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MARKET ACCESS SECRETARIAT
Global Analysis Report

Foodservice Profile
in Vietnam

September 2016

EXECUTIVE SUMMARY

Vietnam represents the third largest foodservice market in terms of sales out of the Association of Southeast Asian Nations (ASEAN). However, it has experienced the most growth since 2011, with a sales increase of approximately 77.6%.

Although Vietnamese consumers are price sensitive, they are increasingly willing to spend on products that are perceived to be healthier or of higher quality, especially when food safety or hygiene is a concern. This trend may also explain why consumers are increasingly moving from street kiosks toward other types of foodservice establishments.

Chained cafés and bars often benefit from their association with modern Western lifestyles because of the belief that they offer high quality products and professional service.

Although it is still a small category with few outlets, the home delivery category is also increasing in popularity at a rapid rate. This category mainly consists of pizza delivery establishments and is taking advantage of the population's increased Internet access by offering online ordering sites.

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Growing Forward 2

Canada

Top 10 Agri-Food and Seafood Importers Worldwide, 2014

Country	Imports US$ Billions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
United States	136.9	Canada 19.3%	Mexico 15.5%	China 5.2%	19.30%
China	121.6	United States 23.6%	Brazil 17.7%	Australia 6.7%	4.60%
Germany	108.2	Netherlands 19.2%	France 8.5%	Italy 7.6%	0.38%
Japan	73.6	United States 22.6%	China 13.5%	Thailand 5.8%	5.76%
United Kingdom	70.8	Netherlands 14.2%	Ireland 9.7%	France 10.4%	0.80%
Netherlands	70	Germany 17.9%	Belgium 12.3%	Brazil 6.9%	0.42%
France	65.4	Spain 12.7%	Belgium 11.7%	Germany 11.4%	0.47%
Italy	56.4	Germany 14.4%	France 13.7%	Spain 10.9%	1.36%
Belgium	43.4	Netherlands 25.6%	France 21.8%	Germany 11.3%	1.02%
Russia	40.5	Belarus 9.3%	Brazil 8.9%	China 5%	1.20%
Vietnam	14.9	United States 14.68%	Argentina 11.03%	Brazil 9.99%	0.87%

Source: Global Trade Atlas, 2016

Top 5 ASEAN Foodservice Markets
Retail Sales in US$ Millions
Current Prices – Fixed 2014 Exchange Rates

Country	2011	2012	2013	2014	2015[E]	2011-15[E] %	% CAGR 2010-2015[E]
Indonesia	28,427.5	30,797.9	33,625.9	36,814.8	39,906.4	*40.4*	*8.8*
Thailand	20,442.0	20,977.2	21,783.6	22,928.4	24,256.6	*18.7*	*4.4*
Vietnam	11,977.9	13,945.5	16,446.2	18,547.5	21,267.4	*77.6*	*15.4*
Malaysia	9,002.7	9,495.3	10,039.8	10,718.3	11,500.4	*27.7*	*6.3*
Philippines	8,865.6	9,345.6	9,864.9	10,400.5	11,050.7	*24.6*	*5.7*

Source: Euromonitor International, 2016 E = Estimate
***CAGR:** Compound Annual Growth Rate

CONSUMER ATTITUDES AND ECONOMIC DRIVERS

Although Vietnam has endured high inflation rates and slow economic growth over the past five years, the economy is expected to experience improved growth with lower inflation rates during the 2016-2019 forecast period. In 2015, Vietnam had the 4th highest GDP growth rate (6.7%) out of the ten ASEAN countries, following Myanmar (8.5%), Laos (7.5%), and Cambodia (7.0%). According to Euromonitor International, this strong growth rate may be due to rapid growth in exports, as well as increases in domestic demand and foreign direct investments.

The population of Vietnam has grown by 4.6 % over the past five years, reaching 93.4 million in 2015, and is expected to increase another 5% by the year 2020. The Vietnamese population is youthful with 40% of people under 25 years of age in 2015. Vietnamese consumers are known to frequently eat at foodservice establishments, even when dinning alone.

As education levels rise and living standards improve, Vietnamese consumers are increasingly interested in improving the healthiness of their diets. Accordingly, foodservice establishments that serve Japanese food have been successful because of the freshness and perceived healthfulness of Japanese cuisine.

Due to increased media coverage, Vietnamese consumers have also become increasingly aware of cases where foodservice establishments have not exercised adequate food safety and hygiene practices. Vietnam's continued economic growth is expected to boost living standards and allow consumers to respond to health and wellness concerns by directing their business to more trustworthy foodservice establishments.

Vietnam's price sensitive consumer population is driving a trend of buying foodservice vouchers on group buying websites. Also, with the largest number of Internet users in Southeast Asia (16 million in 2013), this trend and other trends linked to technology, such as online and mobile ordering, are likely to continue throughout the forecast period (2016-2019).

THE OVERALL FOODSERVICE ENVIRONMENT

The Vietnamese foodservice industry was valued at approximately US$21.3 billion in 2015, having grown at a compound annual growth rate of 15.4% since 2011. Growth is expected to slow slightly during the forecast period (2016-2019), with sales anticipated to reach US$35.2 billion by 2019 with a compound annual growth rate of 13.2%. The largest category within the foodservice industry is full-service restaurants, which is expected to remain the leading category through 2019. However, home delivery chains increased in sales by approximately 550% from 2011 to 2015. Although it is expected to remain the smallest category, home delivery is projected to continue experiencing the most growth over the next four years, reaching an anticipated US$65.6 million in sales by 2019. This growth may be due to the convenience offered by home delivery establishments with online ordering sites.

Foodservice establishments in Vietnam are mainly independently owned, with 97% market share in 2014. However, establishments that belong to restaurant chains have experienced a higher compound annual growth rate of 25.8% from 2011 to 2015, compared to 13.3% for independent foodservice establishments. It is expected that new chained restaurants will open and existing ones will expand their number of outlets, increasing the popularity of this category throughout the forecast period (2016-2019) and representing an anticipated 4.3% market share by 2019.

Although Vietnam's inadequate infrastructure can be challenging with port congestion and power shortages, foreign companies are often attracted to the country's geographical location, low labour and operating costs, its participation in trade agreements, and its newly improved business environment. The government has recently removed foreign ownership limits, allowing foreign investors to take 100% stakes in Vietnamese companies. As a result, the foodservice market is becoming more competitive with more international businesses.

E-commerce and online platforms are becoming increasingly important as more Vietnamese consumers gain Internet access. The foodservice industry is increasingly making better use of online tools such as food blogs, group buying websites, and mobile food ordering applications. The country is also incredibly connected, with just about every café, restaurant or bar offering free Wi-Fi to patrons.

The following pages will examine the top three largest foodservice categories: full-service restaurants, cafés/bars, and street kiosks.

Historic Value Sales and Growth of Vietnamese Foodservice by Category
US$ Millions - Current Prices, Fixed 2014 Exchange Rates

Category	2011	2012	2013	2014	2015[E]	% *CAGR 2011-2015[E]
Total Foodservice	11,978	13,946	16,446	18,548	21,267	15.4
Full-Service Restaurants	7,544	9,055	11,001	12,648	14,721	18.2
Cafés/Bars	2,101	2,372	2,719	2,997	3,384	12.7
Street Kiosks	1,865	1,968	2,087	2,156	2,277	5.1
Fast Food	465	546	630	730	859	16.6
100% Home Delivery	4	5	10	17	26	64.7

Source: Euromonitor International, 2016 E = Estimate
***CAGR:** Compound Annual Growth Rate

Forecast Value Sales and Growth of Vietnamese Foodservice by Category
US$ Millions - Current Prices, Fixed 2014 Exchange Rates

Category	2016	2017	2018	2019	% *CAGR 2016-2019
Total Foodservice	24,293	27,617	31,243	35,217	13.2
Full-Service Restaurants	17,032	19,597	22,412	25,528	14.4
Cafés/Bars	3,809	4,258	4,733	5,232	11.2
Street Kiosks	2,404	2,528	2,654	2,780	5.0
Fast Food	1,014	1,188	1,388	1,612	16.7
100% Home Delivery	35	45	55	66	23.4

Source: Euromonitor International, 2016
***CAGR:** Compound Annual Growth Rate

Historic % Breakdown and Growth of Vietnamese Foodservice by Type

Type	2011	2012	2013	2014	2015[E]	% *CAGR 2011-2015[E]
Independent	98.0	97.9	97.8	97.4	97.0	13.3
Chained	2.0	2.1	2.2	2.6	3.0	25.8

Source: Euromonitor International, 2016 E = Using estimated figures
***CAGR:** Compound Annual Growth Rate

Forecast % Breakdown Growth of Vietnamese Foodservice by Type

Type	2016	2017	2018	2019	% *CAGR 2016-2019
Independent	96.7	96.3	96.0	95.7	6.2
Chained	3.3	3.7	4.0	4.3	16.0

Source: Euromonitor International, 2016
***CAGR:** Compound Annual Growth Rate

Outlets and Transactions of Vietnamese Foodservice by Category, 2014
Fixed 2014 Exchange Rate

Category	Outlets	Transactions (Millions)	Average Sales per Outlet (US$)	Average Sales per Transaction (US$)
Total Foodservice	285,987	11,461,364	64,854	1.6
Full-Service Restaurants	105,353	7,185,914	120,051	1.8
Cafés/Bars	24,942	992,673	120,140	3.0
Street Kiosks	147,508	2,837,043	14,619	0.8
Fast Food	8,152	444,236	89,530	1.6
100% Home Delivery	32	1,498	529,009	11.3

Source: Euromonitor International, 2016

Outlets and Transactions of Vietnamese Foodservice by Category, 2019
Fixed 2014 Exchange Rate

Category	Outlets	Transactions (Millions)	Average Sales per Outlet (US$)	Average Sales per Transaction (US$)
Total Foodservice	345,325	15,591,251	101,982	2.3
Full-Service Restaurants	158,000	10,903,023	161,567.1	2.3
Cafés/Bars	28,021	1,137,004	186,718	4.6
Street Kiosks	149,368	2,934,828	18,610	0.9
Fast Food	9,862	611,976	163,463	2.6
100% Home Delivery	74	4,421	886,720	14.8

Source: Euromonitor International, 2016

FULL-SERVICE RESTAURANTS

The full-service restaurant category has continued to lead in total sales value and experienced approximately 95% growth in sales over the past five years, at a compound annual growth rate of 18%.

In 2014, 99.4% of full-service restaurants were independent and 0.6% belonged to restaurant chains. The fastest growing type of full-service restaurant in 2014 was chained Asian restaurants, which are mainly Vietnamese, increasing in sales by 77%. There is also a growing trend among Vietnamese consumers for vegetarianism for its perceived health benefits.

The leading full-service restaurant group in 2014 was Huy Vietnam Group, with US$36.4 million in retail sales, followed by Yum! Brands Inc. (US$24.1 million), and Viet Thai International JSC (US$5.1 million). Huy Vietnam Group also saw the most growth during 2013 to 2014 with a 100% increase in retail sales, which is most likely due to additional outlets. Huy Vietnam Group held 0.3% market share for all of full-service restaurants, and 46% market share for chained full-service restaurants.

With growing competition from foreign companies, it is expected that full-service restaurants will enhance their image by improving the quality of food and service provided, and showing consumers how they are complying with food safety standards. It is also expected that more independent full-service restaurants will begin standardizing their processes and developing into franchise operations.

Historic Number of Full-Service Restaurant Transactions by Type
2010-2015[E], Million Transactions

Type	2010	2011	2012	2013	2014	2015[E]
Asian	5,767.2	5,893.8	5,964.7	6,694.7	7,147.3	7,813.5
European	8.8	9.5	10.0	10.3	11.3	12.0
North American	6.1	6.8	7.1	7.5	7.9	8.1
Pizza	7.1	8.4	9.3	10.4	11.6	12.8
Other	5.0	5.6	6.1	6.6	7.8	9.0
Total Full-Service Restaurants	5,794.3	5,924.0	5,997.2	6,729.5	7,185.9	7,855.5

Source: Euromonitor International, 2016
E = Estimate

Forecast Number of Full-Service Restaurant Transactions by Type
2016-2019, Million Transactions

Type	2016	2017	2018	2019
Asian	8,504.4	9,245.1	10,039.8	10,847.0
European	12.7	13.4	14.2	14.9
North American	8.4	8.6	8.7	8.9
Pizza	13.9	15.1	16.2	17.3
Other	10.4	11.9	13.4	15.0
Total Full-Service Restaurants	8,549.8	9,294.1	10,092.3	10,903.0

Source: Euromonitor International, 2016

CAFÉS/BARS

Chained specialty coffee shops is the sub-category within the cafés/bars category that grew the most in 2014, with a 32% increase in value of sales. With the expansion of existing businesses with additional units and the arrival of new foreign chains, this sub-category is also expected to experience the most growth from 2016 to 2019. These establishments mainly offer coffee beverages, but are beginning to focus on other types of high-quality foods and drinks in order to attract consumers. Rising income levels and the influence of Western culture are expected to have a positive influence on the growth of this sub-category.

Also, consumers have moved from buying their coffee at street kiosks toward chained specialty coffee shops. This movement was accelerated after trust was broken by fake coffee scandals, where advertised fresh coffee turned out to be made from corn, soy beans and chemicals. In response, coffee shops have begun displaying real coffee beans near checkout counters and grinding the coffee beans where customers can see.

Bars and pubs are becoming more popular. Beer clubs, a combination of a full-service restaurant and a bar/pub and where food plays a more important role, experienced significant growth, increasing by about 92% from 2010 to 2015, a compound annual growth rate of 14%. This category is expected to continue to experience growth, with an anticipated 44% increase in the number of transactions from 2016 to 2019.

Viet Thai International JSC, with its Highlands Coffee brand, led sales in 2014, accounting for 27% of total value of sales in chained cafes/bars. Viet Idea Food & Beverages Co. Ltd., with its Starbucks brand, experienced a 300% increase in sales in 2014. According to Euromonitor International, Starbucks' international reputation and association amongst consumers with modern Western lifestyles, high quality products and professional service has driven its success and expansion in Vietnam.

Historic Number of Café/Bar Transactions by Type
2010-2015^E, Million Transactions

Type	2010	2011	2012	2013	2014	2015^E
Bars/Pubs	11.0	11.6	13.0	15.2	18.2	21.1
Cafés	519.7	555.0	586.4	618.6	624.7	639.2
Juice/Smoothie Bars	28.1	32.3	34.8	37.7	40.7	43.5
Specialist Coffee Shops	257.7	270.8	283.9	297.1	309.1	321.1
Total Cafés/Bars	816.5	869.7	918.1	968.6	992.7	1,024.9

Source: Euromonitor International, 2016
E = Estimate

Forecast Number of Café/Bar Transactions by Type
2016-2019, Million Transactions

Type	2016	2017	2018	2019
Bars/Pubs	24.1	27.5	31.0	34.8
Cafés	651.6	663.3	673.6	682.9
Juice/Smoothie Bars	46.4	49.2	52.0	54.7
Specialist Coffee Shops	332.8	344.0	354.6	364.6
Total Cafés/Bars	1,054.9	1,084.0	1,111.2	1,137.0

Source: Euromonitor International, 2016

STREET KIOSKS

The street kiosks category has the largest number of outlets, representing 52% of all foodservice outlets in 2014. More street kiosks are offering foreign cuisine, and at an affordable price, compared to full-service restaurants, which resonates well with frugal Vietnamese consumers. However, street kiosk retail sales have only increased by 3% in 2014. According to Euromonitor International, there is a growing trend for consumers to migrate from street kiosks to other categories, such as fast food or full-service restaurants. This may be due to rising concerns about food safety and hygiene at street kiosks.

Although the number of transactions is still lower than those for independent street kiosks, chained street kiosks have experienced a 1200% increase in the number of transactions from 2010 to 2015, at a compound annual growth rate of 67%. This trend is expected to continue, increasing by an anticipated 47% from 2016 to 2019.

Banh Mi Que by Tam Viet Thao Food led the chained street kiosk category with 73% market share in 2014, however, the street kiosk category is largely dominated by independent operators (99.8% in 2014).

Historic Number of Street Kiosk Transactions, Chained vs. Independent 2010-2015[E], Million Transactions

Category	2010	2011	2012	2013	2014	2015[E]
Chained	0.3	4.5	4.7	3.9	3.7	3.9
Independent	2,815.2	2,812.4	2,805.4	2,799.7	2,833.3	2,847.5
Total	2,815.5	2,816.9	2,810.0	2,803.6	2,837.0	2,851.5

Source: Euromonitor International, 2016
E = Estimate

Forecast Number of Street Kiosk Transactions, Chained vs. Independent 2016-2019, Million Transactions

Category	2016	2017	2018	2019
Chained	4.3	4.8	5.4	6.3
Independent	2,864.1	2,882.7	2,902.9	2,928.5
Total	2,868.3	2,887.5	2,908.4	2,934.8

Source: Euromonitor International, 2016

CONCLUSION

Forecasted economic growth and low inflation rates are expected to allow for more consumers to eat at foodservice establishments, and possibly upgrade their eating habits.

The growing popularity of chained cafés and bars has created an opportunity for Canadian companies with niche products that could be sold at these types of establishments, particularly for products that would be perceived as being high-quality, healthy, or associated with a Western lifestyle.

Additionally, with the expectation that the coming years will see independent establishments in all categories begin to standardize their processes and develop into franchises, it is anticipated that there will be opportunities for companies that provide products that are designed specifically for chain restaurants. Ingredients or products for a vegetarian diet would also be expected to have success, particularly for full-service restaurants.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in Vietnam**
  www.tradecommissioner.gc.ca/vn

- **Find a Trade Commissioner**
  www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

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- ats-sea.agr.gc.ca

For additional information on Food & Hotel Asia 2016, please contact:

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RESOURCES

Euromonitor International, 2015. *Cafés/Bars in Vietnam.*

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FOODSERVICE IN VIETNAM

Global Analysis Report

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