

# Retail Sector Market Entry Guide - **Vietnam**

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## Executive Summary

One of Southeast Asia's fastest growing consumer markets, Vietnam has all the favorable conditions for the expansion and growth of the retail sector: an impressive GDP growth rate, political stability, a young population, a rising middle class, increasing disposable incomes, fast-paced urbanization, rising living standards, a high literacy rate, and a strategic location.

Fuelled by a rapid economic growth and increased FDI, 2017 emerged as one of the strongest years for Vietnam. With GDP growing at 6.81 percent, record high foreign direct investment (FDI), and trade volume reaching an all-time high of US\$400 billion, the country is forecast to continue growth into 2018 and beyond. In the retail sector, the wholesale and retail segment grew by over eight percent in 2017, driven by a growing middle class, young population, and rise in disposable incomes. Geographically speaking, South Vietnam, which has one of the highest income per capita in the country, will continue to lead among other regions, contributing the most to the national economy.

Last year, retail industry sales reached US\$129 billion, growing by 10.9 percent, compared to 2016. This rise has largely been attributed to the entry of foreign retailers, easing of investment regulations, and a rise in consumer spending. Vietnam continues to remain among the top 10 destinations for retail investment, and will continue to retain its rankings in the next decade. Traditional retail channels continue to lead by the number of stores and sales contribution, however, modern retail channels, especially mini-marts and convenience stores have grown rapidly in the last five years. Modern retail channels are predicted to account for almost half of the market by 2020. In addition, e-commerce retailing which is at a nascent stage as of now has shown remarkable growth in the 2017, growing by 25 percent. By 2020, the e-commerce channel is forecast to account for 5 percent of the total market.

As for the government - numerous investor-friendly reforms were implemented in 2017, in areas such as market-entry regulations, establishment procedures, and development of intermediary payment systems. These reforms has not only benefitted the existing players in the markets, but also made it easier for retailers who are planning to invest in Vietnam, one of the most attractive retail markets in the world.

## List of Abbreviations

AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
ACFTA	ASEAN China Free Trade Area
AFTA	ASEAN Free Trade Area
AIFTA	ASEAN-India Free Trade Area
AJCEP	ASEAN – Japan Comprehensive Economic Partnership
AKFTA	ASEAN Korea Free Trade Area
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
CBD	Central Business District
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DPI	Department of Planning and Investment
ENT	Economic Need Test
EU	European Union
EVFTA	EU-Vietnam Free Trade Agreement
FDI	Foreign Direct Investment
FMCG	Fast-Moving Consumer Goods
FOE	Foreign Owned enterprises
FTA	Free Trade Agreement
GDC	General Department of Customs of Vietnam
GDP	Gross Domestic Product
GRDI	Global Retail Development Index
GSO	General Statistics Office of Vietnam
IP	Intellectual Property
JSC	Joint Stock Company
JVE	Joint Venture enterprises
LLC	Limited Liability Company
LOE	Law on Enterprise
LOI	Law on Investment
MIGA	Multilateral Investment Guarantee Agency
MOIT	Ministry of Industry and Trade
MPAC	Master Plan on ASEAN
RCEP	Regional Comprehensive Economic Partnership
SME	Small and medium-sized enterprises
TPP	Trans-Pacific Partnership
TRIPS	Trade-Related Aspects of Intellectual Property Rights
VND	Vietnamese Dong
WFOE	Wholly Foreign Owned Enterprise
WTO	World Trade Organization

# 1. Vietnam Overview

In the last 10 years, Vietnam has emerged as one of the fastest growing global economy. Largely driven by investor-friendly government policies, young demographic, rise in urbanization, growing consumer spending, and foreign investment, Vietnam's is projected to grow annually around seven percent in the next few years. However, the country has seen economic development only in a few provinces and cities, and the government is trying to introduce investment policies focusing on less developed areas.

Sector wise, agriculture continues to dominate the country's employment share, however services and industry/construction sectors have increased their share in the country's GDP. In terms of employment, Vietnam's employment rate has steadily dropped in the last few years, which highlights the growing need for workforce in the economy.

Being a single party country, Vietnam has managed to maintain its political stability, which has hugely benefited the economy, especially with regards to policy implementation, expanding diplomatic relations, and attracting foreign investments. However, more needs to be done with respect to policy development as foreign investors, especially from Asia continue to see Vietnam as one of the best investment destinations.

## 1.1 Key facts and figures about Vietnam

### Population

#### **Size**

According to the General Statistics Office (GSO) of Vietnam, Vietnam's population was estimated at 93.7 million in 2017.<sup>1</sup>

Male population was 46.2 million, accounting for 49.3 percent; female population was 47.5 million, accounting for 50.7 percent.

Employed laborers aged 15 years and above in 2017 in urban areas accounted for 31.9 percent and those in rural areas held 68.1 percent.

#### **Growth rate**

In 2017, Vietnam's population grew by 1.07 percent as compared to 2016 to 93.7 million. From 2014 to 2017, the average population growth was 1.075 percent.

#### **Age structure**

Age Group <sup>2</sup>	Share in total population (2017 est.)	Male	Female
0-14 years	23.55%	11,909,326	10,735,324
15-24 years	16.22%	8,098,019	7,509,021
25-54 years	45.56%	22,087,095	21,719,615
55-64 years	8.55%	3,798,928	4,419,837
65 years and over	6.12%	2,281,923	3,601,075

#### **Urbanization**

Urban population stood at 32.9 million, accounting for 35.1 percent, while rural population stood at 60.8 percent, accounting for 64.9 percent.

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<sup>1</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

<sup>2</sup> [https://www.indexmundi.com/vietnam/demographics\\_profile.html](https://www.indexmundi.com/vietnam/demographics_profile.html)

## **GDP**

### **Growth rate**

In 2017, Vietnam's GDP grew by 6.81 percent. It increased by 5.15 percent in the first quarter; 6.28 percent in the second quarter; 7.46 percent in the third quarter; and 7.65 percent in the fourth quarter.<sup>1</sup> For 2018, the government is targeting a GDP of 6.7 percent.

### **Per Capita**

The 2017 nominal GDP stood at VND 5,008 trillion (US\$221 billion). GDP per capita was estimated at 53.5 million VND dongs, equivalent to US\$2,385, an increase of US\$ 170 compared to that in 2016.<sup>1</sup>

### **Sector contribution**

In 2017, the services sector contributed the highest to the GDP, accounting for 41.32 percent, followed by industry and construction at 33.34 percent, and agriculture, forestry, and fisheries at 15.34 percent.

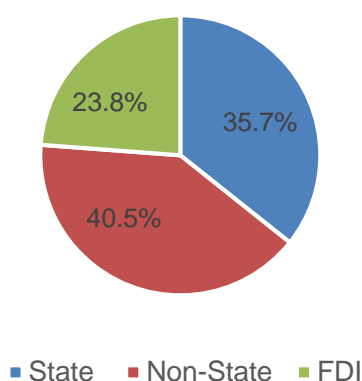
In 2017, the fishery gained the highest growth rate of 5.54 percent, while forestry industry grew by 5.14 percent. The agriculture sector grew by 2.07 percent.

In the industrial and construction sector, the industrial sector grew by 7.85 percent. Manufacturing sector grew the fastest in seven years at 14.40 percent. The mining and quarrying industry declined by 7.10 percent. The construction sector maintained its growth at 8.70 percent

In the services sector, wholesale and retail sales increased by 8.36 percent in 2017. Accommodation and catering services grew by 8.98 percent, while financial, banking and insurance activities rose by 8.14 percent. Finally, the real estate sector grew by 4.07 percent, the highest increase since 2011.<sup>3</sup>

## **FDI**

### **Vietnam's market ownership structure<sup>3</sup>**



### **Total FDI inflows**

Total value of newly and additionally registered capital, capital contributed and shares purchased in 2017 reached US\$35.88 billion, up 44.4 percent compared to 2016.

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<sup>3</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

In 2017, 2,591 new projects attracted registered capital of US\$21.27 billion, up 42.3 per cent against last year. Another US\$8.41 billion was added to 1,188 existing projects, 49.2 per cent higher than last year. The remaining US\$6.19 billion was in the form of capital contribution and share purchases, an increase of 45.1 percent compared to 2016.

The disbursed capital hit US\$17.5 billion, a 10-year high. The registered FDI capital and disbursed FDI grew by 44.4 percent and 10.8 percent respectively, compared with 2016.<sup>3</sup>

### Top Five Investment Sources

In total, 115 counties and territories invested in Vietnam in 2017.<sup>4</sup>

Top five country and geographical territory	Registered capital for January 01 to December 20, 2017 (US\$ million)
Japan	7745.8
South Korea	3973.3
Singapore	3771.8
China	1409.7
Hong Kong	740.4

### Industries for investment

A total of 19 industries and sectors attracted FDI in 2017. The manufacturing-processing industry received the highest at US\$15.87 billion, accounting for 44.2 percent of the total registered FDI.

The electricity production and distribution sector ranked second with US\$8.37 billion, representing 23.3 per cent of the total FDI. The real estate sector was in third place with US\$3.05 billion, totaling 8.5 per cent.

### Locations for FDI

Ho Chi Minh City attracted the most of FDI with a total registered capital of US\$6.5 billion, capturing 18.1 percent of total investment capital. Bac Ninh ranked second with a total registered capital of US\$3.4 billion, accounting for 9.5 percent of total investment capital.

Thanh Hoa ranked third with a total registered capital of US\$3.17 billion, accounting for 8.8 percent of the total investment capital.

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<sup>4</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

## 1.2 Regional overview

### Regional Vietnam

The General Statistics Office of Vietnam groups their provinces and cities into eight regions, listed below:

1. NORTH
  - a. Red River Delta
  - b. Northeast
  - c. Northwest
2. CENTRAL
  - a. North Central Coast
  - b. South Central Coast
  - c. Central Highlands
3. SOUTH
  - a. Southeast
  - b. Mekong River Delta

	North	Central	South
<b>Population (2016)<sup>5</sup></b>	33.1 million	25.5 million	34.1 million
<b>GDP growth</b>	8.68%	8.31%	7.25%
<b>GDP Contribution (2016)</b>	31.7%	17.1%	51.2%
<b>Number of FDI Projects (2016)</b>	975	192	1445
<b>Type of FDI investments</b>	<ul style="list-style-type: none"> <li>• Heavy manufacturing</li> <li>• Petrochemicals</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Seafood, food processing</li> <li>• IT</li> <li>• Telecommunications</li> <li>• Electronics</li> <li>• Garments</li> </ul>	<ul style="list-style-type: none"> <li>• Food and Beverage</li> <li>• Retail</li> <li>• Pharmaceuticals</li> <li>• Luxury goods</li> <li>• Manufacturing</li> <li>• Electronics</li> </ul>
<b>Employment rate (2016)</b>	59%	59.3%	56%
<b>Average income per capita in Thousand VND (2016 monthly est.)<sup>6</sup></b>	2821 (US\$ 124.12)	2497 (US\$ 109.87)	3641 (US\$ 160.20)

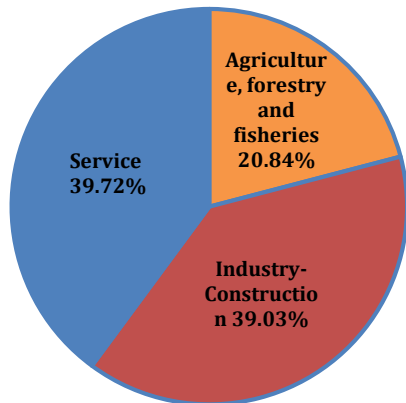
<sup>5</sup> www.gso.gov.vn

<sup>6</sup> Exchange rate – 1US\$ = 22727.27 VND

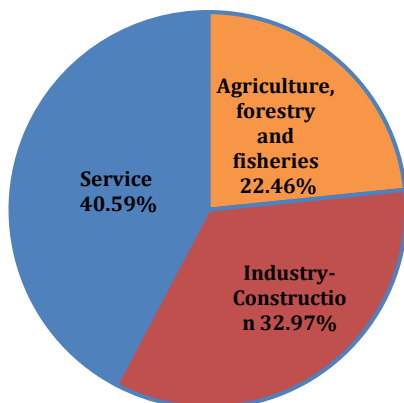


## Economic Structure (2016)

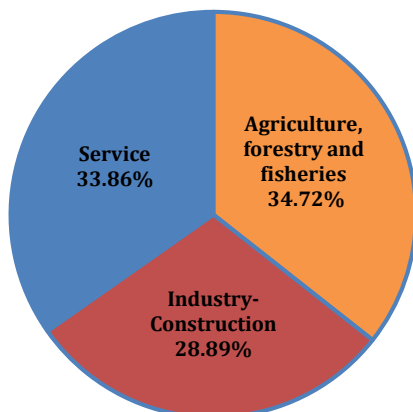
**North** (average of 25 provinces and cities)



**Central** (average of 19 provinces and cities)



**South** (average of 19 provinces and cities)



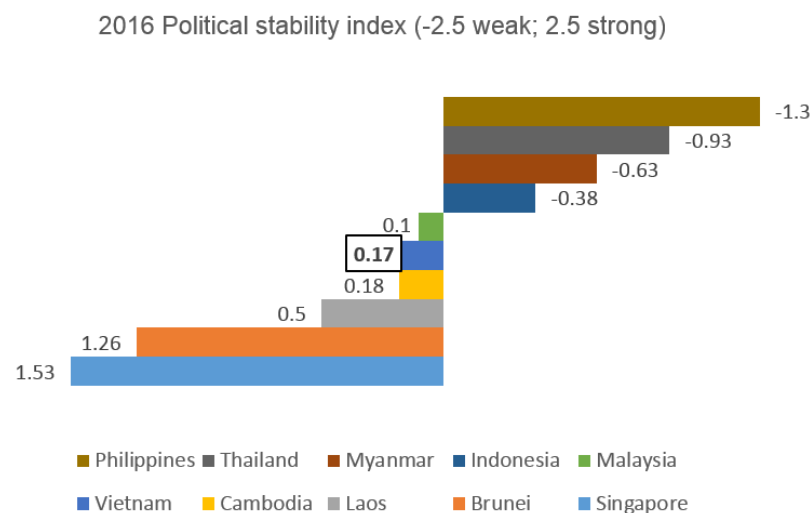
## 1.3 Country Profile

### Political situation & outlook

#### Domestic and regional political stability

Vietnam is a one-party state run by the Communist Party, which decides all major policy issues. It is one of the more politically stable countries in South East Asia. However, there are strict restrictions on freedom of speech, which can affect the use of internet, particularly social media and blogs. Most official media outlets and news publications are also under the control of the government.

In the region, Vietnam along with Singapore, Brunei, Laos, and Cambodia are one of the most politically stable countries. According to the World Bank's 2016 "*Worldwide Governance Indicators*,"<sup>7</sup> Vietnam ranks the fifth most politically stable country amongst all the ASEAN countries.



#### Diplomatic relations

Vietnam is a friendly and reliable partner of all countries in the international community, actively taking part in international and regional cooperation processes. Vietnam foreign policy focuses on developing relations in the principles of respect for each other's independence, sovereignty and territorial integrity, non-interference in each other's international affairs; non-use or threat of force; settlement of disagreements and disputes by means of peaceful negotiations; mutual respect, equality and mutual benefit. As of September 2016, Vietnam maintains diplomatic relationships with 188 nations worldwide.

Since the last few years, Vietnam's foreign policy has been multidirectional, which focuses on expanding diplomatic relations for economic development. This strategy has emerged due to the growing issues of sovereignty and territorial integrity in the region faced by numerous countries, including Vietnam

In addition, amid a growth of trade protectionism, Vietnam actively promotes economic, trade and investments across nations in both bilateral and multilateral aspects. Noticeably, Vietnam is one of a few emerging markets to join CPTPP; and one of two ASEAN members, along with Singapore that have finished FTA negotiations with the EU which is expected to come into force shortly in mid of 2018.

<sup>7</sup> <http://info.worldbank.org/governance/WGI/#home>

#### List of FTAs of Vietnam (As of 2017)

FTAs	Effectiveness status
RCEP	Under negotiation
CP-TPP	Under negotiation
AFTA	Signed and effective
ASEAN Free Trade area	Signed and effective
ASEAN-China FTA	Signed and effective
ASEAN-Hong Kong, China FTA	Under negotiation
ASEAN- Australia & New Zealand FTA	Signed and effective
ASEAN- South Korea FTA	Signed and effective
ASEAN- Japan FTA	Signed and effective
ASEAN- India FTA	Signed and effective
Vietnam-EU FTA	End of negotiation and Expect to be effective in mid-2018
Vietnam-Chile FTA	Signed and effective
Vietnam-Japan FTA	Signed and effective
Vietnam-South Korea FTA	Signed and effective
Vietnam- Israel FTA	Under negotiation
Vietnam-EFTA	Under negotiation
Vietnam-Eurasian Economic Union	Signed and effective

### **Cultural and social peculiarities**

Understanding cultural and social peculiarities of a country is key to establish and maintain a strong, mutually beneficial, and long-term business relationship with the local partners.

#### **Face to face meeting**

One of the integral components of the business process in Vietnam is meetings. Unlike Western business people, Vietnamese counterparts are less dependent on emails and prefer to meet potential partners face-to-face since this kind of meeting show an appropriate level of respect to the partners. In addition, it is very important to keep in mind the timeline of making meeting appointments in Vietnam, are as follow:

- Making appointments well in advance is not usual, especially for SMEs and high-ranking officials who prefer to confirm their attendance to a meeting solely one or two days prior to it.
- Business activities slow down for weeks around the Tet holiday. This period is a time to finish all business activities incurred during the year and to prepare for Tet, which is the most important celebration in Vietnamese culture and often lasts up to 10 to 14 days. Therefore, meetings during this period are easily canceled.

#### **Business card exchange**

In Vietnam, it is very common to have a business card printed in both Vietnamese and English. Cards should be given to the oldest person first by both hands with Vietnamese side facing upwards. A brief examination on a received card before putting it away is also recommended to capture basic information of the card providers.

## **Legal framework**

To encourage foreign investments, the Vietnamese government has issued several laws to protect foreign investors including Law on Investment and Law on Enterprise. Generally, foreign enterprises must obtain two fundamental certificates to do business in Vietnam:

- An Investment Certificate applied to the Department of Planning and Investment in relevant province/city (Law on Investment No.67/2014/QH13)
- A Business Certificate applied to the Department of Planning and Investment in relevant province/city (Law on Enterprises No.68/2014)

Additional to that, businesses engaging in goods trading activities and directly related activities must seek a license from the Ministry of Trade (Decree No.23/2007/ND-CP)

<b>Case 1: With retail establishment</b>	<b>Case 2: Without retail establishment</b>
<ul style="list-style-type: none"> <li>• Solely one retail store: Investors are allowed to set up one retail establishment if they have received an Investment Certificate (Decree No.08/2013/TT-BCT)</li> <li>• Multiple retail establishments: Investors must apply for a license to set up retail establishments to the Ministry of Industry and Trade (Decree No.08/2013/TT-BCT)</li> </ul>	<ul style="list-style-type: none"> <li>• Investors must apply for an approval from the Ministry of Industry and Trade to set up sales e-commerce websites if investors want to conduct sales activities via e-commerce platforms without retail establishment (Decree No.52/2013/ND-CP on E-commerce and Decree No.08/2018/ND-CP)</li> </ul>

The Law on Investment regulates investment activities for business purposes, the rights and obligations of investors, the guarantee of lawful rights and interests of investors, encouragement of investment and investment incentives, State administration of investment activities in Vietnam, and offshore investment from Vietnam. It is applicable for domestic and foreign investors as well as organizations and individuals carrying out investment activities within the territory of Vietnam or offshore investments made from Vietnam.

The Law on Enterprises regulates the establishment, management organization, re-organization, dissolution, and related activities of enterprises, such as limited liability companies, shareholding companies, partnerships, and private enterprises. It is applicable for enterprises, agencies, organizations, and individuals involved in the establishment, organization of management, re-organization, dissolution and related activities of enterprises.

## 1.4 Consumption

### Household income bands

Average monthly average income per capita in Thousand VND (2016) at current prices by income quintile.<sup>8</sup>

Country Average	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
3,049 (US\$134.16)	791 (US\$34.80)	1,535 (US\$ 67.54)	2,322 (US\$ 102.17)	3,356 (US\$ 147.66)	7,755 (US\$ 341.22)

### Disposal household income

The median disposable income per household was about US\$3,822 in 2016, or about US\$320 a month.<sup>9</sup>

### Consumption expenditures

Average monthly living expenditure per capita in Thousand VND (2016) at current prices by income quintile. Error! Bookmark not defined.

Country Average	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
2,016 (US\$ 88.70)	896 (US\$ 39.42)	1,318 (US\$ 57.99)	1,685 (US\$ 74.14)	2,204 (US\$ 96.98)	3,534 (US\$ 155.50)

Average monthly expenditure per capita in Thousand VND (2016) at current prices by type of expenditure. Error! Bookmark not defined.

Total expenditure	Living expenditure	Eating drinking & smoking expenditure	Non eating drinking & smoking expenditure	Others
2,157 (US\$ 94.91)	2,016 (US\$ 88.70)	1,027 (US\$ 45.19)	989 (US\$ 43.52)	141 (US\$ 6.20)

<sup>8</sup> www.gso.gov.vn

<sup>9</sup> hktdc.com

## **Employment sectors**

### **Population share (2016)<sup>10</sup>**

<b>Age Group</b>	<b>Population in million</b>	<b>Population Share</b>
<b>Total</b>	<b>53.3</b>	<b>57.5%</b>
15-19	2.2	2.4%
20-24	4.8	5.2%
25-29	6.2	6.7%
30-34	6.8	7.3%
35-39	6.5	7.1%
40-44	6.5	7.1%
45-49	5.9	6.4%
50+	14.4	15.5%

### **Annual employed population and annual employed population at 15 years of age and above by kinds of economic activity.<sup>10</sup>**

<b>Industries</b>	<b>Population in million</b>	<b>Population share (percent)</b>
TOTAL	53.3	100
Agriculture, forestry and fishing	22.3	41.9
Mining and quarrying	0.24	0.4
Manufacturing	8.9	16.6
Electricity, gas, steam and air conditioning supply	0.16	0.30
Water supply, sewerage, waste management and remediation activities	0.14	0.30
Construction	3.8	7.10
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.7	12.60
Transportation and storage	1.6	3.00
Accommodation and food service activities	2.5	4.70
Information and communication	0.34	0.60
Financial, banking and insurance activities	0.38	0.70
Real estate activities	0.18	0.30
Professional, scientific and technical activities	0.25	0.50
Administrative and support service activities	0.29	0.50
Activities of Communist Party, socio-political organizations; public administration and defense; compulsory security	1.7	3.20
Education and training	1.9	3.60
Human health and social work activities	0.57	1.10
Arts, entertainment and recreation	0.3	0.60
Other service activities	0.89	1.60
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	0.19	0.40
Activities of extraterritorial organizations and bodies	0.002	0.00

<sup>10</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

## Employment rate

Unemployment and underemployment rate of labour force (2016)<sup>11</sup>

Unemployment rate (%)				Underemployment rate (%)			
General	15-24	25-49	50+	General	15-24	25-49	50+
2.30	7.43	1.46	0.84	1.66	2.57	1.58	1.21

## Percentage of trained employed workers at 15 years of age and above by kinds of economic activity (2016)<sup>11</sup>

Industries	Trained employed workers (percent)
TOTAL	20.6
Agriculture, forestry and fishing	4.1
Mining and quarrying	50.4
Manufacturing	18.5
Electricity, gas, steam and air conditioning supply	78.7
Water supply, sewerage, waste management and remediation activities	43.4
Construction	14.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	21.6
Transportation and storage	55.2
Accommodation and food service activities	13.3
Information and communication	80.8
Financial, banking and insurance activities	83.1
Real estate activities	41.9
Professional, scientific and technical activities	81.5
Administrative and support service activities	43.5
Activities of Communist Party, socio-political organizations; public administration and defense; compulsory security	83.0
Education and training	92.2
Human health and social work activities	88.0
Arts, entertainment and recreation	25.4
Other service activities	20.2
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	3.0
Activities of extraterritorial organizations and bodies	75.1

<sup>11</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

## Average income

Industries	Gross Average Monthly Salary (VND) <sup>12</sup>	
	Minimum Average	Maximum Average
Human Resources	47.8 million	77.5 million
Legal	57 million	103.3 million
Banking	77 million	121.5 million
Finance & Accounting	32.5 million	43.6 million
IT	36.5 million	54.5 million
Sales Marketing	33.2 million	49 million
Retail	29.8 million	37.6 million
FMCG	43.6 million	58.6 million
Engineering and Technical	28.2 million	51.1 million
Logistics and Supply Chain	29.7 million	41.7 million
Medical & Life Sciences	31.5 million	48 million

## Skilled workforce for Primary, Secondary and Tertiary sector

Skilled Workers in Vietnam by Level of Education (2016).<sup>13</sup>

Education level	Workers (millions)	Percentage of workforce
Primary Vocational	1.7	3.1
Secondary Vocational	0.8	1.4
Secondary School	2.1	3.7
Vocational College	0.2	0.3
Professional College	1.5	2.7
University and Higher	4.9	9.1
<b>TOTAL</b>	<b>11.2</b>	<b>20.3</b>

<sup>12</sup> [www.adecco.com.vn](http://www.adecco.com.vn)

<sup>13</sup> [www.gso.gov.vn](http://www.gso.gov.vn)



## 2. Market Overview of Retail sector

The share of foreign invested enterprises in Vietnam's economy has rapidly grown in the last decade. Investor friendly policies have led to the easing of business conditions and entry of foreign players especially from Southeast Asia, Japan, and South Korea. This has allowed foreign firms to flourish in Vietnam in almost all major sectors including retail, where most domestic firms and State owned enterprises continue to suffer from mismanagement, lack of funds, and access to global supply chains.

In addition to the entry of foreign players in retail sector, the rise in consumer spending, lifestyle changes and urbanization has made Vietnam one of the most attractive retail markets in the world. Retail spending continues to grow not only in the traditional and modern retail segments, but also in e-commerce, which is largely driven by the rise in the number of smartphone users as well as internet penetration.

The fast food and apparel sector has attracted major international retailers in the last 10 years. The sector has also seen the emergence of domestic players that are vying for a share in the consumer market. Going forward, as the market gets more competitive, existing brands in the market will continue to expand, while late entrants will find it hard to establish a presence.

### 2.1 Introduction

#### **Overview of the retail sector**

In 2017, Vietnam's retail industry sales reached US\$129.6 billion rising 10.9 percent from the year before. As of 2016, Vietnam has 4,765 modern trade stores, including 4,194 minimarts and convenience stores, and 571 supermarkets. Traditional retail has around 1.4 million stores in Vietnam.

The retail sector's growth has largely been driven by the entry of foreign retailers, easing of investment regulations, and a rise in consumer spending and urbanization. In the last 10 years, the market has attracted numerous foreign retailers such as Lotte, CircleK, Aeon, BigC, and FamilyMart to name a few.

In terms of investment attraction, Vietnam ranked as the sixth best destination for retail investment according to the 2017 A.T. Kearney's Global Retail Development Index (GRDI). According to the report, convenience stores and mini-marts are the fastest-growing segment in the industry.

By 2020, the retail market size is expected to reach US\$ 179 billion.

#### **Traditional**

Traditional retail channels account for 72 percent<sup>14</sup> of the market but this number is forecasted to decline to just 60 percent in 2020. In 2016, the traditional retail segment grew only by two percent.<sup>15</sup>

#### **Modern**

In 2016, the modern retail segment grew by 61 percent as compared to the previous year. Modern retail channels like supermarkets and shopping centers account for almost a quarter of total retail sales in Vietnam. By 2020, the proportion of modern retail channels is forecast to rise to 40 to 45 percent.<sup>15</sup>

#### **E-commerce**

Vietnam's value of e-commerce market in 2016 was close to US\$ 1.8 billion. The e-commerce retail sales grew by 25 percent in 2017<sup>16</sup>. The annual retail sales growth for 2016-2020 is estimated at 20 percent, with the market forecasted to reach US\$ 10 billion by 2020.

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<sup>14</sup> <http://www.moit.gov.vn/>

<sup>15</sup> Nielsen Vietnam

<sup>16</sup> <http://www.vecita.gov.vn>

## 2.2 Size of the sector

### Retail market numbers

#### Product Categories<sup>17</sup>

Year 2016	Total revenue (Billion VND)	Growth
<b>Retail Sales</b>	2,668,413.30	11.10%
<b>Accommodation, food and beverage service</b>	442,240.90	10.60%
<b>Service and tourism</b>	457,495.30	9%

#### Luxury Goods

The appetite for luxury goods is more in the country's capital Hanoi and Ho Chi Minh City, the country's largest commercial center. However, newer markets for luxury goods are emerging in fast urbanizing population centers such as Haiphong, Da Nang, Hue, and Can Tho. These cities are where the majority of the country's young and well-educated professional class lives. The growth of Vietnam's retail sector also provides many opportunities for luxury brands to enter the market.<sup>18</sup>

##### *Cosmetics*

Both nominal spending and the percentage of consumer spending allocated to cosmetics have grown significantly in recent years. By 2020, total value of cosmetics imports are projected to reach US\$ 2.23 billion—representing over 1.2 percent of total consumer spending.

##### *Automobile*

By 2020, total value of automobile imports are projected to be around US\$0.62 billion — representing around 0.5 percent of total consumer spending.

##### *Alcoholic Beverages*

The total value of alcoholic beverages import by 2020 is projected to reach US\$5.5 billion, accounting for around 2.4 percent of total consumer spending.

##### *Fashion and Accessories*

The total value of fashion and accessories import by 2020 is projected to reach US\$1 billion, accounting for slightly more than 1 percent of total consumer spending.

##### *Hotel and Gastronomy*

By 2020, total value of tourism and hotel/gastronomy spending are projected to be around US\$45 billion — representing around 18 percent of total consumer spending.

<sup>17</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

<sup>18</sup> <https://evbn.org/vietnam-market-trends-in-the-luxury-goods-sector-report/>

## Retail Stores<sup>19</sup>

Types of retail stores	Number of establishments (2017)	Growth (2017)	Spending
Supermarkets	930	7%	25% of total retail spending
Shopping Malls/Commercial Centers	179	5%	
Convenience Stores	1,765	13.3% (est.)	
Traditional Markets	9,000	5.7%	73.8% of the total retail spending
Household-run stalls	2.2 million	N/A	
E-commerce	N/A	22%	1.2% of total retail spending

## Regions<sup>19</sup>

Retail sales of goods and services in 2016

For 2016	Total revenue (Billion VND)	Growth
North	967,918.50	9.30%
Central	743,809	10.80%
South	1,856,422	11.4%

<sup>19</sup> [www.gso.gov.vn](http://www.gso.gov.vn)

## 2.3 Specificities of the sector

### **The popularity of young Vietnamese internet retailers or e-commerce retailers**

Lazada, Singapore based firm continues to lead amongst Vietnamese e-commerce retailers. However, eight out of the 10 most visited e-commerce sites are locally based firms. Preference for local online retailers has grown steadily in Vietnam, with only two foreign retailers featuring in the top 10, Alibaba-owned Lazada and Singapore-based Shopee.

In Q4 2017 Lazada had around 50.4 million visitors per month, followed by Vietnamese giant Thế Giới Di, Sendo, and Shopee at 39 million, 24 million, and 18 million visitors per month, according to iPrice, an online shopping aggregator.

According to a recent survey in January 2018 by the Association of High-Quality Vietnamese Goods Producers, 2.7 percent of respondents said they shop online, three times higher as compared to last year. As per the survey, respondents mostly purchased electronic products, toys, sports equipment, cosmetics, beauty products, blankets, pillows, curtains, stationery, and fashion products with most being young consumers residing in major cities. In rural areas, apparel and cosmetics were the major products bought online.

### **Obsession with foreign products**

Vietnamese consumers shopping patterns have evolved in the last few years, driven by a growing GDP and increase in purchasing power. Apart from the increase in consumer spending, preference for foreign goods have increased steadily in Vietnam, especially for products from Thailand, South Korea, and Japan.

According to a recent survey by the Association of High-Quality Vietnamese Goods Producers, domestic products do dominate the market with 51 percent of respondents preferring local products and 60 percent of respondents consuming local goods. However, this rate has fallen by 27 and 32 percent as compared to last year.

## **Prevalence of distributors and franchising models in Vietnam**

### **Distribution model**

As per Vietnam's WTO Commitments, 100 percent foreign-owned companies may engage in distribution services (including wholesale or retail sales) of most legally imported or domestically produced products. Distribution services include commission agent sales, wholesaling, retailing, and franchising.

Some products are excluded from Vietnam's commitment to open distribution services, such as cigarettes and cigars, books, newspapers and magazines, video recordings, precious metals and stones, pharmaceutical products and drugs, explosives, processed oil and crude oil, rice, cane, and beet sugar.

Foreign companies engaging wholesalers in Vietnam should examine the investment certificate or business registration certificate of each reseller or distributor to make sure that they are properly licensed to engage in wholesaling or retailing of the products.

Foreign businesses without equity limitation have been able to engage in retailing activities since 2009. As per Vietnamese law, "retailing" means the activity of selling goods directly to the end-user. If they have a license to engage in retail services, the foreign-invested company can sell directly to end users, without having to go through a licensed local distributor. A company licensed to engage in retail activities has the right to establish a single retail outlet. Subsequent outlets are subject to approval from the relevant local Department of Planning and Investment (DPI).

Manufacturing companies can warehouse their processed products. Trading companies, importing their own brand products, are considered rendering a service to their parent companies. As of 2014, warehousing service (as part of the logistics industry) is now fully opened to a 100 percent foreign ownership.

### **Franchising model**

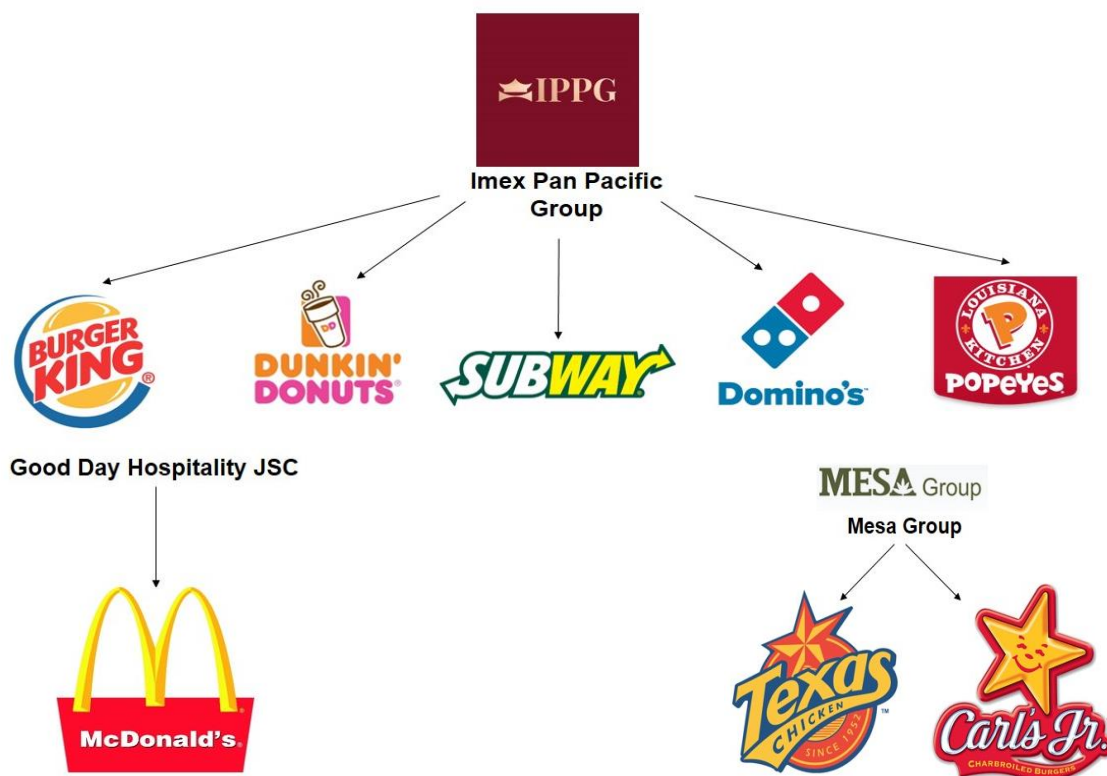
The franchising model is well suited to a developing economy like Vietnam. Franchising provides investors with a relatively rapid avenue of entering business with controlled levels of investment and at a reduced risk. Rising incomes and an emerging middle class are generating an increase in this consumer-driven sector.

Franchising began in the 1990's with the introduction of fast food chains like KFC, Lotteria, and Jollibee. In July 2016, per the Vietnam Ministry of Industry and Trade (MoIT), 148 foreign brands had registered their franchising businesses in Vietnam. This includes fast food, bakery, coffee, drinks, and restaurants, which accounted for 43.7 percent of total franchise contracts signed. Most franchisors are from the U.S., Australia, South Korea, Singapore, Thailand, Japan, Hong Kong, Canada, and the Philippines.

In 2016, franchise deals rose 15 to 20 percent compared to 2015. Along with a growing interest in western-style food and beverage, there is a considerable demand for lifestyle-oriented products and services.

Top Franchises in Vietnam					
Food & Beverage			Retail	Apparel and accessories	Education and training
Lotteria	Carl's Jr	Tea Leaf	FamilyMart	Inditex	Mathnasium
McDonald's	Dunkin' Donuts	Costa	Circle K	Miss Selfridge	Crestcom
Baskin Robbins	Pepper Lunch	Jumbo Seafood	B's Mart	Dorothy Perkins	Dale Carnegie
Haagen-Dazs	Subway	Hard Rock Limited	Ministop	Fossil	Cleverlearn
Pizza Hut	Gloria Jean's Coffee	Highlands Coffee	GS25	Marks & Spencer	Cherie Hearts
Kentucky Fried Chicken	Ding Tea	Pho 24	7-Eleven	Charles & Keith	ActionCOACH
Burger King	Trung Nguyen Coffee	King BBQ	Shop n Go	Bottega Veneta	Daekyo
Jollibee	Kinh Do Bakery	Huy Vietnam	Lotte Mart	Moschino	Pearson Education
Starbucks	Wrap and Roll	Sumo BBQ	Vinmart	Debenhams	Etonhouse
Domino's Pizza	Café Cong	Cong Café	Citimart	Body Shop	Hamleys
Popeye's Chicken	Coffee Bean		Fivimart	Topshop	FasTrackKids

## Top Franchise and Distribution Partners





## 2.4 Market Trends

### **Comparing traditional retailing and modern retailing**

#### **Traditional Retail**

Traditional trade is the largest channel in Vietnam both by number of stores and by sales contribution. Traditional sales channels account for 75 percent of the market share. In 2016, traditional retail had 1.4 million stores, but the store growth rate slowed down to only two percent.

#### **Modern Retail**

Vietnam is home to 4,765 modern trade stores in 2016, including 4,194 minimarts and convenience stores, and 571 supermarkets. By 2020, Vietnam will have an estimated 1,300 hypermarkets and supermarkets, and 337 trade centers according to government figures.

The modern trade channels achieved a store growth rate of 61 per cent year-on-year in 2016, but accounted for only 25 percent of the market share. By 2020, the share of modern retail is forecast to rise to 45 percent.

### **Comparing internet retailing/e-commerce and non-e-commerce**

In 2016, Vietnam's e-commerce market was valued around US\$ 1.8 billion. The e-commerce retail sales grew by 25 percent in 2017. The annual e-commerce retail sales growth for 2016-2020 is estimated to reach 20 percent, with the market forecasted to reach US\$ 10 billion by 2020, accounting for 5 percent of the country's retail market.<sup>20</sup>

In the online retail sector, e-commerce companies witnessed a revenue growth of 35 percent in 2017. An indirect survey of certain delivery companies showed a 62-200 percent growth in delivery service revenues.<sup>20</sup>

According to one estimate, about 30 percent of the population will be buying goods and services over the internet in 2020, with each shopper spending an average of US\$350 per year.

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<sup>20</sup> [www.vecita.gov.vn](http://www.vecita.gov.vn)



## **FMCG in terms of sales growth and demand growth**

### *Traditional Channels*

The nationwide FMCG sales, measured in traditional trade channels in 2017, increased 5.4 percent year-on-year compared to 4.9 percent in 2016. As for the FMCG performance in rural and urban areas, the report shows that the growth observed in rural areas was higher than that in urban regions but it was more fluctuated. Total rural FMCG growth increased 6.1 percent year-on-year while total urban FMCG growth rate was flat at 4.0 percent year-on-year.<sup>21</sup>

### *Brands*

In Vietnam, FMCG market share held by Vietnamese brands are superior to global brands in both rural and urban markets. In rural areas, Vietnamese brands hold 78 percent of market share, or 3.5 times higher than global brands. In large cities, the figures are 71 percent and 29 percent, respectively.<sup>22</sup>

According to Nielsen, multi-national brands gained a 2 percent growth rate in value in 2016 (5 percent in 2014), while Vietnamese brands gained a growth rate of 7 percent (5 percent in 2014). Vietnamese manufacturers made up to 42 percent of total revenue of the whole FMCG sector.

In the food & beverage segment, Vietnamese enterprises hold the upper hand with market share of 69 percent and 45 percent, respectively. In home care and personal care segments, multinational brands have advantages, but their growth rates were lower than domestic ones.

### *Online Sales*

Online FMCG sales in 2017 reached 0.5 percent share in Vietnam, an increase of 69 percent compared to 2016. Vietnam e-commerce specifically, is expected to expand from 0.5 percent to 2.2 percent share in 2025 coupled with the rise of digitization<sup>23</sup>.

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<sup>21</sup> <http://www.nielsen.com>

<sup>22</sup> <https://www.kantarworldpanel.com/vn>

<sup>23</sup> <http://www.nielsen.com>

## **Consumer and Lifestyle trends prevalent**

Consumer expenditure has been increasing steadily in Vietnam, in particular due to rising incomes amid strengthening economic activity. During 2010-2016, the median disposable income rose by about 46 percent to an estimated US\$3,822 per household from US\$2,613. As per a 2017 study by Nielsen, Vietnam achieved a 5-year record high in terms of the Consumer Confidence Index, ranking fifth worldwide. This index shows the potential of the retail market as well as the optimism and willingness to spend of Vietnamese consumers.

Total consumer expenditure increased to an estimated US\$146 billion in 2016 to US\$163 billion by 2020. Spending on housing, food items, and transportation accounted for almost 60 percent of consumer expenditure.

As the Vietnamese economy opens up, consumers are coveting quality products and luxury items. In major cities such as Ho Chi Minh City, Hanoi and Da Nang, where most households of higher income reside, consumers can enjoy a wide variety of choice for products of both local and foreign brands. According to a survey conducted in 2014 by Y&R Vietnam on people aged from 20 to 65 years in four major cities in Vietnam, 14 percent of them bought luxury goods at least once.

The top factors influencing the purchasing intentions of Vietnamese consumers are high-quality products (79 percent) health and wellness benefits (77 percent) and products made with fresh, natural, and/or organic ingredients (77 percent).<sup>23</sup>

There is also a shift in buying preferences in the retail segment. According to a 2016 Nielsen study, Vietnamese consumers are moving slowly towards modern retailers due to numerous reasons such as

- Low prices
- Deals and promotional offers
- Convenience
- Wide variety of products
- Availability of products, especially organic and healthy
- Store environment

## **Commercial real estate trends and outlook**

### **Ho Chi Minh City - *Central Business District (CBD)***

With big brands preferring to open their retail stores in city center, the total supply in Central Business District (CBD) area was limited in 2017 with less than 100,000 m2 Net Leasable Area (NLA), just 2.7 percent of which was vacant. The average rent in 2017 was US\$115.4/m2/month. Average occupancy from 2012 to 2016 was 91 percent.

#### *2018 Outlook*

There will be no new supply in the CBD in 2018. In 2019 and 2020, 124,000 m2 of new supply will come online from the podiums of luxury mixed-use projects such as Golden Hill, Tax Plaza, and The Spirit of Saigon. Due to solid demand, rents of CBD retail property will continue to rise during the next three years and vacancy will remain under 5 percent. Any available space is expected to be quickly filled up.

### **Ho Chi Minh City – *Non-CBD***

In non-CBD areas, a total NLA of 74,183 m2 were introduced to the HCMC retail market. The average rent in 2017 was US\$37.8/m2/month. Average occupancy from 2012 to 2016 was 88.7 percent.

#### *2018 Outlook*

In the next three years, an additional of 430,000 m2 NLA will be available. With rising competition, rents in non-CBD areas are constrained while the vacancy rate is expected to increase to 20 percent by 2020.<sup>24</sup>

### **Hanoi – *Central Business District (CBD)***

In Hanoi, only 7 percent of total retail supply in Hanoi is located in the CBD. Due to limited land bank, there has been no new supply since 2013, causing retailers to find alternatives in shop houses. Currently there is still no expected future supply.

The average rent in 2017 was US\$85/m2/month.

#### *2018 Outlook*

The CBD is predicted to continue to perform well with a low vacancy rate and strong asking rental rates. Currently, there is no expected future supply.

### **Hanoi – *Non-CBD***

The majority of current supply is located in different clusters in Non-CBD areas, in residential areas or other areas with good access to population centers. The average rent in 2017 was US\$28/m2/month.

#### *2018 Outlook*

The areas along Ring Road 3 and the two under-construction metro lines including the West, South West, and South will be hot-spots with nearly 375,000 m2 of retail space coming online over the next three years. The area covering Cau Giay, Tu Liem, and Thanh Xuan district is currently the largest retail cluster in Non-CBD, accounted for 41 percent of total supply. It will continue to remain its position in the next few years with 83,300 m2 future supply in the pipeline.

In 2018, a total of 157,000 m2 area will be available from eight under-development projects. This is the largest number of new projects ever planned for a single year and is only surpassed by 2013 in terms of scale. Despite this new supply causing pressure on the vacancy rate, the average market rent is still expected to remain relatively stable or even to slightly improve.<sup>24</sup>

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<sup>24</sup> CBRE Vietnam

## 2.5 Key Growth Drivers – Future Outlook

### Demographics: Review of young and growing population

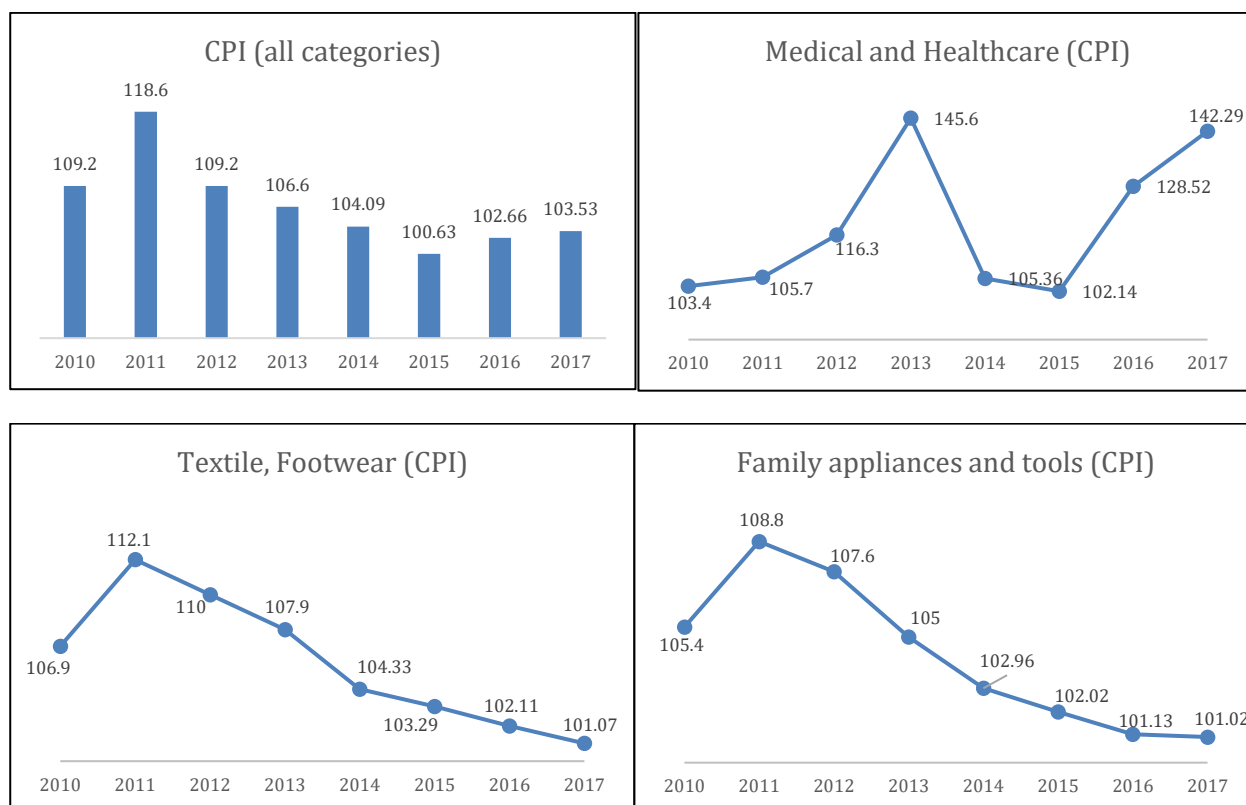
Vietnam has a growing educated workforce and is now in a period of golden population structure, where 70 percent of the population aged between 15 and 64. Nearly 45 percent is under 30 years of age, and only 10.5 percent is aged 60 and over. With a median age of 30.7 years, Vietnam has a relatively young population. In comparison, China has a population with a median age of 36 years.

Vietnam's golden population is estimated to last about 30 years from 2010 to 2040. However, due to a lower birthrate and longer life expectancy, Vietnam is aging rapidly and the working-age population is shrinking. Vietnam's working-age population will shrink so quickly that by 2030, one in six Vietnamese will be over 60 years old, and one in four of the population will be 60 or older by 2060.

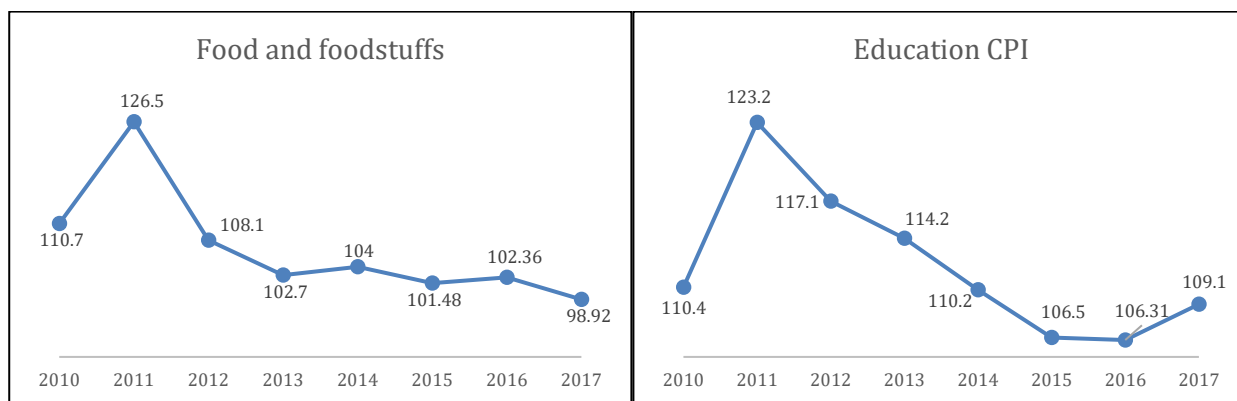
### Improvements to standards of living and consumer spending power

#### Living Standards

Spending on food items, housing, and transportation, account for around 60 percent of the total expenditure of a consumer. Price levels of health-care products and medicine increased by 45.6 percent in 2013 and 42.3 percent in 2017, pushing up spending on health goods and medical services.<sup>25</sup>



<sup>25</sup> [gso.gov.vn/](http://gso.gov.vn/)



## Home Ownership

Distribution of households with urban/rural location and ownership until 1/4/2014.<sup>26</sup>

	Ownership Rate
<b>Whole Country</b>	100.0%
Own home	90.8%
Rent/borrow	8.7%
Unclear ownership	0.5%
Without dwelling	0.0%
<b>Urban</b>	100%
Own home	81.2%
Rent/borrow	18.1%
Unclear ownership	0.8%
Without dwelling	0.0%
<b>Rural</b>	100.0%
Own home	95.8%
Rent/borrow	3.9%
Unclear ownership	0.3%
Without dwelling	0.0%

Housing in Vietnam is divided into four types:

- **Permanent**  
Permanent housing includes dwellings for which the three main structural elements: supporting columns, roof and walls all consist of sturdy types;
- **Semi-permanent**  
Semi-permanent housing indicates that two out of three structural elements are made of sturdy categories;
- **Temporary**

<sup>26</sup> 1/4/2014 Vietnam Intercensal Population and Housing Survey

Temporary structures only have one of the three structural elements belonging to the sturdy category;

- Simple  
Simple structures are those for which all three structural elements are classified as flimsy.

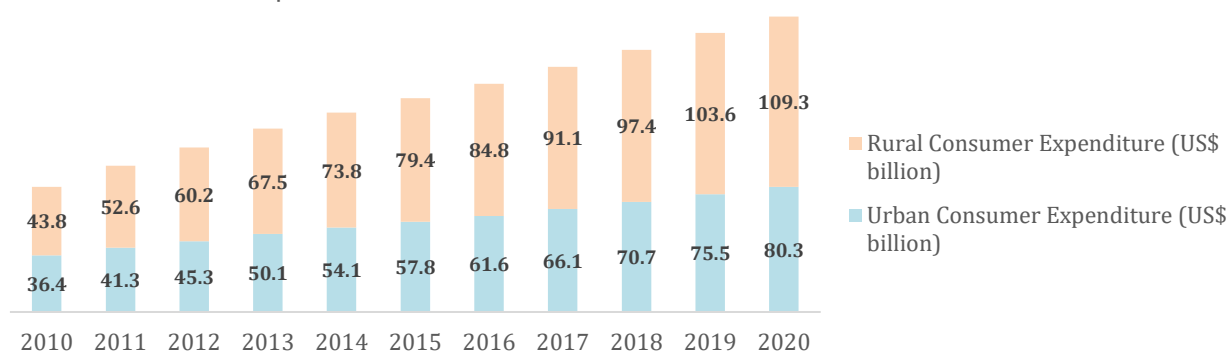
Percentage of households having house by type of house and region (2016).<sup>27</sup>

	Permanent	Semi-permanent	Temporary	Simple
<b>Whole Country</b>	49.7	42.5	5.2	2.6
<b>Urban</b>	47.8	49.9	1.7	0.6
<b>Rural</b>	50.6	39.0	6.9	3.5

## Consumer Spending Power

Consumer expenditures continue to rise in Vietnam, in particular due to rising incomes driven by a growing economy. During 2010-2016, the median disposable income rose by about 46 percent to an estimated US\$3,822 per household from US\$2,613.<sup>28</sup> Almost two-thirds of the country's population live in rural areas, and their consumer expenditure accounts for about 58 percent of the country's total. During 2010-2016, rural consumer expenditure rose by about 94 percent, more than the 69 percent increase of urban consumer expenditure in that period. However, the average spending by urban residents is still higher than that of rural dwellers, as they account for only one-third of the population but spend 42 percent of the country's consumer expenditure.<sup>28</sup>

Vietnam Consumer Expenditure



<sup>27</sup> [www.gso.gov.vn/](http://www.gso.gov.vn/)

<sup>28</sup> [hktdc.com](http://hktdc.com)

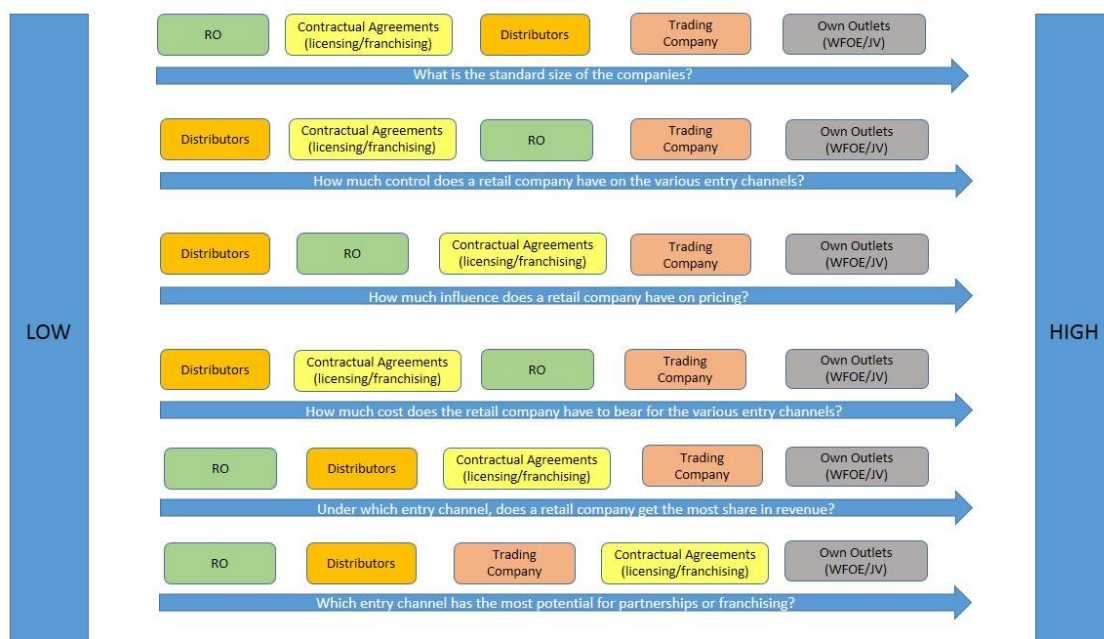
## 3. Market Entry Models

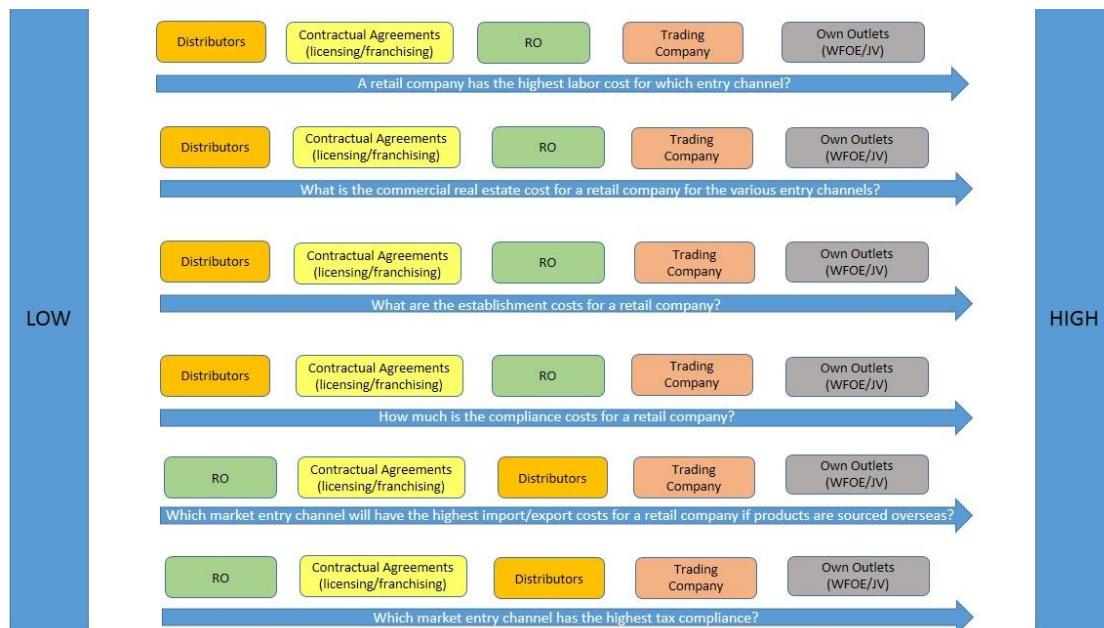
With the retail sector slowly getting crowded by the emergence of domestic players, as well as the entry of international retailers, future investors not only need to understand the market dynamics, but also ensure that they select the appropriate market-entry strategy to minimize risks. There are numerous modes of market entry, and there is no one strategy that fits all retailers. Market entry strategies depend on various factors that need to be considered by investors such as product demand, pricing, market dynamics, and regulations.

In addition, once an investor plans to enter Vietnam, working with domestic firms is inevitable. Find a local partner is not that hard, but gauging the partner's capability is crucial and a degree of uncertainty always surrounds such partnerships. In this section, we highlight the different market entry channels and compare them with each other on various parameters. We also focus on the major attributes a local partner should have in Vietnam.

### 3.1 Market Entry Channels – Profile

This chart profiles the retail channels Representative Office (RO), Contractual Agreement (Licensing/Franchising), Distributors, Trading Company, and Retail outlets (WFOE/JV) on various parameters such as operational characteristics, cost, and price.





## 3.2 Market Entry Channels

### Distributor

The distributor will buy the products from the retail company and then sell them to customers through a third party or directly. They earn their profits from the difference between the buying and selling prices. A distributor is a cost-effective method and one of the easiest way to enter a market. However, for a market like Vietnam will major retail markets spread across the country, a retail company has to engage with multiple distributors or with one distributor having a national presence.

### Representative Office

The representative office (RO) is an effective tool for foreign traders to monitor Vietnamese market trends and engage in cooperation with local companies. However, an RO offers much more limited functions compared to a fully-fledged company. It is typically a dependent unit of its parent company, forbidden to generate its own profits and enter directly into contracts unless a legally authorized power of attorney is granted. ROs are forbidden to issue invoices, easing the accounting and tax compliance burden for foreign traders.

An RO is permitted to recruit local and foreign employees directly or through an agency, lease office space – restricted to only one office in a province or city, equip itself with facilities necessary for its operation, obtain its own company seal, and open its local bank accounts for operational purposes.

### Trading Company

If a business wishes to engage in import and export activities as well as domestic distribution (i.e., retail, wholesale, and franchising trade activities) in Vietnam, the most common method chosen is establishing a trading company.



Generally, a trading company is inexpensive to establish and can be of great assistance to foreign investors by combining both sourcing and quality control activities with purchasing and export facilities, thus providing more control and quicker reaction times compared to sourcing purely while based overseas.

### **Contractual Agreements (Licensing/Franchising)**

Licensing is a legal permission granted by an owner of Intellectual Property (such as trademarks, copyrights, patents) to another entity, so that the entity can use it on agreed terms and the owner receives the royalties for such use. Franchising allows one to distribute its products or services through a franchisee who pays a royalty allowing him to use the franchisor's (retail company) brands.

Both these channels provide a low entry cost and help the retail companies to know about the local market through the franchisee.

### **Own retail outlets (WFOEs/JV)**

There are two main types of vehicles for foreign investment in Vietnam; a 100 percent foreign-owned enterprise (FOEs) and Joint venture enterprises (JVEs).

One or more foreign investors, in either the form of a limited liability company (LLC) or a joint - stock company (JSC), can establish a 100 percent FOE. JVEs can be established as an LLC, a JSC, or a partnership, and the profits and risks in a JVE are distributed among the parties in proportion to their charter capital contributions.

## **3.2 Partner Selection**

Foreign investors that are hoping to enter the Vietnamese market will find that working with or partnering with local companies is almost inevitable. The benefits of cooperation or formal partnership can be beneficial, but there is often a degree of uncertainty that surrounds the initial stages of market entry. For most investors, the process of finding and then vetting potential partners can be a complex process.

New entrants to the Vietnamese market should pay close attention to the following areas when considering potential partners. Covering these issues prior to engaging with partners further will ensure expectations are met, negotiations are concluded quickly, and operations can be carried out in a seamless manner.

### **Legal Capabilities**

For companies considering a distribution model, confirming that distribution partners are licensed to import goods and to sell the specific products in question will be very important. In some cases, distributors may not be licensed for import directly but may have arrangements with customs clearance companies. In all cases, understanding the legal capacity of a partner to carry out distribution and the impact of this on cost will allow investors to assess the viability of distribution partners.

For investors that are considering a formal partnership with an existing company in Vietnam, it will be important to confirm the specifics on the partner's business license. This will determine what aspects of an investor's operations can start immediately and if any future work will be required in terms of additional licensing. In most cases, additions of new business lines should be carried out before any merger or acquisition takes place as the process for licensing can become more time consuming for entities with foreign ownership.

### **Logistic Capabilities**

A partner's logistic network in Vietnam is also a very important consideration. Even if a company is licensed to import and retail goods, it may not be well positioned to target the type of customers that are optimal for these goods. In other cases, the distribution capabilities of the company may not match its appetite to buy goods.

Investors distributing their goods under their own name should be particularly careful of this issue as the service of the distributor often reflects back on the brand itself for new consumers.

Foreign investors in Vietnam should know which cities or provinces they would like to target and the quantity of goods that they would like to distribute within the country. Confirming with potential partners to see their capacity to handle both the desired volume and target locations is key.

Investors should also note any specialized requirements for the transportation and distribution of their goods and check this against the capabilities of potential partners. Cold chain transport, for example, can prove difficult to track down and remains a key concern for entrants to the food and beverage sector.

### **Reputation / History**

Both small and large companies should consider the reputation of any partner in an emerging market such as Vietnam. Vietnam, like many other emerging markets, can prove to be quite opaque when it comes to conducting third party due diligence. Although difficult, consulting local media to ascertain past behavior as well as reviewing corporate records can be an invaluable asset for newcomers to the market and often proves as a significant protection against reputational and financial risk within the country.

## **3.3 Locating Partners in Vietnam**

Foreign investors' first concern when thinking about investment is not how to vet potential partners, but rather how to find the correct partners to vet. Vietnam is a diverse market and individual industries may differ, however, the following are good starting points for companies seeking to build out a list of potential partners within Vietnam.

### **Chambers of commerce**

Chambers of commerce can be an invaluable tool for foreign enterprises seeking to make new connections. Newcomers to Vietnam can find chambers for most origins of investment including: Singapore, the United States, individual EU member states as well as the European Union itself, China, Korea, and Japan. Many other countries are also represented and usually have contact information online.

Foreign investors will benefit from networking events held by these chambers and in many cases may find that contacts within the Chambers themselves may be able to provide additional assistance. On top of this, many chambers provide a membership directory, which is likely to include not only retailers but also companies that can further assist in the location of potential partners within Vietnam.

### **Trade shows**

Trade shows, both at home and in Vietnam can prove to be an effective option for companies looking to jumpstart or deepen their networks within Vietnam. Most Vietnamese enterprises, both domestic and foreign are always looking for new connections and are often very open to new partnerships and cooperation.

For foreign companies seeking a local Vietnamese partner, trade shows can be a particularly effective way to build an in person connection with local contacts. Personal connections are very important in Vietnam and often set the tone for a future working relationship, for the better or worse.

### **B2B matching services**

Unfortunately, some investors may come to find that their products are too niche for trade shows to consider. Investors in these industries may need to consider reaching out to one of Vietnam's many B2B matching services. B2B matching companies in Vietnam will have access to local Vietnamese teams who can track down new partners in more exclusive industries.

B2B matching services are often available through trade promotion agencies, overseas investment offices, and chambers of commerce.

## 3.4 Enterprise Singapore's Plug and Play Network

Enterprise Singapore's Plug and Play Network comprises of 8 partnerships across China, India and Southeast Asia to help ease initial challenges SMEs face when going into an unknown market, supporting in the areas of:

### **Customized Market Research**



Singapore SMEs expanding into China, Southeast Asia or India can tap on our network of partners for specific market research to better understand your target market.

### **Finding Business Leads**



Are you looking for business contacts overseas? Use global databases covering all markets to build targeted customer lists.

### **Customized Business Matching**



Meet trade specialists for advice on basic rules and regulations for your sector and identify agents, distributors and customers for your products or services.

### **Co-Working Spaces**



If you are looking for a fully functional workspace, a network of mentors and investors, or networking events to attend in China, Vietnam or India, our network of partners can offer recommendations.

For more information, visit <https://ie.enterprisesg.gov.sg/assistance/ppn>

## 4. Regulatory and Legal framework

Vietnam, a market economy heavily depends on foreign direct investments, due to a weak domestic economic sector that suffers from inefficiency, mismanagement, lack of funds, and reduced participation in global value chains. The government is trying to revive the domestic sector through divestments and government support, but easing business regulations for foreign invested enterprises, continues to remain a priority for sustainable growth.

In the last two to three years, the government has eased business conditions in various sectors to attract investments, including retail, especially in areas such as IP protection, e-commerce, logistics, franchising, taxes, electronic payments, and investment conditions. Moreover, with new free trade agreements on the horizon, such as the one with European Union, further regulatory reforms in the retail sector will be introduced.

### 4.1 Introduction

Distribution services along with retail business in Vietnam, has been open to foreign investors for a while now without much restrictions. The only restrictions has been on certain goods such as rice, oil, medicines, and cigarettes which are monopolized by domestic firms, and the need for an Economic Need Test (ENT) that is required for the opening of retail shops by foreign invested enterprises (FIEs).

With regulatory reforms, deeper economic integration, higher consumer spending, and a growing domestic market, the retail market has attracted numerous global retail firms, especially from South Korea and Japan. In the last years, retail companies from US and Europe have also started to see the potential and increased their presence in the market.

### 4.2 Regulatory & Legal environment of the sector

#### **Current regulations applicable for entrants to the Vietnamese market**

**The Law on Enterprise (LOE)** passed by the National Assembly dated 29 November 2005. The LOE addresses the types of companies and business establishments permitted to operate in Vietnam, their governance, liability, and scope of operation.

**The Law on Investment (LOI)** passed by the National Assembly dated 29 November 2005 regulate all investments in Vietnam. Both laws became effective as of 1 July 2006. The LOI includes provisions on investment activities, rights and obligations of investors, registration of investment projects, incentives, guarantees, and State management of investment. This Law replaced the earlier *Law on Foreign Investment* in Vietnam and the *Law on Encouragement in Domestic Investment*, and is commonly applicable to both foreign and domestic investors.

Vietnam has signed various bilateral and multilateral arrangements on investment, such as the ASEAN Comprehensive Investment Agreement (ACIA), ASEAN Free Trade Agreements with China, Korea, Australia, New Zealand, India, and Japan, BTA with the United States of America containing an investment charter, the Convention on the Establishment of the Multilateral Investment Guarantee Agency (MIGA), and other related international investment agreements. Vietnam officially joined the WTO on 7 November 2006 and put its commitments into force from 11 January 2007.

## **Current regulations applicable for retail distribution channels**

WFOEs are allowed to engage in trading and distribution activities in Vietnam. Foreign investors engaging in direct investment in this sector will still need to apply for and obtain an Investment Registration Certificate (IRC) and Enterprise Registration Certificate (ERC), and are still limited in the ability to freely establish retail outlets.

Although the retail and distribution sector has been liberalized to allow more foreign investment, there are restrictions on the distribution of certain products. Foreign investors should consult the relevant product lists prescribed by the Ministry of Industry and Trade in accordance with Vietnam's WTO commitments in order to determine their restrictions.

Distribution includes activities of wholesale (selling to organisations), retail (selling to individuals), agency for purchase and sale of goods, and franchising, and is regulated by the *Civil Code 2005* and the *Commercial Law*.

The Civil Code provides the legal status, legal standards for the conduct of natural and juridical persons; the rights and obligations of natural and juridical person regarding personal and property rights and obligations in relations established on the basis of equality, freedom of will, independence of property and self-responsibility. The Commercial law governs the commercial activities conducted in Vietnam.

## **Current regulations applicable for the establishment of retail outlets, intellectual property, e-commerce**

### **• Outlets**

Vietnam's accession to the WTO included a commitment on wholesale trade and retailing services. Its commitment permits foreign investors to establish one outlet. The first retail outlet is not subjected to an Economic Needs Test (ENT), but must be granted a separate Store Establishment License. ENT still applies for a second retail outlet.

ENT is only exempted if a proposed retail outlet is less than 500 m<sup>2</sup> and located in a trading center, and is not a mini-supermarket or convenience store. The intention of the ENT criteria includes the number of existing service suppliers in the geographic area, the stability and needs of the local market and geographic scale.

### **• Intellectual Property**

The Civil Code and the Law on Intellectual Property caters to the bulk of the regulations on intellectual property. Vietnam is also a signatory to the following agreements:

- Berne Convention for the Protection of Literary and Artistic Works
- Brussels Convention relating to the Distribution of Program-Carrying Signals Transmitted by Satellite;
- Geneva Convention for the Protection of Performers, Producer of Phonograms and Broadcasting Organizations
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations
- World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights – TRIPS
- Vietnam – United States Copyright Agreement
- Vietnam – Switzerland Bilateral Agreement
- Vietnam – United States Trade Agreement

Intellectual property and copyright are regulated by separate government agencies. The National Office of Intellectual Property administers intellectual property, while the Copyright Office regulates copyright.

- **E-commerce**

Vietnam's main e-commerce regulation is Decree 52/2013/ND-CP, which regulates the development, application, and management of e-commerce activities. It is applicable for traders, organizations, or individuals involved in e-commerce activity in Vietnam's territory. It includes the following provisions

- General provisions - Prohibited acts, state management of e-commerce, e-commerce development program;
- Contracts and commercial transactions;
- Permitted and prohibited e-commerce activities - Forms of organizations, activities, websites, sales information regulations;
- Operations regulations - Trading services and operating websites;
- Management of e-commerce activities - Establishing conditions and registration activities;
- Safety and security - Use of personal information and protection, payment safety rules;
- Dispute settlements.

In addition, the Law on E-Transactions applies to agencies, organizations, and individuals opting for transactions by electronic means.

### **Review of key regulatory developments**

- On January 15, 2018, the Vietnamese government issued Decree No. 08/2018/ND-CP amending a number of decrees related to investment conditions under the MOIT's supervision ("Decree 08"). The goal of Decree 08 is to reduce administrative procedures and make doing business easier, and it provides a wide range of **amendments of investment conditions** imposed on enterprises in many important trade areas such as oil and gas, tobacco, electricity, and franchising. Decree 08 took immediate effect upon issuance.

One area impacted by Decree 08 is **e-commerce activities**, which are governed by the Law on E-Transactions and its guiding Decree No. 52/2013/ND-CP, dated May 16, 2013 ("Decree 52"). Under Decree 52, traders were required to have "appropriate functions or tasks" to set up e-commerce sales websites (Article 52) or websites providing e-commerce services (Article 54), or to conduct activities in rating e-commerce websites for reliability (Article 61). However, Decree 52 did not provide any definition or further explanation of what "appropriate functions or tasks" are.

Decree 08 has abolished such vague conditions. Instead, to set up the websites or conduct the activities mentioned above, companies must simply be legally established in accordance with the law, without any requirement on their business lines. These changes are in line with Vietnamese enterprise laws, as the Enterprise Registration Certificate no longer includes information on the business lines of the enterprise.

In addition, the conditions for granting a license to a company or organization to **conduct rating and certification of personal information protection policies in e-commerce** (Article 62 of Decree 52) have been reduced. It is no longer required for the company registration or establishment decision to clearly state this activity; nor is it required to be organizationally and financially independent from the entities whose personal information protection policies are being rated and certified. There are now only two conditions to satisfy:

1. being legally established in compliance with Vietnamese law; and
  2. having rating criteria and processes that are public, transparent, and apply to all entities who are rated.
- Franchise regulations are governed by Decree No. 35/2006/ND-CP, dated March 31, 2006 ("Decree 35"). Decree 08 modifies Section 1 of Decree 35, "**Conditions for Franchising**," by reducing the conditions applicable to foreign franchisors (Article 5), abolishing the conditions applicable to franchisees (Article 6), and removing the restriction on goods and services permitted for franchising (Article 7).



As a result, under Decree 08, the statutory conditions that a foreign franchisor needs to satisfy have been reduced to only one, i.e. its franchise system must have been operating for at least one year. However, other provisions on franchising, notably including franchise registration requirements, remain. The MOIT generally interprets these amendments to be easing business conditions for franchisees, but not for franchisors. In other words, foreign franchisors still need to register with the MOIT before conducting franchising activities in Vietnam.

- Following Decree No.163/ND-CP, foreign investors will now be allowed to set up **logistics services** companies from February 20, 2018, in Vietnam. The establishment of new companies will be subjected to conditions on ownership and services. The services under the decree have been divided into 16 types, including Wholesale and retail support services (including the management of warehousing, collection, assembly, sorting and delivery), delivery services, and Warehousing services (all modes of transport).
- On 14 April 2017, the Government issued Decree No. 43/2017/ND-CP on Product Labels ("Decree No. 43"), replacing Decree No. 89/2006/ND-CP ("Decree No. 89"). Decree No. 43 took effect on 1 June 2017. The Decree has streamlined many **labelling requirements** as it incorporates many of the major requirements outlined in Decree No. 89 and the guiding circulars.

Under Government Decree No. 43 on goods labeling, a label's compulsory information should include name of the goods, name and address of the organization or individual responsible for goods, origin of goods, and other information depending on characteristics of the goods. Accordingly, organizations and individuals responsible for goods labeling are required to present the information truthfully, clearly and precisely.

Products with labels, which are in compliance with Decree No. 89 and were manufactured, imported and used prior to 1 June 2017, are allowed to continue to be circulated and used until the expiry dates. Product labels and commercial packaging bearing labels, which are in compliance with Decree No. 89 and were manufactured or printed prior to 1 June 2017, are allowed to be used until 1 June 2019 at the latest.

- Decree No. 09/2018/ND-CP ("Decree 09") was issued and came into effect on 15 January 2018 to provide guidance on the Law on Commerce and the Law on Foreign Trade Management regarding **goods trading activities of foreign investors** and foreign invested enterprises. Decree 09 replaces Decree 23/2007/ND-CP. Decree No. 09 now clearly requires the application for Business License for the following business activities:
  1. Retail Distribution;
  2. Import and Wholesale Distribution with respect to lubricants;
  3. Logistics services, except those as committed in applicable international treaties;
  4. Goods leasing (financial leasing not included), except leasing of construction equipment with operators;
  5. Trade promotion services, except advertising services;
  6. Trade intermediation services;
  7. E-commerce services; and
  8. Bidding organizing services for goods/services.

The above regulations introduce administrative burdens for investors engaging in trade promotion services, trade intermediation services and ecommerce services. For example, e-commerce platforms previously were not required to obtain sub-permits, other than the Investment Registration Certificate ("IRC") and Enterprise Registration Certificate ("ERC") and were not required to register their website with the MOIT. However, under Decree No. 09 enterprises hosting an e-commerce platform must obtain a Business License.

- Decree 09 introduces a significant improvement as traders are now **allowed to import and wholesale distribute the goods and products without obtaining a separate Business License**, if the goods and products are not in the list of products/goods prohibited from being imported and distributed in Vietnam. The exception of this regulation is importation and wholesale distribution of lubricant products, which will be

granted with right to import/wholesale on a case-by-case basis and will be subject to a Business License. Additionally, for the right to export, foreign invested enterprises are not required to apply for a Business License. Instead, foreign invested enterprises only need to amend their IRC and ERC.

- **Economic Need Test ("ENT")** is still highly regulated and the first retail store is not subjected to ENT, but under Decree No. 09, the first retail store must be granted a separate Store Establishment License. ENT still applies to the second retail outlet onwards. Further, Decree No. 09 expands the scope of retail outlets subject to ENT by stating that ENT is only exempted if a proposed retail outlet is less than 500 m<sup>2</sup> and located in a trading center, and is not a mini-supermarket or convenience store. This last condition will increase the targeted regulation on many supply chains.

## 4.3 Relevance of Free Trade Agreements (TPP, ASEAN) for the sector

### Overview of the agreements status

Vietnam currently enjoys free trade agreements with a number of partners through bilateral arrangements and its participation in the Association of Southeast Asian Nations (ASEAN). Foreign companies operating or investing in Vietnam stand to benefit from reduced tariffs, improve intellectual property protection, and simplified customs clearance procedures provided under these agreements. The degree of advantage will depend on the business line in question as well as the agreement that a company chooses to utilize.

FTAs	Effectiveness status
RCEP	Under negotiation
CP-TPP	Under negotiation
AFTA	Signed and effective
ASEAN Free Trade area	Signed and effective
ASEAN-China FTA	Signed and effective
ASEAN-Hong Kong, China FTA	Under negotiation
ASEAN- Australia & New Zealand FTA	Signed and effective
ASEAN- South Korea FTA	Signed and effective
ASEAN- Japan FTA	Signed and effective
ASEAN- India FTA	Signed and effective
Vietnam-EU FTA	End of negotiation and Expect to be effective in mid-2018
Vietnam-Chile FTA	Signed and effective
Vietnam-Japan FTA	Signed and effective
Vietnam-South Korea FTA	Signed and effective
Vietnam- Israel FTA	Under negotiation
Vietnam-EFTA	Under negotiation
Vietnam-Eurasian Economic Union	Signed and effective

### **EU-Vietnam free trade agreement (EVFTA)**

Vietnam's FTA with the European Union has caught the eye of many investors in 2018. EVFTA is anticipated to come into force in mid-2018. The EU – Vietnam partnership is considered strategic since EU is currently the second largest export market and the sixth largest import market for Vietnam. In addition, Vietnam also hosts the largest European business community in ASEAN region. In ASEAN, only Vietnam and Singapore have completed FTA's negotiation with the EU.



EVFTA is one of the most comprehensive agreements of new generation, along with Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Commitments under these FTAs are enforced at a large scale and focuses on a high level of liberalization that might significantly impact the retail sector of Vietnam. The crucial groups of commitments that directly affect Vietnam's retail sector include commitment to open the retail market, open the market access for goods, and other issues related to goods circulation such as the implementation of retail e-commerce or commitment to e-commerce.

In general, commitments to open the retail market are similar in both EVFTA and CPTPP. However, the list of commodities in which Vietnam reserves the right to impose any measures on the EU retailers is similar to the list that Vietnam has committed to WTO, while the list under CPTPP are considered smaller in scope. The commitment to the retail market opening will apply to Vietnam and all EU member states (28 countries), including strong retail partners like France and Germany.

## **Tariff removals**

Improving market access of goods through tariff elimination is one of the key objectives of any FTA and strongly affects the entrance into the retail market.

### **ASEAN**

#### **Intra-ASEAN tariffs**

Removing custom duties between the member states is one of the principle means to create a single intra-ASEAN market with free flow of goods, thus enhancing ASEAN capacity to serve as a global center of production. ASEAN has achieved a significant progress in custom duties removals through the ASEAN Trade in Goods Agreement (ATIGA). ATIGA is currently the most comprehensive and effective agreement in tariff removals in ASEAN. ATIGA allows not only zero tariffs but also the removal of non-tariff barriers.

The tariff reduction schedule for Vietnam is divided into two phases: Phase I (2012-2014) and Phase II (2015-2018). Under Phase I in 2014, Vietnam applied a zero tariff on 6,859 import tariff lines, accounting for 72 percent of total import tariffs. The Phase II requires Vietnam to cut all import tariff lines by 2018, including garment, furniture, milk and dairy products, automobile, motorbike, vehicle components, machinery and equipment, iron and steel, paper, and construction materials. However, 3 percent of tariff lines in the ATIGA will be excluded from tax exemption such as sensitive agricultural commodities (chicken, live poultry, poultry eggs, citrus, paddy, brown rice, processed meats, sugar).

#### **Collective FTA tariffs**

As a member of ASEAN community, Vietnam has committed to tariff reductions under five collective FTAs. Vietnam's Ministry of Finance has promulgated relevant Circulars for each collective FTA, guiding the special preferential import duty or import tariff lines of Vietnam to the partners over a specific period based on the tariff reduction schedule.

<b>Collective FTAs</b>	<b>Tariff reduction schedule applied by Vietnam<sup>29</sup></b>
<b>ASEAN – China (ACFTA)</b>	<ul style="list-style-type: none"><li>• By 2018: Apply zero tariffs for 90 percent of total import tariff lines, including chicken, coffee, tea, processed foods, garment and textile, electrical and electronic equipments.</li><li>• By 2020: Apply zero tariffs for the remaining 10 percent</li></ul>

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<sup>29</sup> <http://www.mof.gov.vn>

<b>ASEAN – Korea (AKFTA)</b>	<ul style="list-style-type: none"> <li>By 2018: Apply zero tariffs for 86 percent of total import tariff lines, including agricultural products, equipments and their parts, textile, and fishery.</li> <li>By 2021: Reduce to 5 percent (electronics, mechanics, iron, steel and basic metal, petrochemistry products, machinery parts, some types of specialized cars), partially reduce or apply the MFN rates for the remaining 14 percent (home electric appliances, alcohol beverages, tobacco, car, car accessories and spare parts)</li> </ul>
<b>ASEAN – Japan (AJCEP)</b>	<ul style="list-style-type: none"> <li>By 2018: Apply zero tariffs for 62.2 percent of total import tariff lines, including footwear, computers, electronic products, pharmaceutical products, fibers, raw materials for textiles, machinery, spare parts and components.</li> <li>By 2025: Apply zero tariffs for an additional of 26.4 percent tariff lines. The remaining 11.4 percent will be subjected to MFN rates, including household electrical appliances, CBU automotive, and steel.</li> </ul>
<b>ASEAN – Australia – New Zealand (AANZFTA)</b>	<ul style="list-style-type: none"> <li>By 2018: Apply zero tariffs on 86 percent of total import tariff lines, including confectionery, pharmaceuticals and raw materials, computers, electronic products and components, clothing and garment accessories, corn, and machinery.</li> <li>By 2022: Apply zero tariffs for 6 percent of tariff lines including animal husbandry, sugar, rice, cosmetics, electric appliances; vegetable, milk, steel, and wood. Other lines will adopt a lower tax rate of 5 percent, including pharmaceuticals, automobiles, automobile parts and accessories, machinery and equipment, iron and steel, and rubber.</li> <li>Items such as fruits (oranges, tangerines), cigarettes, cigar, oil, some iron and steel products, and motor vehicles for the transportation of goods will not benefit from tax exemption, but follow a separate reduction schedule ending in 2020/2022.</li> </ul>
<b>ASEAN – India (AIFTA)</b>	<ul style="list-style-type: none"> <li>By 2018: Apply zero tariffs on 71 percent of total import tariff lines</li> <li>By 2021: Apply zero tariffs on an additional 9 percent of total import tariff lines. The zero-tariff categories include tea, coffee, rubber, fruits and vegetables, footwear, household goods, aquatic products, chemicals, metals, iron and steel, minerals, machinery and equipment, and building materials.</li> <li>In 2024: Tax reduction for 10 percent of tariff lines.</li> <li>468 items accounting for 10 percent of total tariff lines will be not eligible for an exemption or tax reduction</li> </ul>

#### **EVFTA**

Custom duties will be reduced and eliminated over a transitional period, which will be a maximum of 10 years for EU goods and seven years for Vietnam's goods.

Vietnam's commitments includes:

- Immediately liberalizing 48.5 percent of current tariff lines which equals to 64.5 percent of EU's export turnover to Vietnam when the EVFTA comes into effect;
- Seven years from the effective date, 91.8 percent of tariff lines will be liberalized which equals 97.1 percent of EU's export turnover to Vietnam.
- 10 years from the effective date, 98.3 percent of tariff lines will be liberalized which equals 99.8 percent of EU's export turnover to Vietnam
- An approximate 1.7 percent of tariff lines are subject to duty-free tariff rate quotas under WTO or special tariff schedules.

**Examples of Vietnam's tariff liberalization for EU goods<sup>30</sup>**

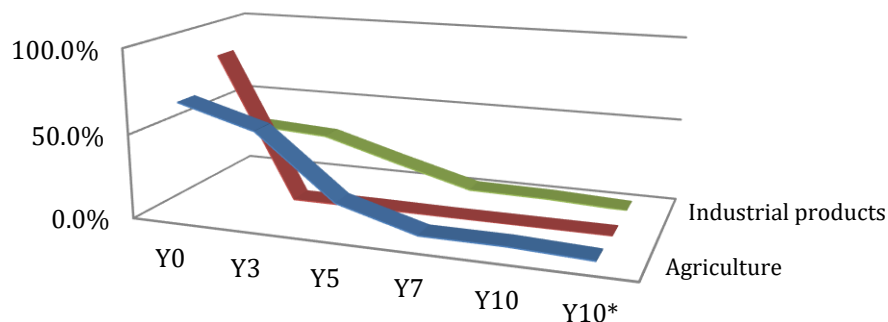
Product	Timeframe for liberalization
<b>Food and Beverage</b>	
Wines, spirits, mineral and aerated waters	After 7 years
Beer	After 10 years
Frozen Pork meat	After 7 years
Beef	After 3 years
Chicken	After 10 years
Fishery products like salmon, halibut, trout, rock lobster	At entry into force
Dairy products	After a maximum of 5 years
Food preparation	After a maximum of 7 years
<b>Industrial products</b>	
Textiles	At entry into force
Pharmaceuticals	Half at entry into force and half after 7 years
Car parts	After 7 years
Chemicals	After a maximum of 7 years
Cigarettes, Raw tobacco, refined sugar, salt, eggs	Reduction of in-quote rate

**Examples of EU's tariff liberalization for Vietnam goods<sup>30</sup>**

Products	Timeframe for liberalization
Textile apparel	After a maximum of 7 years
Footwear	After a maximum of 7 years
Non-processed shrimps	At entry into force
Catfish	After 3 years
Rice	Diversified duty-free tariff rate quotas for each type of rice
Sweet corn, garlic, mushroom, sugar and high-sugar-containing products, manioc, starch, surimi, canned tuna	Increase of duty-free tariff rate quotas

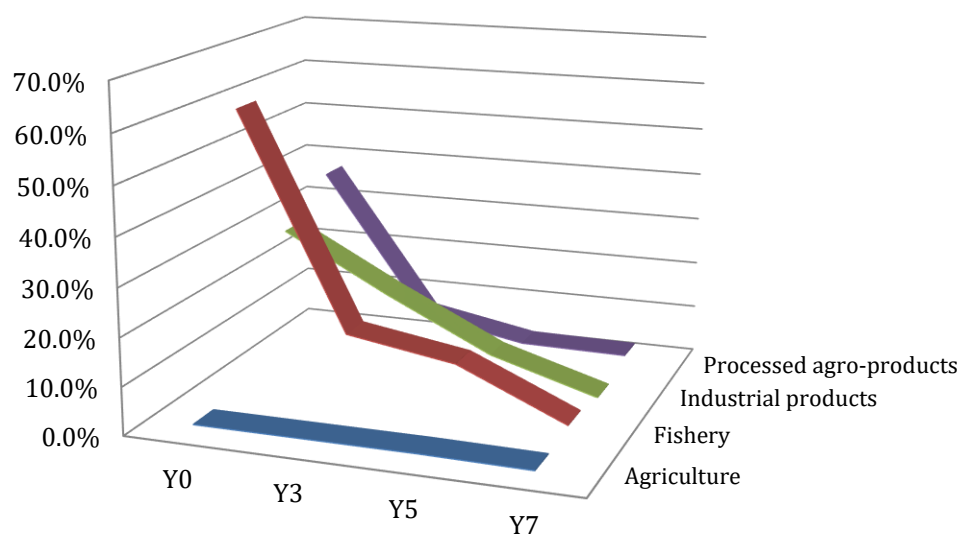
<sup>30</sup> <http://trade.ec.europa.eu/>

**Tariff elimination by Vietnam for EU product (value in % accumulated)**



	Y0	Y3	Y5	Y7	Y10	Y10*
■ Agriculture	67.7%	54.7%	17.9%	4.7%	4.6%	2.6%
■ Fishery	86.7%	0.4%	0.4%	0.0%	0.0%	0.0%
■ Industrial products	31.3%	28.5%	15.2%	2.6%	2.0%	0.0%

**Tariff elimination by the EU for Vietnam's product (value in % accumulated)**



	Y0	Y3	Y5	Y7
■ Agriculture	1.4%	1.4%	1.4%	1.1%
■ Fishery	60.2%	15.6%	11.9%	1.9%
■ Industrial products	29.5%	17.6%	6.7%	0.0%
■ Processed agro-products	37.2%	6.6%	2.4%	2.1%

## **Intellectual property protections**

Intellectual property (IP) is a valuable intangible asset of businesses, especially in the retail sector. The authenticity of products plays a critical role in building customer trust and maintaining a sustainable development. In Vietnam, registration of IP rights, protection against unauthorized use and other relevant IP issues must be enforced in according to local laws, namely Law on Intellectual Property Rights (2005) and Law on Competition (2014). In case of intellectual property violations, punishment and compensation for relevant parties will be determined based on the Vietnamese Criminal Code or the Civil Code (2005).

However, like other countries, Vietnam does offer IP protections to foreign works in accordance with international treaties that Vietnam has adopted as a member, such as WIPO-Administered Treaties, IP-related Multilateral Treaties, Regional Economic Integration Treaties, and IP-relevant Bilateral Treaties, especially Patent Cooperation Treaty, Paris Convention, and Agreement on Trade Related Aspect of Intellectual Property Rights (TRIPS).

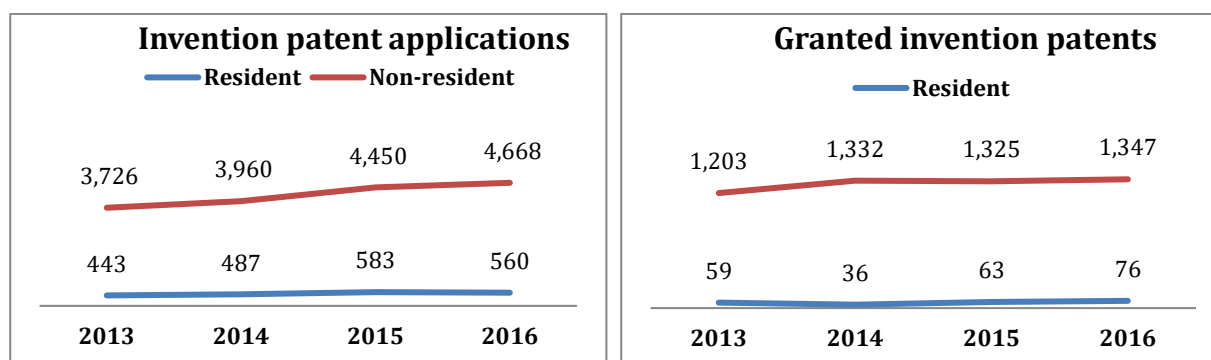
### **IP Rights Index Compared Scoring among Vietnam, Singapore and Germany<sup>31</sup>**

	Vietnam	Singapore	Germany
<b>IP Rights Index</b>	<b>4.9</b>	<b>8.4</b>	<b>8.0</b>
<b>Quality Of IP Protection</b>			
Patent Protection	6.9	8.4	9.3
Copy Right Protection	2.2	7.0	7.8
<b>Drivers Of IP Protection</b>			
Judicial Independence	4.2	7.6	7.6
Rule Of Law	4.5	8.8	8.6
Control Of Corruption	4.1	9.3	8.6

*Note: Scores are based on a 1-10 scale; 10 representing the best protection available for a given variable*

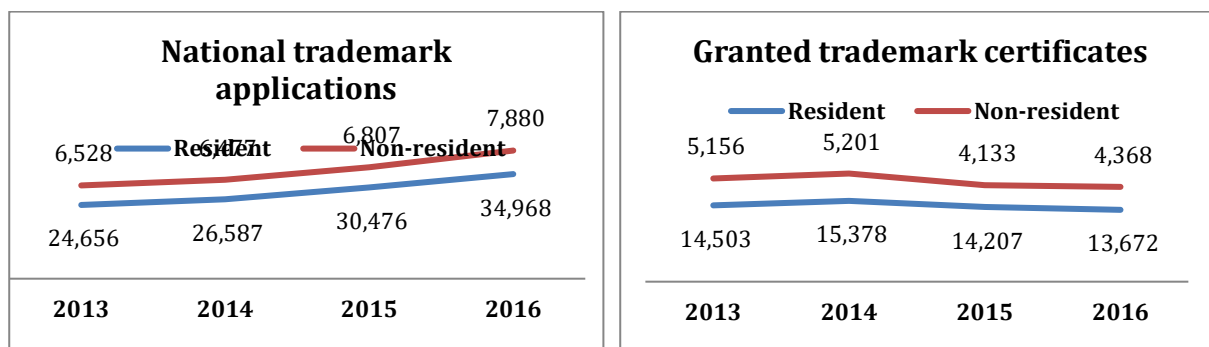
## **IP Rights**

According to the General Statistics Office of Vietnam, as of Dec 2016, the total number of invention patent applications and granted invention patents are 55,962 and 16,439 respectively. While under trademark, there were 446,928 applications and 274,560 certificates issued.<sup>32</sup>



<sup>31</sup> <http://www.propertyrightsalliance.org/news/2017-international-property-rights-index-released/>

<sup>32</sup> [www.gso.gov.vn](http://www.gso.gov.vn)



## ASEAN

IP has contributed to the national and regional socio-economic development goals of the ASEAN community. The protection of IP rights is accounted under the second pillar regarding the enhancement of competitive economic environment.

In the beginning, ASEAN co-operated with the EU to develop the legal framework for IP. The first ASEAN Framework Agreement on Intellectual Property Cooperation was officially launched in 1995 and was managed by the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC). AWGIPC's focus was on formulating the details and modalities to implement the cooperative activities and on increasing the capacities of national IP offices for intra-ASEAN members. Today, the ASEAN Economic Community (AEC) Blueprint acts as a policy platform for the regional development of IP policy in terms of patents, copyrights, genetic resources, traditional knowledge, and geographical indicators. The AEC Blueprint covers four broad goals: building regional platform, expanding ecosystems, strengthening offices and building infrastructure, improving regional mechanisms for the promotion of asset creation and commercialization, especially geographic indicators and traditional knowledge.

## IP Landscape compared in ASEAN<sup>33</sup>

Country	IP Landscape
<b>Singapore</b>	<ul style="list-style-type: none"> <li>Advanced infrastructure for IP registration and enforcement</li> <li>IP protection and enforcement are generally more expensive than other ASEAN members</li> <li>Tax incentives on royalties for registered companies</li> </ul>
<b>Malaysia, Thailand, Vietnam, Philippines, Indonesia, Brunei</b>	<ul style="list-style-type: none"> <li>Generally conforming to international standards on IP laws required by TRIPS</li> <li>Available enforcement options in case of infringement, but related processes tend to be slow</li> <li>Customers, except those in Indonesia, are more experienced in IP issues like seizing suspected infringed goods</li> </ul>
<b>Laos, Cambodia</b>	<ul style="list-style-type: none"> <li>Relatively new IP regime</li> <li>Basic legal infrastructure for IP protection and enforcement</li> </ul>
<b>Myanmar (Burma)</b>	<ul style="list-style-type: none"> <li>No current IP laws, but draft IP bills are under consideration</li> <li>Recording and publishing a cautionary notice to affirm companies' IP rights are possible and it will be replaced by an official registration system once new laws are introduced</li> </ul>

<sup>33</sup> SEA-IPR SME Helpdesk, Intellectual Property, and the ASEAN Economic Community

The differences in the drivers of IP protection among ASEAN member states, mainly legal standards, have created a great diversity in ASEAN's IP protection system. Only Singapore has heavily invested in its IP system. The diversity recalls each member state to establish its own national IP offices that play a key role in developing its own IP-related legal framework. As a result, enterprises especially SMEs should be aware of different levels of IP protection in all ASEAN member states. In Vietnam, the National Office of Intellectual Property of Vietnam (NOIP) governs the IP landscape, which is under management of the Ministry of Science and Technology.

## **EVFTA**

Under the EVFTA, Vietnam are required to commit to substantial IP provisions giving a high level of IP protection beyond the standards under the TRIPS agreement issued by WTO that Vietnam and the EU have adopted as member countries. The provisions aim to boost the IP environment and strengthen enforcement in all aspects of IP prescribed under TRIPS: copyrights and related rights, trademarks, industrial designs, geographical indications (GIs), patent rights and other commitments especially on pharmaceuticals, layout-designs (topographies) of integrated circuits, protection of undisclosed information and plant varieties.

- Trademark: Vietnam will commit to simplify and enhance its trademark registration procedures by using WIPO's Trademark Law Treaty and Singapore's Law of Trademarks as reference points.
- GIs: The protection will apply on 169 GIs of the EU and 39 GIs of Vietnam. Most GIs belong to agricultural products and foodstuffs such as alcoholic products (beer, wine, spirit); fresh, frozen and processed meats (bacon, sausage, ham); cheese; olive oil; fresh and processed fruits and nuts (oranges, mandarins and lemons). The EU agriculture goods are known for their high quality. As a result, regulating the abilities for the EU enterprises to label the geographic origin of their products is crucial. The GIs of the EU under the IP protection are listed in full under ANNEX GI – I part A of EVFTA. Noticeably, the EU and Vietnam are eligible to add new GIs into the list in the future.
- Pharmaceutical sector: Data protection will be improved and there will possibly be a patent extension of up to two years available in the event of delays in obtaining marketing authorization.

## **Simplification on procedures of administration, establishment and tax payments of import-export, incorporation**

### **ASEAN**

The ASEAN Customs Administration plays an important role in the realization of a single market and a production base with "free flow of goods." The ASEAN Agreement on Customs signed in 2012 aims to streamline and harmonize customs procedures in ASEAN. Moreover, several customs legislations have been adopted and developed in ASEAN:

- ASEAN Harmonized Tariff Nomenclature (AHTN) aims to facilitate trade by establishing the uniformity of application and enhancing the transparency in the classification of goods, but still conforming to international standards, such as Kyoto Convention. The latest AHTN 2017 has been fully implemented across ASEAN from early 2018.
- ASEAN Customs Transit System (ACTS) is a computerized customs transit management system. The system allows goods to move across borders, without the requirement of payment of goods duties and taxes thus requiring solely one customs formality from point of departure to destination. As a result, the customs procedures become efficient, simple, and cost effective. Currently, only three ASEAN members, Thailand, Malaysia, and Singapore have engaged in the pilot stage of the ACTS, however, the ACTS is planned to be adopted by all ASEAN member states.
- ASEAN Single Window (ASW) aims to expedite customs clearance, in which customs declaration documents for import-export activities and transit of goods will be standardized. The establishment of ASW is currently in progress.



## EVFTA

EVFTA calls for the modernization and simplification of non-tariff barriers including customs, requirements, formalities, and procedures regarding export-import activities without compromising the effective control of customs.

EVFTA encourages both, the EU and Vietnam to:

- exchange information on customs requirements such as legislation, implementation, and customs procedures;
- modernize and simplify customs requirements and procedures complying with international standards like World Customs Organization Revised Kyoto Convention; and
- ensure the transparency of all customs requirements including consulting mechanism on new legislation and procedures between the business communities and the administrations.

In addition, the members will commit to further simplification and standardization of data and documentations required by customs and other authorities, such as:

- The release of goods and payment of goods duties/taxes are done separately;
- The advance electronic submission of shipment information allows the customs to process the information prior to the physical arrival of goods, thus speeding up the release of goods on arrival;
- Administrative documents will be issued in a single electronic form;
- The risk assessment, selective inspections, post clearance audits, advance ruling for classification, and customs valuation are modernized and simplified.

Moreover, there will be an establishment of Special Committee on Customs where the members can express their customs concerns and other related issues.

The General Department of Customs of Vietnam (GDC) has implemented a project on 24/7 e-tax payments and customs clearance as an effort to enhance the customs administration procedures. The 24/7 e-tax payment allows enterprises to pay taxes through 36 authorized commercial banks. Currently, there are five banks including Vietcombank, VietinBank, BIDV, MB and Techcombank have participated in the pilot stage of the project. After the taxes are paid, goods will be cleared quickly, thus reducing the customs clearance time to be in line with the average level of ASEAN-4 countries (Indonesia, Malaysia, Philippines, and Thailand).

Moreover, since 2013, the GDC has adopted the Vietnam Automated Cargo and Port Consolidated System and the Vietnam Customs Intelligence Information System (VNACCS/VCIS). Due to the VNACCS/VCIS system, the time taken from customs declaration to clearance/release of goods has reduced considerably.

## **Simplification on registration, management and operation of e-commerce platforms**

### ASEAN

ASEAN member states are jointly working on a general agreement on e-commerce to create a conducive environment to foster the growth of e-marketplace and e-commerce platforms. It is projected to be finalized by the end of 2018. The agreement will streamline regulations to promote greater digital connectivity and reduce barriers thus creating opportunities and reducing uncertainties among enterprises. In addition, it will also focus on skill development programs, consumer protection, cross-border transactions, and a robust legal framework.



## EVFTA

The EVFTA promotes a number of rules on e-commerce, such as:

- The recognition of certificates of electronic signatures issued to the public and the facilitation of cross-border certification services;
- The liability of the intermediary service providers regarding the transmission and storage of electronic information;
- The treatment of unsolicited electronic commercial communications;
- The protection of consumers' rights in the ambit of e-commerce; and
- Other relevant issues for the development of e-commerce.

## 4.4 Different retail market entry forms for Singapore SME's:

### Current investment vehicles for FDI in 2017

- **100 percent foreign-owned enterprise (FOEs)**  
FOEs can be established by one of more foreign investors in the form of either a limited liability company (LLC) or a joint-stock company (JSC).
- **Joint Venture enterprises (JVEs)**  
JVEs can be established as an LLC, JSC, or a partnership. The profits and risks in a JVE are distributed among the parties in proportion to their charter capital contributions.
- **Partnership company**  
A legal entity established by at least two individual who are members of the partnership and co-owners of the enterprise. They are the General Partners and are liable for all obligations of the partnership without limit.
- **Representative office**  
An RO is forbidden from conducting any revenue generating activities. ROs are permitted to conduct such activities as quality control, acting as a product showroom, and helping to facilitate the execution of the contracts of the parent company.
- **Branch office**  
A branch office is the subsidiary of a parent company and does not constitute a separate legal entity according to Vietnamese law. It is entitled to conduct business activities in Vietnam within the parent company's business scope.

### Newly applicable investment vehicles for FDI after 2017

- **Non-Controlling Interest**  
This approach is mostly practiced during the initial stages of expansion. When a company does not have experience in setting up international operations or lacks market knowledge, the international retailer might invest in an existing business in the foreign market and acquire a minority stake with no direct control over the management and operations.

- **Merger or Takeover**

Under this model, the Company is able to buy out or merge with a local company in a foreign market and gain access to the distribution network and markets. This model is only feasible when companies have sufficient market knowledge. A merger or takeover allows a company to acquire existing infrastructure, network, and resources, convert it into the new brand, and thus gain a larger footprint in the market within a short period.

- **Contractual entry mode (licensing or franchising)**

This model of business is highly preferred by international fashion and food retail brands. In here, the international retailer or franchisor engages with a local partner or franchisee in the foreign market allowing the franchisee to use its trademark. The franchisor trains the franchisee to run the business according to its standards, and in return, the franchisee brings in capital and pays a license fee.

## 5. Market Conditions for SMEs

### 5.1 Potential challenges/trade barriers for SME's in the specific sector

#### **Current application of economic needs test (ENT) criteria for the establishment of retail outlets**

Economic needs testing (ENT), a test that conditions market access upon the fulfillment of certain economic criteria, will be applicable for the establishment of the second and subsequent outlets. ENT does not apply for retail outlets less than 500 m<sup>2</sup>, located at commercial centers and not categorized as mini-supermarket or convenience store. ENT also does not apply to the first retail store, which only requires a store establishment license.

ENT criteria include:

- The effect of the retail outlet on the scale of the geographical area;
- Number of retail outlets operating in the geographical market area;
- Impact of the outlet on the market stability and operation of other retail outlets and traditional markets in the geographical area;
- Impact on traffic, environmental sanitation and fire prevention in the geographical market area;
- Contributions of the retail outlet to the region's socio-economic development in creating local jobs, development of the region's retail sector, improvement of environment and living conditions for local people, and contributions to the State budget.

Decree 09 provides clearly that any outlet established under the same name or same trademark with another retail outlet in Vietnam owned by any other FIEs shall be treated as an Additional Retail Outlet and need Retail Outlet License for operation. As a result, the franchising model, which is currently used by some giant retail chains or chain stores, might have to pass ENT to obtain relevant Retail Outlet License.

The People's Committee at the province level would be the authority that would consider whether an outlet passes an ENT or not. This means that for such outlets, the People's Committee at the province level and the MOIT must approve the establishment application.

#### **Lack of Intellectual properties protection**

When entering the Vietnamese market, either by setting up a business or simply exporting, it is important to register the IP rights. The National Office of Intellectual Property (NOIP) oversees all IP rights, which is responsible for developing IP strategy in Vietnam and publishing advice on protecting different forms of IP. To avoid IP infringement, a company should register its IP with local authorities. Besides, it is also useful to register the business with Vietnam Customs – registration is simple and can be very effective.

Enforcement of IP remains an issue for Vietnam, although IP laws have improved since Vietnam's WTO accession. If an IP is suspected to have been infringed, three actions can be taken:

- Administrative action – Most IP disputes in Vietnam are handled by the administrative authorities. Sanctions may include warnings, fines, the seizure/destruction of the counterfeit goods, business license suspension, and re-exportation of infringed imported or transit goods.

- Civil court action – This is rare due to the low level of training of the Vietnamese judiciary on IP matters. Similar sanctions to administrative action are applicable.
- Criminal prosecution – Government authorities, including Customs, can initiate prosecution. On the other hand, IP rights owners may also apply for it. Penalties can involve fines and/or imprisonment.

Vietnam has taken steps towards aligning its intellectual property (IP) framework more closely with its Southeast Asian peers, according to the sixth annual International IP Index, which analyses the IP climate in 50 world economies. The US Chamber of Commerce Global Innovation Policy Center (GIPC) released it on February 2018.

### **Lack of legal framework on E-wallets and payment intermediaries providing alternative online payments**

Vietnam is aiming to move towards a 90 percent cashless economy by 2020 by reducing cash transactions and increasing electronic payments. With 90 percent of current transactions conducted in cash and only 30 percent of citizens having a bank account, the government faces an uphill task to achieve its goals.

Nonetheless, recent regulatory reforms and emergence of private players in the last few years have been encouraging towards creating a sustainable digital payments market. To promote e-wallets, the State Bank had released the Circular 39, officially recognizing e-wallet services as a payment service like other payment and collection services. The government has granted licenses to numerous companies in payment services such as 1Pay and WePay, to ensure compliance and security. Commercial banks are also increasing cooperation with e-wallets to further their services and value addition.

However, according to most electronic payment service providers, the industry still suffers from the lack of a robust legal framework that can support the development of the ecosystem. Going forward, the government needs to continue promoting the adoption of such services amongst the citizens and government institutions, and develop a legal framework by working closely with private players, to facilitate the growth of payment intermediaries and electronic wallets throughout the country.

## **5.2 Opportunities for SME's in the specific sector**

### **Untapped modern retail market**

Foreign retailers, easing of investment regulations, and a rise in consumer spending, and urbanization, have largely driven the retail sector's growth. In the last decade, the market has attracted numerous foreign retailers such as Lotte, CircleK, Aeon, BigC, and FamilyMart.

In terms of investment attraction, Vietnam ranked as the sixth best destination for retail investment according to the 2017 A.T. Kearney's Global Retail Development Index (GRDI). According to the report, convenience stores and mini-marts are the fastest-growing segment in the industry. By 2020, the retail market size is expected to reach US\$ 179 billion.

In 2016, the modern retail segment grew by 61 percent as compared to the previous year. Modern retail channels like supermarkets and shopping centers account for almost a quarter of total retail sales in Vietnam. By 2020, the proportion of modern retail channels is forecast to rise to 40 to 45 percent. In addition to modern retail, e-commerce is also growing rapidly. The value of e-commerce market in 2016 was close to US\$ 1.8 billion. The e-commerce retail sales grew by 25 percent in 2017. The annual retail sales growth for 2016-2020 is estimated at 20 percent, with the market forecasted to reach US\$ 10 billion by 2020.

## **High reputation of Singaporean products**

Foreign retailers especially the ones from South Korea, Japan, Singapore, Malaysia, and Thailand have an upper hand in the retail sector. Their products are perceived as being of higher quality than most local brands, and are more diversified, offering consumers more options.

Singaporean products, especially cosmetics and alcoholic beverages are highly preferred by Vietnamese consumers. According to the EU-Vietnam Business Network (EVBN), Singapore accounts for 34 percent and 30 percent of the total cosmetic imports and alcoholic beverages imports respectively in Vietnam.

## **Efforts of Vietnam's central bank in creating legal frameworks for E-wallets and payment intermediaries**

- For developing a robust legal framework, the SBV has formulated and proposed to the Government for issuing several legal documents, such as:
  - Decree No.80/2016/NĐ-CP dated July 1st, 2016 on revising and replacing several articles of Decree No.101/2012/NĐ-CP on non-cash payment;
  - Circular No.19/2016/TT-NHNN dated June 30, 2016 on bank card management;
  - Circular 20/2016/TT-NHNN dated June 30, 2016 on equipment, management and operation, and securing the safety for ATM performance;
  - Circular No.39/2014/TT-NHNN guiding the intermediary payment services;
  - Circular 30/2016/TT-NHNN dated October 14, 2016 revising and supplementing several articles on payment services provision and intermediary payment services;
  - Circular No.32/2016/TT-NHNN dated December 26, 2016 to guide on opening and using settlement accounts with credit institutions;
- For infrastructure and technology development, the SBV issued Plan No.16/KH-NHNN dated December 30, 2015 on shifting bankcards from magnetic stripe card to chip cards. Accordingly, the bankcard system of Vietnam have to be changed in to chip card system, latest by December 31, 2020

In addition, SBV Governor also decided to establish a Committee to manage the project of formulating Automated Clearing House (ACH) - the system of electronic clearing automation for retail transactions in Vietnam for the aim of building up the system to serve for retail transactions.

- For supervision activities, the SBV functional departments are assessing the effectiveness of payment systems and analyzing risk relating to payment systems. It is closely collaborating with investigation agencies to verify and provide information for detecting the violations in payment operations.
- On October 14, 2016, the SBV issued Circular No.30/2016/TT-NHNN stipulating payment service provision and intermediary payment services, especially the regulations on problem solving, dealing with claims and checking the transactions, security solutions, safety for ATMs as well as protecting legal rights for customers and users of payment services.
- On December 30, 2016, the PM has approved a Scheme for the development of non-cash payments in Vietnam in 2016-2020 period, with a focused target of reducing the ratio of cash transactions to below 10 percent. The project focuses on acceleration of e-commerce transactions and implementation of the Master Scheme on E-commerce Development in the 2016-2020 period.

By 2020, Vietnam set the objective of reaching 300,000 POS's installed and 200 million payment transactions a year, boosting e-payments in order to have:

- 100 percent supermarkets, shopping centers and distribution agents using POS and allowing customers to pay non-cash;
- 70 percent of service providers of electricity, water, telecommunication services accepting non cash payments;
- 50 percent of individuals and households in metropolitan cities using non-cash payments;

It also focuses on developing modern payment equipment and systems serving rural and remote areas in order to accelerate financial inclusion and increasing the number of citizens to be able to access payment services.

## 6. Market Entry Checklist

CHECKLIST				
	Step	Agency	Notes	Time required (working days)
<input type="checkbox"/>	<b>Obtain Investment Registration Certificate</b>	Ministry of Planning and Investment	<p>All foreign investors are required to obtain an Investment Registration certificate as a first step to investing in Vietnam. Investors should prepare the following as part of this process:</p> <ol style="list-style-type: none"> <li>1. Request for permission for execution of the investment project</li> <li>2. Copy of the ID card / passport (if the investor is an individual)</li> <li>3. Copy of the Certificate of establishment (if the investor is an organization).</li> <li>4. An investment proposal that specifies: <ul style="list-style-type: none"> <li>• Investor(s) in the project</li> <li>• Investment objectives</li> <li>• Investment scale</li> <li>• Investment capital</li> <li>• Method of capital raising</li> <li>• Location and duration of investment</li> <li>• Labor requirements</li> <li>• Requests for investment incentives</li> <li>• Socio economic impact assessment</li> </ul> </li> <li>5. Copies of any of the following documents: <ul style="list-style-type: none"> <li>• Financial statements of the last two years of the investor</li> <li>• Commitment of the parent company to provide financial support</li> <li>• Commitment of a financial institutions to provide financial support</li> <li>• Guarantee for investor's financial capacity</li> <li>• Description of investor's financial capacity</li> </ul> </li> <li>6. Demand for land use from the state or a copy of a lease agreement for land that is to be used for the investment</li> <li>7. Details on the application of technologies to be used in the project including: <ul style="list-style-type: none"> <li>• Names of technologies</li> <li>• Origins</li> <li>• Technology process diagram</li> <li>• Primary specifications</li> <li>• Conditions of machinery</li> <li>• Equipment and primary technological line</li> </ul> </li> </ol>	Preparation of documents can take up to 2 months + 10 days for processing
<input type="checkbox"/>	<b>Check the proposed company name</b>	Business Registration Office, Department of Planning & Investment	The applicant has to submit documents to the local business registration office in accordance with Government Decree 78/2015/ND-CP on enterprise registration dated 14 September 2015. Information is then transferred the Department General of Taxation (Ministry of Finance).	5 days
<input type="checkbox"/>	<b>Obtain the Enterprise Registration Certificate</b>	Local business registration office under the Department of Planning and Investment + Department of Taxation at the Ministry of Finance	<p>The Department General of Taxation is responsible for creating an enterprise code number and to transferring it to that national database so the provincial business registration office can issue it to the investor.</p> <p>Each enterprise is issued one unique enterprise code number. This code number is both the business registration code number and the tax code number of that enterprise.</p>	
<input type="checkbox"/>	<b>Make a company seal</b>	Sealmaker (private company)	Design, content and quantity of its seal can be decided by the investor	
				1 day

<input type="checkbox"/>	<b>Registration of the seal-sample with the Business Registration Office</b>	Business Registration Office	<p>According to the Law on Enterprise: Article 44, a seal must specify:</p> <ul style="list-style-type: none"> <li>The enterprise's name;</li> <li>The enterprise's ID number.</li> </ul> <p>Investors must send the seal-sample to the Business Registration Office so that it can be published on the National Business Registration Portal. Investors may start using the seal upon receipt of a Publication Notice.</p>	5 days
<input type="checkbox"/>	<b>Open a bank account</b>	Bank	<p>Each bank requires a different minimum deposit to open an account.</p> <p>To open the account, the banks in Vietnam require:</p> <ul style="list-style-type: none"> <li>Bank-issued application form,</li> <li>Copy of the notification on use of the seal with a confirmation stamp of the Business Registration Office,</li> <li>Charter of the Company,</li> <li>Enterprise Registration Certificate (ERC) and</li> <li>relevant documents as required by each bank.</li> </ul>	1 day
<input type="checkbox"/>	<b>Buy pre-printed VAT invoices from the Municipal Taxation Department or obtain and print self-printed VAT invoices</b>	Municipal Taxation Department	<p>All companies shall use their shelf-printed VAT invoices</p> <p>In total, it may take about 10 days to get the printed VAT invoices and register them with the Municipal Taxation Department.</p>	10 days
<input type="checkbox"/>	<b>Publish the registration contents on the National Business Registration Portal (NBRP)</b>	Business Registration Office	<p>According to Article 33, Law on Enterprises 2014 No. 68/2014/QH13, new investors must make an announcement on the National Business Registration Portal within 30 days of establishment.</p> <p>The announcement must include information on the following:</p> <ul style="list-style-type: none"> <li>Certificate of Business registration</li> <li>Business lines</li> <li>List of founding shareholders</li> <li>Any shareholders who are foreign investors</li> </ul>	5 days
<input type="checkbox"/>	<b>Pay business license tax</b>	Tax office or commercial bank	<p>The business license tax is paid to the tax authority where the enterprise registers its tax reports or through designated commercial banks. Such business license tax is paid annually and in the first month of a year</p> <p>According to Article 4 of Circular 302/2016/TT-BTC, the business license tax depends on the charter capital of the enterprise.</p>	1 day
<input type="checkbox"/>	<b>Register with the local labor office to declare use of labor (Municipal Department for Labor, Invalids and Social Affairs).</b>	Municipal Department of Labor	<p>Within 30 days of starting operations, the employer must register all employees and their qualifications with the Labor Office (in conformity with set forms).</p> <p>The relationship between the employer and its employees are regulated by the Labor Code and set forth in labor contracts.</p>	1 day
<input type="checkbox"/>	<b>Register employees with the Social Insurance Fund for the payment of health insurance and social insurance.</b>	Social Insurance Fund	<p>The company must register with the Social Insurance Fund all employees who have contracts for 3 months or longer.</p> <p>The employer must complete a form provided by the Hanoi Social Insurance and include the following information:</p> <ul style="list-style-type: none"> <li>The employee name and</li> <li>Date of birth,</li> <li>Salary (as stated in the labor contract),</li> <li>The social insurance book serial number (for employees already issued with those books),</li> </ul>	1 day



			<ul style="list-style-type: none"><li>• A certified copy of the company's business registration certificate,</li><li>• And a copy of each labor contract.</li></ul> <p>The Social Insurance Office must, within 30 days from the date of receipt of the application file, issue an insurance registration book for each new employee that was not issued such book by the previous employer.</p> <p>The employer is responsible for paying social and health insurance contributions for each employee. Since the health insurance merged with the social insurance funds, payment is made (monthly or quarterly) directly to the Social Insurance Fund. Health insurance certificates are issued during the first month of the year.</p>	
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## 7. Contact Information

If you would like to find out more about bringing your retail company to Vietnam, please drop us an email at [retail\\_design@enterprise.gov.sg](mailto:retail_design@enterprise.gov.sg).

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