

Alcoholic Drinks - Vietnam

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ALCOHOLIC DRINKS IN VIETNAM

EXECUTIVE SUMMARY

Alcoholic Drinks Continued To See Strong Growth

Vietnam's alcoholic drinks market was not affected by the economic crisis in 2008-2009, and continued to grow well in 2010 as the economy started to recover. Double-digit growth was observed in both off-trade and on-trade volume sales, although it slowed down slightly from the previous year due to maturity. In general, alcoholic drinks still represented one of the markets with the highest potential in Vietnam

Marketing Activities Heavily Employed by Major Players

Marketing activities were vibrant in 2010. Promotion schemes like price cuts and discounts were widely used to push sales, both by local and international players. New product launches were also heavily promoted, using the leverage of special events like the 1,000-year anniversary of Ha Noi. PR events and sponsorship of special events are becoming more popular because of tightening legislation regards above-the-line marketing for alcoholic drinks.

Local Players Continue To Play Major Role in the Competitive Market

Despite reduced import tax and consequently increased presence of imported alcoholic drinks products, together with increased domestic consumption tax on some alcoholic drinks, local players like SABECO retain the lead in various categories. Local players invested heavily in production facilities to improve the quality of their products to meet or even surpass international standards, while still trying to retain their price advantage. In rural areas where demand is on the rise and where international brands struggle to reach, local players continue to expand and dominate.

Main Bulk of Consumption Through On-trade Channel

With higher disposable incomes and busier lifestyles, consumers developed a habit of eating outside the home with family and friends over the weekends or after the work day. This trend provided a boost to the alcoholic drinks market as Vietnamese increasingly preferred socialising in restaurants, where beer is widely consumed. Wine and spirits, on the other hand, are consumed mainly in hotels, restaurants, bars, clubs, nightclubs, parties and events attended by more affluent consumers who are willing to pay for luxury drinks.

Alcoholic Drinks Is Expected To Grow Steadily Over the Forecast Period

The alcoholic drinks market demonstrated a good performance in 2010. Moving forward, it is expected that the alcoholic drinks market in Vietnam will continue to grow over the forecast period due to efforts by manufacturers, such as new product developments and heavy investment in marketing and event sponsorship. There will be premium products in beer, wine and spirits to replace low-end products, as there is a tendency among consumers to prefer premium products as an indication of their knowledge of alcoholic drinks and social status. Also, with the growing number of young and working class consumers, alcoholic drinks is expected to enjoy good growth over the forecast period.

KEY TRENDS AND DEVELOPMENTS

Changing Lifestyles Stimulate Growth

With the increased exposure of Vietnamese people to drinking cultures around the world, alcoholic drinks are gaining popularity among a wide base of consumers. The robust expansion of multinational companies and international businesses in Vietnam has familiarised Vietnamese consumers with a wine and cocktail drinking culture during parties and formal dining occasions. More consumers are thus becoming more aware of alcoholic drinks categories and are consuming them on a more regular basis. Business men and women are among the

most important consumers to many alcoholic drink labels, such as premium beer, wine and spirits. Drinking premium alcoholic drinks is considered fashionable, and is thought to show the drinkers' affluence and knowledge about the world. Manufacturers like SABECO are responding to this trend by marketing their premium drinks with advertising messages that stress the wealth and success status of their consumers.

Drinking to socialise is nowadays commonly accepted by Vietnamese people. Many young to middle-aged office workers gather after work to drink with their colleagues and friends at restaurants, now that eating out has become more common with urban lifestyles. Products like beer and wine are seeing better performances than strong spirits, as there are more young consumers with an interest in lower alcohol content drinks.

Current Impact

Changing lifestyles and the impact of western culture on Vietnam, promise more sales of alcoholic drinks through both on-trade and off-trade channels. On-trade sales are growing particularly fast as the new generation of office workers go to restaurants more frequently to socialise. Alcoholic drinks are considered to be social lubricant not only for informal gatherings but also for formal occasions like business dining. In fact, it is widely believed in Vietnam that business deals can go more smoothly with alcohol. Drinking with business partners is said to show sincerity as well as determination towards the common goal. Off-trade channels, on the other hand, are more popular during special occasions where alcohol is either bought as a gift or for home consumption. Manufacturers are using the off-trade channel to target other groups of consumers such as females, younger consumers and also those that are more budget-conscious.

Besides restaurants and dining places, modern bars, clubs and restaurants targeting affluent and trendy young customers also see the increasing trend. Consumers tend to look for new products in those channels thus they will look for the same products when they occasionally drink at home. Vietnamese women, on the other hand, are also joining modern working society which opens up the opportunity for them to engage in social drinking.

Outlook

As globalisation is having a rising influence on many aspects of Vietnamese society, it is predicted that Vietnamese consumers are going to continue to adopt new drinking habits originally associated with other drinking cultures. This is thanks to the fact that many Vietnamese people, especially young working professionals and students, have more opportunity to travel or live abroad, and thus be exposed to different societies outside of Vietnam. On the other hand, expanding tourism and rising numbers of expatriates living in urban areas is also fuelling the opening of alcohol-serving establishments like bars, discos and nightclubs. These establishments ultimately serve both locals and international consumers in Vietnam.

The on-trade channel is foreseen to be the main channel for advertising and promoting low alcohol products. Events and product tasting promotions will be held in order to introduce consumers to new beverages. Some hotels and restaurants are keen to host events to promote their venue, while the alcohol importers or distributors also benefit.

Future Impact

With the increasing number of more educated consumers, expatriates and overseas students, consumers will look for products that suit their taste, lifestyle and status. At the same time, consumers will also seek drinks that have somewhat of a health and wellness positioning or those low in alcohol content for social drinkers. Consequently, more wine and low-alcohol beer will likely be introduced to the market in the future, while RTDs/High-Strength Premixes will likely gain more popularity and cater to an expanding consumers base.

Consumers Seek Diversified Products

As Vietnamese consumers show great willingness to try new products, many local producers and importers have diversified their product ranges in the alcoholic drinks market. In beer, an increasing number of global brand names are available, such as Budweiser, Baltika 7 Export and other famous traditional beer brands from Europe, such as San Miguel and Corona. Local producer SABECO also introduced 333 Premium beer to compete directly with premium imported beer in the market. In wine and spirits there are imported wines from New Zealand and Russia. Vietnamese consumers are becoming more familiar with global alcoholic drinks brands. Local producers are also active enough to launch new product lines as well as new packaging formats to

compete with international brands. Also, products like RTDs/High-Strength Premixes see more new brands introduced into the market, for example, Smirnoff Ice and Smirnoff 21 by Diageo Plc. These products aim to serve customers who do not look for high-alcohol content, but rather fun and convenient drinks for socialising occasions with friends.

Current Impact

In 2010 the diversified variety of products available increased competition. Consumers benefited from competition between players in terms of good quality products, price and promotional campaigns. The increasing demand also benefited local producers, as they were forced to standardise their product quality and manufacturing facilities. On the other hand, developing consumer demand created opportunities for more global brands to enter the market.

Outlook

The stronger presence of global brands will lead to the development of local brands due to the tough competition. An increasing number of local manufacturers are likely to enter into mergers and acquisitions with either international or local partners to enhance their competitive positions. Hence, the alcoholic drinks market is expected to see good growth over the forecast period, with improved product quality ensuring safety for consumers.

Future Impact

The future will be more challenging for local manufacturers in such a competitive landscape. To improve products is not only to focus on production, but companies will also have to renovate whole systems, including human resources, training, research and development. They will also have to invest in new technology, materials and energy-saving processes in order to achieve efficient operations. Marketing and advertising activities are also necessary to build good brand names to enhance their presence in consumers' minds.

Big Domestic Players Grow at the Expense of Smaller Ones, While Multinationals Retain Their Position

Major domestic players, such as Habeco, Sabeco, Hanoi Liquor and Thang Long Liquor saw strong growth within their own categories in 2010. However, with most multinational players recording stable shares, it could be seen that big domestic players were actually poaching shares from their smaller domestic competitors. One of the reasons for this was the premiumisation trend, thanks to rising income levels and improving living standards. Most of the small local players targeted low-end consumers, while the bigger players carried more mid-range products. Thus, the latter became immediate substitutes when the consumers who used to drink cheap beer, wine or spirits traded up to something slightly better. Another contributing reason was the rising number of food poisoning cases in 2009 and 2010, due to the consumption of products from unbranded, home-based factories or less well-known brands. Thus, many consumers consciously went for more established and famous brands for their trusted quality, even though they would have to pay a little more.

Current Impact

As consumers shifted from small domestic brands to bigger domestic brands, the market became more consolidated in terms of the leadership of the major local players, such as Habeco and Sabeco. Thus, these companies had great control over the market in terms of price and consumer trends. This could be observed clearly during special occasions when demand for alcoholic drinks spiked, such as New Year and Tet, the Lunar New Year festival in Vietnam. Prior to these events, consumers were anxious to see whether the price of leading beer brands would rise, as it would result in many other smaller brands raising their price as well. Some consumers even purchased beer and other alcoholic drinks before these events and stocked them at home to avoid price hikes.

Outlook

This trend is expected to carry on in the future, as there is little opportunity for small domestic companies to evolve with the dominance of companies like Habeco and Sabeco. Thus, the market would become even more consolidated. Having said that, the market would not become concentrated into the control of just a few players,

as more and more foreign brands are expected to be launched in the country during the forecast period. Thanks to improving living standards, and the fact that many young urban consumers are becoming more westernised, demand for imported brands might rise, which would lead to more new entrants.

Future Impact

With smaller domestic companies losing shares, the alcoholic drinks market might see new standards in the future. In fact, standard brands like Saigon Export and 333rd export are already making their way to suburban and rural areas, and many rural consumers are shifting from economy brands to mid-priced ones. Thus, foreign brands might see more opportunity with the more sophisticated urban consumers, as they seek better quality products that are more suitable to show off their status.

Specialist Retailers

In the Vietnamese market, specialist retailers refers to those shops selling wine and spirits; often both local and imported brands. This channel accounted for over 18% of off-trade volume sales at the end of the review period. However, modern channels such as supermarkets and duty-free shops have taken shares from specialist retailers due to competitive pricing and modern shopping environments. Reacting to the competition, specialist retailers have applied many ways to enhance their businesses in order to attract customers.

Current Impact

In 2010, to compete with the modern retail channels, including hypermarkets and supermarkets, specialist retailers continued to pay special attention to improving the expertise knowledge of front-line staffs, so that they can explain and the differences between product and make informed suggestions.

Due to the prominence of counterfeit and contraband markets in the country, the authenticity of products was another main concern of customers when they bought alcoholic drinks, especially spirits and wine. Thus, many retailers also tried to reassure the buyers in various ways, such as educating the consumers on how to distinguish a fake wine and an authentic wine. Some retailers, such as The Gioi Ruou (website www.thegioiruou.vn) even employed a famous actor as its brand ambassador to improve its brand image, which would further reassure consumers that it only traded real products.

Outlook

In 2010, specialist retailers in alcoholic drinks remained mostly independent. This is a competitive disadvantage of these retailers compared to big modern grocery retail chains, such as Big C, Co.opMart and Metro. Having said that, some of the leading specialist retailers might expand their businesses and grow as chains to compete with the modern grocery retailers. Focusing only on alcoholic drinks and operating on a small scale, specialist retailers have one competitive advantage over the big chains in terms of training and development for their staff. This can become a focus point to draw consumers to their stores, as usually consumers like to receive better customer service at specialist retailers compared to at supermarkets or hypermarkets.

Future Impact

The specialist retailers channel will likely see two opposing trends during the forecast period. Many small independent retailers could close down due to tough competition from modern grocery retailers, such as hypermarkets and supermarkets. However, the big specialist retailers, such as The Gioi Ruou, might expand and grow into chains to attract more sales. Despite the expected dominance of the modern retailing channels during the forecast period, consumers would still like to have the good customer service they receive at specialist retailers. Thus, this would give the major specialist retailers an opportunity to grow.

Key New Product Launches

2010's new product launches were good examples of the premiumisation trend in alcoholic drinks. New premium products were launched across various categories, especially in beer. Leading state-owned players, Sabeco and Habeco both launched new premium brands, namely 333 Premium and Truc Bach. Foreign brand Tiger Crystal was also launched in the country in conjunction with its launch in several other countries. Beside

beer, domestic wine manufacturer Thang Long Liquor also launched Thang Long Anniversary, a still red wine produced with imported Lambrusco grape variety from Italy.

Current Impact

Being new, the products launched in 2010 have yet to show any major impact on the market. However, they demonstrated manufacturers' efforts to explore new opportunities, especially in mature categories like beer. With rising income levels and improving living conditions, together with the low availability situation of premium lager brands in the country, it seemed that premiumisation was the right strategy for these companies to venture into. However, their success still needs time to prove, as consumers might shift from standard lager to other more premium alcoholic drinks products, such as spirits and wine, instead of premium lager.

Outlook

The premiumisation trend is expected to continue into the forecast period, thanks to rising income levels and improving living standards in the country. This trend might happen across different alcoholic drinks products, especially in beer due to the low availability of premium lager brands in 2010. Not only will the domestic players try to launch more expensive products with better quality, more foreign brands will likely enter the premium segments as well.

Besides, the industry will most probably see the rise of products with low alcohol levels; the trend started in 2009 with the launch of Vodka Hanoi 29.5% abv. The main reason for this trend is the changing lifestyle of urban consumers, who prefer to stay sober during social or business gatherings. Low alcohol products are also favoured by female consumers as their tolerance level for alcohol is generally lower than men.

Future Impact

Premiumisation would result in a shift in focus for many industry players as they can produce more premium products, which usually yields higher margins. However, as consumers spend more, they also become more critical about quality and brand image. Thus, manufacturers will face more challenges in terms of competing to gain consumers' attention in the premium segments, starting with the right marketing and PR activities.

Products with low alcohol levels will also change the market dynamics. While many years ago, people liked to get drunk and they did not really care about the negative impact that alcohol had on their health, the situation has changed. Consumers, especially those in urban areas, are becoming more conscious about their alcohol intake. Thus, manufacturers will have to take note of this trend for their marketing and new product development activities in the future.

Summary 1 Key New Product Developments 2009-2010			
Brand (NBO)	Product	USP	Launch Year
333 Premium (Saigon Brewery Co (SABECO))	Domestic Premium Lager	Premiumisation: a more premium line of the already popular brand 333' from Sabeco. First 333' product line packaged in glass bottles rather than cans.	2010
Truc Bach (Hanoi Alcohol Beer & Beverages Corp (Habeco))	Domestic Premium Lager	Premiumisation: Truc Bach beer was launched to celebrate the 1000th anniversary of Ha Noi capital. Having 5.3% abv level, the product targets high-end consumers.	2010
Thang Long Anniversary (Thang Long Liquor Co)	Still Red Wine	Packaging/ convenience/ economising: New red wine product by Thang Long Liquor Co to celebrate the 1,000-year	2009

		anniversary of Ha Noi. The innovative plastic packaging makes the price cheaper and targets celebrative occasions for a large group of people.	
Tiger Crystal (Vietnam Brewery Ltd)	Domestic Premium Lager	Premiumisation: New premium beer by Tiger with lower abv (4.5%), lighter colour and completely different style of packaging than before - transparent glass bottle rather than the usual Tiger brown glass bottle.	2009

Source Euromonitor International

Market Merger and Acquisition Activity

2010 was a quiet year in terms of merger and acquisition activity in the domestic market. The main reason was that local companies paid more attention to marketing, PR and branding activities as there were two major events happening that year: the FIFA World Cup and the 1,000th anniversary of the capital Ha Noi. These events and holidays were great opportunities to push sales as more alcoholic drinks are always consumed during festive times. Thus, it seemed that short-term promotion and driving sales were most players' main focus in 2010, rather than long-term strategic alliances.

Current Impact

Although the industry was quite quiet in terms of merger and acquisition activities, it was still very dynamic with several new products launched and dynamic marketing activities from many players trying to capture the potential of festive events to drive sales. While the advertising and marketing activities mostly had a short-term focus to capture the hype of these events, the new products launched mostly showed the players' effort to look at the long-term trends and developments in the future.

Outlook

In early February 2011, Diageo announced its strategic alliance with Hanoi Liquor. With this alliance, Diageo would acquire about 24% of Hanoi Liquor's shares. With this, merger and acquisition activities in the country are expected to be dynamic again over the forecast period. Giant domestic players, such as Sabeco and Habeco, would find the opportunities to acquire smaller local companies to expand their production capacity, or collaborate with foreign players to increase their presence in the regional and global markets. Strategic alliances between multinational and major local companies, like Diageo and Hanoi Liquor, could also happen during the forecast period, as they usually bring great benefits to both parties.

Future Impact

Merger and acquisition activities in the future will have various impacts on the alcoholic drinks market. Collaboration between local and a foreign companies usually brings benefits to both sides in terms of brand building, marketing expansion as well as expertise exchanging. Consumers can also expect to see more interesting new products launched thanks to these activities. The downside of mergers and acquisitions is that the market can become more and more consolidated, especially in the case of big companies acquiring smaller players. However, given the fragmented nature of the market and dynamic development the industry has, this is unlikely to happen.

After the collaboration between Diageo and Hanoi Liquor in early-2011, other foreign companies might feel the urge to follow the same route by entering into strategic alliances with local companies. Some major multinational players that already have well-known brands in the country might consider this, such as Pernod Ricard Groupe and Rémy Cointreau Group. As most of the big domestic players are state-owned, it would be

difficult for foreign companies to acquire them completely. Instead, it would be easier to obtain some shares, as Diageo did with Hanoi Liquor.

MARKET BACKGROUND

Legislation

Legal drinking age

Since 2008, new law regulates that people under 18-years-old are not allowed to buy or consume alcoholic drinks. Although the law has been implemented for several years, it is apparent that people under 18 can still buy alcoholic drinks easily as enforcement of the law is not strong enough.

To help to solve the under-age drinking issue in the country, Ministry of Health collaborates with Ministry of Education to launch various programmes to educate students regarding the impact of alcoholic drinks, in high schools.

Drink-driving

Drink-driving is illegal and subjected to a fine of VND2 million to VND3 million. The permitted level is not more than 0.25mg per litre of breath, and no more than 50mg per 100ml of blood. Despite the stiff fines, which are aimed at reducing the number of accidents, drink-driving is still a serious problem in Vietnam. The main reason is that the law is not efficiently enforced, as the measuring equipment used to test blood and breath samples is not effectively applied by the police. Corruption is also common, with many police accepting bribes from drivers who do not wish to pay the full fine.

Advertising

A new law in 2008 states that alcoholic drinks over 4.5% ABV are not allowed to be advertised in public media in order to limit the abuse of such beverages. Producers have to advertise their products via on-trade channels such as bars and restaurants. Thus, to avoid this law, beer manufacturers use posters, promotional girls and campaigns to attract consumers in restaurants. Wine traders prefer to organise wine-tasting events and advertise through posters in retail outlets.

Advertisements for alcoholic drinks are not prominently aired during commercial breaks and have to declare clearly that they are an "advertisement" in printed media. The advertising budget for companies in Vietnam is limited to 10% of the total expenditure of the enterprise. This level prevents many multinational breweries from implementing major advertising campaigns. Consequently they have to find various ways to advertise to attract consumers, for example, by hiring promotional girls to offer beer in restaurants and to classify this expenditure as employment costs.

In 2009, Ministry of Health proposed a new law to ban advertising for all kinds of alcoholic drinks. However, in 2010, this proposal was still in discussion.

Smoking ban

A new law in effect from 1 January 2010 bans smoking in public places, including theatres, cinemas, offices, hospital, libraries, stations, airports and on public transportation. Furthermore, the law also prohibits the sale of cigarettes or tobacco-related products to those under 18-years-old. Despite the law, it is still easy to buy cigarettes in public outlets, and the majority of smokers still smoke in schools, restaurants, coffee shops and offices with no apparent penalty. There are also non-smoking areas in some high-end restaurants, but such areas are usually smaller than the smoking area.

As Vietnamese males have the habit of smoking and drinking collectively, it is thought that the reduction in places for lighting up would also result in the reduction of general consumption of alcoholic beverages in the country.

Opening hours

There are no stipulated legal operating hours for the sale of alcohol through off-trade outlets, and consumers can buy products during the outlets' normal opening hours. For on-trade establishments, alcoholic drinks are sold before midnight, as all entertainment establishments – bars, clubs and karaoke establishments – close at midnight.

Table 1 Number of On-trade Establishments by Type 2005-2009

Outlets	2005	2006	2007	2008	2009
100% Home Delivery/ Takeaway					
Cafés/Bars	13,684	15,896	17,932	19,783	21,380
Full-Service Restaurants	67,746	71,277	74,781	78,218	79,211
Fast Food	5,117	5,584	6,043	6,467	6,825
Self-Service Cafeterias	-	-	-	-	-
Street Stalls/Kiosks	384,930	404,000	416,135	424,161	428,790
TOTAL	471,477	496,757	514,891	528,629	536,206

Source: *Euromonitor International*

TAXATION AND DUTY LEVIES

Owing to efforts to strengthen international economic integration and fulfil the requirements to join various trade agreements, including the World Trade Organisation (WTO), Vietnam has abandoned its system of licensing and quotas on alcoholic drinks imports. Issued in April 2001, effective from May 2001, Decree 46/2001/QD-TTG declared that alcoholic drinks could be imported into Vietnam without licensing and quotas.

Taxation on alcoholic drinks in Vietnam comprises import tax rate, special tax rate and sales tax presented as follows:

Import tax rate

From July 2003, under an integration programme with AFTA, import tax rates on all alcoholic drinks originated from AFTA members were reduced to 20% from the previous level of 100%. These rates were further reduced to 15% in 2004, 10% in 2005 and 5% from 2006 onwards. In 2005, Vietnam signed an agreement with ACFTA to reduce the import tax rate for alcoholic drinks originated from ACFTA members to 50% in 2007, 30% in 2008, 25% in 2010 and 15% from 2011 onwards. Another commitment was reached with AKFTA in June 2007 to cut import tax for alcoholic drinks from AKFTA members to 35% in 2008, 25% in 2010 and 20% in 2011.

Apart from the special import tax rate for ACFTA, AKFTA and AFTA members, in line with its attempt to join the WTO over 2005/2006, Vietnam lowered import tax rates on alcoholic drinks in September 2004 to other members. In accordance with Decision 68/2004/QD-BTC, the general rates for these members were reduced from 100% to 80%. However, since Vietnam officially joined the WTO in January 2007, the Vietnamese government has committed to reduce the tax levy on imported beer to 65%, and will further reduce this to 35% over the next five years. In addition, in 2009 the government also decided to apply the same import tax rate of 59% for draught beer as for canned or bottled beer. For wine and spirits, the tax levied on imported products is to be reduced from 62% to 45-50% by around 2015. In 2005, as agreed with Australia and the US, Vietnam began to decrease import tax rates on alcoholic drinks originating from those two countries. The current import tax rate for products from these two countries is 70%.

Furthermore, for alcoholic drinks imported from the EU, Vietnam has imposed a new preferential import tariff rate for a number of wine and spirits items belonging to groups 2204 (wine from fresh grapes, including fortified wines), 2205 (vermouth and other wines from fresh grapes flavoured with plants or aromatic substances), 2206 (other fermented beverages: cider, perry, mead; mixtures of fermented beverages and non-alcoholic beverages), 2208 (under-natured ethyl alcoholic strength by volume of less than 80%; spirits and liqueurs) as stipulated by

Decision 68/2004/QD-BTC. The new import tax rate for alcoholic drinks from the EU is 65%, applied to the above items.

Special Consumption Tax

In addition to import taxes, alcoholic drinks also bear a Special Consumption Tax (SCT). This is a type of excise duty, but at a higher level. For imported products, SCT is calculated based on the CIF price plus import tax, and is based on manufacturer selling price (MSP) for locally produced products. In November 2008, Vietnam issued new law 27/2008/QH12 for Special Consumption Tax, effective from 1 January 2010, for wine and beer products. New Special Consumption Tax for all types of beer including barrel beer is 45% from 2010 to 2012, increasing to 50% in 2013. The new excise tax rate for alcoholic drinks is 45% for those from 20% ABV onwards, and 25% for those below 20% ABV over the period 2010 to 2012.

Sale Tax

Sale tax in Vietnam (VAT) is 10% for all alcoholic drinks. The government is likely to keep this rate in the future.

Table 2 Taxation and Duty Levies on Alcoholic Drinks 2010

Excise tax (%)	
Wine & Spirits - 20% abv and above - Below 20% abv Beer	45 25 45
Import tax (%)	
WTO members (MFN)	
Beer	47
Grape wine	56
Flavoured grape wine and Vermouth	59
Non-grape wine (incl. sake)	59
Other liquor with abv equal or higher than 80%	40
Other liquor with abv below 80%	55
ASEAN (CEPT)	
Beer	5
Grape wine	5
Flavoured grape wine and Vermouth	5
Non-grape wine (incl. sake)	5
Other liquor with abv equal or higher than 80%	5
India (AIFTA)	
Other liquor with abv equal or higher than 80%	37.5
Korea (AKFTA)	
Other liquor with abv equal or higher than 80%	25
China (ACFTA)	
Beer	25
Grape wine	25
Flavoured grape wine and Vermouth	25
Non-grape wine (incl. sake)	25
Other liquor with abv equal or higher than 80%	25
Japan (VJEPA)	
Other liquor with abv equal or higher than 80%	36
Sake	57
VAT (%)	10

Source: General department of taxation, Ministry of Finance

Table 3 Typical Wholesaler and Retailer Off-trade Mark-ups by Selected Categories 2010

	Beer	C/p	RTDs	Wine	Wh	BC
Wholesaler	6	0	0	9	8	7
Retailer	12	0	0	16	18	16
	WS	Rum	T	L	OS	
Wholesaler	7	7	0	5	0	

Retailer	14	16	0	16	0
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Source: Euromonitor International estimates

Notes: C/p=Cider/perry; Wh=Whisk(e)y; BC=Brandy and Cognac; RTDs = RTD + High-strength premixes WS=White spirits; T=Tequila (and mezcal); L=Liqueurs; OS=Other spirits

Table 4 Selling Margin of a Typical Beer Brand 2010: 333' export

% of retail value		2010
VAT		9.1
Excise		28.2
Import tax		0.0
Retailer		6.7
Distributor		3.2
Manufacturer		52.8
TOTAL		100.0

Source: Official statistics (General Statistics Office of Vietnam), store checks, Euromonitor International estimates

Note: Based on 333' export, VND7,500, 330ml at supermarket and 5.3% ABV; excise includes any other tax as relevant

Table 5 Selling Margin of a Typical Wine Brand 2010: Dalat Strawberry Wine

% of retail value		2010
VAT		9.1
Excise		18.2
Import tax		0.0
Retailer		32.8
Distributor		2.3
Manufacturer		37.7
TOTAL		100.0

Source: Official statistics (General Statistics Office of Vietnam), store checks, Euromonitor International estimates

Note: Based on Dalat Strawberry Wine, VND46,000, 750ml at restaurant and 11% ABV; excise includes any other tax as relevant

Table 6 Selling Margin of a Typical Spirits Brand 2010: Vodka Hanoi

% of retail value		2009
VAT		9.1
Excise		28.2
Import tax		0.0
Retailer		7.7
Distributor		3.6
Manufacturer		51.4
TOTAL		100.0

Source: Official statistics (General Statistics Office of Vietnam), store checks, Euromonitor International estimates

Note: Based on Vodka Hanoi, VND55,000, 300ml at specialist retailer and 41% ABV; excise includes any other tax as relevant

OPERATING ENVIRONMENT

Contraband/Parallel Trade

In the alcoholic drinks market, contraband/parallel trade often occurs with regard to spirits, which offer the most profit to smugglers. It is estimated that 80-90% of spirits sold are counterfeit. This issue is not resolved because of the high tax rate imposed by the government, which encourages contraband/parallel trade. Prices of products through this channel are usually 30-50% lower than the official off-trade outlet prices. Brands that are usually sold as a result of contraband/parallel trade are Hennessy, Rémy Martin, Martell Cordon Bleu and Johnnie Walker.

Meanwhile, wine and beer do not suffer from contraband/parallel trade, as most beer brands are produced locally and subject to a lower tax rate and lower prices compared with spirits. Wine offers little profit for smugglers as it sees lower demand than spirits. Consequently, illegal imported wine from China, Thailand and Cambodia accounts for a mere 5-10% of total wine consumption in Vietnam.

Officially imported wines and spirits can be trusted in terms of quality. Consumption of counterfeit products is cautioned as such products may adversely impact consumer health. Over the New Year period – when sales of alcoholic drinks peak – consumers tend to be aware of counterfeit imported spirits such as Hennessy and Rémy Martin, and spirits and wines such as Dalat Still Red Wine, Thang Long Still Red Wine, Hanoi Vodka and Binh Tay Vodka from domestic counterfeiters. The illegal imported products are mainly imported from China and Hong Kong to the north and from Cambodia to the south.

Counterfeiting and smuggling are major concerns for the government as well as consumers in Vietnam. However, the situation is on-going as the profit to be gleaned from sales of illegal products for counterfeiters and smugglers is considerable. This phenomenon stifles the growth potential of the industry, and also reduces the government's revenue stream.

Duty Free

Duty-free outlets represent a sales channel for people who travel abroad and return to Vietnam, with alcoholic drinks mostly purchased as gifts. This sale channel contributes a small proportion to off-trade sales. It does not affect sales of alcoholic drinks in the main off- and on-trade channels.

Cross-border/Private imports

Whiskies and local spirits are privately imported to Vietnam from neighbouring countries such as Cambodia, Thailand and Laos. These beverages are widely consumed as they are not subject to tax and offer cheaper prices and high alcohol content. However, the volume consumption of these products is not very high, and they do not have a major impact on overall sales of alcoholic drinks in the domestic market.

MARKET INDICATORS

Table 7 Retail Consumer Expenditure on Alcoholic Drinks 2005-2010

VND bn	2005	2006	2007	2008	2009	2010
Total	8,844.4	10,238.9	12,051.8	15,882.3	17,139.4	19,479.2

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

Note: 2010 data is forecast

MARKET DATA

Table 8 Sales of Alcoholic Drinks by Category: Total Volume 2005-2010

Million litres	2005	2006	2007	2008	2009	2010
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Beer	1,192.0	1,334.2	1,547.3	1,752.5	2,021.7	2,303.0
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	14.4	15.2	19.5	20.9	26.6	29.9
Wine	21.9	23.3	24.8	26.4	28.0	29.6
Alcoholic Drinks	1,228.3	1,372.8	1,591.6	1,799.8	2,076.2	2,362.5

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

Table 9 Sales of Alcoholic Drinks by Category: Total Value 2005-2010

VND billion	2005	2006	2007	2008	2009	2010
Beer	37,567.8	42,858.9	50,736.7	58,342.8	68,954.1	80,097.1
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	2,133.2	2,354.2	2,890.9	3,222.2	3,996.9	4,611.9
Wine	2,272.6	2,510.2	2,766.8	3,070.3	3,430.1	3,840.9
Alcoholic Drinks	41,973.5	47,723.3	56,394.4	64,635.3	76,381.1	88,549.9

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

Table 10 Sales of Alcoholic Drinks by Category: % Total Volume Growth 2005-2010

% total volume growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Beer	13.9	14.1	93.2
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	12.3	15.7	107.6
Wine	5.8	6.2	35.1
Alcoholic Drinks	13.8	14.0	92.3

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

Table 11 Sales of Alcoholic Drinks by Category: % Total Value Growth 2005-2010

% local currency, current value growth	2009/10	2005-10 CAGR	2005/10 TOTAL
Beer	16.2	16.3	113.2
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	15.4	16.7	116.2
Wine	12.0	11.1	69.0
Alcoholic Drinks	15.9	16.1	111.0

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

Table 12 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: Volume 2010

	Off-trade	On-trade	TOTAL
Beer (Million litres)	618.1	1,685.0	2,303.0
Cider/Perry ('000 litres)	-	-	-

RTDs/High-Strength Premixes ('000 litres)	-	-	-
Spirits ('000 litres)	8,044.4	21,822.8	29,867.2
Wine (Million litres)	8.8	20.7	29.6
Alcoholic Drinks (Million litres)	635.0	1,727.5	2,362.5

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

Table 13 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: Value 2010

VND billion			
	Off-trade	On-trade	TOTAL
Beer	14,068.3	66,028.8	80,097.1
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	621.8	3,990.0	4,611.9
Wine	682.5	3,158.4	3,840.9
Alcoholic Drinks	15,372.6	73,177.3	88,549.9

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

Table 14 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: % Volume 2010

% volume analysis			
	Off-trade	On-trade	Total
Beer	26.8	73.2	100.0
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	26.9	73.1	100.0
Wine	29.9	70.1	100.0
Alcoholic Drinks	26.9	73.1	100.0

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

Table 15 Sales of Alcoholic Drinks by Category by On-trade vs Off-trade Split: % Value 2010

% value analysis			
	Off-trade	On-trade	Total
Beer	17.6	82.4	100.0
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	13.5	86.5	100.0
Wine	17.8	82.2	100.0
Alcoholic Drinks	17.4	82.6	100.0

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

Table 16 Company Shares of Alcoholic Drinks by Global Brand Owner 2006-2010

% total volume					
Company	2006	2007	2008	2009	2010
Saigon Alcohol Beer & Beverages Corp (Sabeco)	38.9	41.3	43.2	43.8	44.4
Hanoi Alcohol Beer & Beverages Corp (Habeco)	17.2	16.6	16.2	17.7	18.7

Carlsberg A/S	9.9	10.2	10.2	10.1	9.9
Heineken NV	9.0	8.6	8.4	8.1	7.9
Asia Pacific Breweries Ltd	8.6	8.1	7.5	6.7	6.4
Foster's Group Ltd	4.1	3.9	4.0	4.0	4.1
San Miguel Brewery Inc	-	-	-	0.7	0.6
Oetker-Gruppe	1.1	0.9	0.8	0.7	0.6
Thang Long Liquor JSC	0.3	0.2	0.2	0.2	0.2
LamDong Foodstuffs JSC (Ladofoods)	0.1	0.1	0.1	0.1	0.1
Others	10.8	10.0	9.3	7.8	7.1
Total	100.0	100.0	100.0	100.0	100.0

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

Table 17 Off-trade Sales of Alcoholic Drinks by Distribution Format: % Value Analysis 2005-2010

% off-trade	2005	2006	2007	2008	2009	2010
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	100.0
Grocery Retailers	100.0	100.0	100.0	100.0	100.0	100.0
Supermarkets/Hypermarkets	12.5	14.0	14.5	15.0	15.3	15.5
Discounters	-	-	-	-	-	-
Small Grocery Retailers	68.5	67.0	66.5	66.6	66.3	66.0
Convenience Stores	1.0	1.0	1.1	1.4	1.8	2.0
Independent Small Grocers	67.5	65.9	65.4	65.2	64.5	64.0
Forecourt Retailers	-	-	-	-	-	-
Food/drink/tobacco specialists	19.0	19.0	19.0	18.4	18.4	18.5
Other Grocery Retailers	-	-	-	-	-	-
Non-Grocery Retailers	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	-	-
Vending	-	-	-	-	-	-
Homeshopping	-	-	-	-	-	-
Internet Retailing	-	-	-	-	-	-
Direct Selling	-	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 18 Off-trade Sales of Alcoholic Drinks by Category and Distribution Format: % Volume Analysis 2010

% off-trade	B	C/P	RTDs/HSPs	S	W
Store-Based Retailing	100.0	0.0	0.0	100.0	100.0
Grocery Retailers	100.0	0.0	0.0	100.0	100.0
Supermarkets/Hypermarkets	13.5	0.0	0.0	27.5	47.5
Discounters	0.0	0.0	0.0	0.0	0.0
Small Grocery Retailers	68.8	0.0	0.0	57.5	37.0
Convenience Stores	1.8	0.0	0.0	1.0	1.0
Independent Small Grocers	67.0	0.0	0.0	56.5	36.0
Forecourt Retailers	0.0	0.0	0.0	0.0	0.0
Food/drink/tobacco specialists	17.7	0.0	0.0	15.0	15.5
Other Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Grocery Retailers	0.0	0.0	0.0	0.0	0.0
Non-Store Retailing	0.0	0.0	0.0	0.0	0.0
Vending	0.0	0.0	0.0	0.0	0.0
Homeshopping	0.0	0.0	0.0	0.0	0.0

Internet Retailing	0.0	0.0	0.0	0.0	0.0
Direct Selling	0.0	0.0	0.0	0.0	0.0
Total	100.0	0.0	0.0	100.0	100.0

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

Key: B = beer; C/P = cider/perry; RTDs/HSPs = flavoured alcoholic beverages; S = spirits; W = wine

Table 19 Forecast Sales of Alcoholic Drinks by Category: Total Volume 2010-2015

Million litres	2010	2011	2012	2013	2014	2015
Beer	2,303.0	2,591.0	2,871.9	3,128.6	3,350.5	3,540.3
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	29.9	33.3	36.4	39.3	42.1	44.7
Wine	29.6	31.3	33.0	34.8	36.7	38.6
Alcoholic Drinks	2,362.5	2,655.5	2,941.4	3,202.8	3,429.3	3,623.6

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

Table 20 Forecast Sales of Alcoholic Drinks by Category: Total Value 2010-2015

VND billion	2010	2011	2012	2013	2014	2015
Beer	80,097.1	86,870.1	94,032.4	100,385.8	105,936.4	110,397.5
Cider/Perry	-	-	-	-	-	-
RTDs/High-Strength Premixes	-	-	-	-	-	-
Spirits	4,611.9	4,957.1	5,325.6	5,677.4	5,997.3	6,277.4
Wine	3,840.9	4,055.5	4,355.2	4,730.7	5,157.1	5,641.6
Alcoholic Drinks	88,549.9	95,882.7	103,713.2	110,793.8	117,090.8	122,316.5

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

Table 21 Forecast Sales of Alcoholic Drinks by Category: % Total Volume Growth 2010-2015

% total volume growth	2014/15	2010-15 CAGR	2010/15 TOTAL
Beer	5.7	9.0	53.7
Cider/Perry	-	-	-
RTDs/High-Strength Premixes	-	-	-
Spirits	6.1	8.4	49.6
Wine	5.2	5.5	30.4
Alcoholic Drinks	5.7	8.9	53.4

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

Table 22 Forecast Sales of Alcoholic Drinks by Category: % Total Value Growth 2010-2015

% local currency, constant value growth	2010-15 CAGR	2010/15 TOTAL
Beer	6.6	37.8
Cider/Perry	-	-
RTDs/High-Strength Premixes	-	-

Spirits	6.4	36.1
Wine	8.0	46.9
Alcoholic Drinks	6.7	38.1

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

DEFINITIONS

This report analyses the market for Alcoholic Drinks in Vietnam. For the purposes of the study, the market has been defined as follows:

- Beer
- Wine
- Spirits
- Cider/Perry
- RTDs/high-strength premixes

Explanations of words and/or terminology used in this report are as follows:

- GBO refers to Global Brand Owner, which is the ultimate owner of a brand.
- NBO refers to National Brand Owner, which is the company licensed to distribute a brand on behalf of a GBO. The NBO may be a subsidiary of a GBO or it may be a completely separate company. Share tables at both GBO and at NBO level are provided in the report. Reference to shares in the report analysis is at NBO level.
- CEFT – Common Effective Preferential Tariff
- MFN – Most Favoured Nations
- AIFTA – Asean-India Free Trade Area
- ACFTA – Asean-China Free Trade Area
- AKFTA – Asean-Korean Free Trade Area
- VJEPA – Vietnam-Japan Economic Partnership Agreement

Published Data Comparisons

National Consumer Expenditure

- Government bodies in Vietnam do not publish any annual data on national consumer expenditure on alcoholic drinks.

Ministry of Industry and Trade

- Vietnam's Ministry Of Industry And Trade only publishes production data of beer in the country annual. No data on imports and exports is available from this body. Therefore, the data is different from Euromonitor International's beer market size as Euromonitor International's data factors in exports and imports.

Sources used during research include the following:

Summary 2	Research Sources
Official Sources	Chamber of Commerce & Industry
	General Department of Statistics
	General Department of Taxation

	General Department Of Vietnam Customs
Trade Associations	Bureau National Interprofessionnel du Cognac (BNIC)
	Cámara Nacional de la Industria Tequilera
	Comité Interprofessionnel du Vin de Champagne (CIVC)
	Office International de la Vigne et du Vin
	Office of Vietnam Association of Beer-Wine-Beverage
	Poste d'expansion économique
	Scotch Whisky Association
	Vietnam Alcohol Beers Beverages Association
Trade Press	Beverage World
	Drinks International
	Saigon Economic Times
	Saigon Tiep Thi
	Saigon Times Weekly
	Vietnam Beverage Magazine
	Vietnam Business Forum
	Vietnam Economic Times
	Vietnam Investment Review
	Vietnam News
	Wine & Spirits International
	World Drink Trends

Source: *Euromonitor International*