BOOM OR DOOM IN VIETNAM IN 2009?

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March 2009

Boom or Doom in Vietnam in 2009?

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Agenda

- **Setting the scene and Vietnam outlook**
- **Consumer behavior over Tet 2009**
- **Vietnamese consumer concerns and thoughts on the economy. How are consumers reacting?**
- **How could Vietnamese consumer behavior change in the 6 months**
- **Key findings & implications**
- **Driving growth in 2009**

Research design

- Nielsen Omnibus
  - Urban (HCM & HN): Monthly
  - Urban & Rural: Quarterly

  - Sample Size: 300
    - HCM 150, HN 150

  - Fieldwork: 15 – 24 Jan, 2009

  - Methodology
    - Face to face recruitment & interview
    - Pen and paper administration

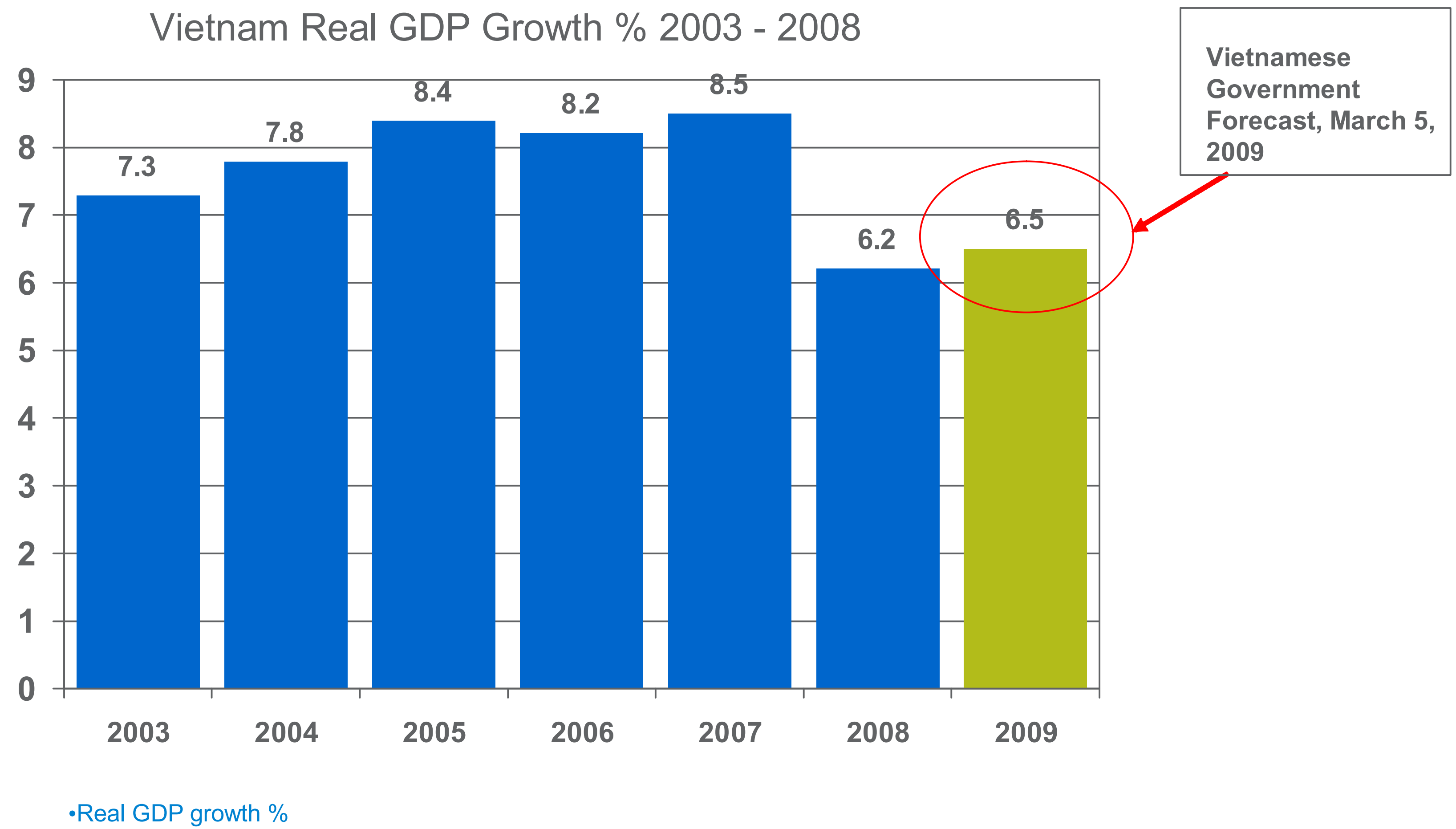
  - Criteria
    - Male and female (50/50%)
    - Aged 18 to 50
    - All SEC/income levels

- Nielsen Retail Audit up to December 2008

Setting the scene

- **Vietnam** has one of the fastest-expanding economies in the world (second only to China) with growth averaging 7.5 % a year since 2000.
  - **November 2008**
    - **9th most confident consumers globally (declined from 7th ranked in 1st half 2008)**
  - **Total FMCG (6 cities)**
    - **+ 20% value growth in Dec 08 vs year ago** ***(+35% June to Oct 2008)***
    - **+ 4% volume growth in Dec 08 vs year ago**
  - **2008 AT Kearney report**
    - **Vietnam most attractive retail market** ***(ahead of India, Russia, China & Egypt)***

Vietnam's GDP growth has been strong



Source: 2003- 2008 figures from Asia Development Bank

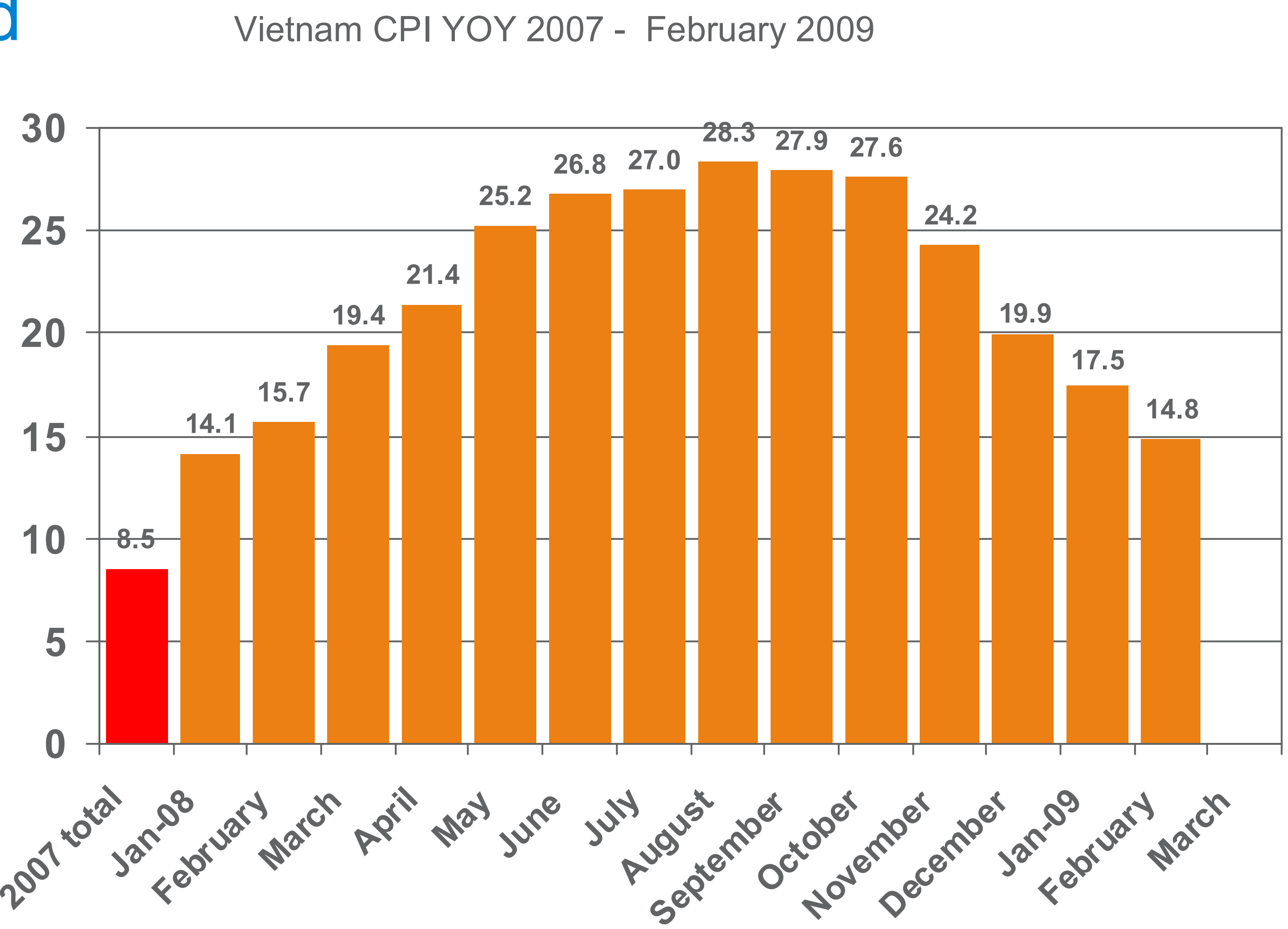
In 2009 Vietnam GDP growth will slow to…

5%

Source: IMF

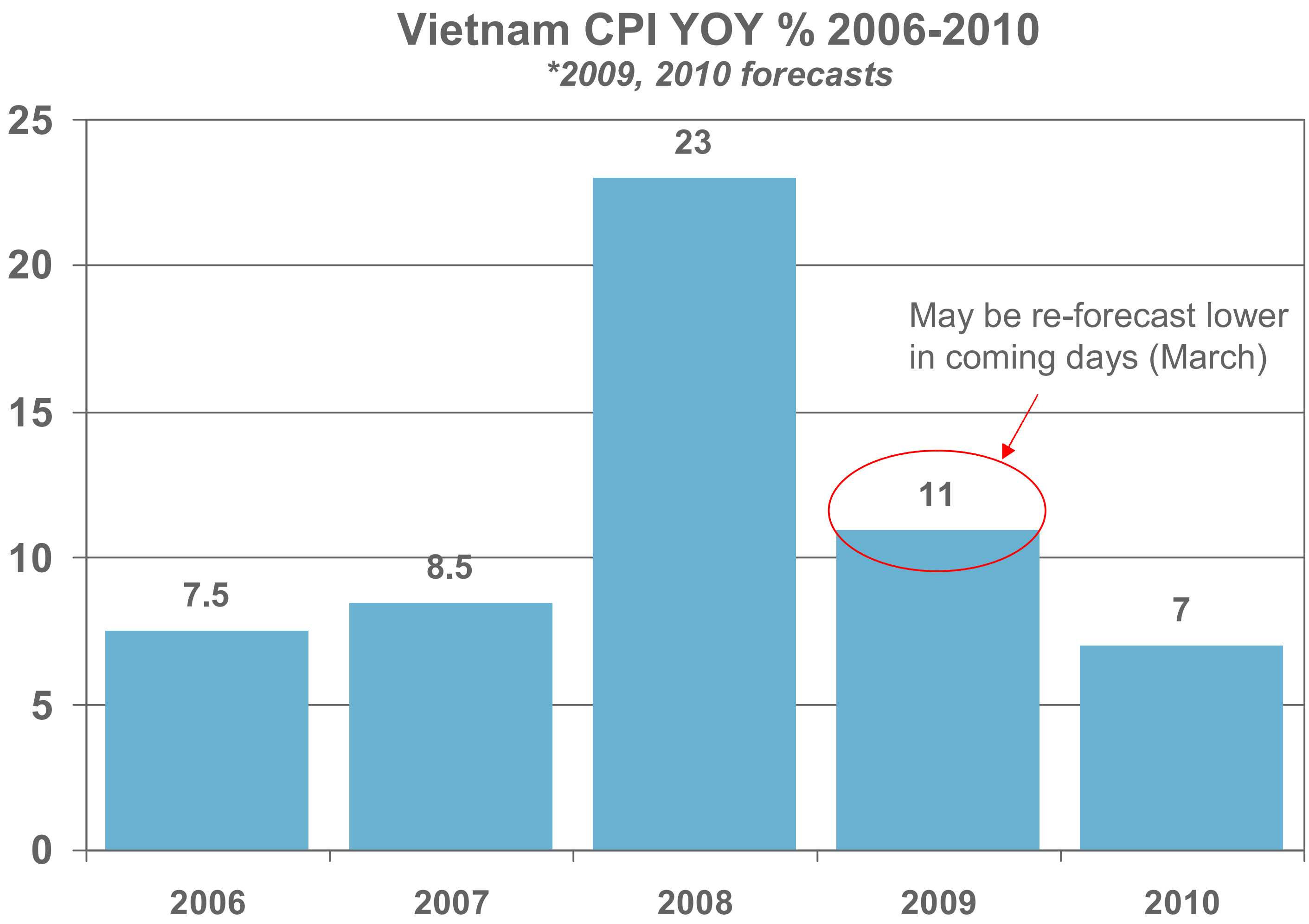
- GDP growth fell in 2008: 6.2% vs. 8.5% in 2007
- IMF predicts Vietnam’s GDP growth in 2009 will slow to 5%, whilst the Vietnamese Government predicts between 6.5-7.5% *(By comparison, IMF predicts world growth to slow to 0.5% in 2009)*
- Vietnamese Government preparing a stimulus package up to $6billion which is equal to 39.5% of 2009 GDP.

Vietnam inflation peaked in August and has since slowed



Source: IMF, ADB and Bloomberg News

Inflation returning to manageable levels in 2009



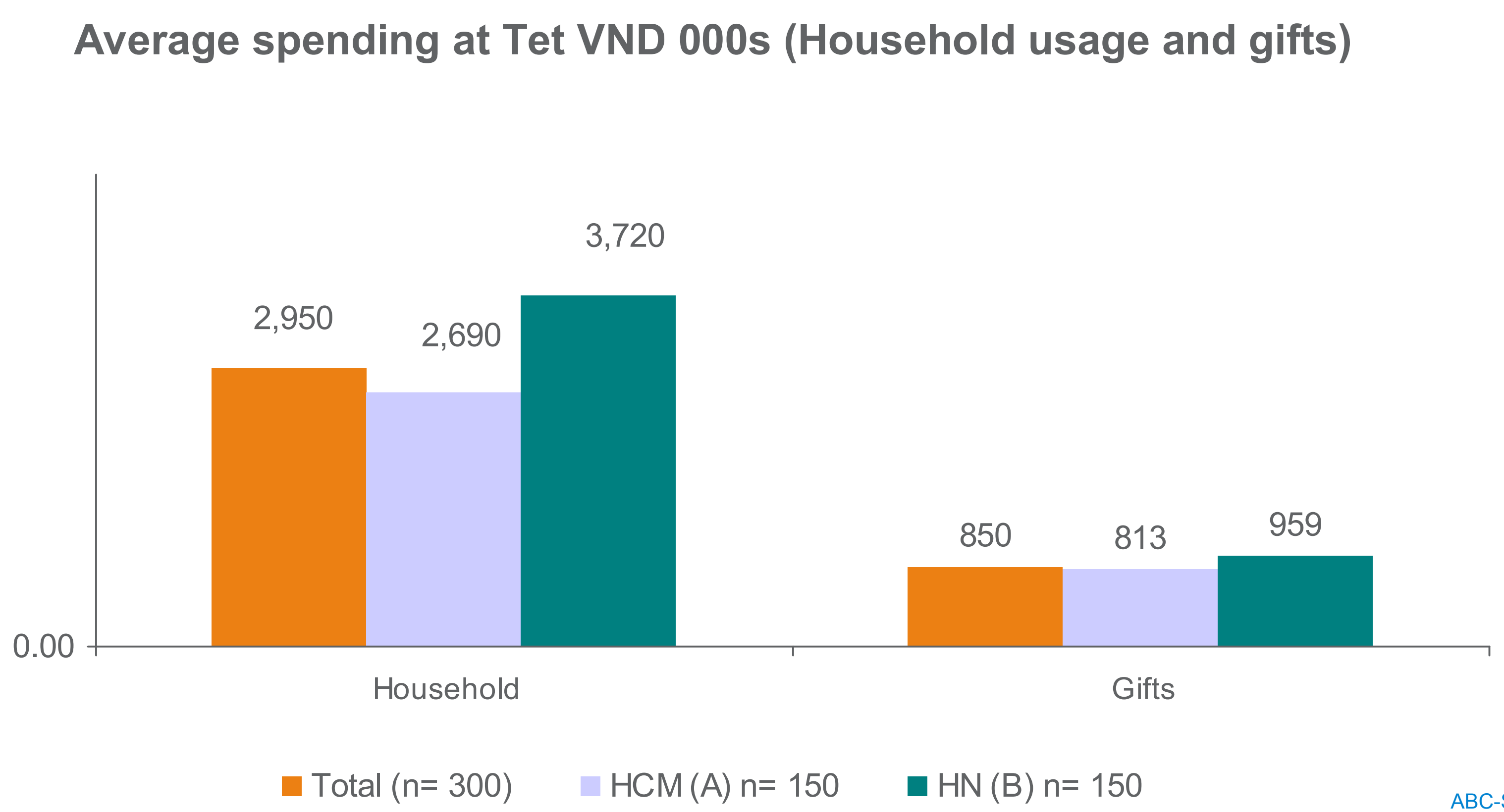
Source: 2006-2007 data from IMF and CIEC: 2008-2010 IMA Asia Brief December 2008

Vietnam Outlook

- Vietnam's attractiveness is high & growth opportunities are abundant
- Vietnam's potential to develop and grow remains
- Half the population is under 30 years old = lower cost of labor + high consumption demand will help fuel growth
- Tourism grew in 2008 - 4.3mil tourists (up 100,000 v. 2007); $3.5bil revenue (up 7% YoY)
- Trade and budget deficits are high but expected to drop in 2009

Consumer behavior over Tet 2009

Average spend over Tet in HCM around VND 3.5 mil…but almost VND 5 million in Hanoi.



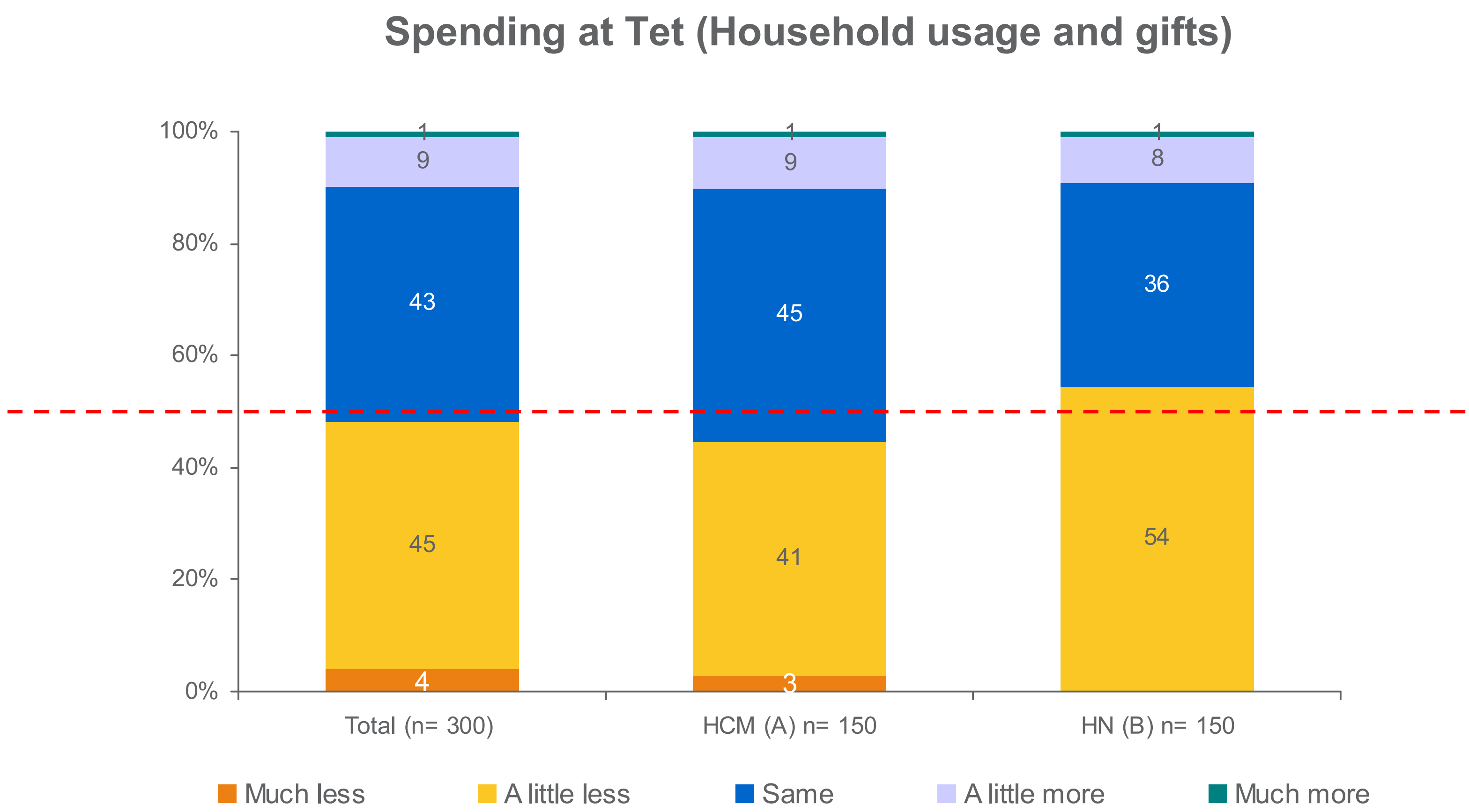
ABC-Sig @95%CL

Q23, Q24: How much do you usually spend on Tet holiday for household usage, for gifts?

Base: All respondents (n= 300)

Nielsen Vietnam Omnibus 2009

Almost 50% spent less this Tet compared to previous years



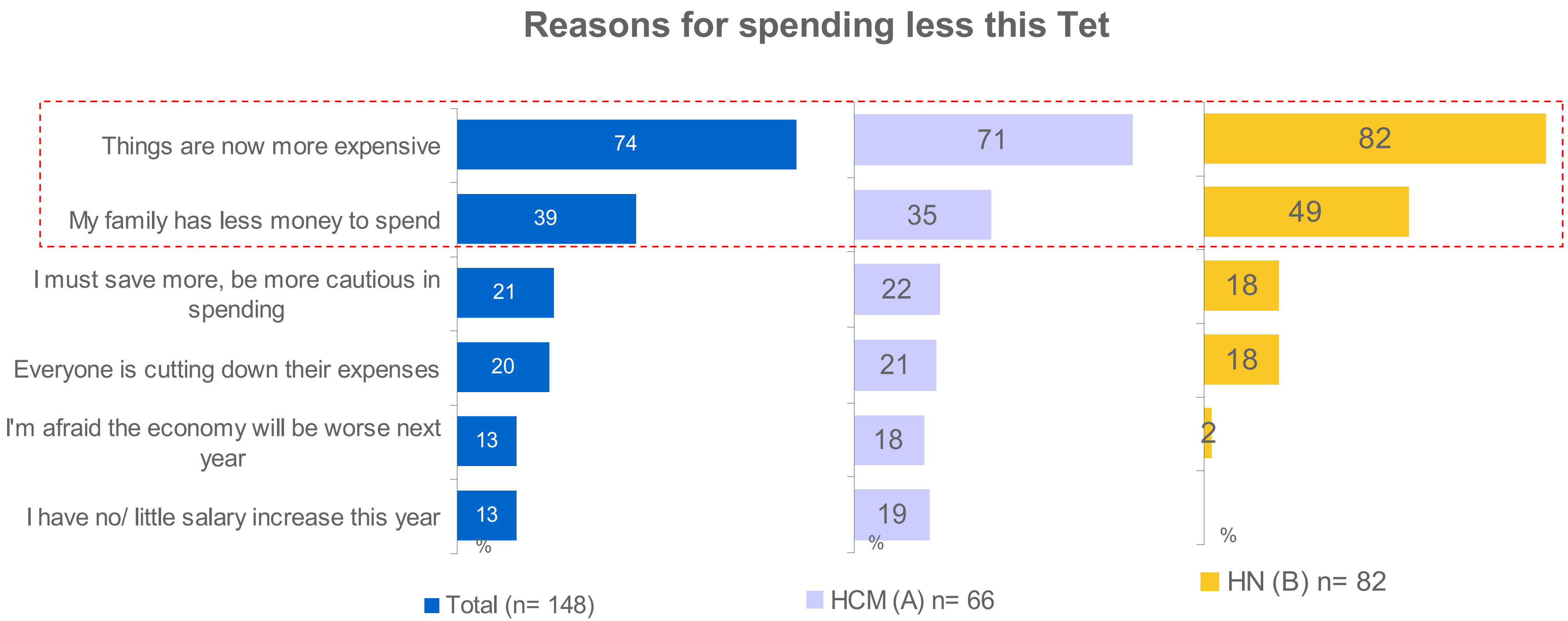
ABC-Sig @95%CL

Base: All respondents (n= 300) Nielsen Vietnam Omnibus 2009

Q17: Compared to previous years, how much money are you spending in the lead up to this Tet holiday?

Why did consumers spend less this Tet?

Consumers claim things are more expensive and they have less money to spend.

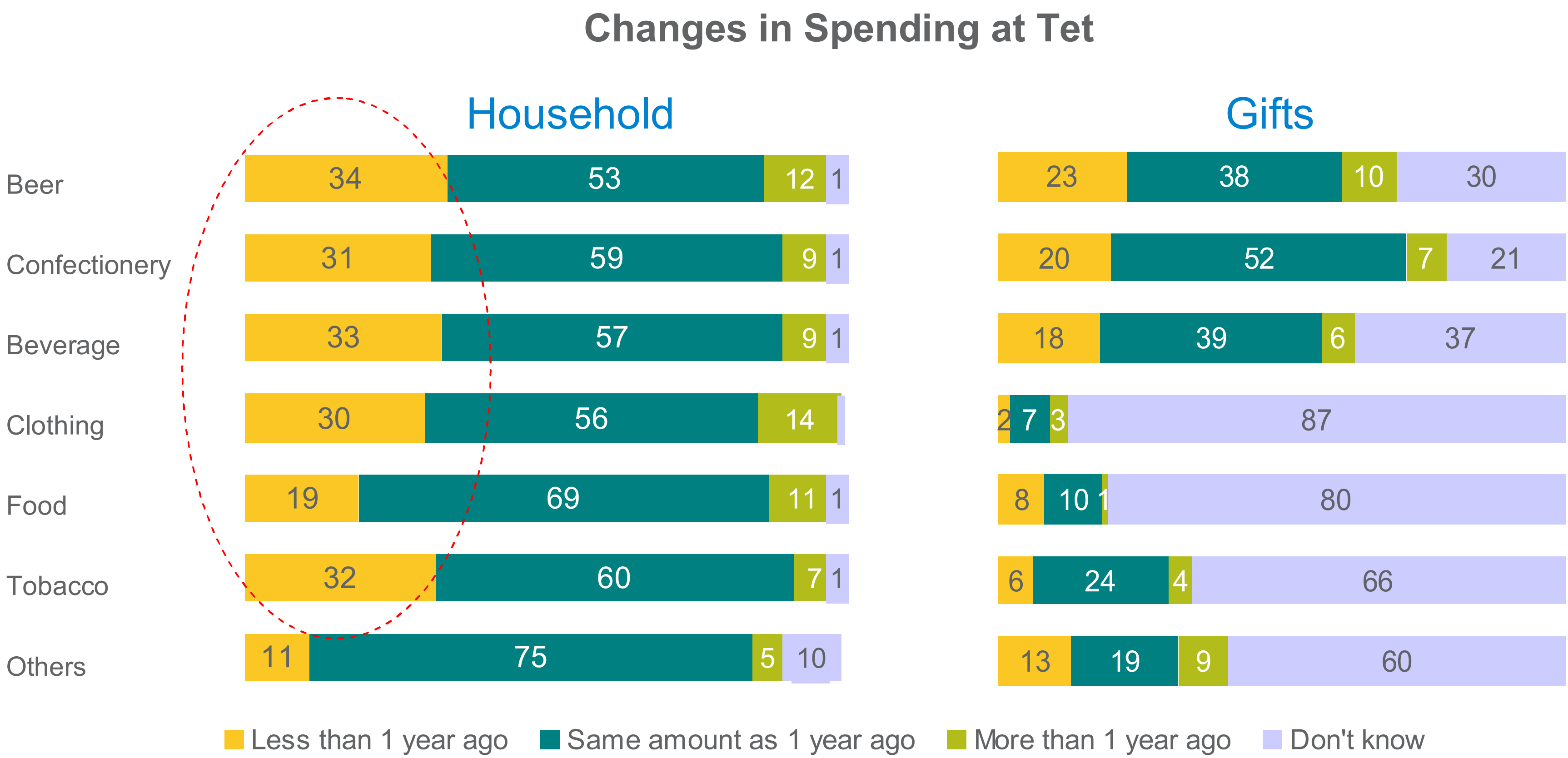


Base: Those spending less (n= 148)

Nielsen Vietnam Omnibus 2009

Q18: What are the main reasons you are spending less in the lead up to this Tet holiday compared to previous years?

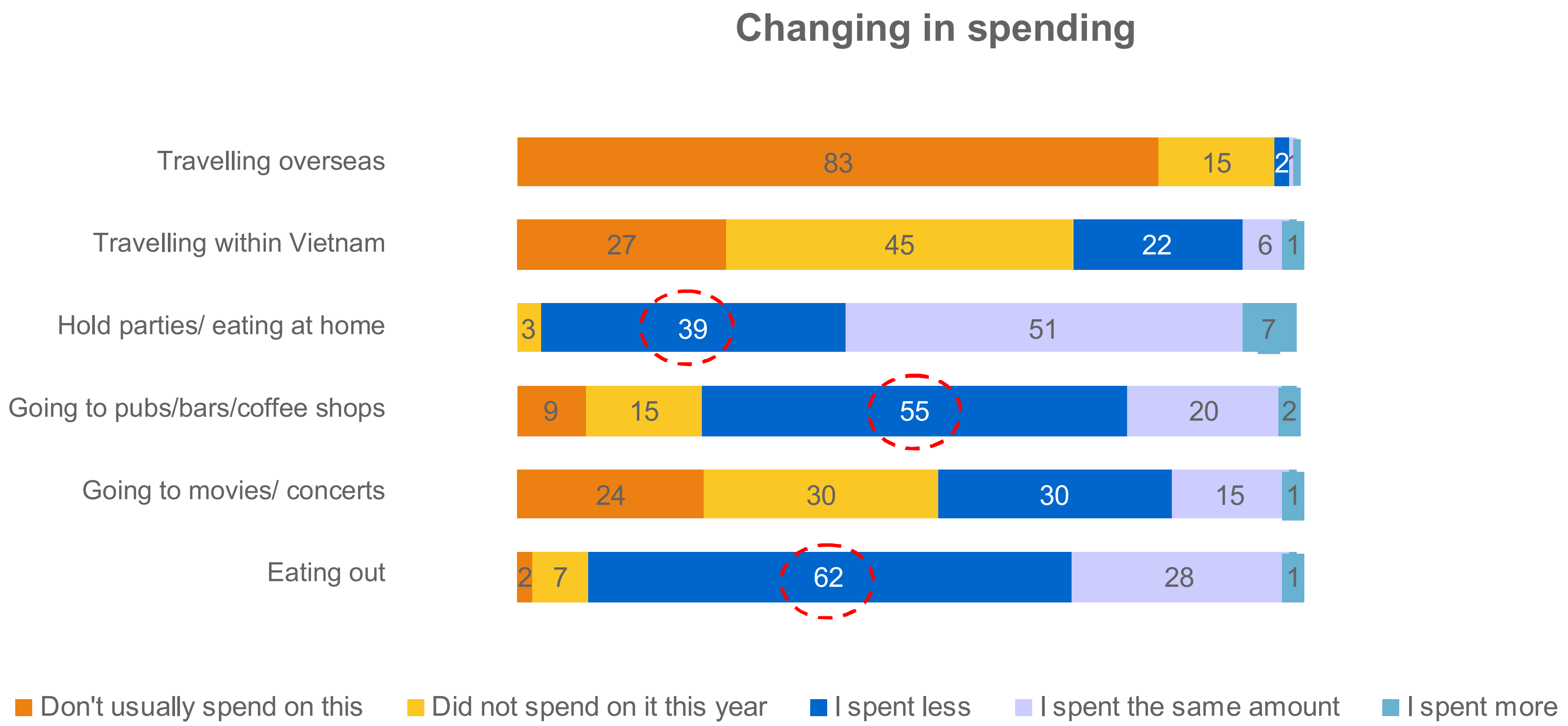
One third of households spent less on key FMCG categories…except Food.



Nielsen Vietnam Omnibus 2009
Base: All respondents (n= 300) HCM= HN= 150

Q21: On this Tet, is the amount you purchase less, the same or more than you did on Tet holiday 1 year ago for household usage? For gifts?

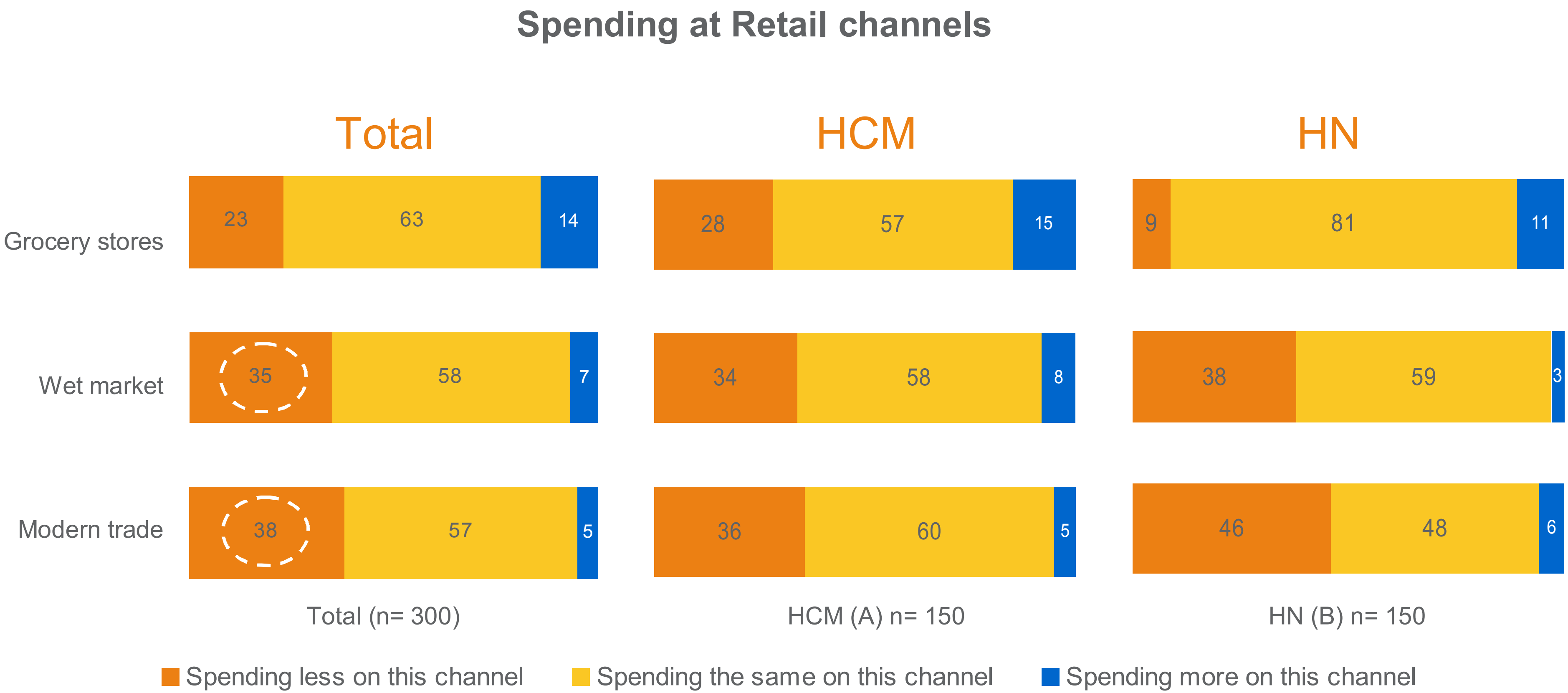
Leading up to Tet 2009 consumers spent less on eating out, going to bars/coffee shops and entertaining at home



Nielsen Vietnam Omnibus 2009
Base: All respondents (n= 300) HCM= HN= 150

Q35: How you have spent on each of the following entertainment activities in the lead up to Tet holiday, compared to previous years?

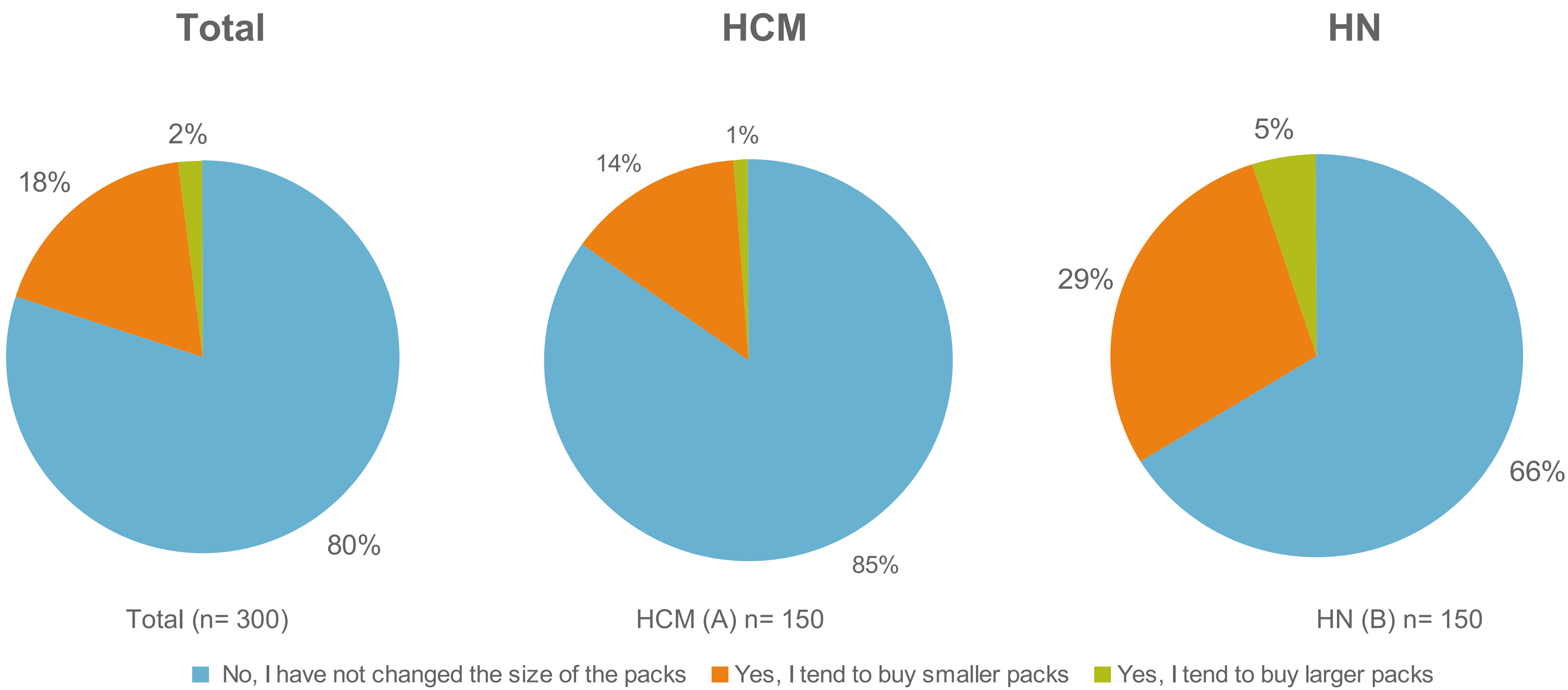
Consumers claimed to spend less on all channels, particularly Modern trade & wet markets over Tet



Nielsen Vietnam Omnibus 2009
Base: All respondents (n- 300) HCM= HN= 150

Q36: How are you spending on each of the following retail channels in the lead up to Tet holiday, compared to previous years?

Overall 80% of consumers said they did not change pack sizes for Tet given tighter economy.



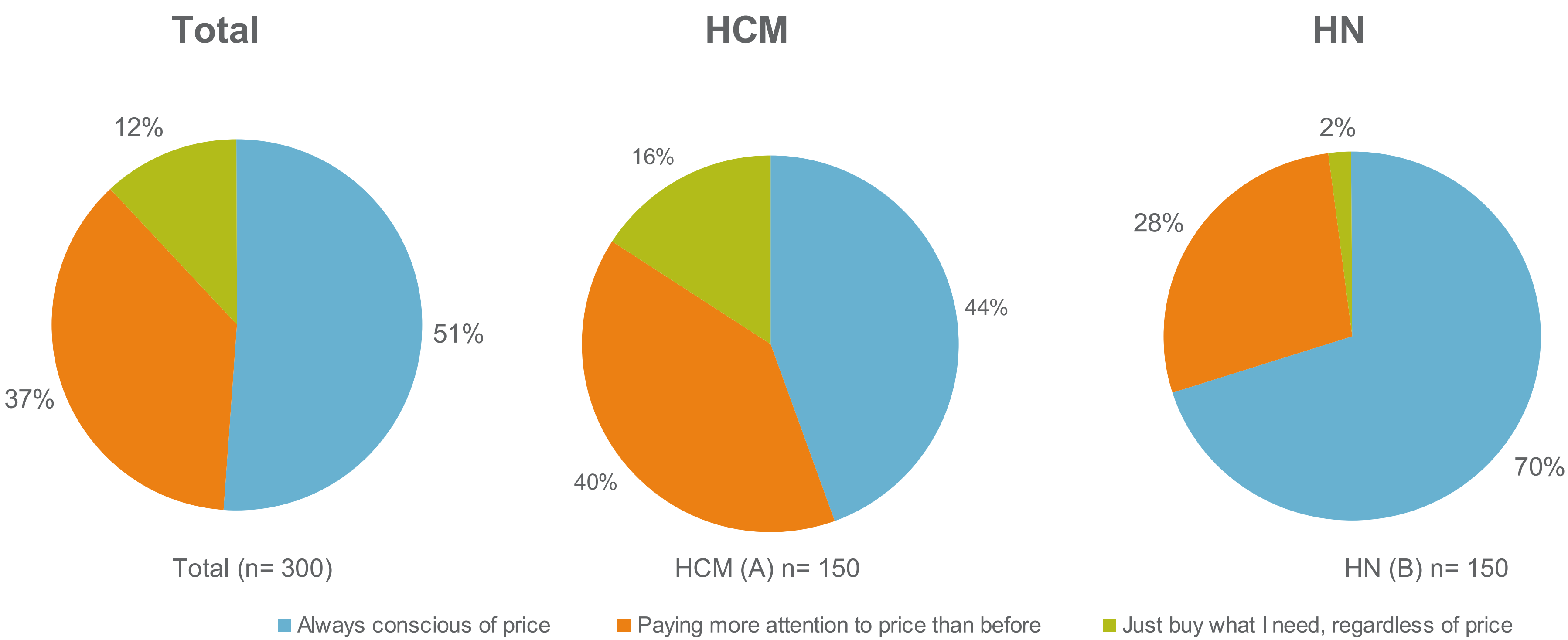
ABC-Sig @95%CL

Nielsen Vietnam Omnibus 2009

Base: All respondents (n= 300) HCM= HN= 150

Q37: Overall have you changed the size of the packs you have been purchasing in the lead up to Tet, compared to previous years?

Consumers are paying more attention to price than before…40% in HCM & 28% in Hanoi



ABC-Sig @95%CL

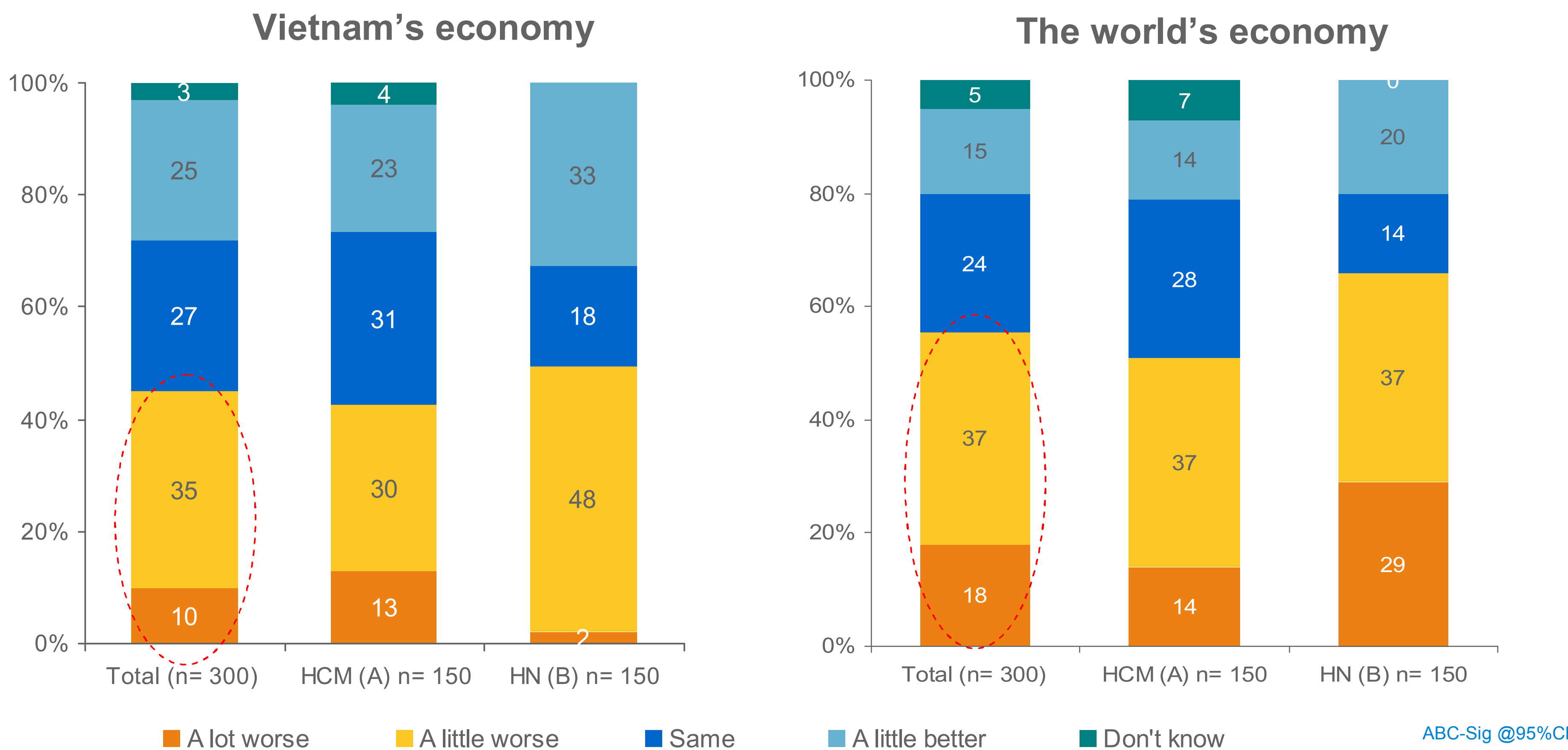
Nielsen Vietnam Omnibus 2009
Base: All respondents (n= 300) HCM= HN= 150

Q39: Overall what would you say about your consciousness towards the price of goods in the lead up to Tet compared to previous years?

Vietnamese consumer concerns and thoughts on the economy

It’s not doom and gloom in Vietnam.

45% say Vietnam’s economy is worse than 6 months ago. Only 55% say world economy is worse.

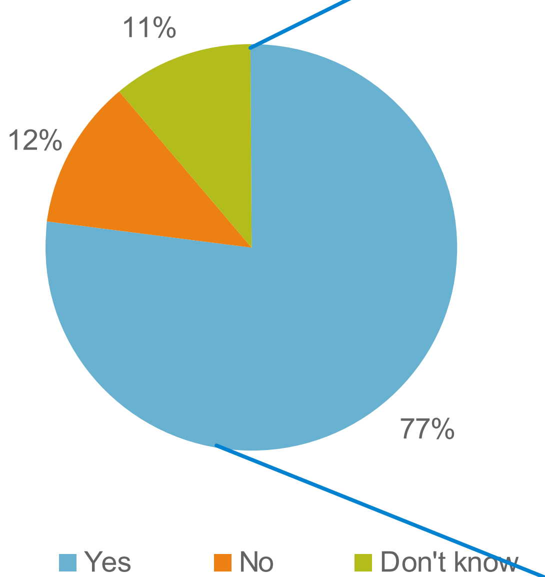


Q30, Q31: How would you rate the Vietnamese economy/ other major economies around the world, compared to 6 months ago?

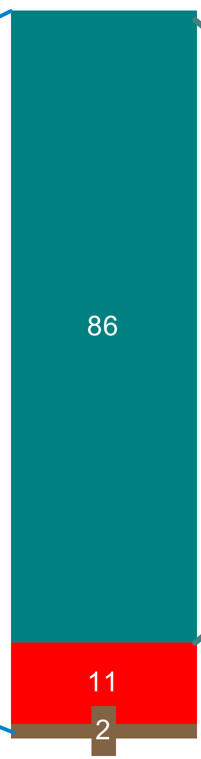
Base: All respondents (n= 300)   Nielsen Vietnam Omnibus 2009

Consumers believe Global Economic Crisis is driving inflation and unemployment in Vietnam

Impact on Vietnam



Nature of impact

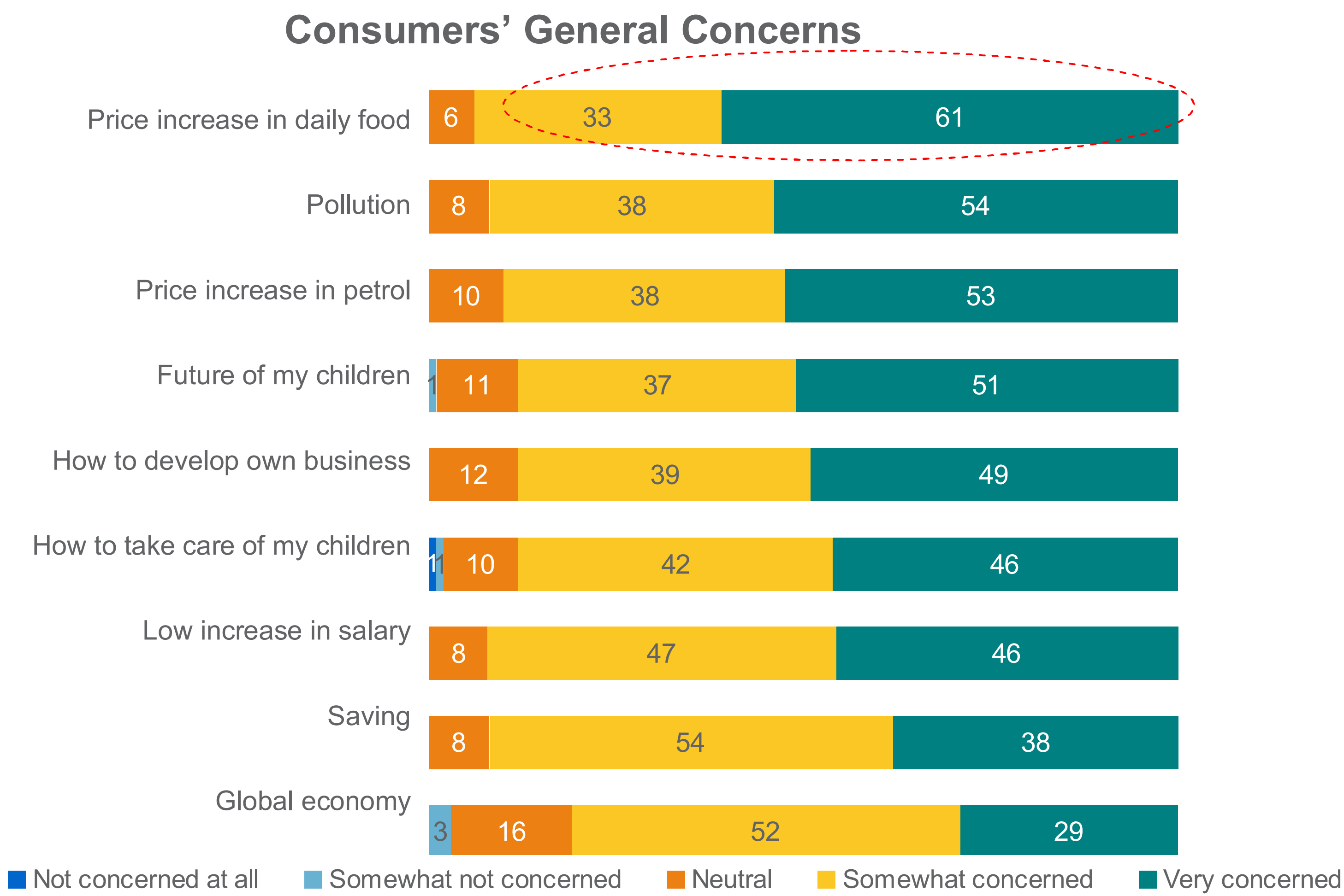


Reasons for Negative evaluation

Most important drivers (overall)	*%*
Inflation	51
Unemployment	46
Causing crisis to Vietnam's economy	18
Causing Vietnam's export to decline	14
Causing currency to devalue	14

Nielsen Vietnam Omnibus 2009

Food price increases is the biggest concern for consumers

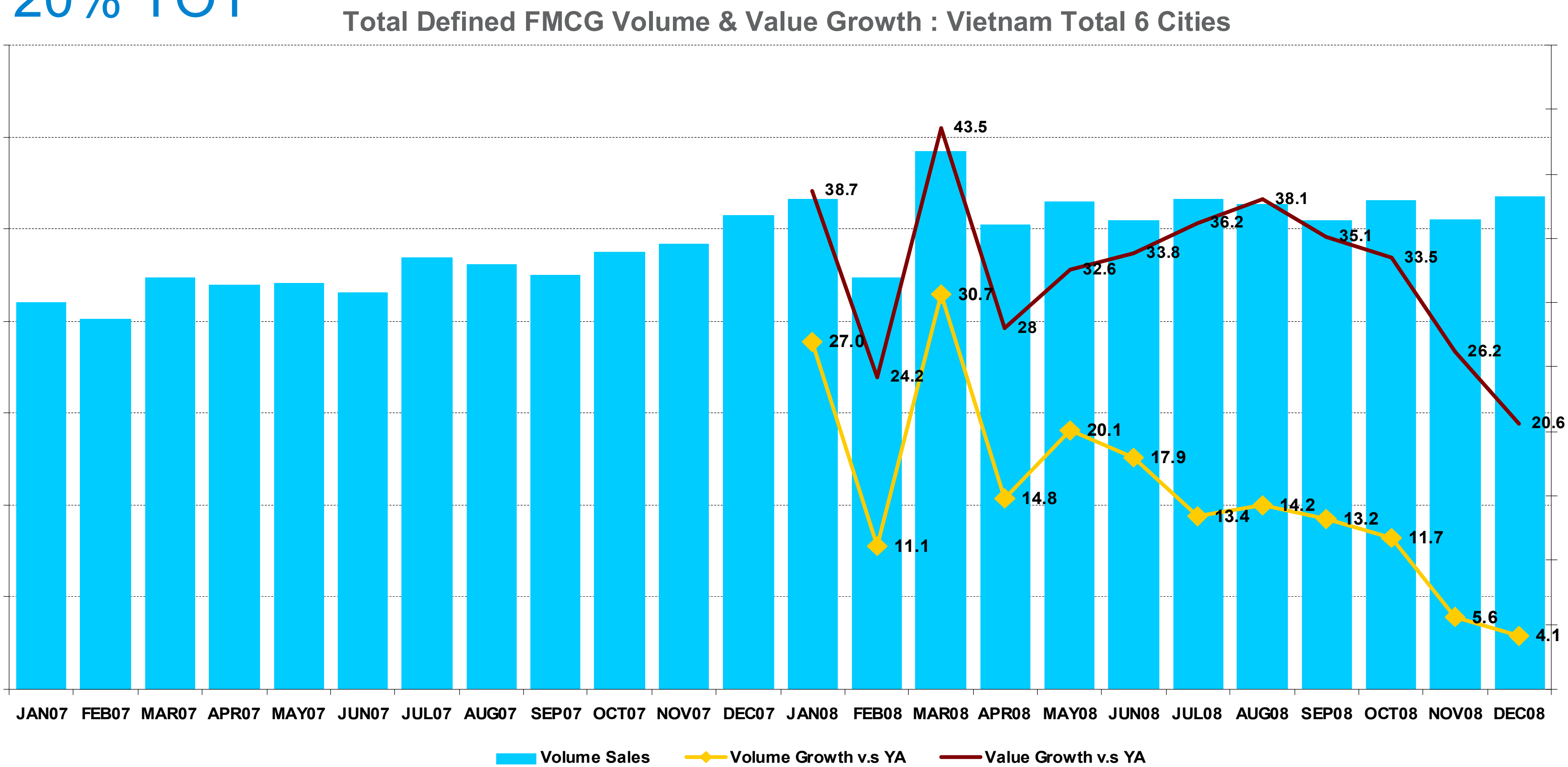


Nielsen Vietnam Omnibus 2009

How are consumers reacting?

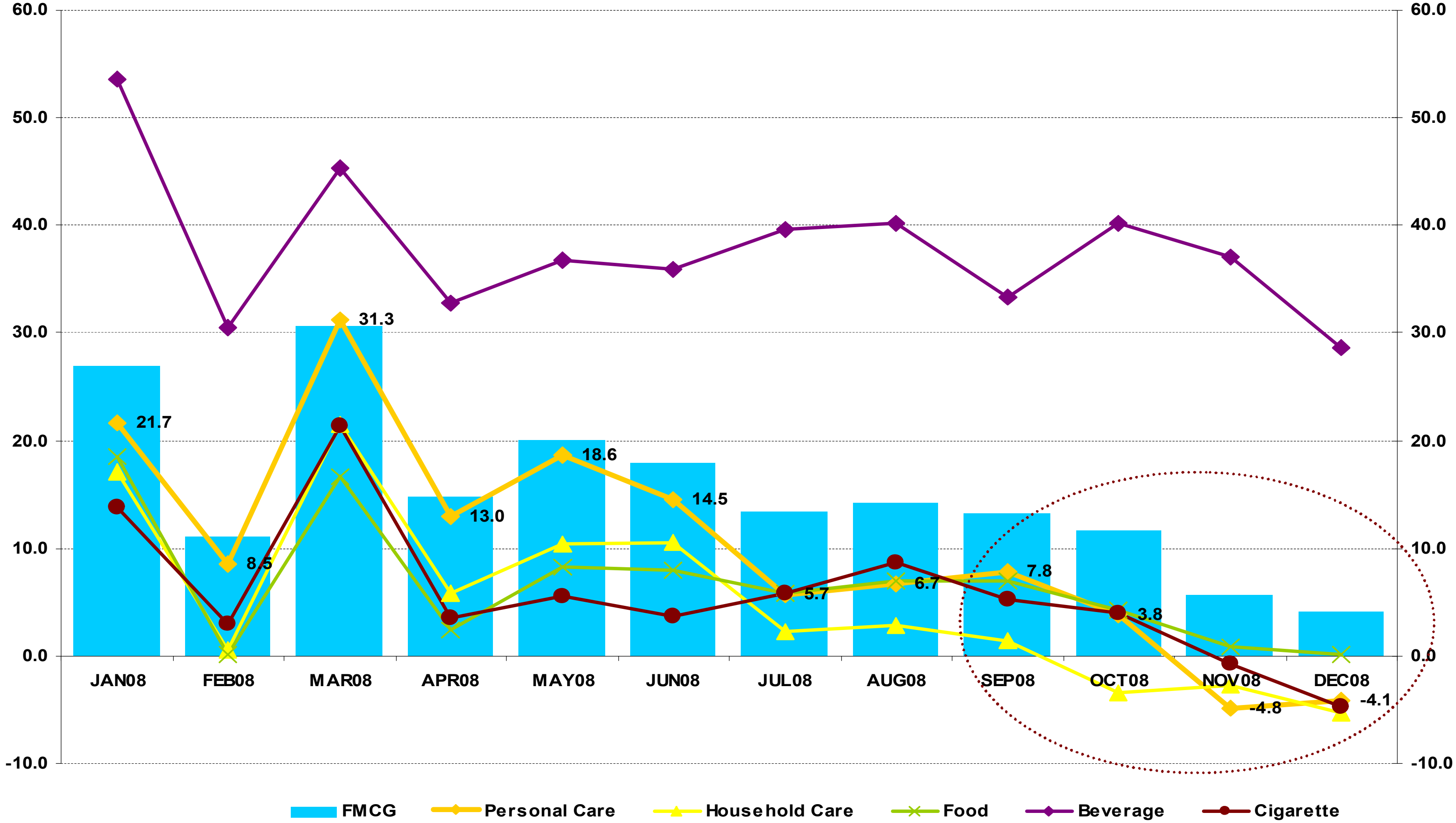
How could Vietnamese consumer behaviour change in the 6 months

Overall FMCG growth rate has slowed since mid 2008, but volume is still up by 4.5% v. 2007 and value growth is above 20% YOY



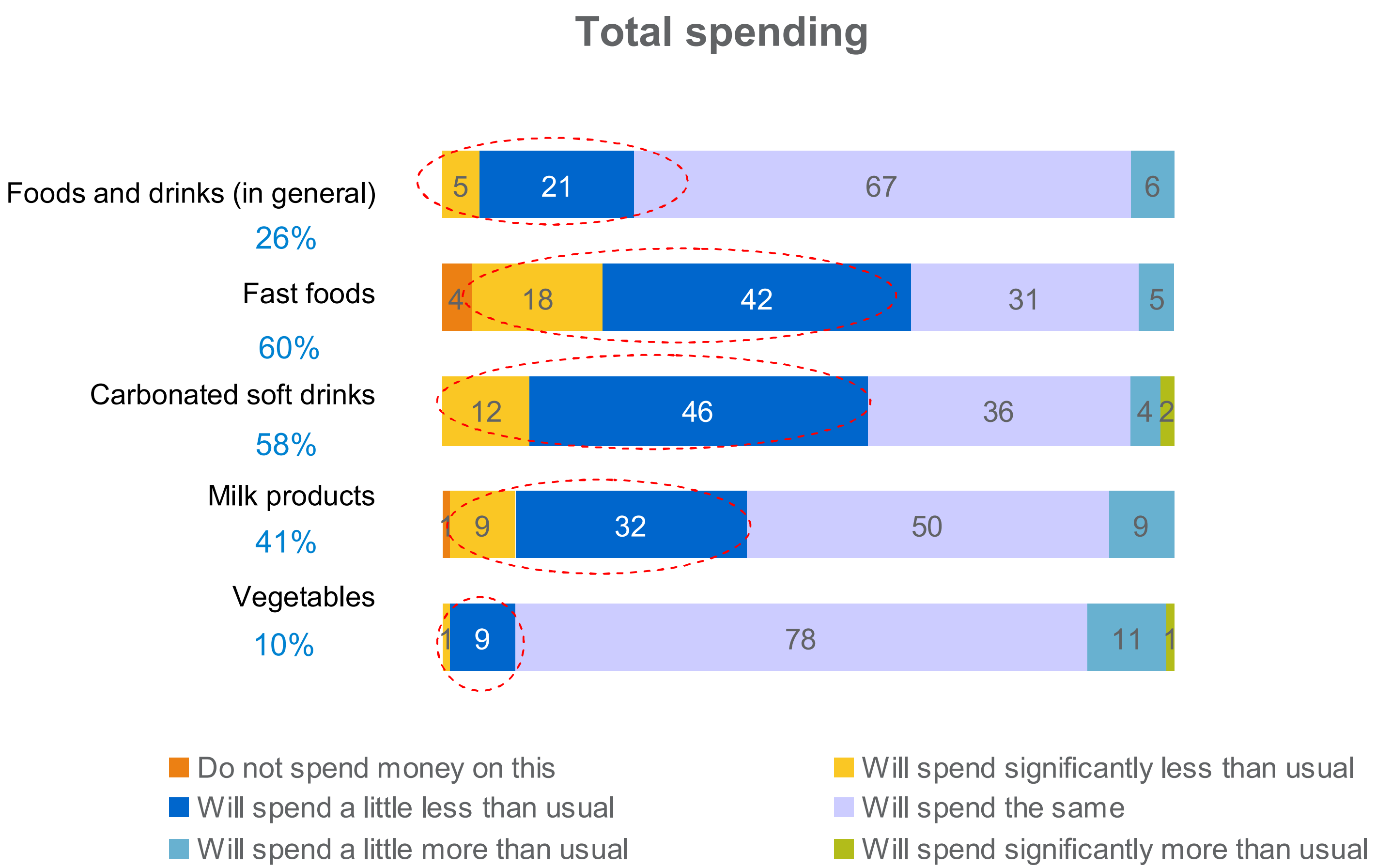
Nielsen Vietnam Retail Audit 2007 - 2008

Beverages growth has remained strong whereas growth for other departments has tapered



Nielsen Vietnam Retail Audit 2008

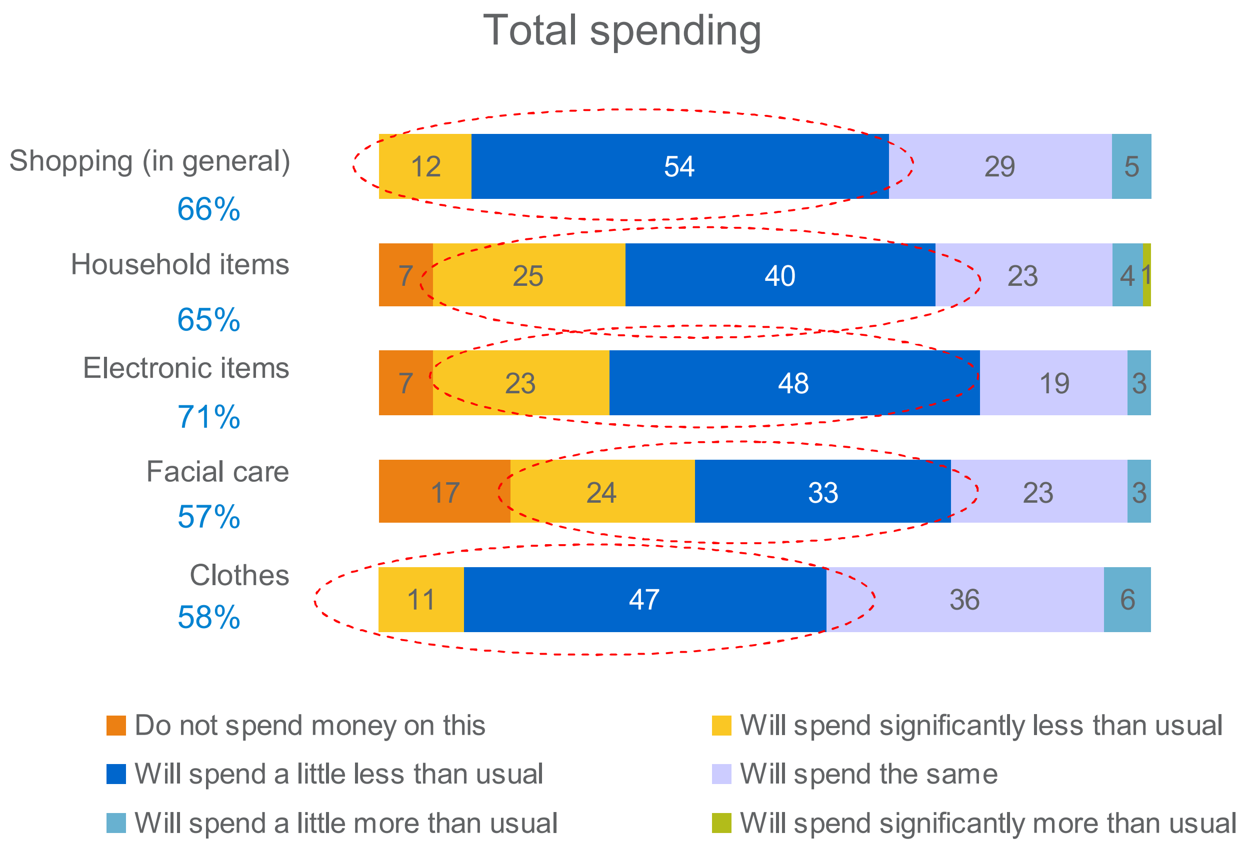
Fast Food and CSDs potentially the hardest hit in the next 6 months amongst Food categories, according to consumers



Base: All respondents (n= 300) Nielsen Vietnam Omnibus 2009

Q43: Please tell us about your spending behavior in the next 6 months, regarding the following categories?

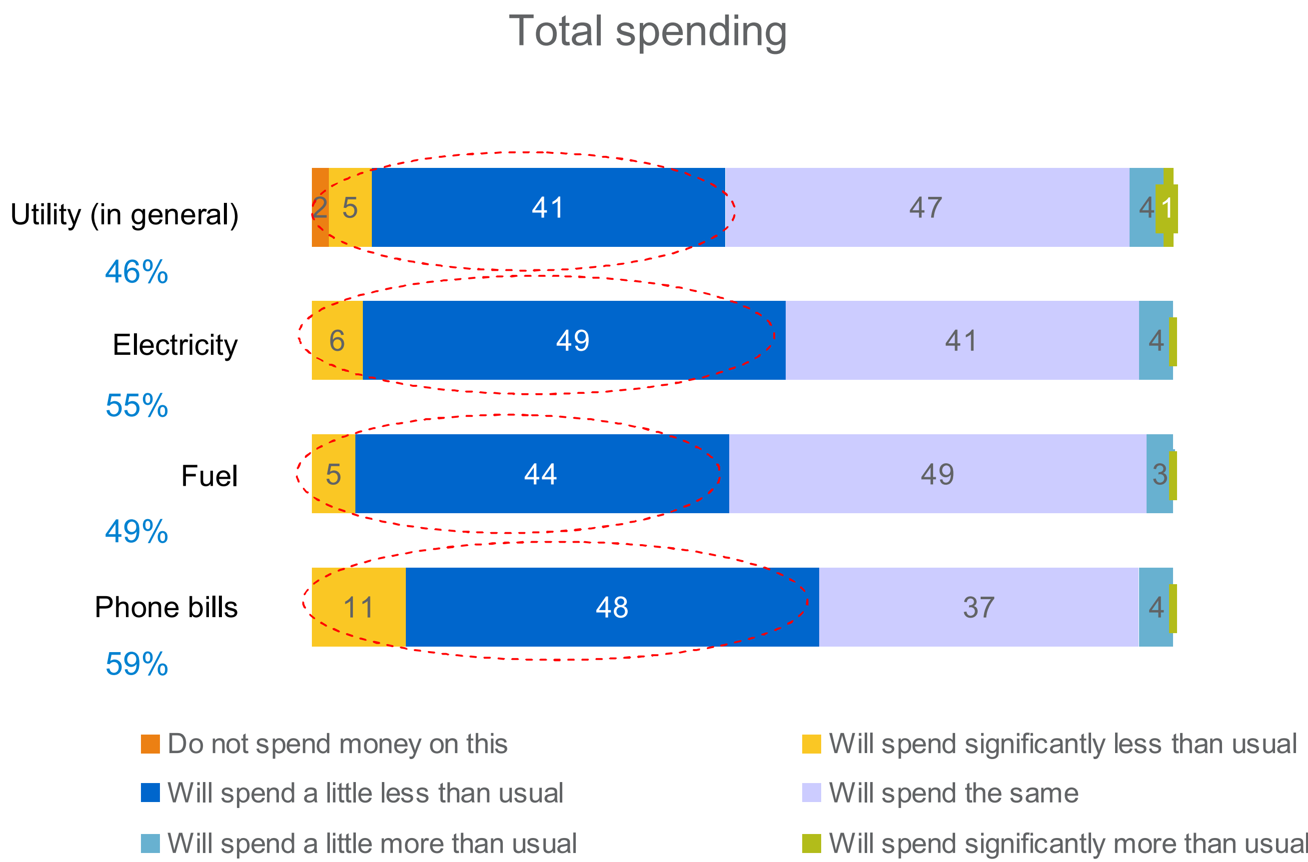
All non-food categories will be impacted in next 6 months according to consumers



Base: All respondents (n= 300) Nielsen Vietnam Omnibus 2009

Q43: Please tell us about your spending behavior in the next 6 months, regarding the following categories?

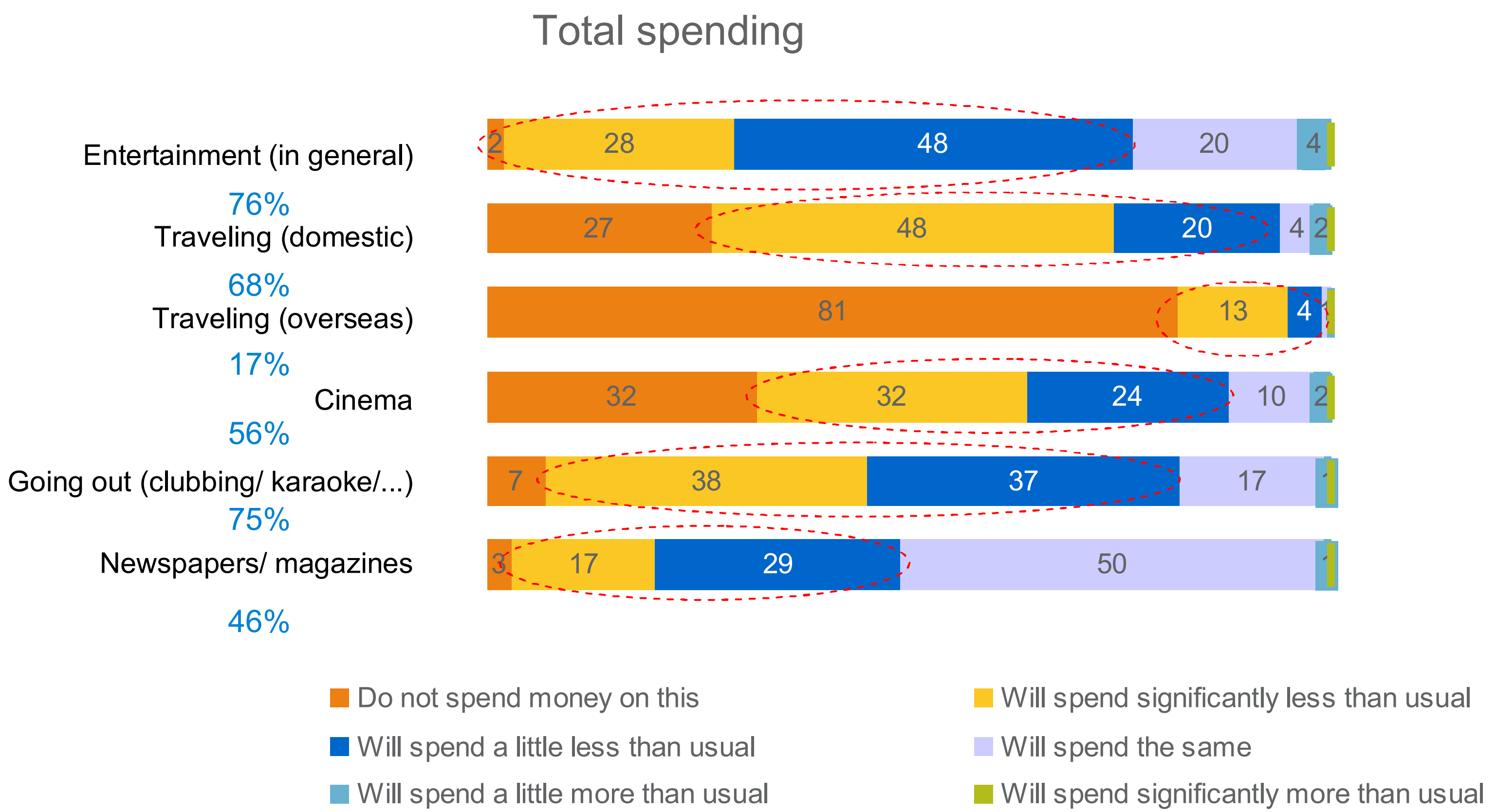
Vietnamese consumers also expecting to spend less on utilities in next 6 months



Base: All respondents (n= 300) Nielsen Vietnam Omnibus 2009

Q43: Please tell us about your spending behavior in the next 6 months, regarding the following categories?

Decrease in spending on entertainment likely in next 6 months



Base: All respondents (n= 300)

Nielsen Vietnam Omnibus 2009

Q43: Please tell us about your spending behavior in the next 6 months, regarding the following categories?

Key findings

- Vietnam's Economic Impact on FMCG
  - Overall Vietnamese consumers are more confident compared to other countries.
  - 37% of consumers said they will NOT spend less this year as most are concerned with price increases.
  - FMCG growth rates have slowed slightly…but are still stronger relative to most other countries
- More than half intend to spend less in next 6 months on Fast Food, CSD and non-food categories
- Majority think global economic crisis is having a negative impact on Vietnam…but not all consumers!
  - Particularly inflation & unemployment
- Biggest concern for consumers is the price increases for daily food
- Consumers intend to spend less on eating out & going to bars / coffee shops
- Overall Vietnamese consumers more price conscious and understandably more cautious…particularly for non essential items… but they are still positive!

Warren Buffet said "***By year end, investors of all stripes were bloodied and confused, much as if they were small birds that had strayed into a badminton game.***"

But… he wasn't talking about Vietnam!

- Whilst Vietnam is not immune to the global economic and financial woes, we don't know how or ***if*** Vietnam will be hurt
- Vietnam has been recognized with Full Market Economy Status by Australia and New Zealand before the 2009 March ASEAN summit
- Many growth opportunities exist in Vietnam TODAY

Driving growth and market share in 2009

- Significant growth opportunities remain in Vietnam for most FMCG categories
- Companies who continue to invest and innovate will secure a strong long term future when the economy improves
- Now is a time to build brands and consumer loyalty. Cutting advertising and promotion spending will dilute your brand equity. In a developing market like Vietnam think long term, not short term
- During tougher economic times it is critical to offer value to consumers – remind them why your brand should be part of their household repertoire
- Many high growth opportunities exist in Vietnam – evaluate your current distribution coverage to identify new channels or geographies to drive growth
- Focus on big wins – rationalise your range to maintain a focused offer to best meet the needs of each key consumer segment
- Continue to invest to secure a strong long term position for your brands.

Thank you