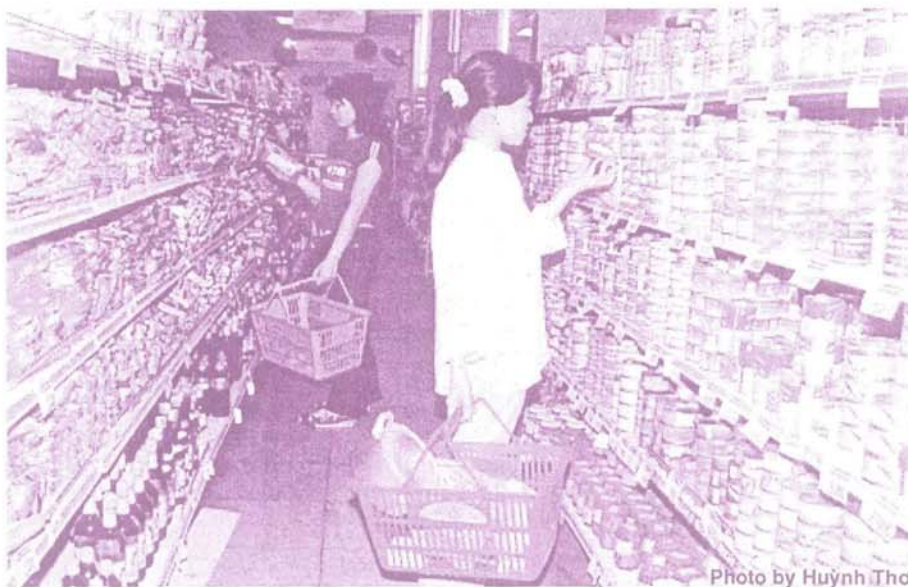


Photo by Huỳnh Thọ