

# BOOM OR DOOM IN VIETNAM IN 2009?

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March 2009



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# Boom or Doom in Vietnam in 2009?

March 2009

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The Nielsen logo is displayed in a serif font. The letter 'n' is blue, while the remaining letters 'iels en' are grey. Below the logo, there are nine grey dots arranged in a horizontal line.

# 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**

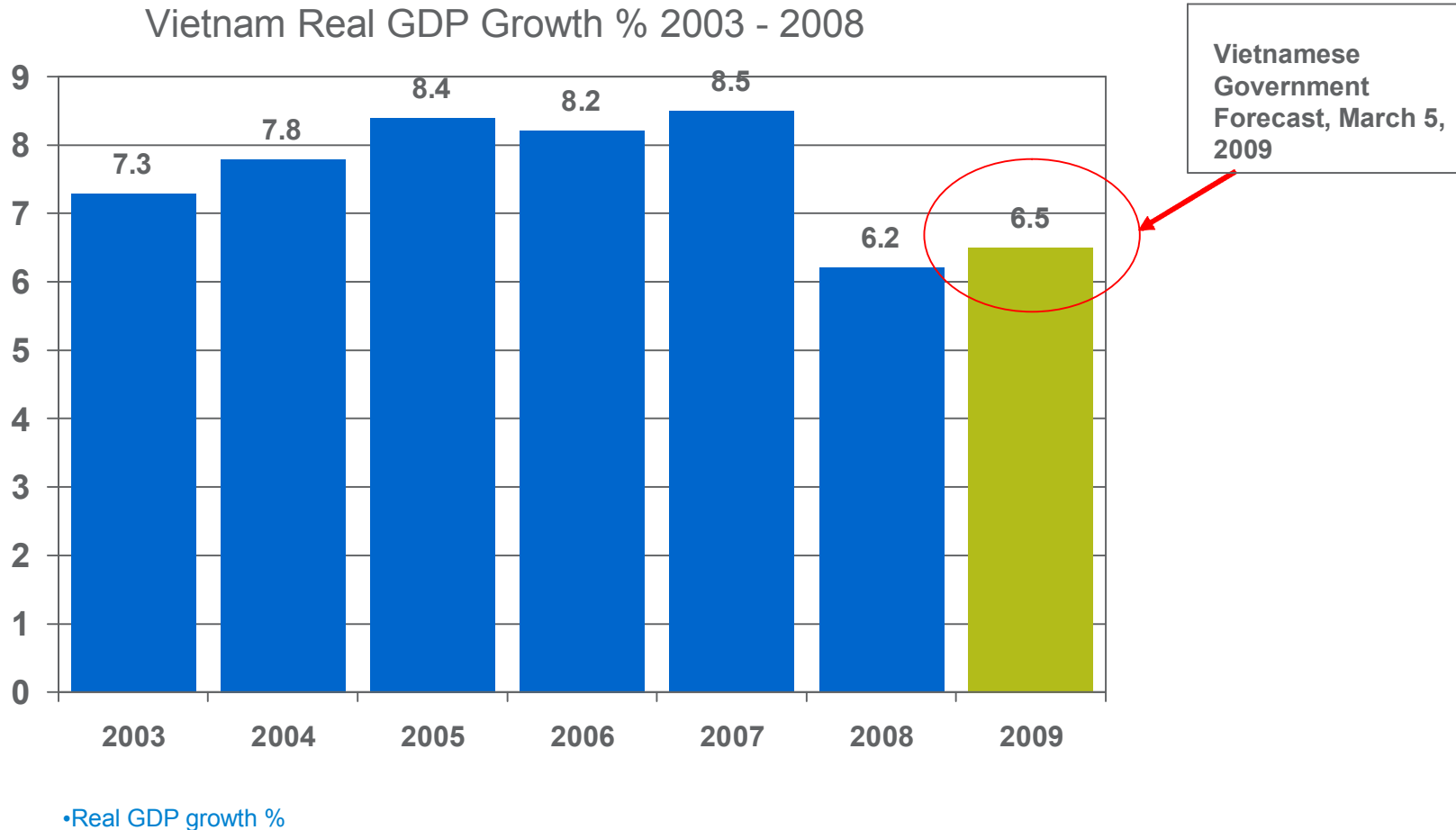
# Research design

- 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**
    - **9<sup>th</sup> most confident consumers globally (declined from 7<sup>th</sup> ranked in 1<sup>st</sup> 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...

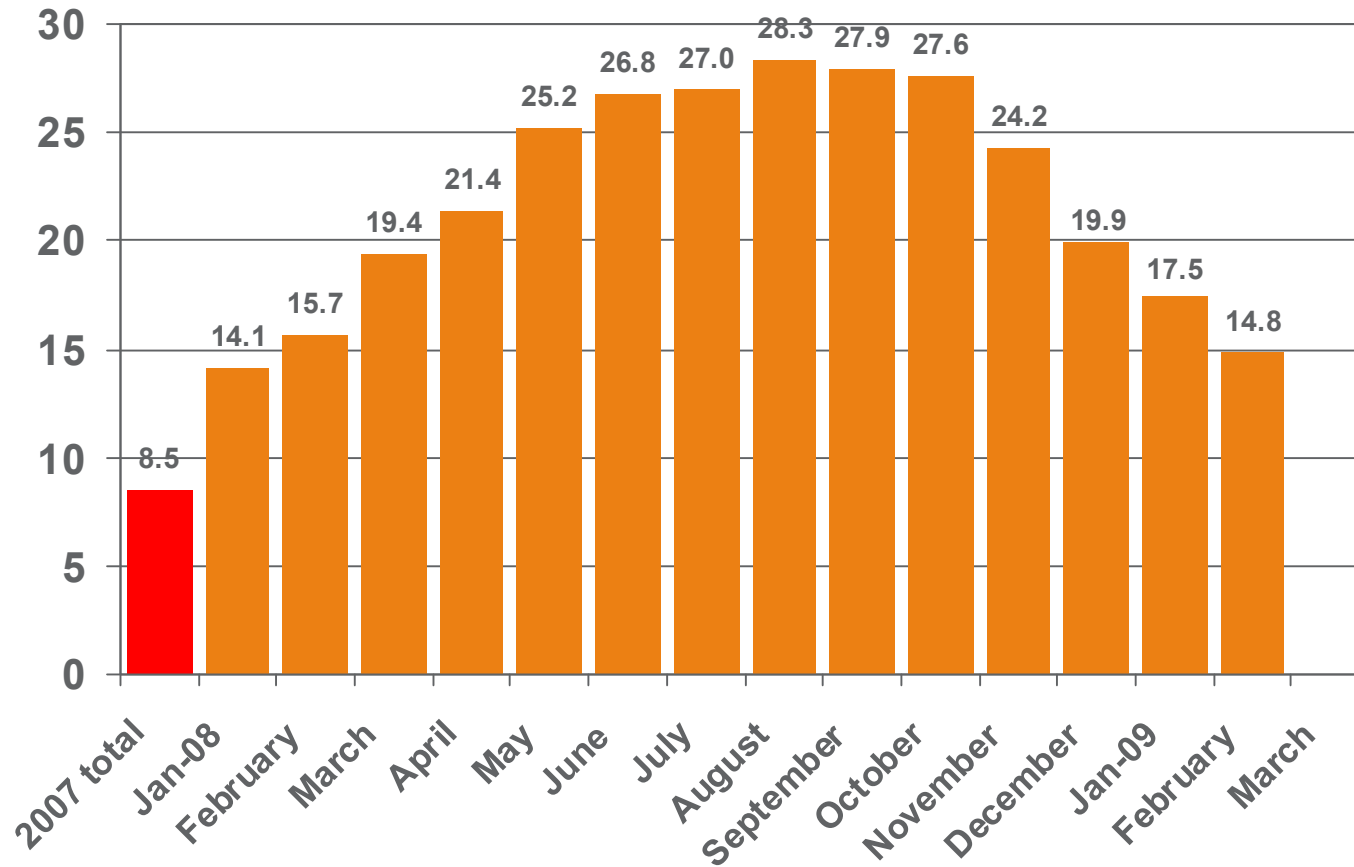
A large graphic showing the number '5' followed by a percentage sign '%'. The numbers are filled with a landscape image of a green field and a blue sky. The '5' is on the left, and the '%' is on the right.

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 around 7% of 2009 GDP.

# Vietnam inflation peaked in August and has since slowed

Vietnam CPI YOY 2007 - February 2009

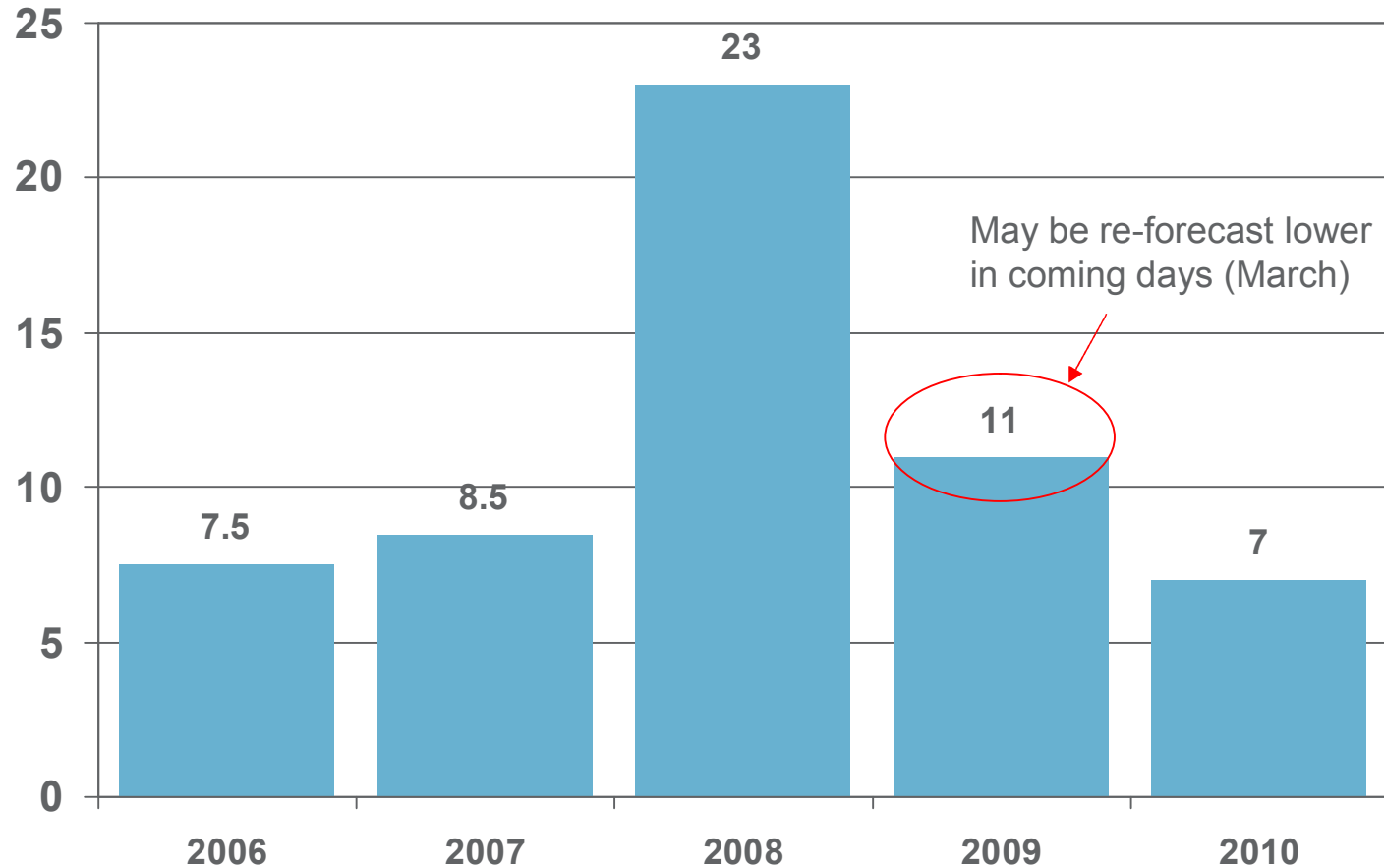


Source: IMF, ADB and Bloomberg News

# Inflation returning to manageable levels in 2009

## Vietnam CPI YOY % 2006-2010

*\*2009, 2010 forecasts*



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

# Vietnam Outlook

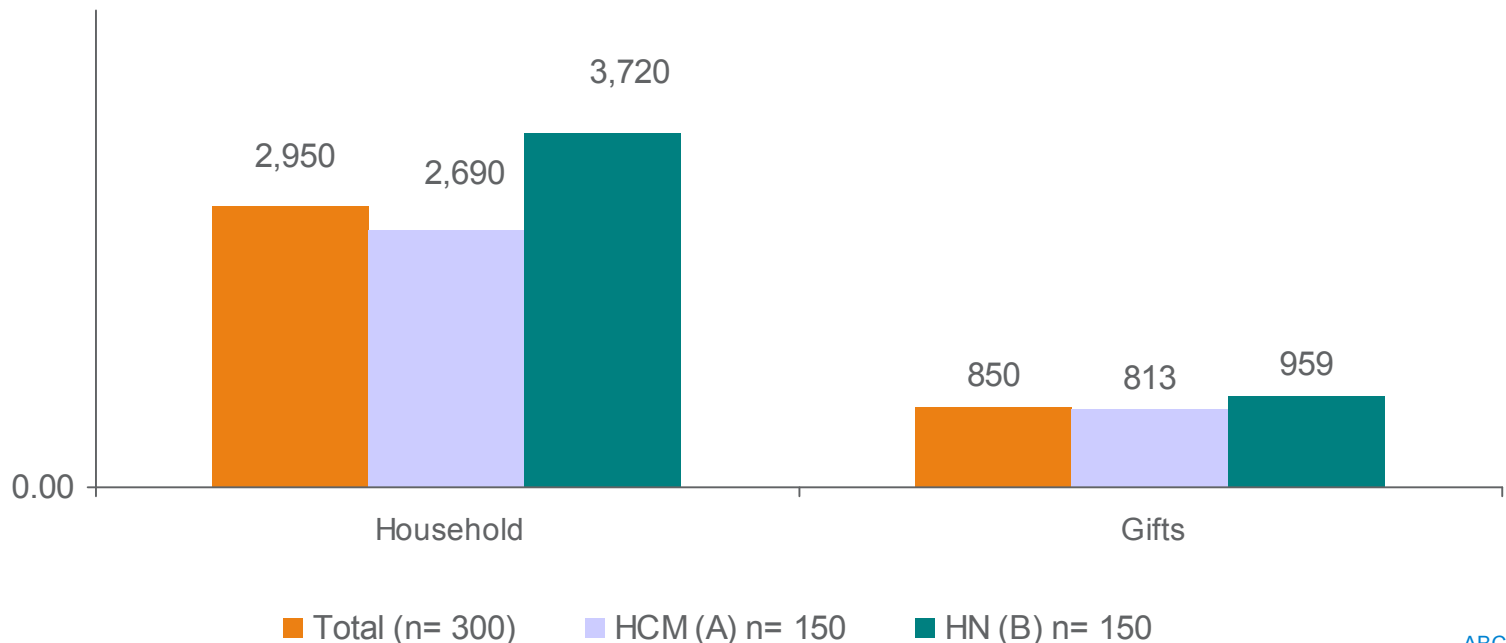
- Vietnam's attractiveness is high & growth opportunities are abundant
- Vietnam's potential to develop and grow remains
- Half the population is under 30 years old = lower cost of labor + high consumption demand will help fuel growth
- Tourism grew in 2008 - 4.3mil tourists (up 100,000 v. 2007); \$3.5bil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

Average spending at Tet VND 000s (Household usage and gifts)



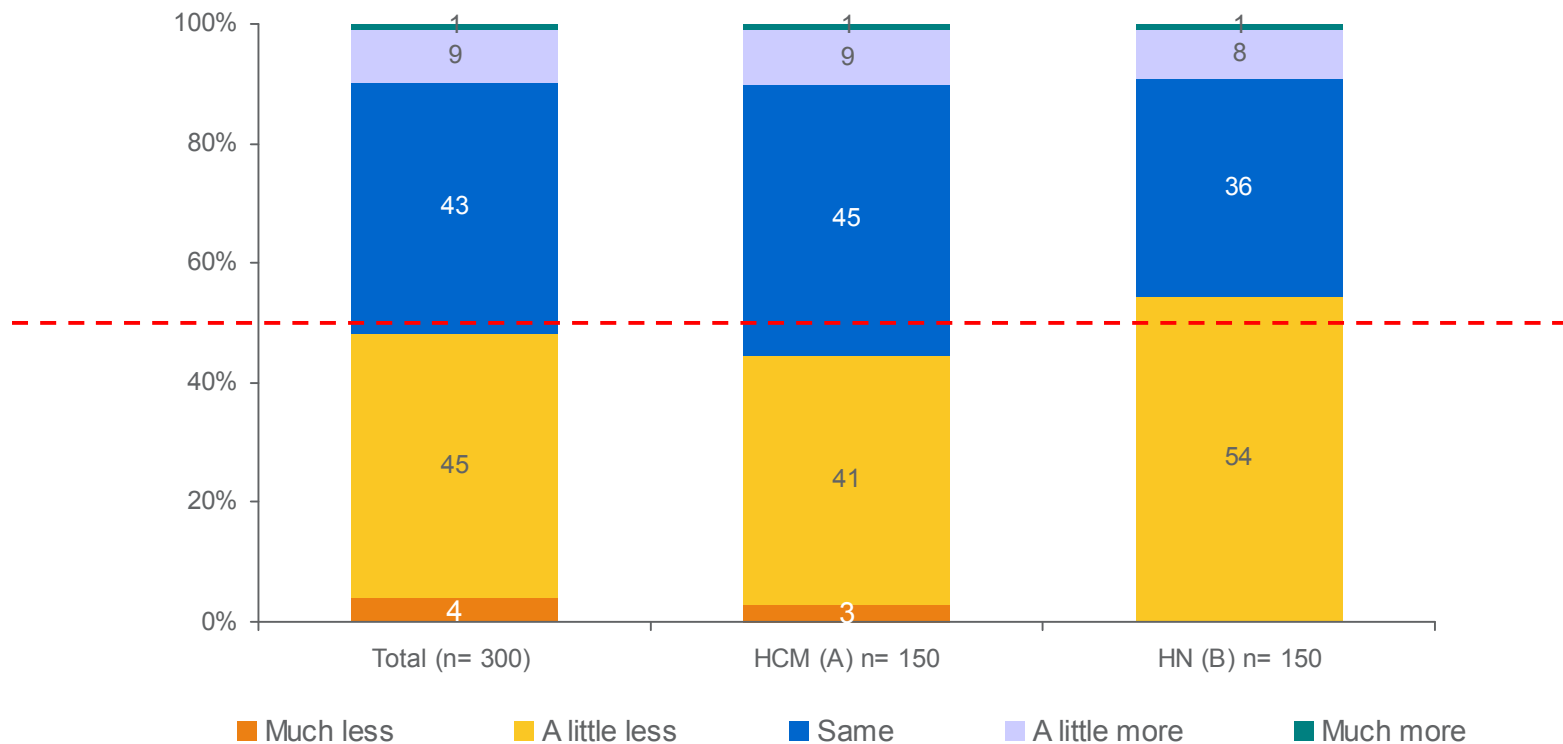
ABC-Sig @95%CL

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

## Spending at Tet (Household usage and gifts)



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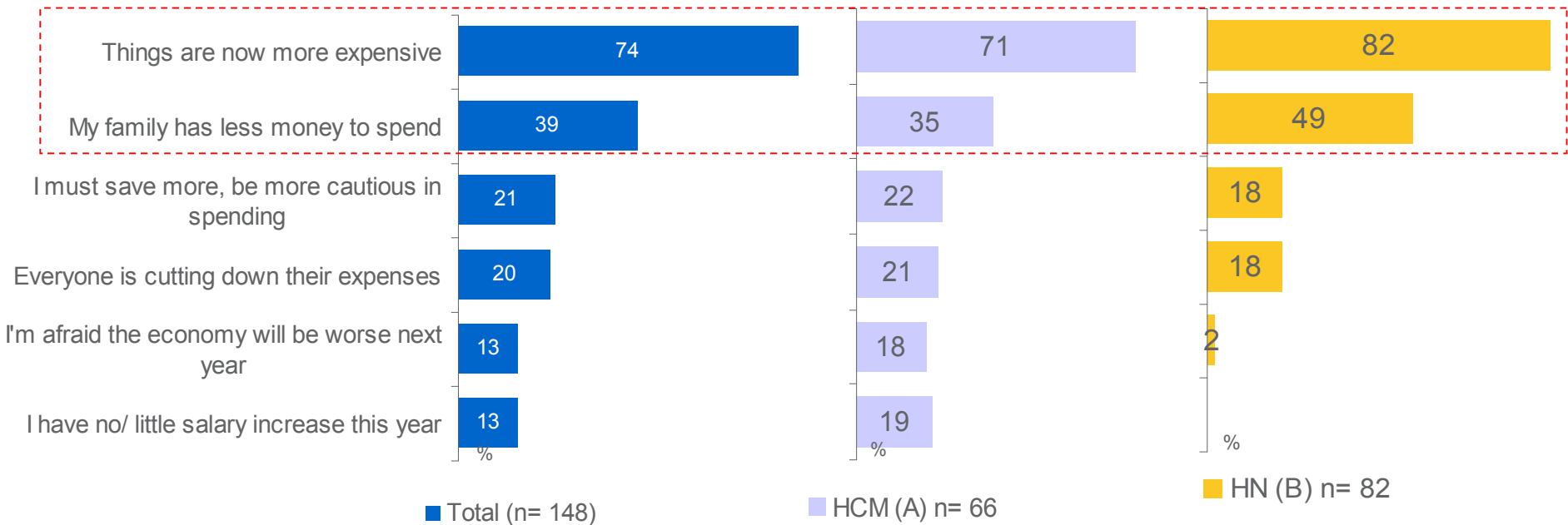
Q17: Compared to previous years, how much money are you spending in the lead up to this Tet holiday?

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

# Why did consumers spend less this Tet?

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

## Reasons for spending less this Tet

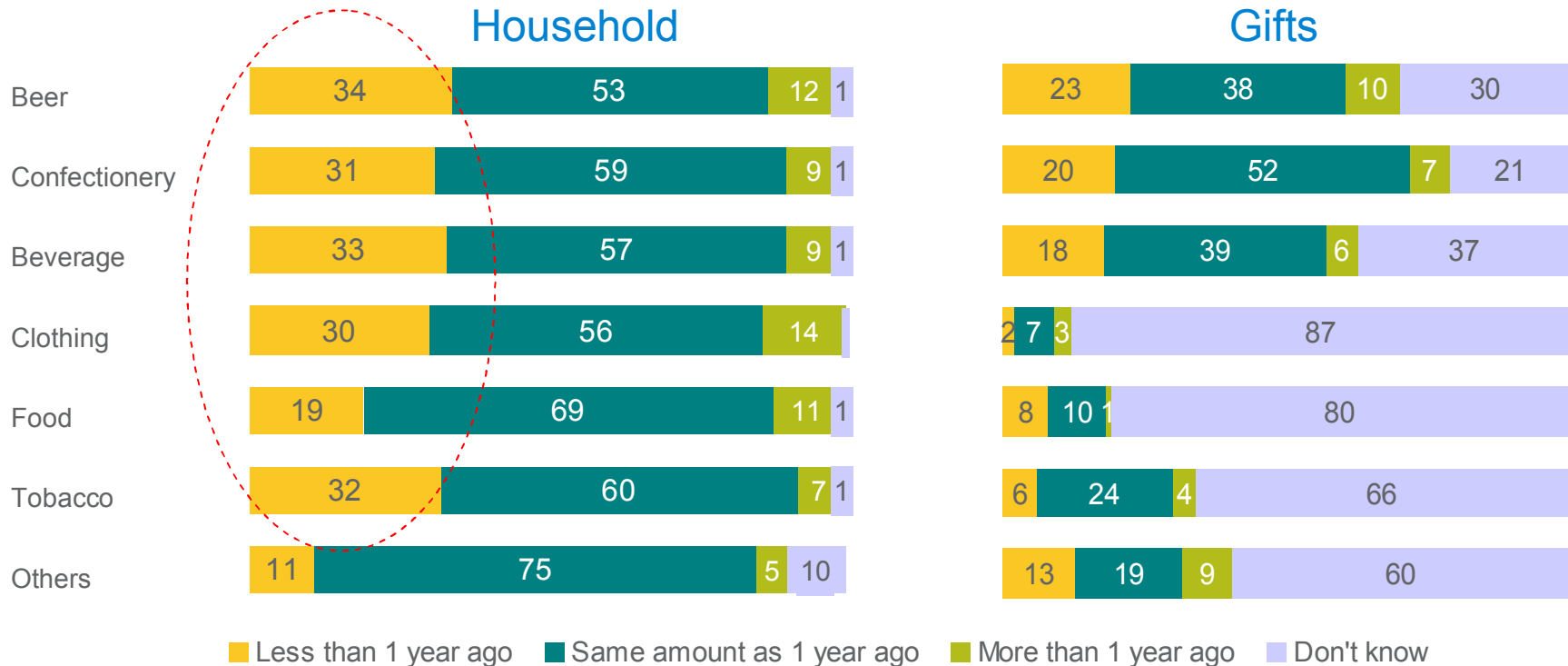


Q18: What are the main reasons you are spending less in the lead up to this Tet holiday compared to previous years?

Base: Those spending less (n= 148) Nielsen Vietnam Omnibus 2009

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

## Changes in Spending at Tet

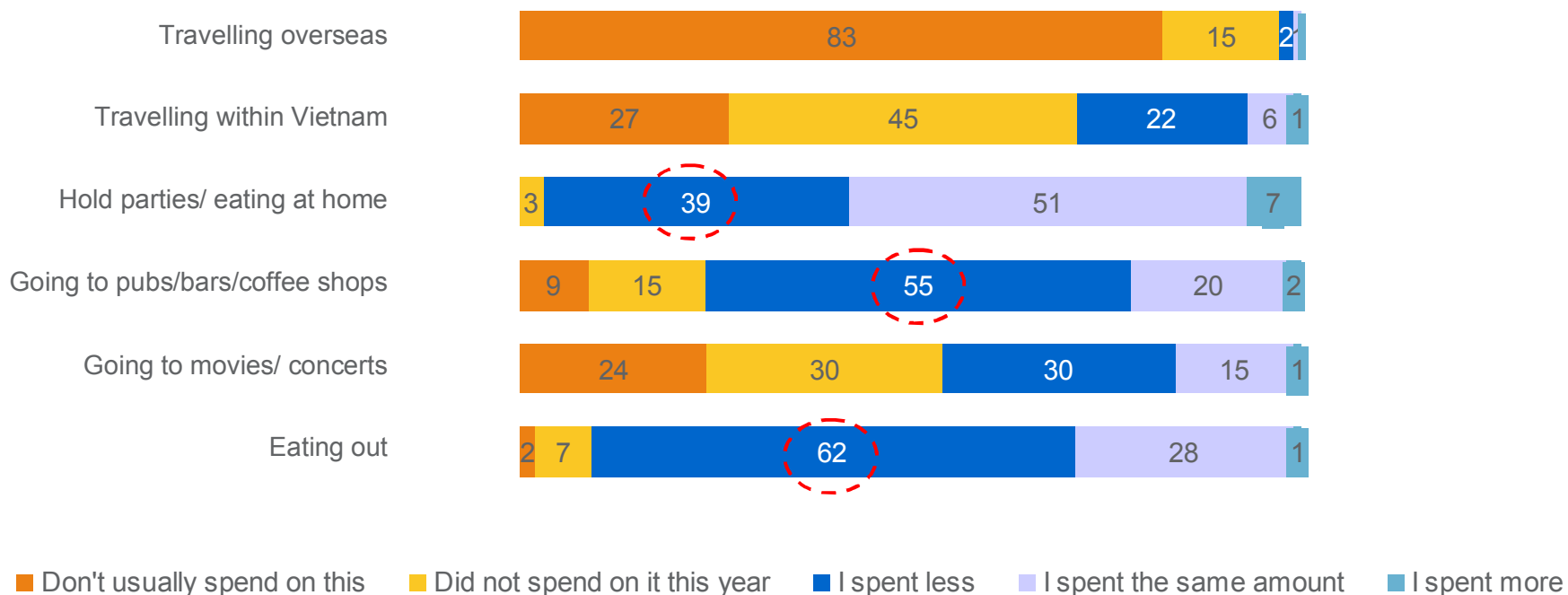


Nielsen Vietnam Omnibus 2009  
 Base: All respondents (n= 300) HCM= HN= 150

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

## Changing in spending

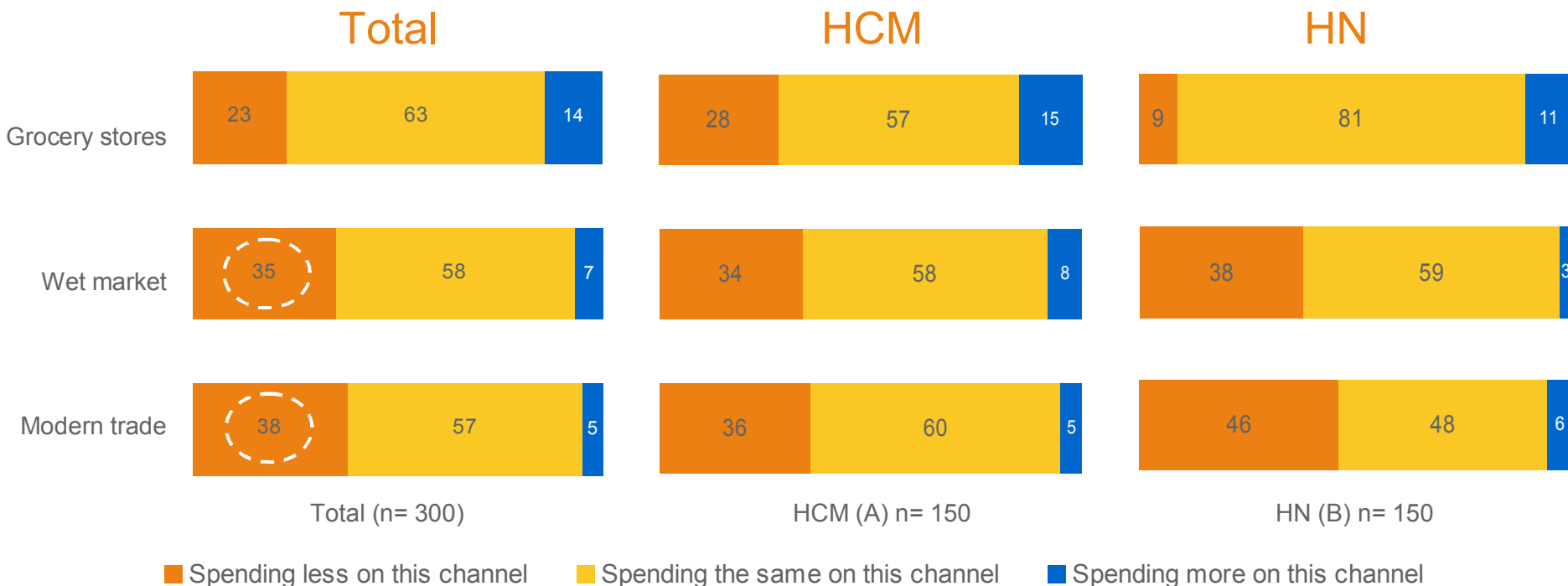


Nielsen Vietnam Omnibus 2009  
 Base: All respondents (n= 300) HCM= HN= 150

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

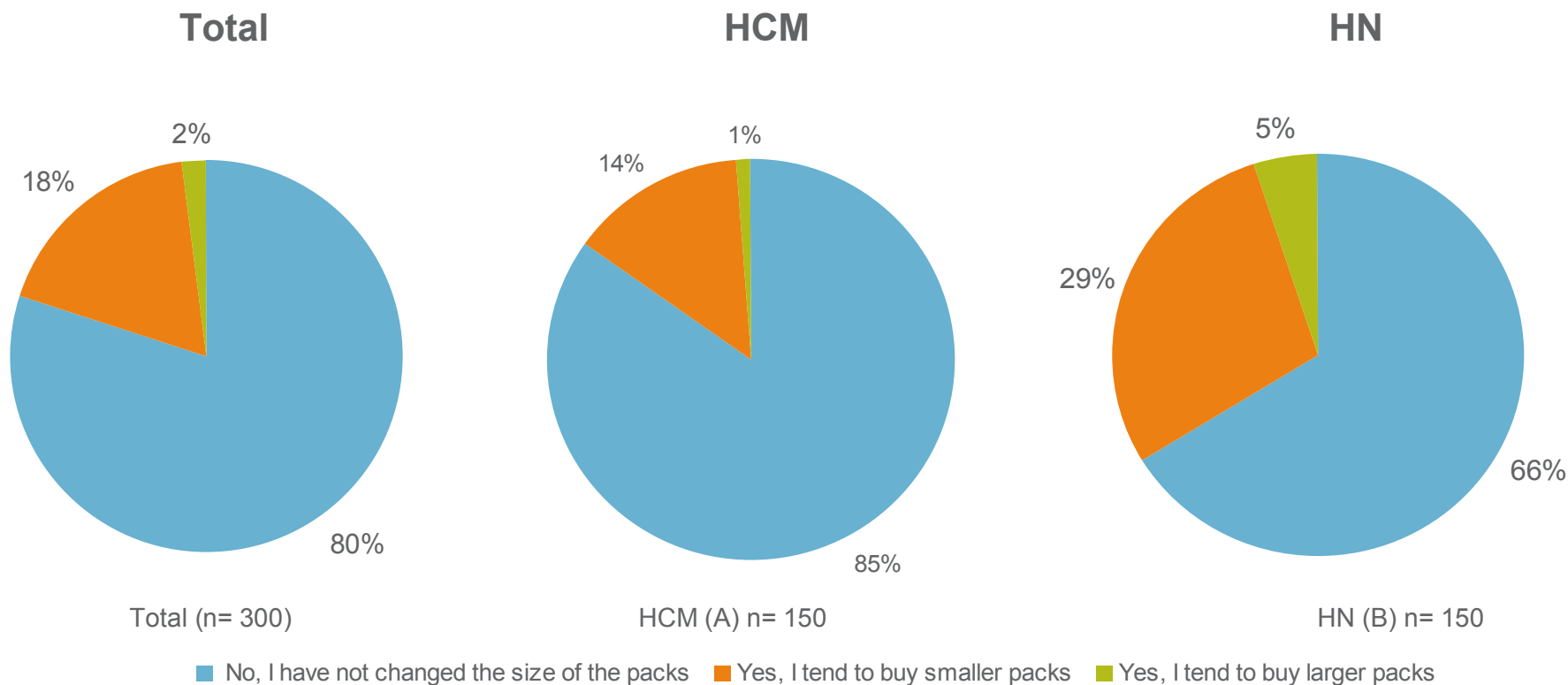
## Spending at Retail channels



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.



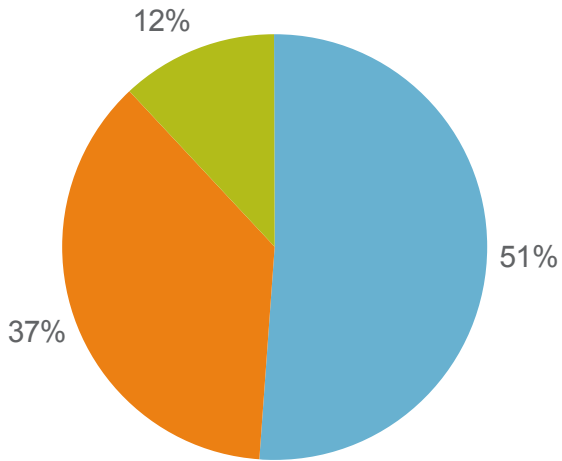
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Nielsen Vietnam Omnibus 2009  
Base: All respondents (n= 300) HCM= HN= 150

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

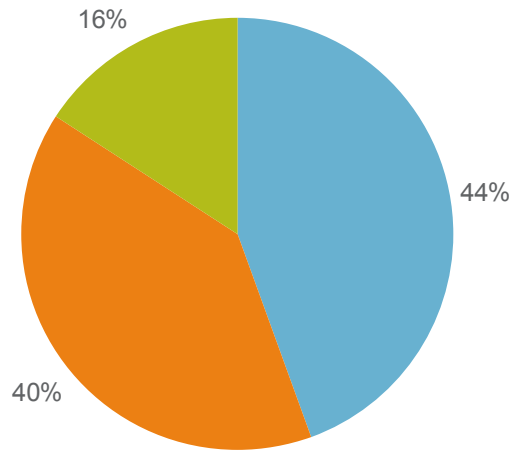
# Consumers are paying more attention to price than before...40% in HCM & 28% in Hanoi

**Total**



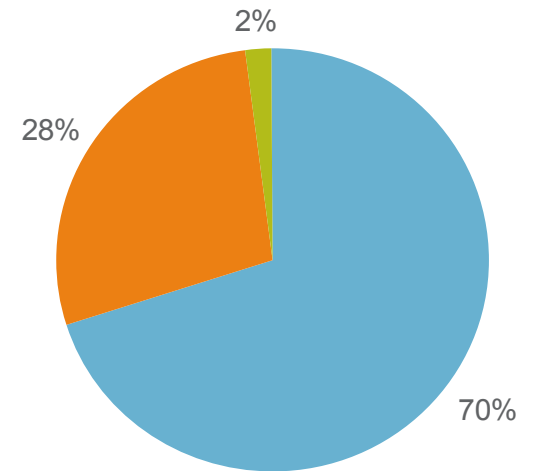
Total (n= 300)

**HCM**



HCM (A) n= 150

**HN**



HN (B) n= 150

■ Always conscious of price

■ Paying more attention to price than before

■ Just buy what I need, regardless of price

ABC-Sig @95%CL

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

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

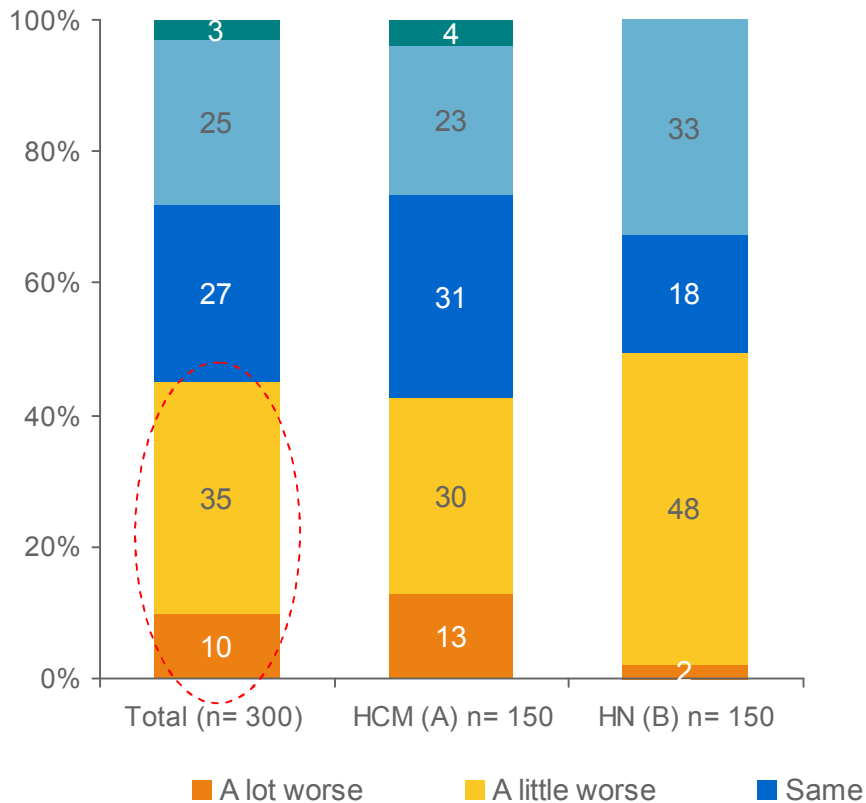
# Vietnamese consumer concerns and thoughts on the economy



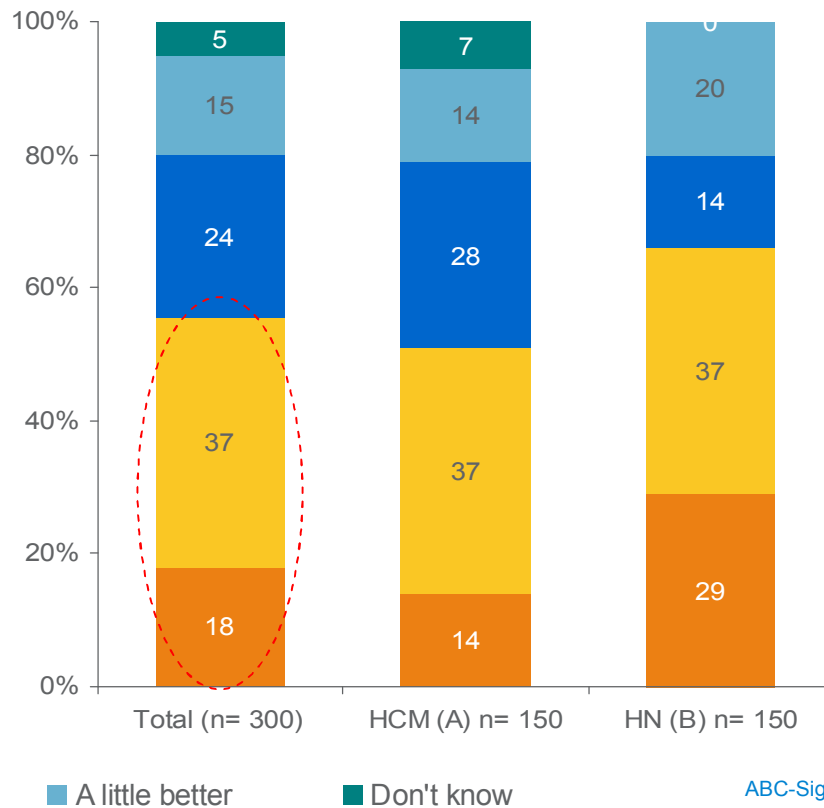
# It's not doom and gloom in Vietnam.

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

### Vietnam's economy



### The world's economy



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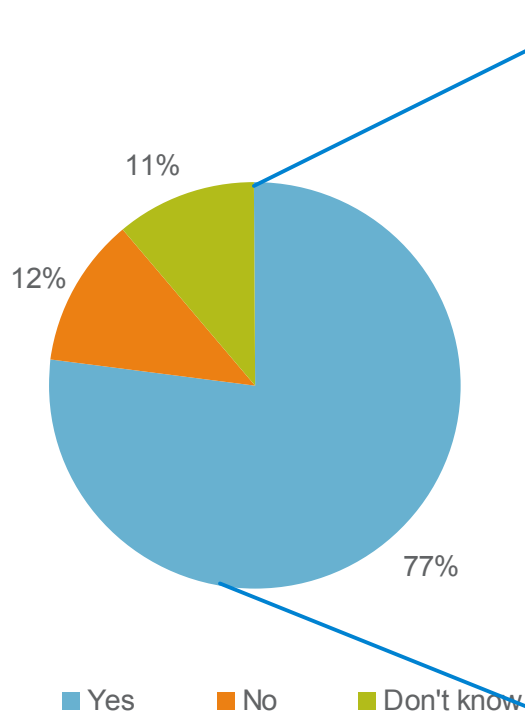
Q30, Q31: How would you rate the Vietnamese economy/ other major economies around the world, compared to 6 months ago?

Base: All respondents (n= 300)

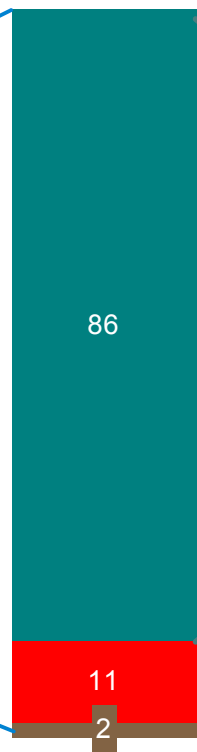
Nielsen Vietnam Omnibus 2009

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

## Impact on Vietnam



## Nature of impact



## Reasons for Negative evaluation

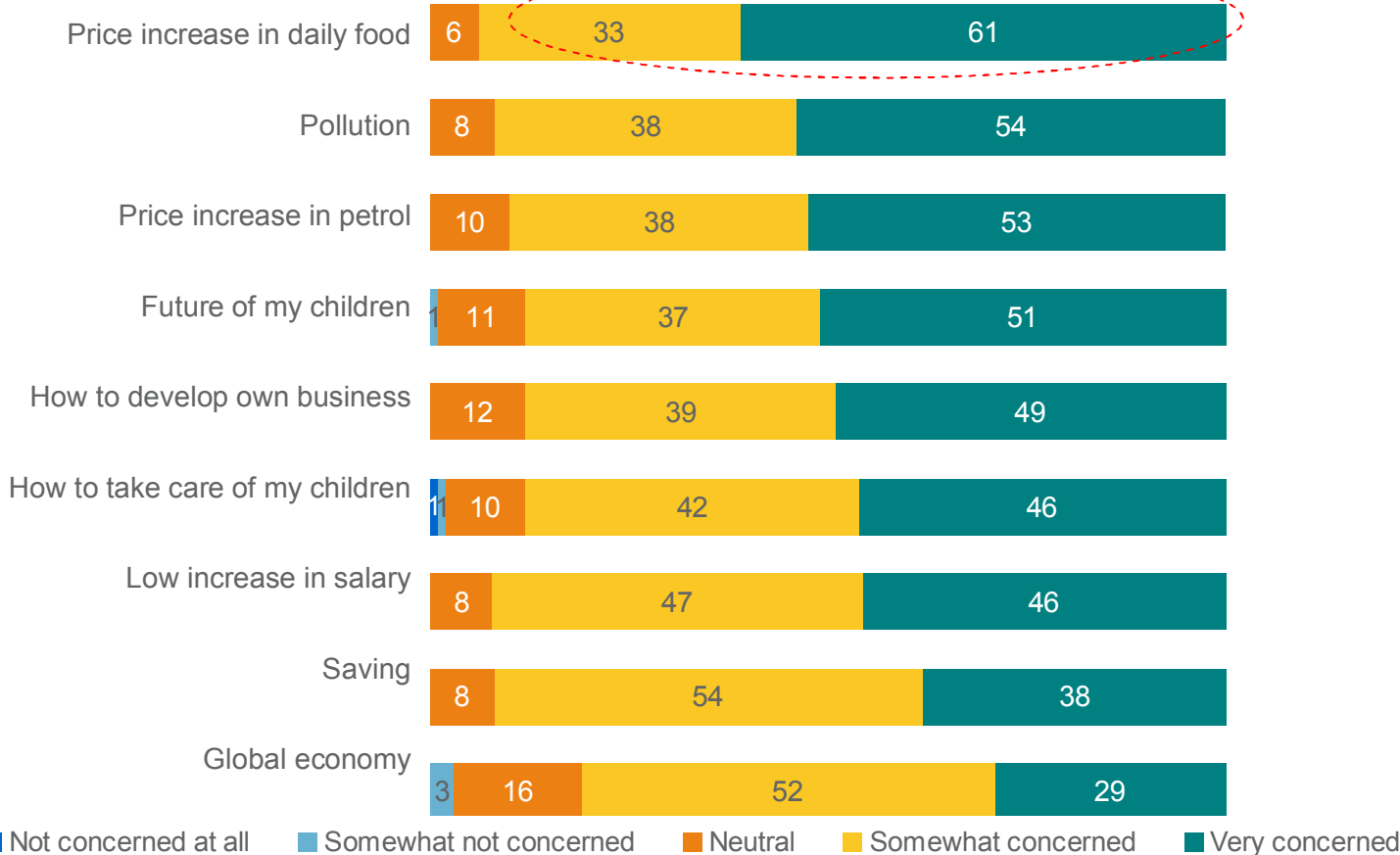
| <i>Most important drivers (overall)</i> | <i>%</i> |
|---|----------|
| Inflation                               | 51       |
| Unemployment                            | 46       |
| Causing crisis to Vietnam's economy     | 18       |
| Causing Vietnam's export to decline     | 14       |
| Causing currency to devalue             | 14       |

Nielsen Vietnam Omnibus 2009

■ Don't know ■ Positive ■ Negative

# Food price increases is the biggest concern for consumers

## Consumers' General Concerns



Nielsen Vietnam Omnibus 2009

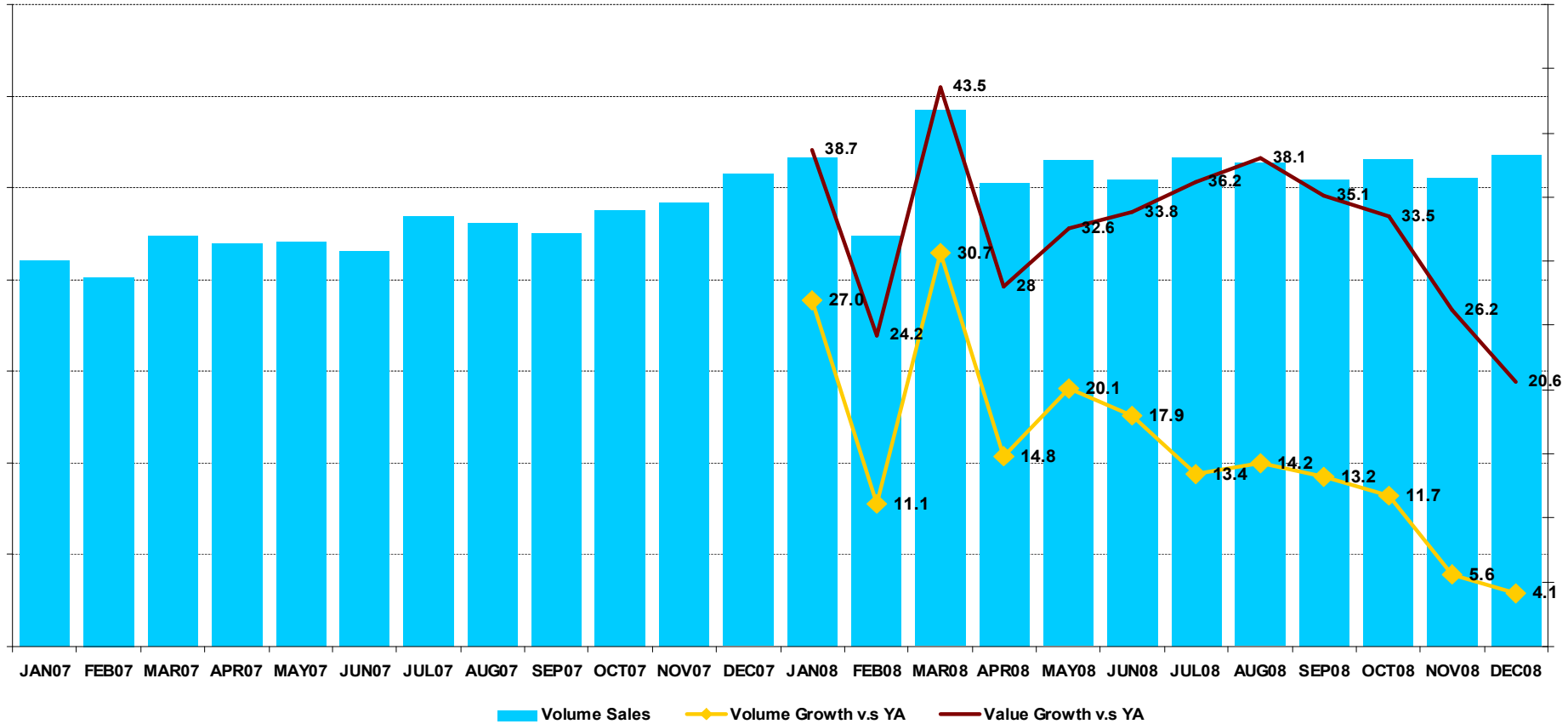
**How are consumers reacting?**

**How could Vietnamese consumer behaviour change in the 6 months**



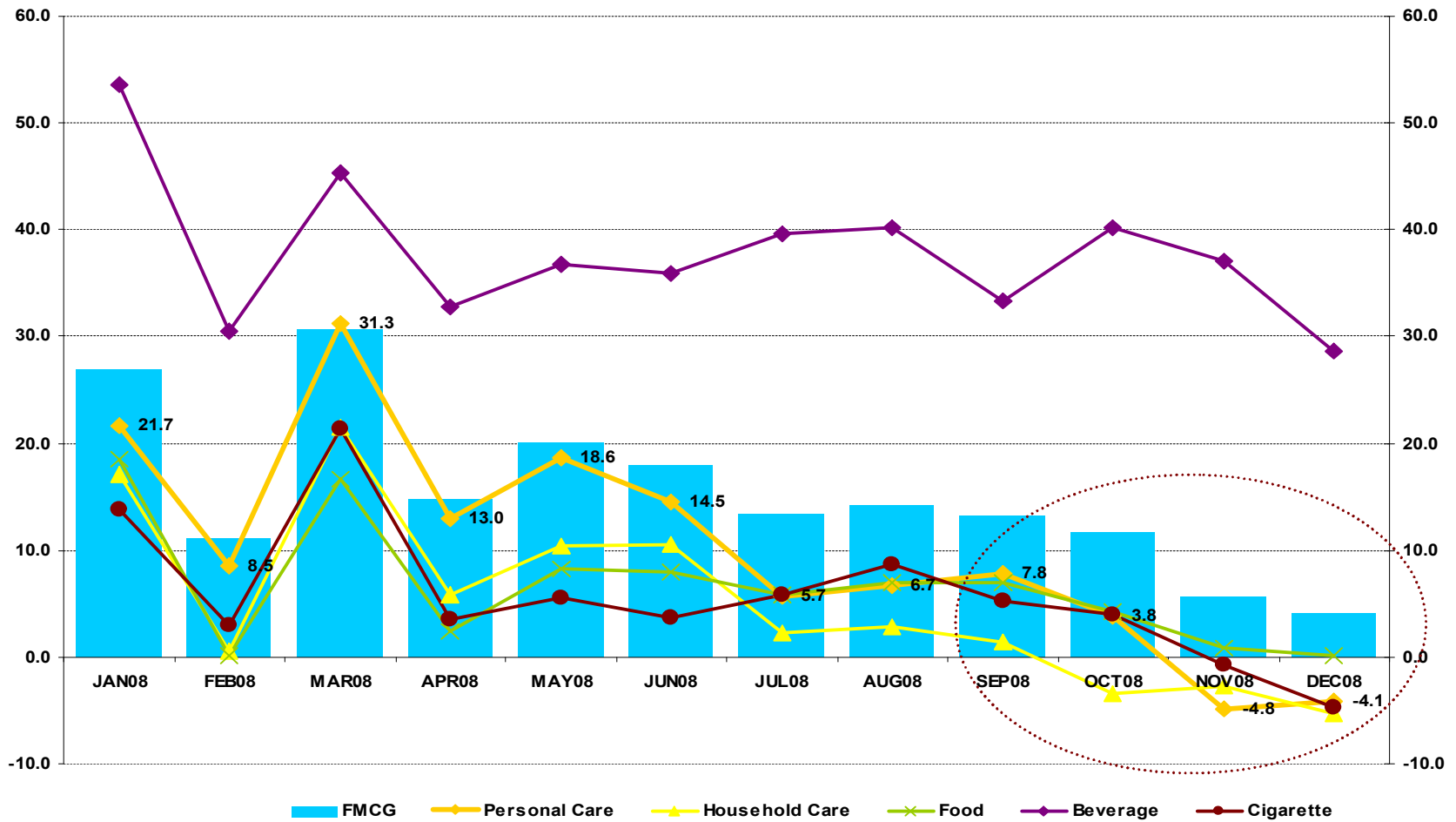
# Overall FMCG growth rate has slowed since mid 2008, but volume is still up by 4.5% v. 2007 and value growth is above 20% YOY

Total Defined FMCG Volume & Value Growth : Vietnam Total 6 Cities



Nielsen Vietnam Retail Audit 2007 - 2008

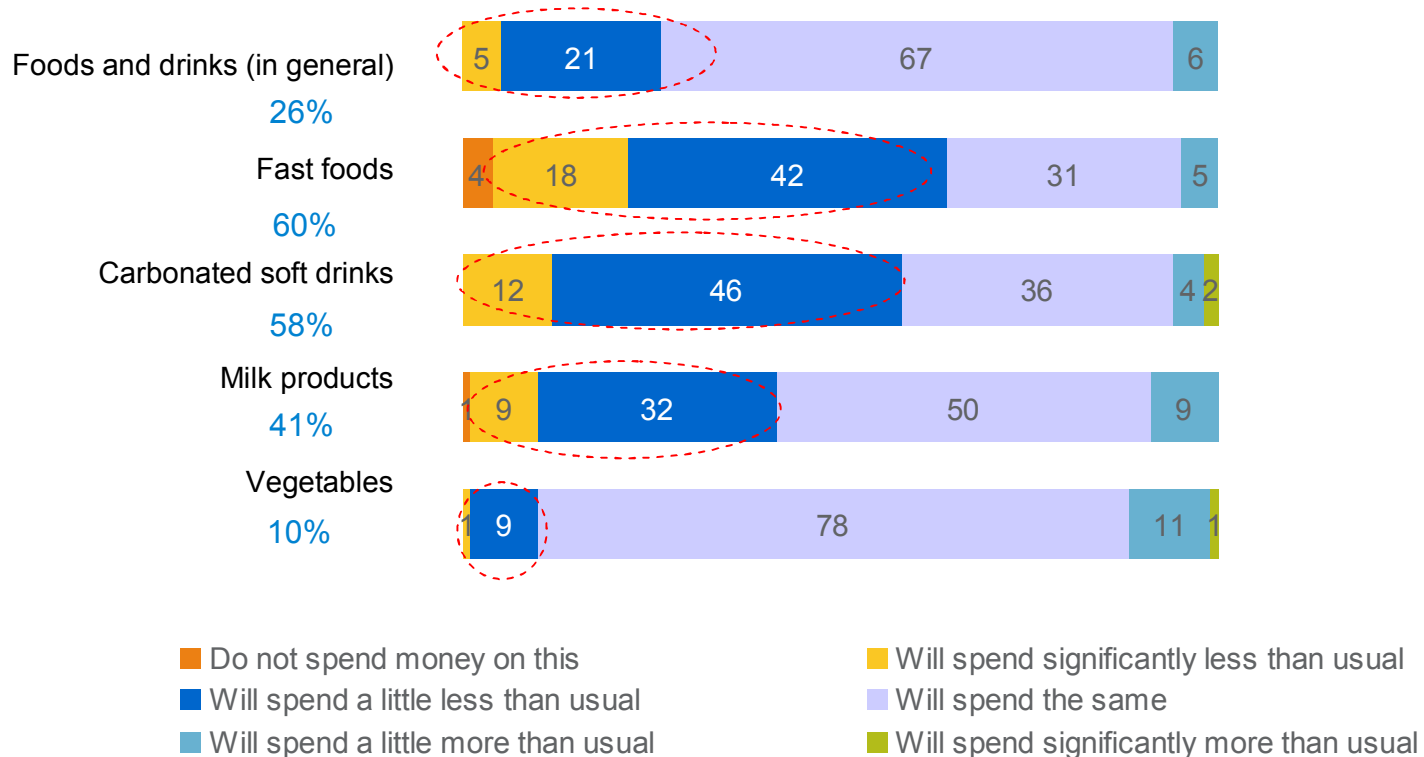
# Beverages growth has remained strong whereas growth for other departments has tapered



Nielsen Vietnam Retail Audit 2008

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

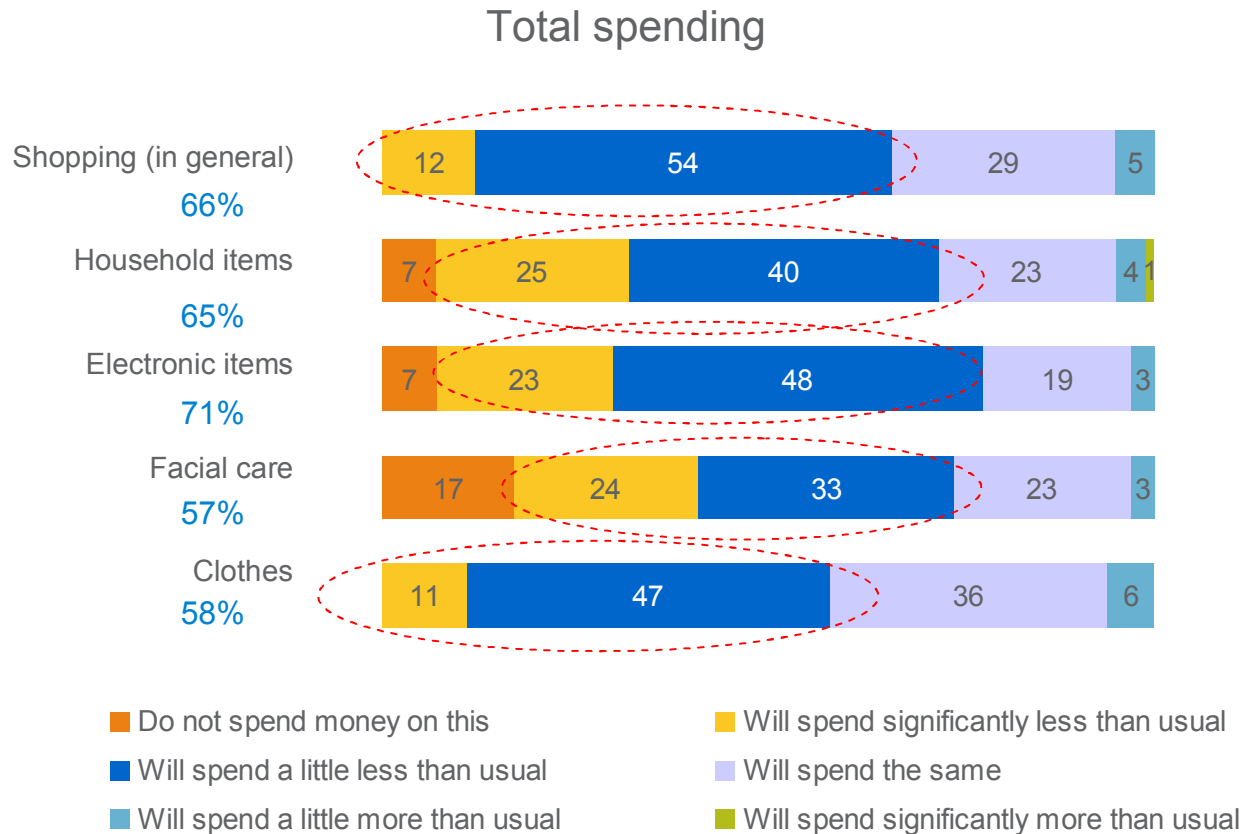
## Total spending



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?

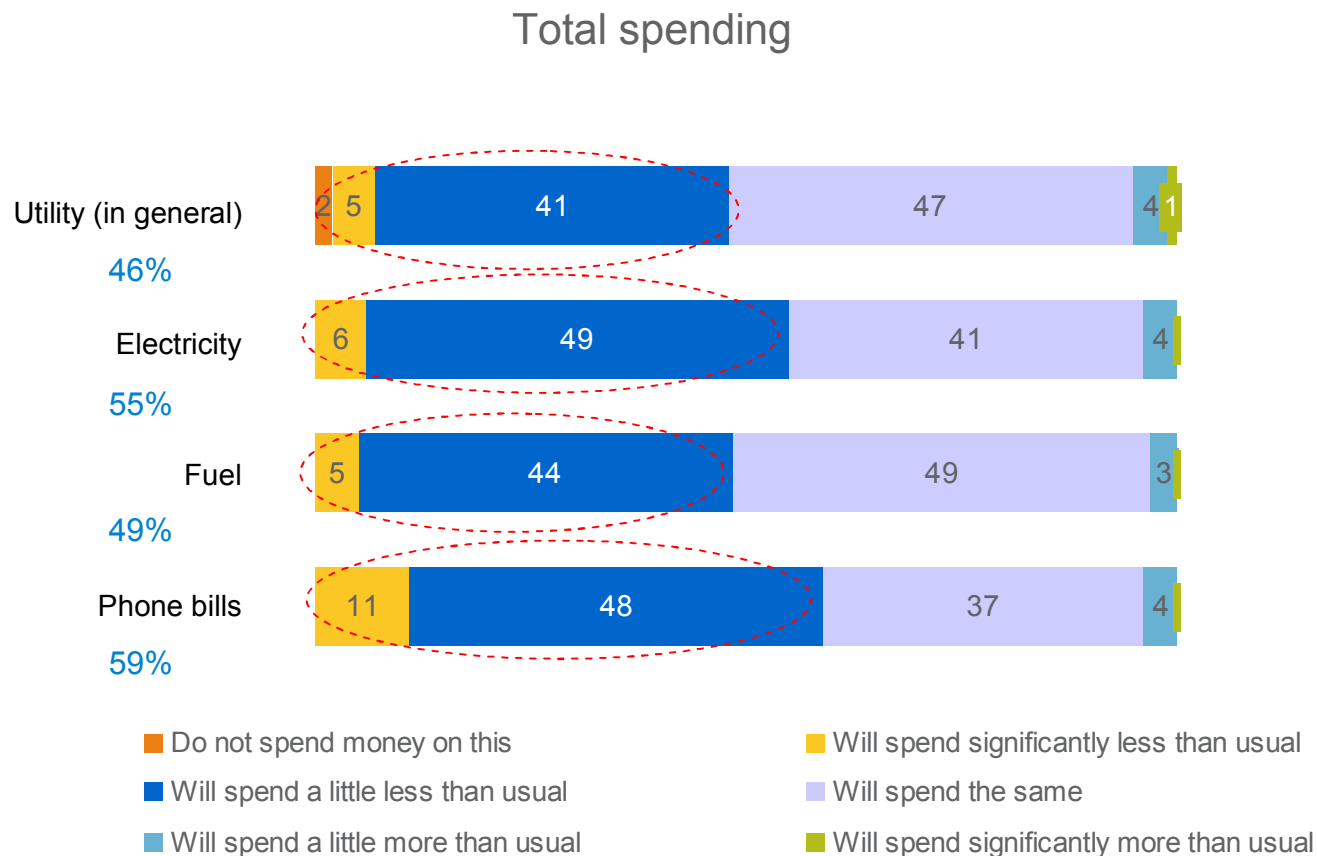
# All non-food categories will be impacted in next 6 months according to consumers



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

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

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

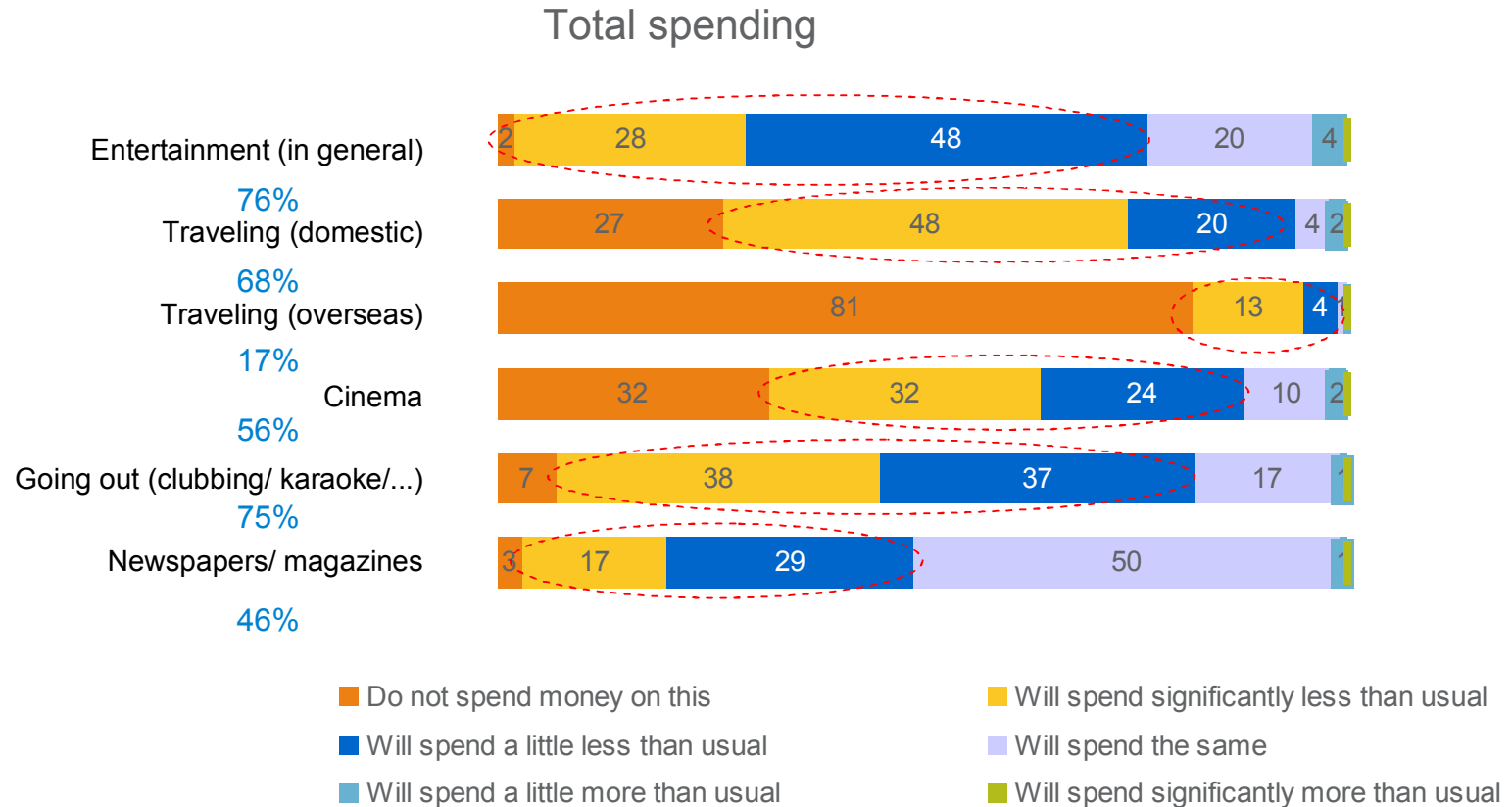


Q43: Please tell us about your spending behavior in the next 6 months, regarding the following categories?

Base: All respondents (n= 300)

Nielsen Vietnam Omnibus 2009

# 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

