Passport

BABY FOOD IN VIETNAM

Euromonitor International

October 2011

LIST OF CONTENTS AND TABLES

Headlines 1
Trends 1
Competitive Landscape 2
Prospects 3
Category Data 3
Table 1 Sales of Baby Food by Category: Volume 2006-2011 3
Table 2 Sales of Baby Food by Category: Value 2006-2011 4
Table 3 Sales of Baby Food by Category: % Volume Growth 2006-2011 4
Table 4 Sales of Baby Food by Category: % Value Growth 2006-2011 4
Table 5 Baby Food Company Shares 2006-2010 5
Table 6 Baby Food Brand Shares 2007-2010 5
Table 7 Sales of Baby Food by Distribution Format: % Analysis 2006-2011 6
Table 8 Forecast Sales of Baby Food by Category: Volume 2011-2016 7
Table 9 Forecast Sales of Baby Food by Category: Value 2011-2016 7
Table 10 Forecast Sales of Baby Food by Category: % Volume Growth 2011-2016 7
Table 11 Forecast Sales of Baby Food by Category: % Value Growth 2011-2016 8

BABY FOOD IN VIETNAM

HEADLINES

- Baby food posts value sales growth of 19% in 2011 to reach VND15.1 trillion
- Despite a slightly declining birth rate, consumer demand remains strong and stable
- Liquid follow-on milk formula displays the fastest growth rate of 27% in current value terms
- Unit price increases significantly due to high inflation and rising global price of milk and milk fats
- Abbott Vietnam continues to lead baby food with a 24% value share
- Baby food is expected to see a constant value CAGR of 7% over the forecast period

TRENDS

- Despite the gloomy economic climate, baby food performed well over the review period and will continue to do so in 2011. Parents normally did not hesitate when it comes to buying products for their babies and children. As parents have higher incomes, they were more willing to buy better products for their children. In fact, in baby food, consumers care about product quality, origin and brands more than price. As a result, baby food in Vietnam is dominated by international brands, which are usually more expensive and perceived to have better quality than local brands. Moreover, consumers are also strongly affected by advertising and constantly looking for better products. Thus, marketing activities play an important role in companies' strategies to attract consumers.
- Vietnam has been encouraging families to have only one to two children. Thus, the country has seen falling birth rates in recent years. The falling birth rate was most visible in urban areas, where it was not only the government's policy but also busier lifestyles that made it harder for young couples to plan a family. Moreover, parents wanted to have fewer children to be able to give them the best care they can.
- Baby food is flooded with exaggerated claims and marketing tactics that sometimes it make people believe milk formula could actually replace breast milk. According to a government survey in early-2010, only 10% of mothers fed their children exclusively with breast milk for the first six months. Thus, the government has been trying to promote breast feeding and to educate young mothers that breast milk is best for their children. All advertising for milk formula is required by law to bear the sentence "breast milk provides the best nutrition for infants and children's development". Despite all this, due to the lack of government control, companies still run various marketing campaigns with exaggerated claims.
- Compared with the review period CAGR, 2011's growth is expected to be just slightly lower, if not the same in total volume terms. This is because demand for baby food is still growing strongly, despite the slowing down birth rate and high inflation. Many people like baby food products for their convenience in preparing and feeding their children.
- Liquid follow-on milk formula continues to lead sales and is expected to increase by 27% in current value terms due to its emergence from a low base. Liquid follow-on milk is still a niche product, accounting for only a small percentage of milk formula. The product has enjoyed increasing awareness and preference from consumers in recent years for its convenience and ease of storing.
- Unit prices remain volatile and will increase sharply in 2011. As most products are either imported or manufactured locally with imported ingredients, a devaluation of the Dong greatly

affected products' prices. Moreover, the high inflation added on to the manufacturing cost burden, further raised prices.

- Powder milk formula products are more popular than their liquid counterparts, mainly because of lower prices. As powder milk formula is already quite expensive for people in Vietnam, it would be difficult for consumers to afford the liquid format.
- Special baby milk formula remained negligible in Vietnam. Consumers usually just switch brands, or switch to other types of milk or breast milk if their children show intolerance to certain products. Due to low consumer awareness of lactose intolerance, no major companies have yet launched any special milk formula brands.
- The two most popular channels for baby food are small independent grocers and health and beauty retailers. T?p hóa, a common type of traditional small retailer, and small chemists/pharmacies, are easily found in crowded residential areas. Thus, consumers liked to buy from these retailers for their convenience and proximity.

COMPETITIVE LANDSCAPE

- Abbott Vietnam continued to lead in 2010 with a value share of 24%. The company has been enjoying a good reputation and high consumer awareness. Abbott Vietnam focused on milk formula, with successful brands such as PediaSure, Gain, Grow and Similac. The company was also very active in its advertising, which also contributed greatly to its dominant position.
- As consumers became more equipped with knowledge about products' quality and nutritional value, companies strive to launch new products with adverts focusing on high nutritional value content and added beneficial ingredients. This tack proved successful for brands such as Nan Pro of Nestlé Vietnam or Friso Gold of FrieslandCampina Vietnam.
- Baby food is dominated by international brands with the only exception being Vietnam Dairy Products (Vinamilk). Vietnam Dairy Products has a strong and established brand name nationwide, which helped to win consumers trust for its products. Even though international brands demand higher prices, parents usually believe that products from international brands have better quality and nutrition content than local ones, thus, they are willing to pay the difference.
- There were no major new product launches or packaging innovations in 2011. This was mainly because manufacturers are trying to focus on driving sales through marketing activities and promotion to counteract the negative effects of high inflation since 2010.
- Baby food manufacturers are very active with their marketing activities, to continuously reiterate their products' quality and nutritional value to consumers. Foreign companies, which have bigger marketing budgets, usually focus on TV commercials and press ads, while local companies only utilise press ads to reduce costs.
- All brands, no matter what market segments they are in, almost always used their nutritional value as a way to promote sales. Thus, premium brands and standard brands differentiated themselves from the economy brands by price and brand names. Consumers generally perceived that the higher the price, the better quality and nutrition the products had. It was also a general perception that foreign brands were better than local brands. Thus, middle- and high-income consumers will choose foreign brands with expensive prices, while low-income consumers will choose local brands sold at cheaper prices.
- Private label products do not exist in baby food. This is mainly due to strong brand awareness. Consumers usually purchase the most expensive and well-known brand names that they could afford. Thus, there is little opportunity for private label in baby food in Vietnam.

PROSPECTS

- Consumer demand for baby food is predicted to keep increasing over the forecast period. The economy is expected to have a brighter outlook, which leads to better living standards and higher demand for baby food. Thus, it promises higher sales revenue for international premium brands. Baby food is expected to see a constant value CAGR of 7% over the forecast period.
- The birth rate will continue to decline over the forecast period, as urbanisation results in busier lifestyles and people pay less attention to building families and having children. Having said that, this will not have a major impact on baby food, as people will also have higher incomes and better living standards. Thus, they will be more able to spend on better products for their children.
- Though the category is still growing, both future value and volume growth are expected to slow down. This is because the largest category – milk formula – is reaching maturity, especially in urban areas. Meanwhile, the expansion to other regions, such as small towns and rural areas is not fast enough to balance the slowing down trend in urban areas, due to the disparity in living standards and personal incomes.
- Liquid follow-on milk formula will display the highest growth rate in baby food over the forecast period. Liquid follow-on milk formula is still a new concept; therefore, it has huge potential to grow. More brands and foreign manufacturers are expected to enter, with more intense marketing to educate consumers about the products' usage and benefits.
- In most baby food categories, unit price is predicted to continue to increase over the forecast period. Though the government has been making an effort to stabilise prices, it is impossible to change the situation as the market relies heavily on imports. Local milk supply is not enough to satisfy production demand.
- Although traditional retailers will continue to dominate distribution, due to their proximity to crowded neighbourhoods, modern retail channels, such as supermarkets/hypermarkets are expected to grow in shares. This is because consumers will slowly shift to these modern retailers to enjoy their modern and pleasant shopping environment. Besides, modern retailers also usually give bulk purchase discounts, while small traditional retailers usually are not able to do so.
- Although companies have been quiet in terms of new product developments in 2011, they are expected to be more active with launches over the forecast period, when the economic situation gets better and consumers start to demand better products. As nutrition and quality are the most important selling points for baby food, manufacturers will always update themselves with the latest nutrition trends, as well as to catch up with improving consumer knowledge about health and wellness matters.

CATEGORY DATA

Table 1 Sales of Baby Food by Category: Volume 2006-2011

	2006	2007	2008	2009	2010	2011
Dried Baby Food (tonnes)	10,166.1	11,390.1	12,529.1	13,656.7	14,820.0	16,227.9
Milk Formula (Not calculable)	-	-	-	-	-	-
- Standard Milk Formula (Not calculable)	-	-	-	-	-	-

- Follow-on Milk Formula (Not calculable)	-	-	-	-	-	-
- Toddler Milk Formula (Not calculable)	-	-	-	-	-	-
- Special Baby Milk Formula (Not calculable)	-	-	-	-	-	-
Prepared Baby Food (tonnes)	207.8	239.0	267.7	294.5	319.5	339.9
Other Baby Food (tonnes)	11.3	13.0	14.6	16.1	17.5	19.3
Baby Food (Not calculable)	-	-	-	-	-	-

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

Table 2 Sales of Baby Food by Category: Value 2006-2011

VND billion

	2006	2007	2008	2009	2010	2011
Dried Baby Food	900.5	1,080.6	1,275.1	1,517.3	1,790.4	2,157.5
Milk Formula	5,473.8	6,611.1	7,836.8	9,210.2	10,778.5	12,849.5
- Standard Milk Formula	485.6	606.9	728.7	852.6	993.3	1,241.6
- Follow-on Milk Formula	951.5	1,161.1	1,394.2	1,646.2	1,935.6	2,314.2
- Toddler Milk Formula	4,036.6	4,843.1	5,713.9	6,711.4	7,849.7	9,293.7
- Special Baby Milk Formula	-	-	-	-	-	-
Prepared Baby Food	35.7	42.8	50.5	58.1	66.5	77.8
Other Baby Food	1.5	1.8	2.2	2.6	3.0	3.7
Baby Food	6,411.4	7,736.3	9,164.5	10,788.2	12,638.5	15,088.6

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

Table 3 Sales of Baby Food by Category: % Volume Growth 2006-2011

	2010/11	2006-11 CAGR	2006/11 Total
Dried Baby Food (% volume growth)	9.5	9.8	59.6
Milk Formula (Not calculable)	-	-	-
- Standard Milk Formula (Not calculable)	-	-	-
- Follow-on Milk Formula (Not calculable)	-	-	-
- Toddler Milk Formula (Not calculable)	-	-	-
- Special Baby Milk Formula (Not calculable)	-	-	-
Prepared Baby Food (% volume growth)	6.4	10.3	63.6
Other Baby Food (% volume growth)	10.0	11.2	69.9
Baby Food (Not calculable)	-	-	-

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

Table 4 Sales of Baby Food by Category: % Value Growth 2006-2011

% current value growth

	2010/11	2006-11 CAGR	2006/11 Total

Dried Baby Food	20.5	19.1	139.6
Milk Formula	19.2	18.6	134.7
- Standard Milk Formula	25.0	20.7	155.7
- Follow-on Milk Formula	19.6	19.5	143.2
- Toddler Milk Formula	18.4	18.2	130.2
- Special Baby Milk Formula	-	-	-
Prepared Baby Food	17.0	16.9	118.1
Other Baby Food	23.5	19.7	145.6
Baby Food	19.4	18.7	135.3

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

Table 5 Baby Food Company Shares 2006-2010

% retail value rsp

Company	2006	2007	2008	2009	2010
Abbott Vietnam Co Ltd	23.1	22.8	22.9	23.3	23.8
Vietnam Dairy Products JSC (Vinamilk)	15.9	16.7	17.3	18.0	18.5
Mead Johnson Nutrition (Vietnam) Co Ltd	14.5	14.8	14.4	14.3	14.3
FrieslandCampina Vietnam Co Ltd	-	-	-	13.9	14.1
Nestlé Vietnam Ltd	9.8	9.1	8.9	9.1	9.2
Vietnam Nutrition JSC	3.5	3.0	3.3	3.3	3.4
Dong Tam Nutrition Food JSC	2.0	2.0	1.7	1.8	1.9
Hipp GmbH & Co Vertrieb KG	1.8	1.8	1.7	1.6	1.5
Meiji Holdings Co Ltd	-	-	-	1.4	1.4
Kolinska dd	0.6	0.6	0.6	0.5	0.5
Dutch Lady Vietnam Food & Beverage Co Ltd	12.1	12.9	13.5	-	-
Meiji Dairies Corp	1.7	1.5	1.5	-	-
Vietnam Foremost Dairy Co	-	-	-	-	-
Dong Tam Co	-	-	-	-	-
Others	14.9	14.8	14.2	12.8	11.4
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 6 Baby Food Brand Shares 2007-2010

% retail value rsp

Brand	Company	2007	2008	2009	2010
Dielac	Vietnam Dairy Products JSC (Vinamilk)	11.6	12.0	12.5	12.8
Gain	Abbott Vietnam Co Ltd	11.9	11.9	12.2	12.5
Dutch Lady	FrieslandCampina Vietnam Co Ltd	-	-	9.8	10.0
Enfagrow	Mead Johnson Nutrition (Vietnam) Co Ltd	7.5	7.2	7.1	7.0
PediaSure	Abbott Vietnam Co Ltd	6.6	6.2	6.3	6.5
Ridielac	Vietnam Dairy Products JSC (Vinamilk)	5.1	5.3	5.5	5.7

Nestlé Gau	Nestlé Vietnam Ltd	3.5	3.4	3.5	3.5
Dumex	Vietnam Nutrition JSC	3.0	3.3	3.3	3.4
Enfapro	Mead Johnson Nutrition (Vietnam) Co Ltd	3.2	3.0	3.0	3.0
Grow	Abbott Vietnam Co Ltd	2.5	2.8	2.9	2.9
Friso	FrieslandCampina Vietnam Co Ltd	-	-	2.5	2.6
Nestlé	Nestlé Vietnam Ltd	1.9	1.9	2.0	2.1
Similac	Abbott Vietnam Co Ltd	1.9	1.9	1.9	1.9
Nuti	Dong Tam Nutrition Food JSC	2.0	1.7	1.8	1.9
Nan	Nestlé Vietnam Ltd	1.6	1.7	1.8	1.9
Frisolac	FrieslandCampina Vietnam Co Ltd	-	-	1.5	1.5
Hipp	Hipp GmbH & Co Vertrieb KG	1.8	1.7	1.6	1.5
Cerelac	Nestlé Vietnam Ltd	1.7	1.5	1.5	1.4
Meiji	Meiji Holdings Co Ltd	-	-	1.4	1.4
Enfalac	Mead Johnson Nutrition (Vietnam) Co Ltd	1.1	1.0	1.0	1.0
Bebi	Kolinska dd	0.6	0.6	0.5	0.5
Lactogen	Nestlé Vietnam Ltd	0.3	0.3	0.2	0.2
Dutch Lady	Dutch Lady Vietnam Food & Beverage Co Ltd	8.9	9.5	-	-
Friso	Dutch Lady Vietnam Food & Beverage Co Ltd	2.6	2.5	-	-
Frisolac	Dutch Lady Vietnam Food & Beverage Co Ltd	1.5	1.5	-	-
Meiji	Meiji Dairies Corp	1.5	1.5	-	-
Frisomel	Dutch Lady Vietnam Food & Beverage Co Ltd	-	-	-	-
Dutch Lady	Vietnam Foremost Dairy Co	-	-	-	-
Frisolac	Vietnam Foremost Dairy Co	-	-	-	-
Frisomel	Vietnam Foremost Dairy Co	-	-	-	-
Others		17.9	17.4	16.0	14.9
Total		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 7 Sales of Baby Food by Distribution Format: % Analysis 2006-2011

% retail value rsp

	2006	2007	2008	2009	2010	2011
Store-Based Retailing	100.0	100.0	100.0	100.0	100.0	100.0
- Grocery Retailers	49.2	49.4	52.6	55.3	47.4	47.6
- - Supermarkets/ Hypermarkets	5.1	6.3	10.0	13.2	5.8	6.5
- - Discounters	-	-	-	-	-	-
- - Small Grocery Retailers	44.0	43.1	42.6	42.1	41.5	41.1
- - - Convenience Stores	0.0	0.1	0.1	0.1	0.0	0.1
- - - Independent Small Grocers	44.0	43.0	42.5	42.0	41.5	41.0
- - - Forecourt Retailers	-	-	-	-	-	-
- - Other Grocery Retailers	-	-	-	-	-	-
- Non-Grocery Retailers	50.8	50.6	47.4	44.7	52.6	52.4
- - Health and Beauty Retailers	36.0	35.5	34.0	33.0	32.0	31.0

- - Other Non-Grocery Retailers	14.8	15.1	13.4	11.7	20.6	21.4
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 8 Forecast Sales of Baby Food by Category: Volume 2011-2016

	2011	2012	2013	2014	2015	2016
Dried Baby Food (tonnes)	16,227.9	17,688.4	19,191.9	20,727.3	22,281.8	23,841.6
Milk Formula (Not calculable)	-	-	-	-	-	-
- Standard Milk Formula (Not calculable)	-	-	-	-	-	-
- Follow-on Milk Formula (Not calculable)	-	-	-	-	-	-
- Toddler Milk Formula (Not calculable)	-	-	-	-	-	-
- Special Baby Milk Formula (Not calculable)	-	-	-	-	-	-
Prepared Baby Food (tonnes)	339.9	359.6	379.4	399.2	419.1	439.2
Other Baby Food (tonnes)	19.3	21.0	22.7	24.3	25.7	27.0
Baby Food (Not calculable)	-	-	-	-	-	-

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

Table 9 Forecast Sales of Baby Food by Category: Value 2011-2016

VND billion

	2011	2012	2013	2014	2015	2016
Dried Baby Food	2,157.5	2,384.0	2,622.4	2,871.5	3,130.0	3,396.0
Milk Formula	12,849.5	13,834.1	14,806.6	15,708.1	16,517.1	17,213.5
- Standard Milk Formula	1,241.6	1,365.8	1,488.7	1,615.2	1,744.4	1,875.3
- Follow-on Milk Formula	2,314.2	2,477.9	2,628.5	2,762.0	2,874.9	2,963.9
- Toddler Milk Formula	9,293.7	9,990.5	10,689.5	11,330.9	11,897.7	12,374.3
- Special Baby Milk Formula	-	-	-	-	-	-
Prepared Baby Food	77.8	83.3	88.7	94.0	99.2	104.1
Other Baby Food	3.7	4.0	4.3	4.6	4.8	5.0
Baby Food	15,088.6	16,305.4	17,522.0	18,678.2	19,751.0	20,718.6

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

Table 10 Forecast Sales of Baby Food by Category: % Volume Growth 2011-2016

	2015/16	2011-16 CAGR	2011/16 Total

Dried Baby Food (% volume growth)	7.0	8.0	46.9
Milk Formula (Not calculable)	-	-	-
- Standard Milk Formula (Not calculable)	-	-	-
- Follow-on Milk Formula (Not calculable)	-	-	-
- Toddler Milk Formula (Not calculable)	-	-	-
- Special Baby Milk Formula (Not calculable)	-	-	-
Prepared Baby Food (% volume growth)	4.8	5.3	29.2
Other Baby Food (% volume growth)	5.0	7.0	40.2
Baby Food (Not calculable)	-	-	-

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

Table 11 Forecast Sales of Baby Food by Category: % Value Growth 2011-2016

% constant value growth

	2011-16 CAGR	2011/16 TOTAL
Dried Baby Food	9.5	57.4
Milk Formula	6.0	34.0
- Standard Milk Formula	8.6	51.0
- Follow-on Milk Formula	5.1	28.1
- Toddler Milk Formula	5.9	33.1
- Special Baby Milk Formula	-	-
Prepared Baby Food	6.0	33.8
Other Baby Food	6.0	33.8
Baby Food	6.5	37.3

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