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MINI-STORES: THE FUTURE OF MODERN TRADE IN VIETNAM?

Modern trade in the 4 key cities of Urban Vietnam has grown slower than many previously forecasted, with an increase of just 6 points share since 2005, reaching only around 18% to date. If we compare this development with neighboring countries, surprisingly Modern Trade in Vietnam has not developed much. Why is it not yet growing at the level we might expect in a country like Vietnam, and which format should be delivering that growth?

First of all some key elements are natural barriers of the Modern Trade development in Vietnam: Property price to implement hypermarkets or supermarkets is really high, pushing these stores in the peripheral area of the cities. Vietnamese drive motorbikes to these stores, and do not have the capacity to carry so many items in one go. Last but not least Vietnamese shopping habits are still very traditional, preferring to buy smaller baskets more often, thus still attached to the traditional shops and wet market, but also using the hypermarkets/supermarkets in a similar way, which means going there quite often but buying very little.

Outside of these facts limiting the growth of hypermarkets and supermarkets, we have to take into account some contextual elements which also had a negative impact on the growth of this channel: If Vietnam's economy seems today to be showing some signs of recovery, it has to be noted that in the last few years Vietnam experienced some slow-down due to both domestic factors and external factors such as the global economic downturn. And when people feel the stretch they naturally need to be more careful in what and how they buy, thus going back to a more traditional way of shopping, visiting the shops in their street that they trust, and where they will probably be less tempted to buy things not on their shopping list - buying only what they need, when they need it. With such behavior it is easy to understand why traditional trade resisted so much to the development of Modern Trade in the last few years, and why hypermarket and supermarket formats have really struggled to develop.

So what is the future of Modern Trade in Vietnam? Will this country stay forever a "Traditional Trade" market or are Mini-Stores the solution of Modern Trade development?

Collectively, Mini-Stores (a combination of Mini-Markets and CVS) have shown impressive growth in recent years. According to Kantar Worldpanel, more than a third of Vietnamese households have now made a take home FMCG purchase in Mini-Stores in the latest year, shopping on average 10 times per year. The value share of Mini-Stores for take home FMCG purchase is now 2.7% and there is no doubt it will continue to grow in the future. The big question which marketers and FMCG players are asking is how big will it become and how much focus should be placed on this channel?

Urbanization continues in Vietnam where forecasts predict we could be evenly balanced between Urban and Rural by the year 2040. This brings increased purchasing power and aspirations of its people and as such more and more MT store openings to satisfy this increased demand. Nowadays, every new apartment or office block being built has purpose made units on the ground floor to accommodate the likes of Zakka Mart and other chains. Vinmart+ expects to have over 1000 stores by 2017, while B'smart and Family Mart are also planning significant store expansion. With 7-Eleven the Mini-Store giant also sniffing around Vietnam as a potential next country, we can expect a store on every street.

As a consequence since 2010 Vietnam has witnessed a rapid and steady increase in the number of Mini-Store and CVS stores. And this has been the main reason for the growth of this channel in Vietnam. But do they fit the Vietnamese way of shopping? Are they the future of Modern Trade in Vietnam? Are they going to play a key role in the FMCG distribution? Or are they only growing today, because they grow in numbers?

For sure these stores do have attractive benefits to consumers: they represent modernity in every way, are opened 24/7, offer cool air, and are a perfect place for millennials to hang out with friends, to study or work. If they become social places, offering free WIFI, free phone charging and plenty of cheap ready to eat snacks, even to a point where they can compete directly with fast food chains & coffee shops, are they really becoming the next key player in the FMCG distribution or just another alternative place for millennials to hang out?

Mini-stores are without a doubt an answer for the top-up shopping mission when consumers want to buy the Instant Noodles or Liquid Milk which just ran out at home, and are the places where youngster will want to mingle, however these stores have challenges to overcome and will need to find other sources of growth if they want to become an integer player of the FMCG game.

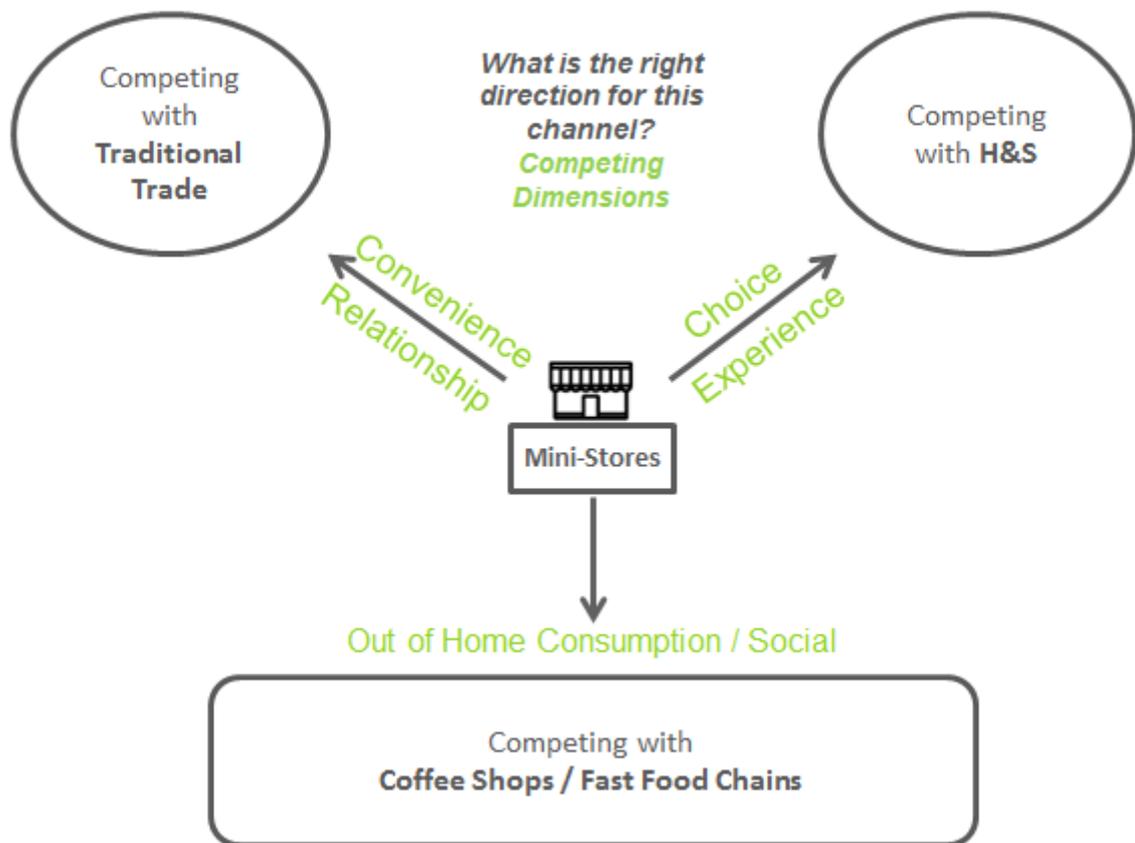
Currently seven out of every ten households in Urban Vietnam is still saying that Mini-stores are more expensive than traditional trade and this perception is not likely to change soon. On top of this, 41% of shoppers say that they cannot find everything they need in Mini-stores right now so there is still an issue around the range in store compared to Supermarket formats and something which will hold back their growth. This channel can easily fulfill immediate or near term consumption needs and top up shopping however is very limited in being able to deliver a big shopping trip – currently only around 1 in 10 shopping occasions feature more than 4 different product types in this channel.

Some people say these stores are the answer to the greater need of consumers to get convenience in everything they do. And this is (partially) true. Globally, convenience channels are posting growth of 6% year on year. This trend is magnified in Vietnam where convenience and proximity reign supreme. Shoppers are looking to save time in their busy lives. Today the need for more convenient lives has never been greater. For Vietnamese shoppers, “It’s near my home or on my way back home” is now the second most important factor when choosing a store to shop in – with 78% of shoppers saying so, a significant increase (up 4 places) since 2012. “I save a lot of time shopping there” also ranks third, gaining 2 spots as shoppers rank these factors over quality of products, friendly staff and promotions! From this it is clear to understand why Mini-Stores is gaining popularity over larger format modern trade who usually have inconvenient parking lots with long waits & a charge to use.

However the differentiation of convenience is less clear when compared to the traditional trade and is perhaps one reason why the growth of Mini-Stores could slow in the near future. Don’t forget that we are talking about a country where over 96% of households own a moto & who use them to go almost everywhere. Whilst Mini-Stores, like traditional trade stores exist on all streets in the city and are therefore equally reachable, there is still a question about how truly convenient Mini-Store trips are. This is because there is a much longer transaction time if you have to drive to the store, find a spot to park on the street (if there is any space!) and go inside to look for what you need compared to a common traditional trade trip where one can stop outside on the bike, call the shop owner to get the desired items and have them brought directly to them! Remember also that in many cases people have been shopping in their usual street shops for a very long time and have built a strong trust with shop owners whose advice they often take & in many cases come back to pay for their goods at a later time or even day – something which no modern trade format would ever allow.

As such, it seems that Mini-Stores still have to find the right positioning in the market and to reinvent their offer if they want to avoid losing ground in the FMCG game. They probably have a role to play, but they are certainly not expected to play a major role in the Modern Trade development in Vietnam unless they clarify their position to focus and overcome the current challenges they face. In addition to having a higher price point for most consumer goods they face competition from all angles: a strong competition from Hypermarkets on the shopping experience, a strong competition from supermarkets on choice and a strong competition with Traditional shops on convenience.

A position which is not easy to find between being a well connected hang-out place, a service(s) provider and a shop!



(* Urban 4 key cities include Ho Chi Minh, Ha Noi, Da Nang and Can Tho.

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About Kantar Worldpanel

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Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organizations globally.

With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behavior into competitive advantage in markets as diverse as FMCG and baby products, among many others.

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