Electronics and Appliance Specialist Retailers - Vietnam

Euromonitor International : Country Sector Briefing

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List of Contents and Tables

ELECTRONICS AND APPLIANCE SPECIALIST RETAILERS IN VIETNAM

HEADLINES

- Electronics and appliance specialist retailers achieves 30% current value growth in 2010
- The channel remains quite fragmented with many independent small retailers
- Mobile World Co Ltd becomes the market leader in 2010, followed by Nguyen Kim Trading JSC
- Electronics and appliance specialist retailers is expected to see a constant value CAGR of 8% over the forecast period

TRENDS

- Electronics and appliances specialist retailers witnessed faster expansion in 2010 thanks to the rapid development of technology. Consumers, especially youths, had high interest in new high-tech products. Some of them bought new technology products such as mobile phones, laptop computers or televisions to reveal their social status and to reflect their personal style. As a result, the market environment of electronics and appliances specialist retailers continued to experience robust growth during the review period. In 2010, electronics and appliances specialists recorded total sales revenue of VND25 trillion – a 30% rise.
- In term of selling space and number of outlets, these growth rates were also higher in 2010 compared to the previous year. During 2010, the total number of outlets grew at 2%, reaching 2,555 outlets, whilst the total selling space increased at 8%, registering approximately 1,150,000 sq m. The average selling space per outlet was increasing as many new stores opened with bigger shopping space to have more products on display.
- Regarding competitive environment, electronics and appliances specialist retailers witnessed the consolidation trend during the review period. Hence, the value share of small players decreased dramatically from 52% share to 34% share in 2010. Despite the declining share, small players still accounted for the highest share in electronics and appliances specialist market.
- In 2010, Mobile World Co Ltd was successful in surpassing Nguyen Kim Trading JSC, thanks to its rapid growth of number of outlets. Mobile World Co Ltd specialised in mobile phones, laptops and phone accessories. Therefore, it did not require the large selling space for product displays like Nguyen Kim Trading JSC did. As a result, it was easier for Mobile World to establish stronger presence by increasing the number of outlets. The higher demand for mobile phones and laptops also contributed to the success of Mobile World. During 2010, Mobile World registered 30% value share, which was equivalent to VND6,950 billion. Nguyen Kim Trading JSC held the second position with 27% value share, recording VND6,250 billion.
- In the review period, Mobile World was also the player that enjoyed the biggest increase in share, thanks to its good strategies. Mobile World was one of the first players that leveraged internet retailing and new modern retail formats to sell mobile phones. Previously, mobile phones were normally sold through small private stores with limited product portfolios. Moreover, consumers normally encountered bad experiences with the warranty process. Those small private stores were not responsible for warranty services; they usually left consumers to deal with the repair centres of mobile phone manufacturers. Sometimes, the repair centres rejected consumers' warranties of their products, as their products were not registered with manufacturers at the time they were purchased.
- As a result, when Mobile World introduced a new kind of format – the "mobile phone supermarket" equipped with professional staffs and good customer service – the company was in charge of the warranty process. Consumers could bring their phones to Mobile World. The company would run quick checks for their phones, and it might fix phones for their consumers if they had only small problems. Otherwise, the company would tell consumers the addresses of the repair centres of the mobile phone manufacturers, so that they could bring them there for repair. The full service provided by Mobile World – from friendly

consulting to aftersales service – helped the company to gain consumers' trust as well as generated a good reputation for Mobile World.

- During the review period, Mobile World strengthened its retailing areas in laptops with a lot of promotions and discounts for its consumers. More importantly, Mobile World also cooperated with manufacturers to organise marketing and public relations events for their new products. For example, Mobile World collaborated with HTC to launch a lucky draw for consumers who purchased the new product HTC Wildfire in 2010 at Mobile World outlets. This strategy not only promoted a new product for the mobile phone manufacturer but also created a good brand image for Mobile World.
- Both Ben Thanh Marketing Co and FPT Corp lost share in 2010 due to their limited marketing activities. Ben Thanh Marketing Co seemed to have difficulty in looking for new outlets to expand its network coverage. Its Best Carings brand only distributes products of high quality from popular manufacturers such as Pioneer, Philips, Mitsubishi and National. Hence, its consumer base was more limited compared to its direct competitors, such as Nguyen Kim Trading JSC. For FPT Corp, the failure was due to its business strategy, which tried to cover too many fields. Beside mobile phones and computer retailing, the company also invested in education and training, software programming, telecommunications and financial services. The broad business operation, without a proper focus, caused difficulties for FPT to establish a stable brand image in consumers' minds.
- In electronics and appliance specialist retailers, each company was positioned differently and had a different strategy. For instance, Nguyen Kim positioned itself as the electronics and home appliances supermarket for everyone. Therefore, it possessed a wide range of products so that every consumer could come to an outlet when they need to buy electronic and home appliance products. In term of strategy, Nguyen Kim has managed to build strategic partnerships with many suppliers such as Samsung, Sony and Panasonic to give consumers better discounts and promotions than its competitors.
- In 2010, Hop Nhat Co Ltd introduced its first Wonder Buy outlet in June 2010 in the large selling space of over 6,800 sq m, which made it the largest centre for electronics and home appliances in Vietnam at the time it opened. Wonder Buy offered almost 70,000 products from the leading manufacturers such as Sony, Toshiba, Samsung, LG, Panasonic, Sanyo, JVC and Electrolux with the total investment of VND hundreds of billions. The entrance of Wonder Buy created tougher competition for big players in the market, such as Nguyen Kim and Mobile World.
- Over the forecast period, it is expected that the electronics and appliance specialist retailers channel will continue to record good growth. The constant value CAGR over the 2010-2015 forecast period is estimated to be 8%. The penetration of the major players Nguyen Kim, Mobile World and Ben Thanh Marketing will continue to stimulate growth. The rise of other local retail brands, such as Vien Thong A, Cho Lon Supermarket and Ideas, will accelerate the high degree of competition in the market. Cho Lon Supermarket and Vien Thong A are expected to become two of the major leaders in the forecast period thanks to their fast expansion.
- Give the more intense competition in the forecast period, major players will focus on building their brand images to maintain their consumer base as well as to appeal to new consumers. Promotions will be the main marketing activity that major players will exploit to increase their value share, as consumers are quite price-conscious. Furthermore, other players will follow the lead of Nguyen Kim and Mobile World to develop strategic partners, as they see the great benefits from strategic partners after the success of these companies.

CHANNEL FORMATS

Chart 1 Electronics and Appliance Specialist Retailers: Nguyen Kim in Ho Chi Minh City

Source: *Euromonitor International*

Chart 2 **Electronics and Appliance Specialist Retailers: Mobile World in Ho Chi Minh City**

Source: *Euromonitor International*

CHANNEL DATA

Table 1 **Electronics and Appliance Specialist Retailers: Value Sales, Outlets and Selling Space 2005-2010**

	2005	2006	2007	2008	2009	2010
Value sales VND billion	11,944.8	12,900.4	14,448.5	15,893.3	17,641.6	22,934.1
Outlets	2,300.0	2,350.0	2,400.0	2,450.0	2,495.0	2,555.0
Selling Space '000 sq m	807.4	856.5	916.4	985.2	1,061.0	1,145.9

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 2 **Electronics and Appliance Specialist Retailers: Value Sales, Outlets and Selling Space: % Growth 2005-2010**

% growth

	2009/10	2005-10 CAGR	2005/10 TOTAL
Value sales VND billion	30.0	13.9	92.0
Outlets	2.4	2.1	11.1
Selling Space '000 sq m	8.0	7.3	41.9

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 3 **Electronics and Appliance Specialist Retailers Company Shares by Value 2006-2010**

% retail value rsp excl sales tax

Company	2006	2007	2008	2009	2010
Mobile World Co Ltd	1.7	4.9	13.4	15.6	30.3
Nguyen Kim Trading JSC	15.5	18.7	20.4	23.0	27.3
Ben Thanh Marketing Co	5.2	5.0	5.1	6.2	5.2
FPT Corp	-	0.4	2.6	2.5	2.0

G T Co Ltd	0.6	0.7	0.8	0.8	1.5
Others	77.0	70.2	57.7	51.9	33.7
Total	100.0	100.0	100.0	100.0	100.0

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 4 Electronics and Appliance Specialist Retailers Brand Shares by Value 2007-2010

% retail value rsp excl sales tax

Brand	Company	2007	2008	2009	2010
Mobile world	Mobile World Co Ltd	4.9	13.4	15.6	30.3
Nguyenkim - Saigon Shopping Center	Nguyen Kim Trading JSC	18.7	20.4	23.0	27.3
Best Carings	Ben Thanh Marketing Co	5.0	5.1	6.2	5.2
FPT Shop	FPT Corp	-	-	2.5	2.0
Gia Thanh Trading	G T Co Ltd	0.7	0.8	0.8	1.5
FPT[IN]	FPT Corp	0.4	2.6	-	-
Carings	Ben Thanh Marketing Co	-	-	-	-
Others		70.2	57.7	51.9	33.7
Total		100.0	100.0	100.0	100.0

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 5 Electronics and Appliance Specialist Retailers Brand Shares by Outlets 2007-2010

sites/outlets

	Company	2007	2008	2009	2010
Mobile world	Mobile World Co Ltd	19.0	28.0	23.0	56.0
FPT Shop	FPT Corp	-	-	8.0	8.0
Nguyenkim - Saigon Shopping Center	Nguyen Kim Trading JSC	2.0	3.0	4.0	6.0
Best Carings	Ben Thanh Marketing Co	2.0	3.0	4.0	4.0
Gia Thanh Trading	G T Co Ltd	1.0	1.0	1.0	2.0
FPT[IN]	FPT Corp	9.0	8.0	-	-
Carings	Ben Thanh Marketing Co	-	-	-	-
Others	Others	2,367.0	2,407.0	2,455.0	2,479.0
Total	Total	2,400.0	2,450.0	2,495.0	2,555.0

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 6 Electronics and Appliance Specialist Retailers Brand Shares by Selling Space 2007-2010

surface area '000 sq m

	Company	2007	2008	2009	2010
Nguyenkim - Saigon Shopping Center	Nguyen Kim Trading JSC	8.0	10.4	15.0	24.4
Mobile world	Mobile World Co Ltd	4.8	6.6	5.2	12.5
Best Carings	Ben Thanh Marketing Co	4.5	7.0	9.6	9.6
FPT Shop	FPT Corp	-	-	2.5	2.5
Gia Thanh Trading	G T Co Ltd	0.8	0.8	0.8	1.6
FPT[IN]	FPT Corp	2.7	2.5	-	-
Carings	Ben Thanh Marketing Co	-	-	-	-
Others	Others	895.6	957.9	1,027.9	1,095.3
Total	Total	916.4	985.2	1,061.0	1,145.9

Source: *Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources*

Table 7 Electronics and Appliance Specialist Retailers Forecasts: Value Sales, Outlets and Selling Space 2010-2015

	2010	2011	2012	2013	2014	2015
Value sales VND billion	22,934.1	25,227.5	27,497.9	29,560.3	31,481.7	33,370.6
Outlets	2,555.0	2,635.0	2,725.0	2,835.0	2,955.0	3,085.0
Selling Space '000 sq m	1,145.9	1,231.9	1,320.5	1,413.0	1,509.1	1,607.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 8 Electronics and Appliance Specialist Retailers Forecasts: Value Sales, Outlets and Selling Space: % Growth 2010-2015

% growth

	2014/15	2010-15 CAGR	2010/15 TOTAL
Value sales VND billion	6.0	7.8	45.5
Outlets	4.4	3.8	20.7
Selling Space '000 sq m	6.5	7.0	40.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources