



Chemical Products - Soaps and Detergents Vietnam

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Implemented by

giz Deutsche Gesellschaft
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Zusammenarbeit (GIZ) GmbH



Kingdom of the Netherlands

Market Macro-Overview

- Macroeconomic overview of the country
- Political, economic and legal risks associated with the market
- Trade agreements with Jordan

Industry/Sector Demand Overview

- Current demand dynamics
- Future forecast for the sector

Product Overview/Demand Analysis

- Product description and application
- Demand 2013-2023 (volume and value)
- Key demand drivers
- Emerging trends and potential changes

Supply Analysis

- Supply 2013-2023 (production and imports)
- Supplier profiles/Market share of imports
- Market share of key suppliers
- Note on methodology

Route to Market Analysis

- Key channels
- Typical buyers
- Customer requirements
- Marketing activities
- Product pricing
- List of exhibitions and trade fairs

Competitive Landscape

- Key market suppliers (companies or countries)
- Breakdown by company supplying
- Existing value proposition offered by competitors

Import Procedure

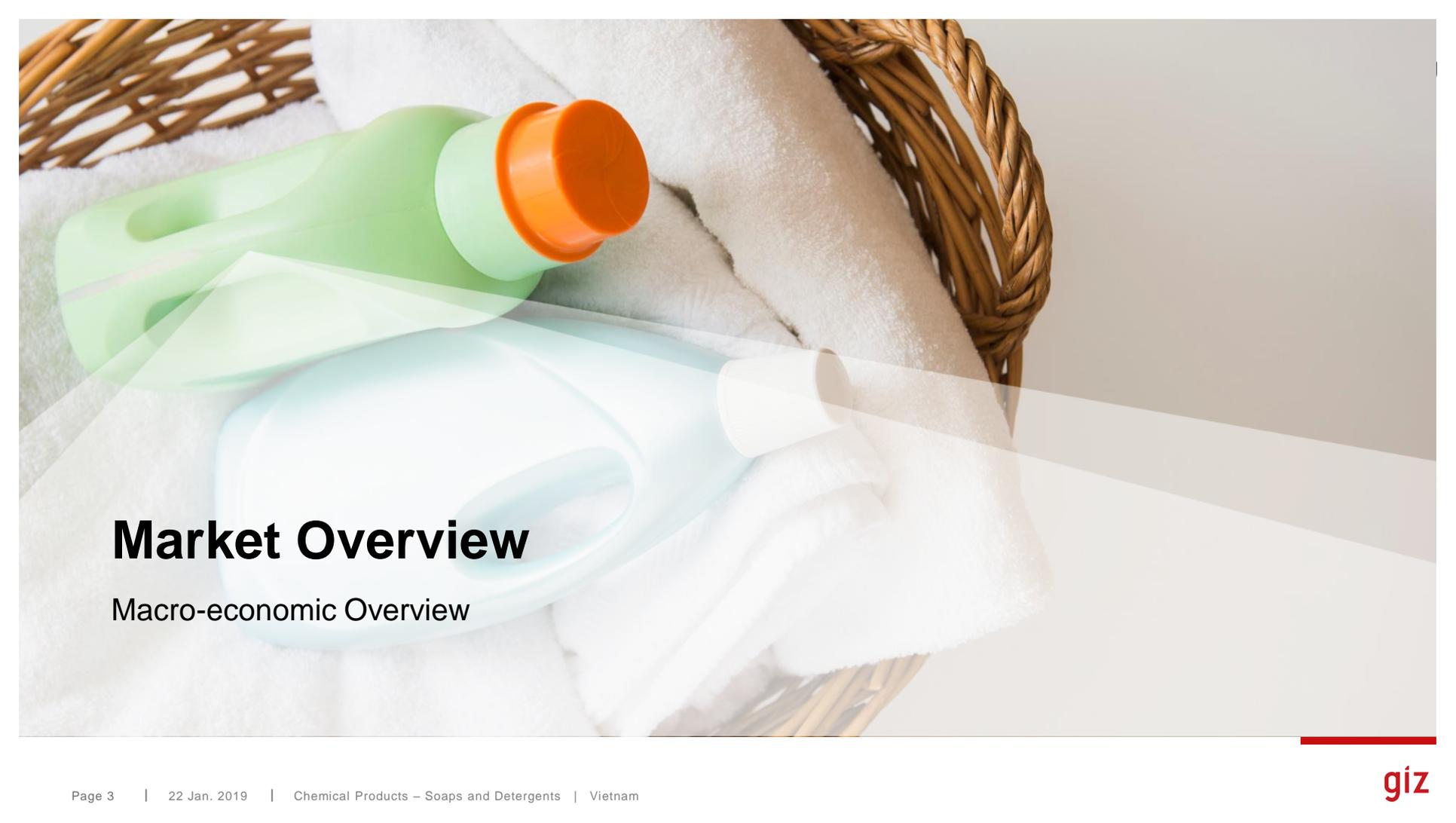
- Tariff and non-tariff barriers
- Required documents
- Packaging requirements for shipment
- Labelling requirements
- Key transportation and logistics requirements, such as recommended port of entry and key distribution hubs
- Applied tariffs for the product in the country

Import Supply Chain

- Structure of the import supply chain (including planning, logistics and distribution)
- Recommendations on how to overcome challenges related to the import supply chain

Recommendations

- Market access strategy
- Key success factors for winning in the market
- Marketing mix



Market Overview

Macro-economic Overview

Driven by aggressive local manufacturing, Vietnam surpassed China's growth in 2018

MARKET RISKS

Economic	<ul style="list-style-type: none"> A slowdown in reforming state-owned enterprises is likely to have an adverse impact on economic growth. Lack of focus on strengthening the banking system is also likely to slow down economic growth.
Political	<ul style="list-style-type: none"> Vietnam is one of the politically stable countries in South East Asia since the government is a one-party ruled country.
Legal	<ul style="list-style-type: none"> Vietnam has a fluid regulatory landscape with regulations still be defined and developed for various sectors. Lack of adequate compliance controls allows significant scope for red tapeism in Vietnam.
Trade	<ul style="list-style-type: none"> Lack of focus on simplifying cross-border trade by optimising import and export processes. Recent strained trade relations with China and the USA are likely to have an adverse impact on trade.

MARKET KEY PORTS



ECONOMY

Total GDP 2018: US\$244.9 billion
Real GDP Growth: 7.4%
2013-2018
Forecast GDP Growth: 8.1%
2018-2023

DEMOGRAPHICS

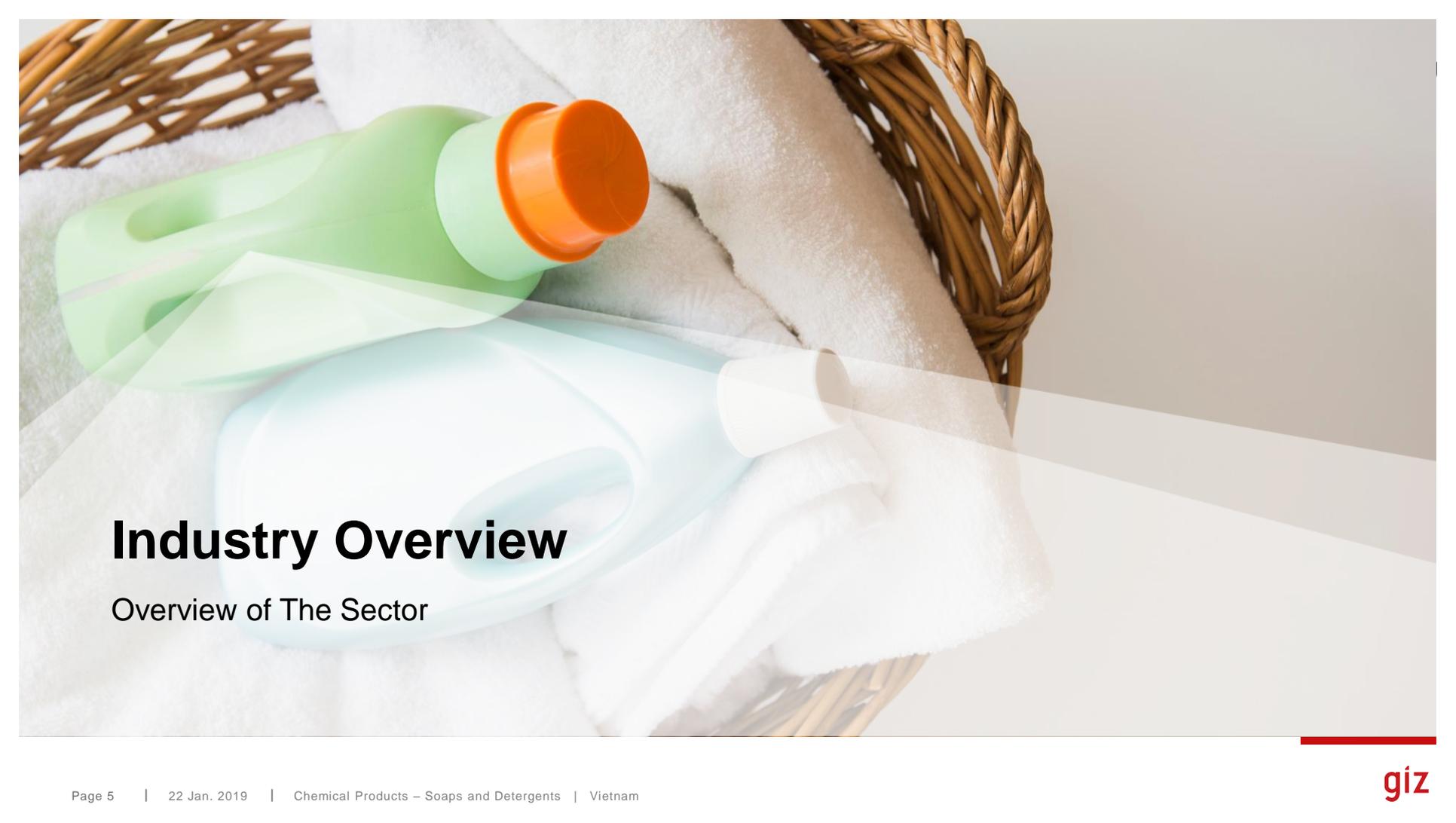
Total Population 2018: 96.5 million
Population Growth: 1.1%
2013-2018
Forecast Pop. Growth: 0.9%
2018-2023

PER HOUSEHOLD SPENDING

Average Spending 2018: US\$5,833
Avg. Spending Growth: 5.2%
2013-2018 (real terms)
Forecast Spending Growth: 5.7%
2018-2023 (real terms)

TRADE AGREEMENTS

- As a member of ASEAN, Vietnam enjoys free trade with ASEAN countries under AFTA.
- Vietnam also has a free trade agreement with the USA and a cooperation agreement with the EU.
- Vietnam recently became a part of the CPTPP agreement (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) signed with 10 other countries across the globe including Canada, Australia, Japan and Malaysia, among others.



Industry Overview

Overview of The Sector

Soaps and Detergents now more competitive due to an increase in consumer choices

SECTOR OVERVIEW

- Home Care in Vietnam registered a robust CAGR of 8.8% for the review period 2013-18.
- The rapid expansion of the Home Care sector in Vietnam can be attributed to increasing consumer confidence, backed by strong economic growth, continued demographic expansion and increasing income levels.
- The total market size in value terms for Home Care Products in Vietnam was estimated at US\$1.2 billion (VND 27,255 billion) in 2018.
- In 2018, the Home Care sector in Vietnam comprised Laundry Care (60.5%), Dishwashing Products (14.7%), Surface Care Products (9.4%), Home Insecticides (9.3%), Toilet Care products (2.6%), Air Care Products (2.1%), Polishes (1.0%) and Bleach (0.4%).

SECTOR SIZE

The size of the
sector in
2018
was estimated at

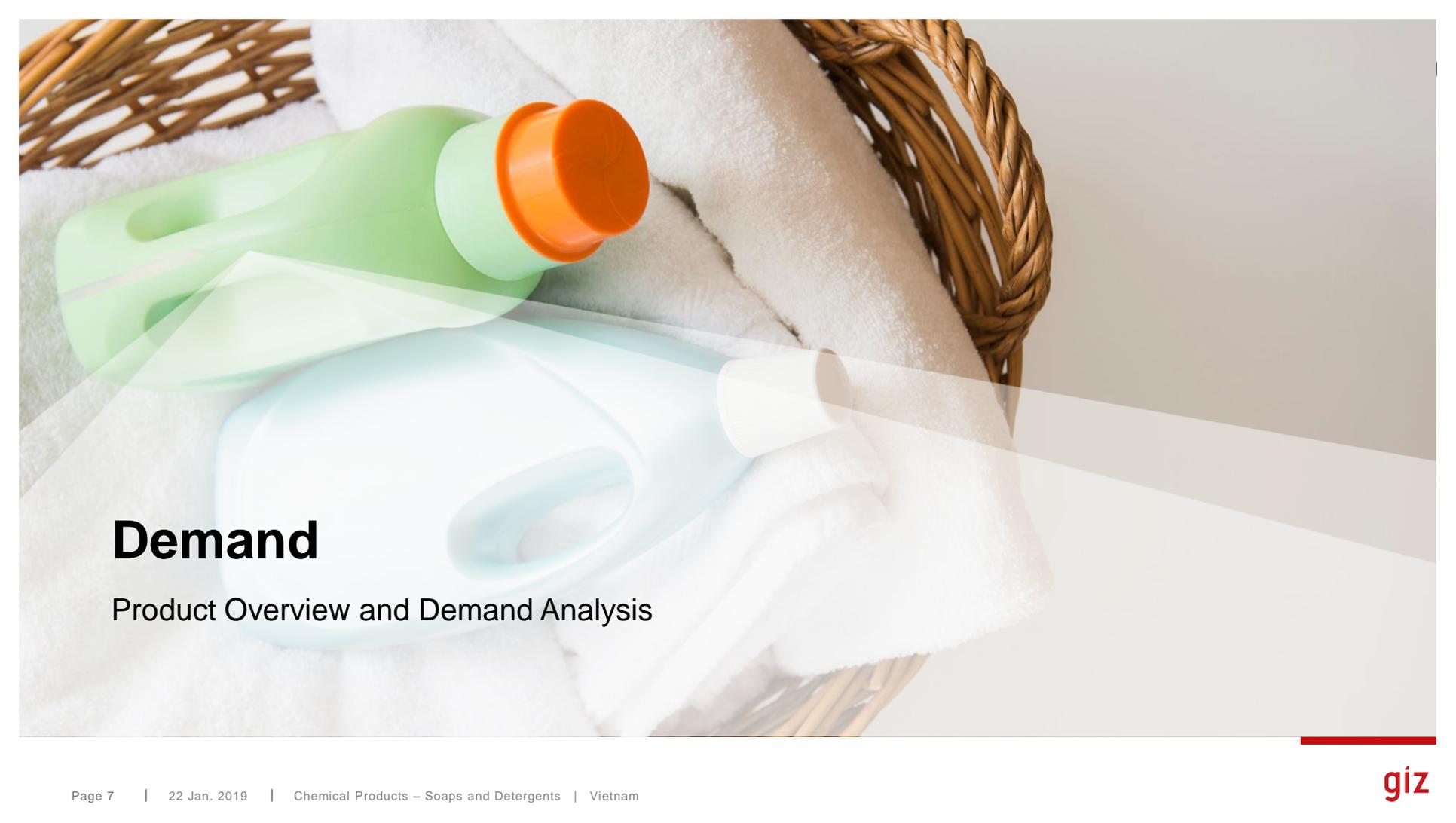
US\$1.2 billion

and by
2023
it is expected to
reach a total of

US\$1.6 billion

KEY TRENDS AFFECTING THE SECTOR

- With one of the lowest unemployment rates in the region, consumers, especially in urban areas, are continuously exploring convenient and effective solutions to household chores. This segment was therefore majorly driven by multi-purpose cleaners and liquid detergents.
- While Laundry Care products remain the leading segment within the Home Care sector, Dishwashing Products registered the strongest growth over the period 2013-18.
- Key trends influencing growth of this sector include the multitude of varieties and formats offered across Home Care thereby offering multiple alternatives to consumers, increasing awareness of local brands and encouraging companies to ensure last-mile availability from online sales for urban consumers to the smallest groceries in the most rural areas.
- Increasing consumer awareness of products with organic features and those offering more convenience are likely to drive the sector further to achieve an estimated CAGR of 5.2% for the period, 2018-23.

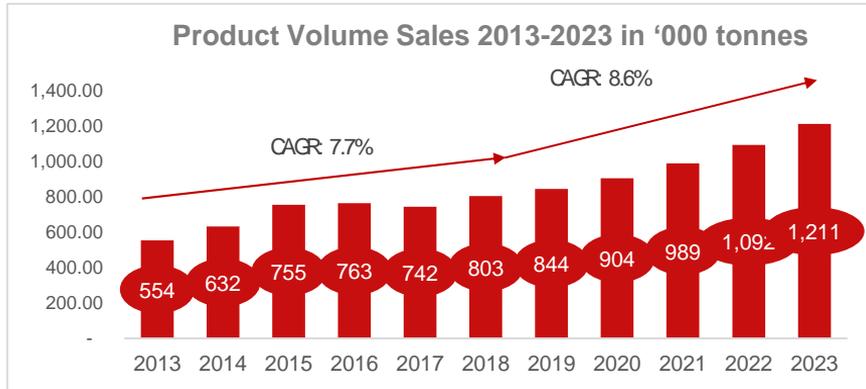
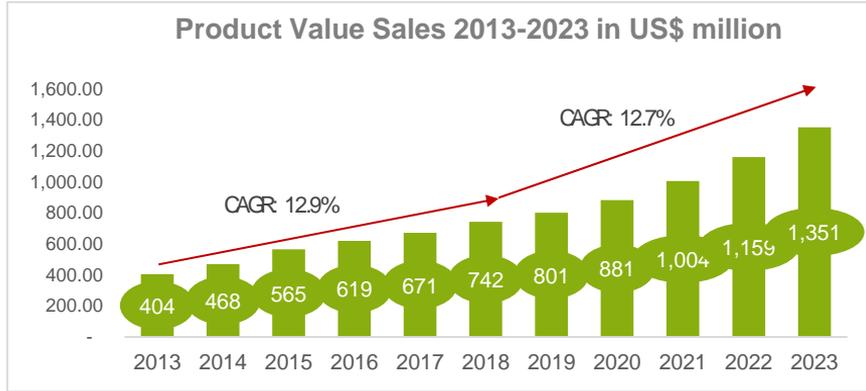


Demand

Product Overview and Demand Analysis

Product positioning and differentiation are key in a consolidated sector

DEMAND FOR THE PRODUCT (HISTORIC AND FORECAST)



PRODUCT DESCRIPTION AND APPLICATIONS

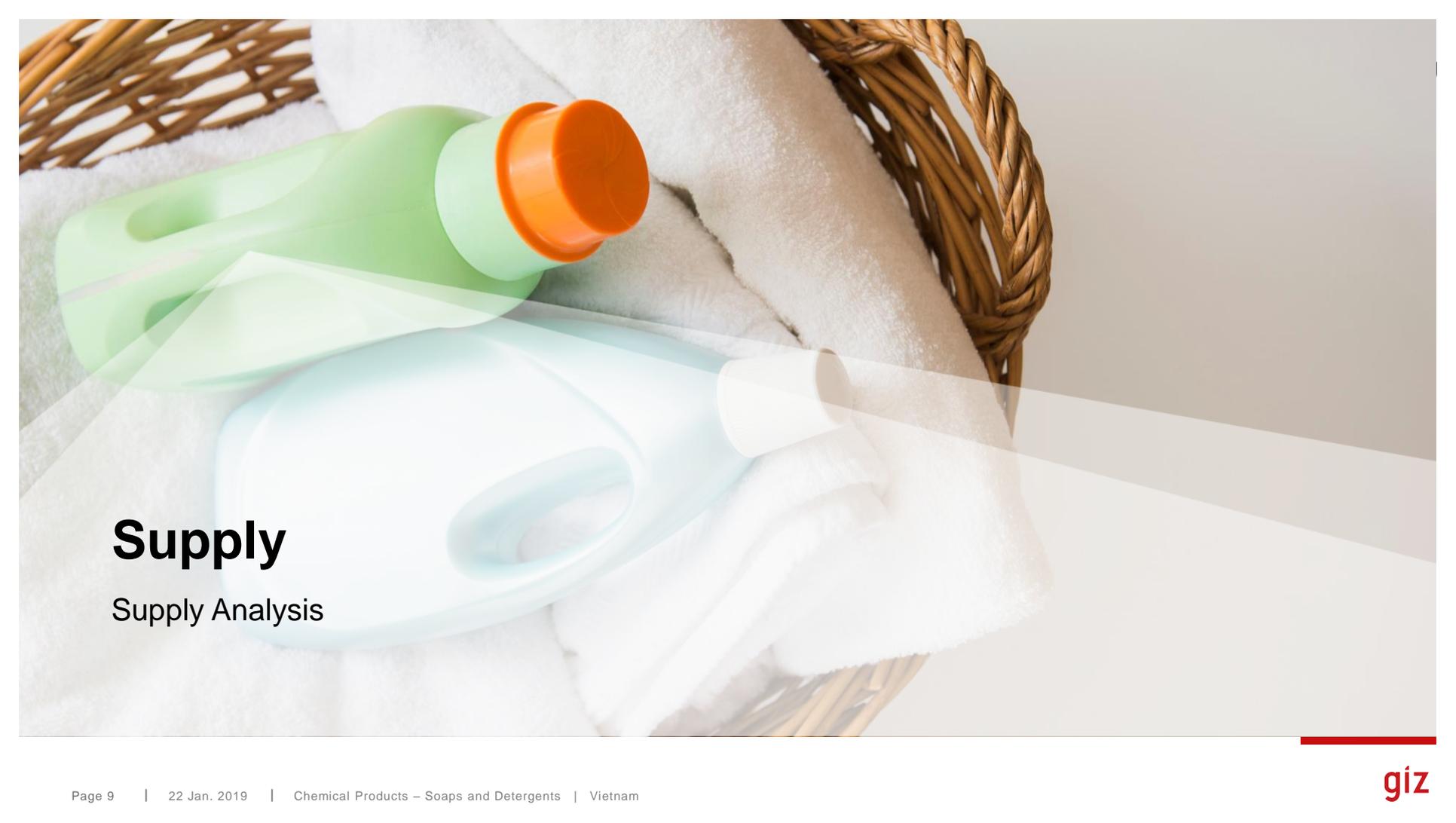
- Soaps include soap and organic surface-active products and preparations, in the form of bars, cakes, moulded or liquid, used for washing skin.
- Detergents includes surface active preparations and wash preparation
- HS Codes considered for research and analysis include 3401111, 340130, 340213, 340220 and 340290.

KEY TRENDS AFFECTING THE SECTOR

- The soaps and detergents subsector has seen rapid growth in the last two decades backed by robust government policies.
- Vietnam's trade policy has opened doors to exports of several products from a variety of markets in the last 5-8 years.
- This ease-of-trade combined with the establishment of new retail channels like e-commerce has made the market intensely competitive for imported and local products.
- Despite the growing number of players, Unilever and Proctor & Gamble products still lead the market with aggressive marketing and widespread distribution.

EMERGING TRENDS AND POTENTIAL CHANGES

- While the ongoing trade war could see a potential dumping of chemical products from China into Vietnam, Vietnam's recent signing of the Trans-Pacific trade agreement with several countries could support enhanced exports of all chemical products from Vietnam.
- As the Soaps and Detergents subsector begins to consolidate, consumer needs are shifting towards high-quality products.
- The market is slowly being penetrated by small-scale retailers who purchase and sell products procured from across the globe.

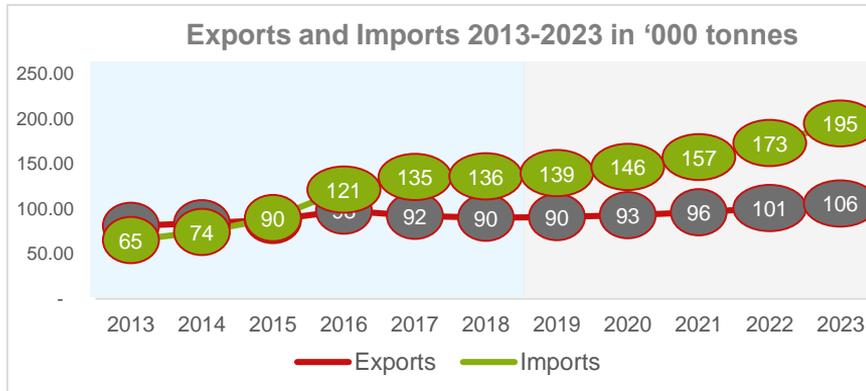
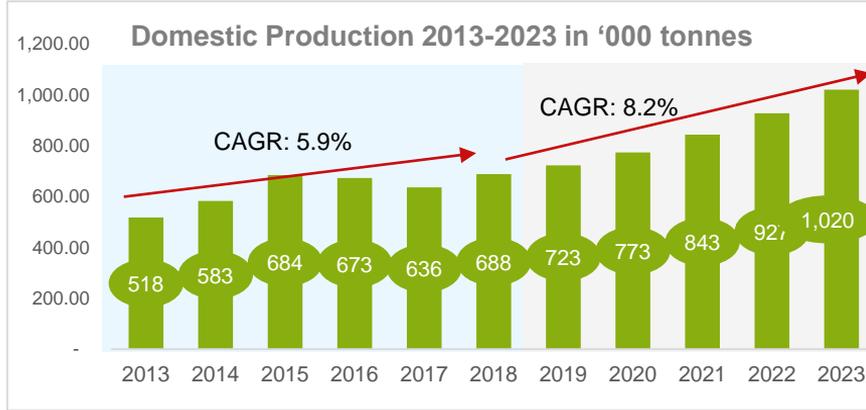


Supply

Supply Analysis

Most global brands outsource production to local companies to save on costs

SUPPLY OF THE PRODUCT (HISTORIC AND FORECAST)

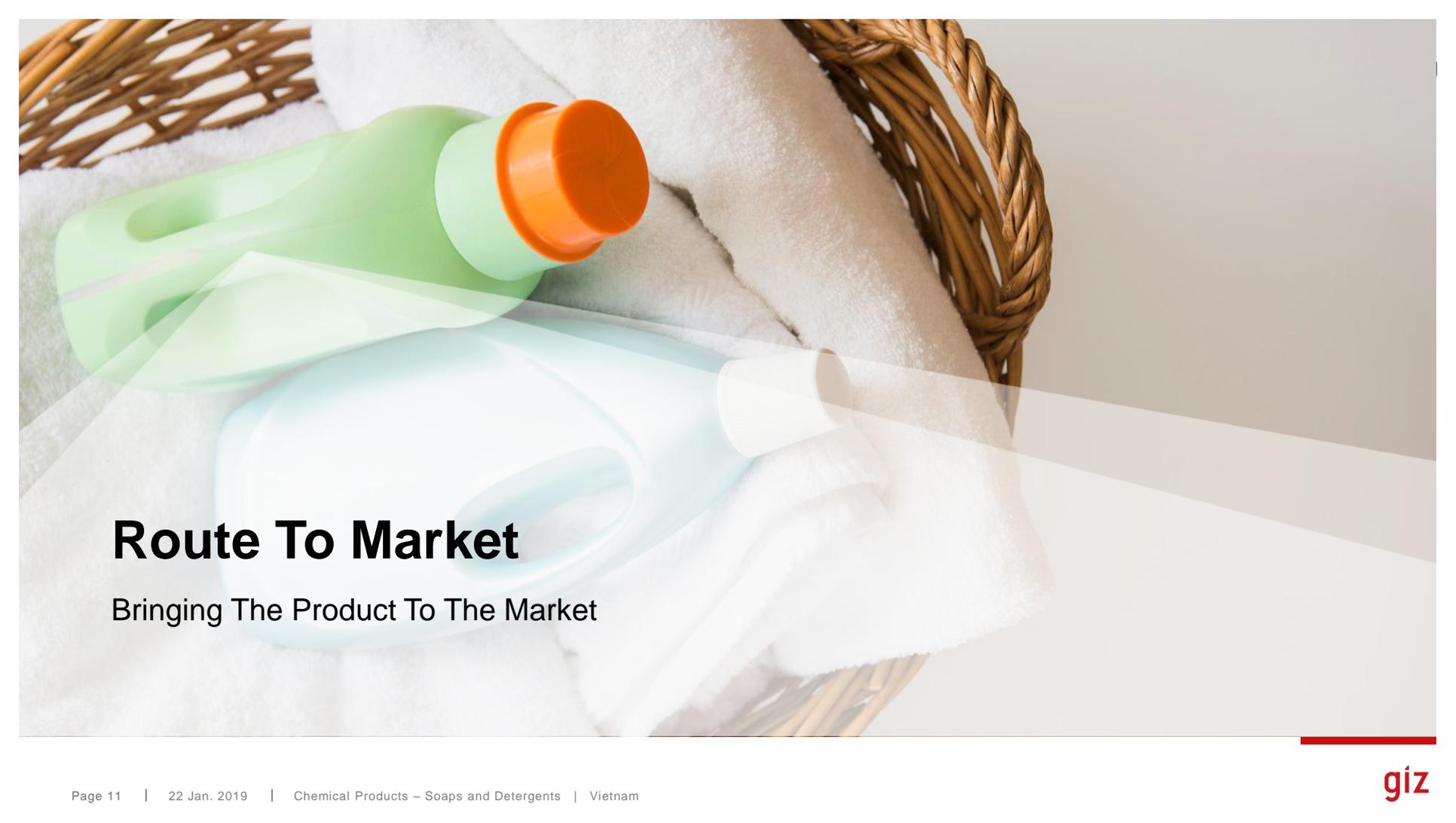


PROFILES OF TOP SUPPLYING COUNTRIES

#	Country	% Share of Imports	Competitive Advantages
1	Thailand	32%	<ul style="list-style-type: none"> Free trade between Vietnam and Thailand encourages business Long established suppliers and trusted market Huge market for fake products which enter into several competitive FMCG sectors in Vietnam from Thailand.
2	China	31%	<ul style="list-style-type: none"> Well connected logistics by both road and train Lowest import price, driven by cheap labor and a large chemical base. Companies enjoy benefits from the ASEAN-China Free Trade Agreement
3	Malaysia	11%	<ul style="list-style-type: none"> In early 2018, the two governments signed a trade deal that boosts chemical trade between the two countries Malaysian detergents are perceived as high-quality products The majority of products are for industrial cleaning and metal cleaning
4	Singapore	3%	<ul style="list-style-type: none"> Singapore acts as a trade hub with some companies manufacturing their products in Malaysia or Indonesia and then exporting to the target country Industrial and Machinery cleaning products are the most common from Singapore
5	Japan	3%	<ul style="list-style-type: none"> Perceived to be high-quality premium products, Japan is well known for industrial surface cleaning products (floor & leather) Japanese products are generally preferred by Korean manufacturing companies in Vietnam

FORECASTING METHODOLOGY

- Historical data was obtained from local and international statistics. This was further validated through trade interviews.
- Opinions from trade interviews indicate an estimated CAGR of 8% for the forecast period 2018-23.
- Three inputs were used alongside relevant exogenous variables to develop a forecast based on the analysis of variance approach while also factoring macro-economic aspects of the country.



Route To Market

Bringing The Product To The Market

Traditional retail contributes over 50% of sales for both soaps and detergents

PRODUCT PLACEMENT (TOP CHANNELS)

CHANNEL	TYPICAL BUYER	BUYER EXPECTATIONS/ REQUIREMENTS	MARKETING ACTIVITIES
Modern Retail Hyper Market and Super Market	<ul style="list-style-type: none"> Buyers in this category are typically hypermarkets and supermarkets such as Carrefour and Cash & Carry respectively. Buyers in this category purchase from distributors who deal with Chemical products. Buyers generally operate their own logistics or pay the receiving logistics fees and are also responsible for checking the quality of products received. 	<ul style="list-style-type: none"> As end-users focus on the price and quality of products, buyers in this category prefer receiving timely supplies, stocking and promoting well-established brands in Vietnam. Buyers in this category are particular about the authenticity of the product and hence, validate the manufacturing source. 	<ul style="list-style-type: none"> Most common routes include introducing products through bundling with smaller samples. Retailers, with the support of companies, extend periodic discounts or bundle offers to promote products. Online marketing is also common with hypermarkets/ supermarkets having their own websites.
Traditional Retail Retailers/ Groceries	<ul style="list-style-type: none"> Buyers in this category include convenience stores like groceries, small-scale retailers or wholesalers who specialise in selling a specific category of products like Home Care, Food, etc. 	<ul style="list-style-type: none"> Buyers in this category tend to purchase in bulk and therefore value quick and on-time deliveries as they have limited stocking capacity. 	
B2B Direct Industrial sales	<ul style="list-style-type: none"> Buyers are usually industries that purchase in bulk. Potential customers include companies both within and outside the country. Usually buying entities will add value to the product before reselling for profit. 	<ul style="list-style-type: none"> Buyer requires large quantities, therefore price and convenient delivery are the key deciding factors. On-time delivery, quality as agreed and stable supply are other key requirements. 	<ul style="list-style-type: none"> Direct marketing and sample distribution by sales departments of importers/manufacturers to other entities.
Distribution Distributor	<ul style="list-style-type: none"> Buyers in this category generally purchase from manufacturers/importers to stock and distribute products to retailers. 	<ul style="list-style-type: none"> Price and bulk discounts are key for this category of buyers. 	<ul style="list-style-type: none"> No significant marketing activity undertaken.

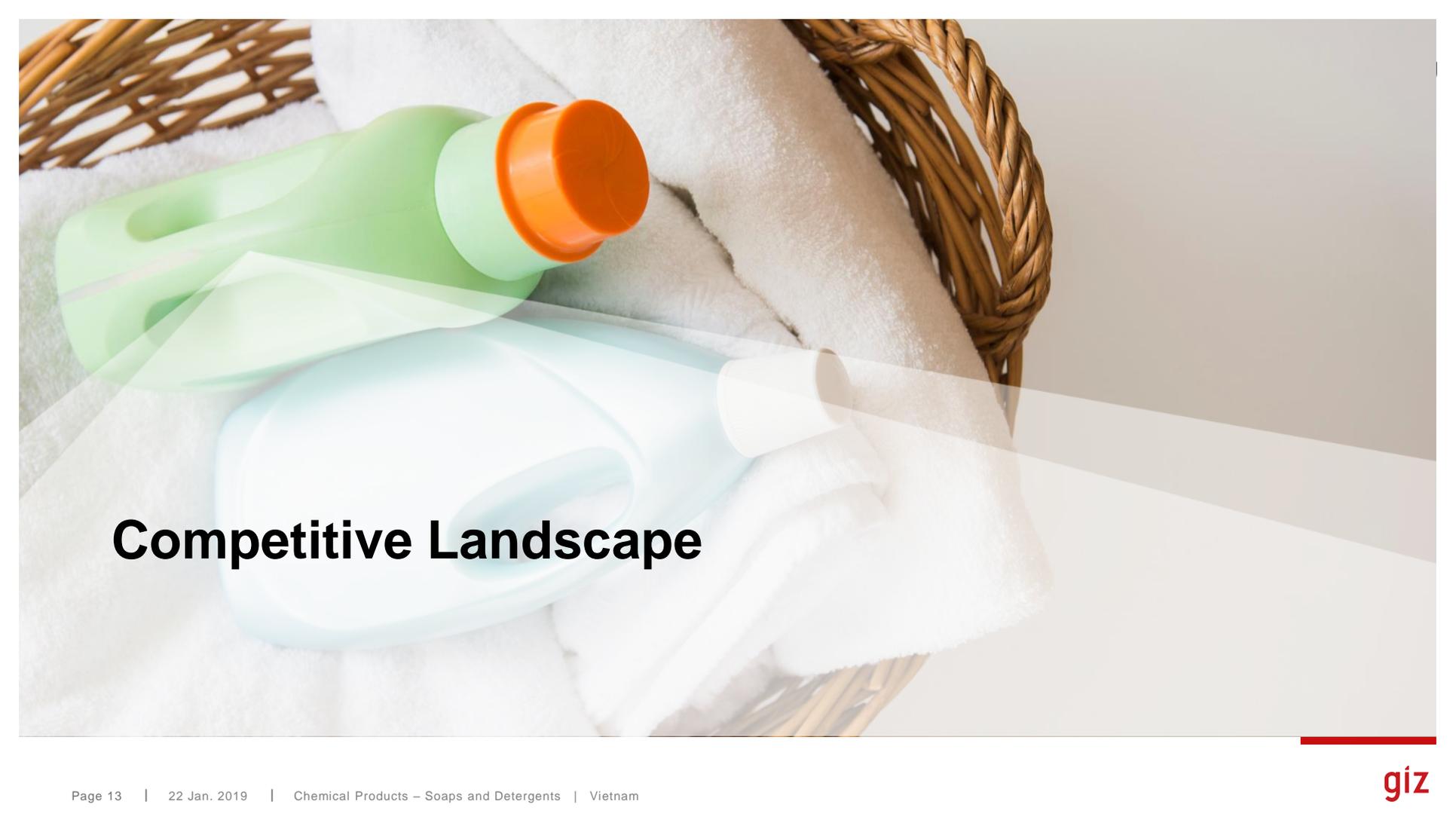
PRODUCT PRICING

- Products are highly varied in term of brands, purpose of use, origin and format thereby establishing a wide price band for these products.
- Pricing of soap and detergent products tends to be impacted by exchange rate fluctuations, as even for locally manufactured products, some manufacturing materials are still imported.
- While large companies absorb the fluctuations, this cost is otherwise passed on to smaller players

Product price range in US\$/unit (100g/100ml)	Min	Avg.	Max
Distributor buying prices – All Soaps	0.32	2.50	9.75
Selling price to retailers/end customer prices – All Soaps	0.34	2.63	10.26
Distributor buying prices – All Detergents	0.15	1.59	3.73
Selling price to retailers/end customer prices – All Detergents	0.16	1.71	4.01

PRODUCT PROMOTION (TRADE SHOWS)

As the soaps and detergents subsector is well established and led by 5-6 brands, there are no major events that attract the attention of new players in soaps and detergents and the chemical sector venturing into this market.



Competitive Landscape

Companies partner with established local manufacturers to improve competitiveness

TOP MARKET SUPPLIERS

Unilever (UK)
Manufacturer, importer, exporter

Unilever operates an outsourced manufacturing unit in Vietnam to manufacture its products. This gives it a competitive pricing advantage. The company owns many major trading brands (OMO, Surf, Lux, Dove and Comfort, among others). The company has had a well established distribution network in Vietnam since 1995 and remains the market leader.

Proctor & Gamble (USA)
Manufacturer, importer, exporter

A US company that specialised in chemical trade that entered the Vietnamese market along with Unilever in 1995. The company's mass market brands are perceived to be of better quality and value-for-money compared to equivalent Unilever products. These include Tide, Ariel, and Downy, among others.

VICO (Vietnam)
Manufacturer, importer, exporter

VICO is a large local manufacturer with an estimated market share of 13%. Looking to penetrate the detergents market, the company has two major brands, VICO and VIDAN. The company has a high-capacity production line with a long-established business of over 23 years. The company supports Proctor & Gamble for production.

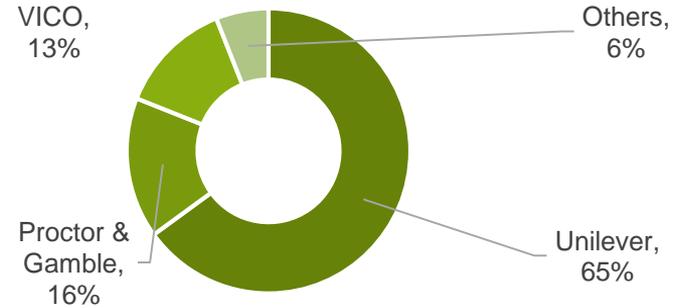
LIX (Vietnam)
Manufacturer, importer, exporter

Lix, a private manufacturer in Vietnam originally did production work for Unilever, but lost business briefly once Unilever established its own facility. Since then, the company has introduced its own range of products, LIX and LIXCO. LIX is now in the Top 50 companies of Vietnam. The company supports Unilever with the manufacturing of its OMO and SURF brands.

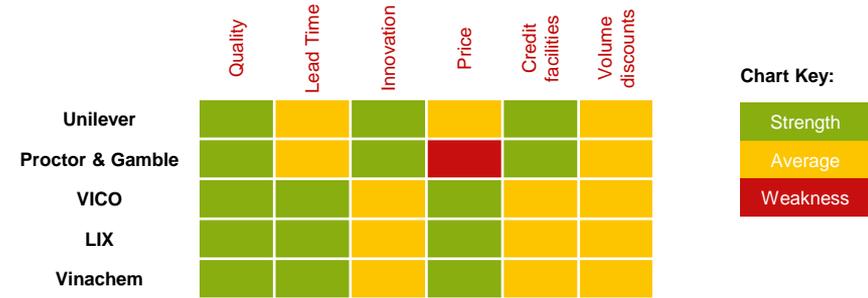
Vinachem (Vietnam)
Manufacturer, importer, exporter

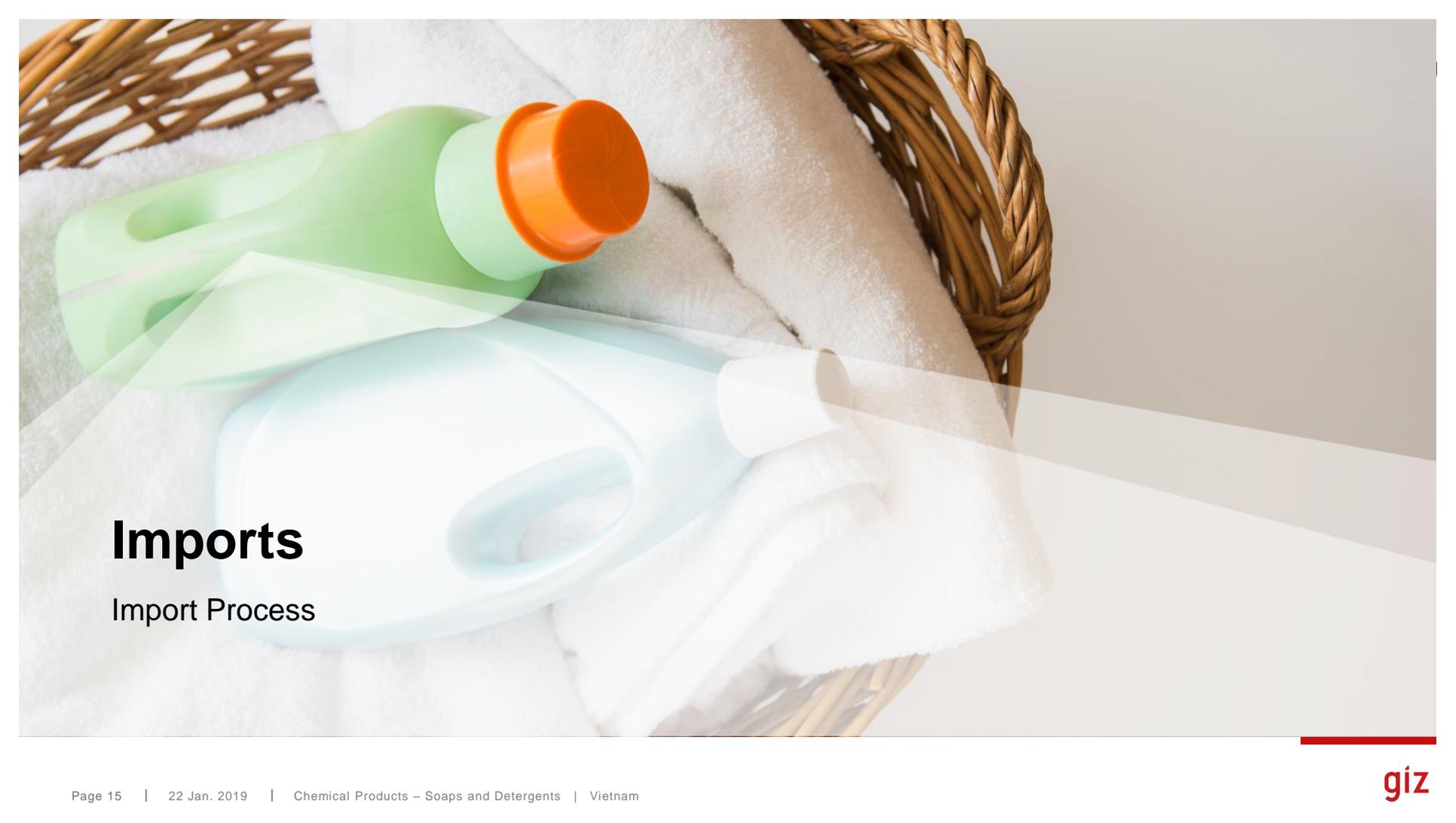
The largest government-owned company that operates in chemical trading and manufacturing. The company operates other subsidiaries which supply the required raw materials for manufacturing, thereby ensuring to operate at optimal costs. The company has a well-established production base and network with an easy access to market

MARKET SHARE OF KEY SUPPLIERS, 2018



COMPETITIVE POSITIONING





Imports

Import Process

Lack of a strong regulatory landscape allows for implementation delays and manipulation

IMPORT REQUIREMENTS

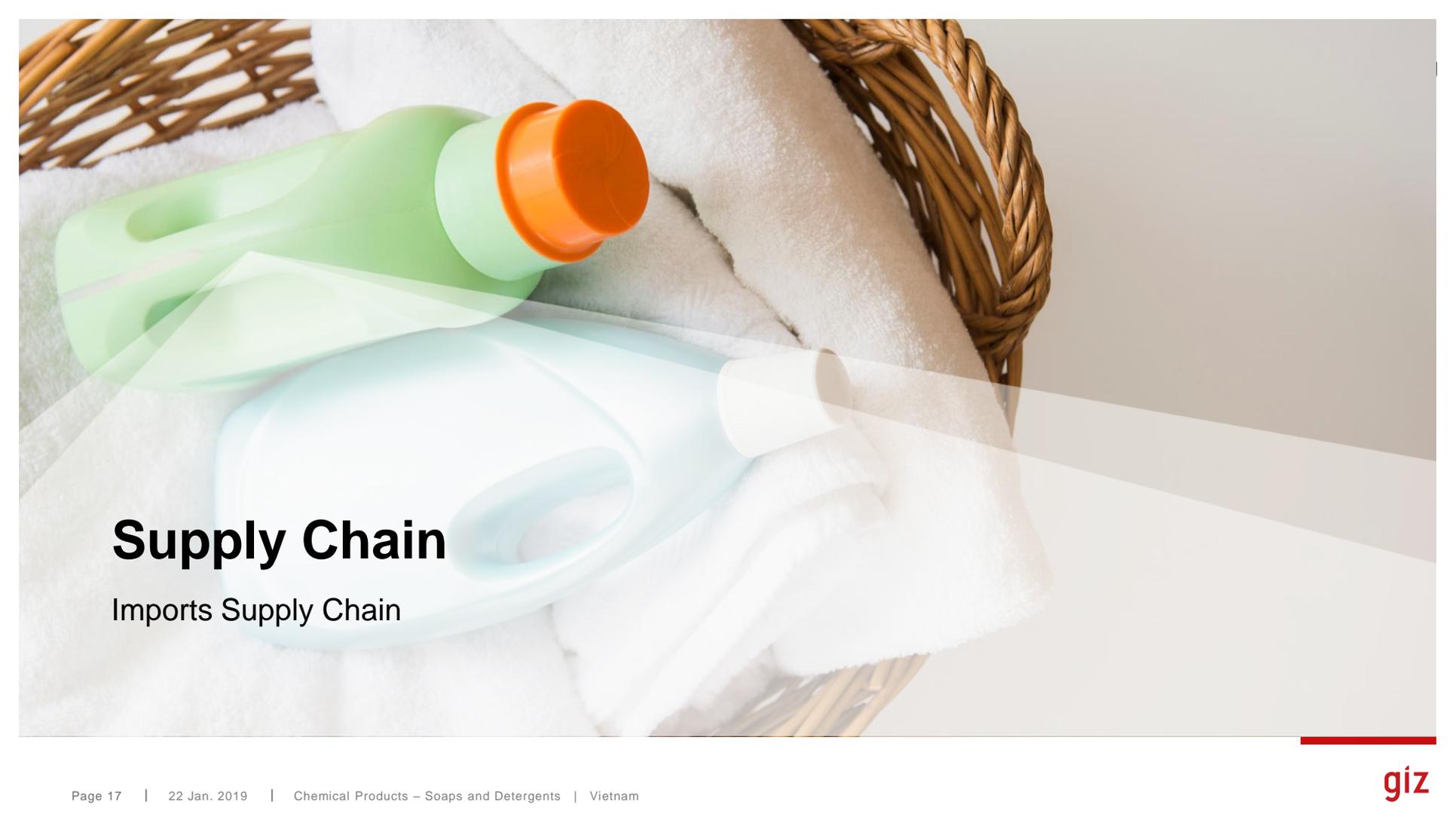
<p>PACKAGING REQUIREMENTS</p>	<ul style="list-style-type: none"> No specific requirements by law for soaps and detergents but there are general regulations for chemical products. The packaging process must be done at a location that complies with all requirements for fire/explosion protection, health and safety requirements of local government authorities. This needs to be conveyed through appropriate labelling or compliance to local or global standards.
<p>LABELLING REQUIREMENTS</p>	<ul style="list-style-type: none"> All packaging materials must be clearly labelled according to the regulations for labelling chemical products. Labelling must be clear, easy to read and be able to withstand the effects of the chemical, weather and common forces during transportation.
<p>TRANSPORTATION REQUIREMENTS AND LEAD TIME</p>	<ul style="list-style-type: none"> All dangerous chemicals must be zoned and positioned by the characteristic of each chemical. Do not store chemicals that react together or have specific requirements for fire/explosion prevention in the same area. All chemicals must be stored according to national technical requirements to ensure safety. Any transportation must comply with transportation of hazardous products. Depending on the manufacturer's origin, shipment by sea takes between 30-45 days for receipt at Vietnam port.
<p>DOCUMENT REQUIREMENTS / CUSTOMS' PROCESSES</p>	<ul style="list-style-type: none"> A dedicated license is required to operate in the industrial chemical trading industry. However, any new product needs to be registered with the importing authority before it is considered for sale in Vietnam. This is taken care of by the importer identified in the country. USFDA banned 19 chemicals used in the manufacturing of soaps and detergents. Some of these include specific Phenols, Fluorosalan, Cloflucaban among others. (Source: http://customsandinternationaltradelaw.com/2016/11/17/19-antibacterial-soap-ingredients-to-be-banned-by-the-fda/) – Customs verifies the composition of products to ensure that these 19 chemicals are not used in the manufactured soaps and/or detergents.

TRADE BARRIERS

- Excessive bureaucratic procedures remain widespread resulting in most projects and approvals overshooting deadlines.
- Lack of privatization of several sectors means state-owned enterprises hold a majority say in the competitive and regulatory landscape, leaving little or no room for negotiations on tariffs and regulatory constraints.
- Lack of transparency, uniformity in application and consistency across regulations led to increased corruption and red-tapeism across all phases of business operations in recent years, despite concerted government efforts to adopt an Anti-Corruption Law in 2005.
- Despite implementation of the WTO Customs Valuation Agreement, importers have raised concerns with Vietnam's reference prices used along with other customs-related issues.

APPLIED TARIFFS (from Jordan)

HS CODE	PRODUCT DESCRIPTION	APPLIED TARIFFS
3401	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, molded pieces or shapes, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent	17-27% (Avg.: 22.3%)
3402	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading no 3401	0-10% (Avg.: 6.9%)

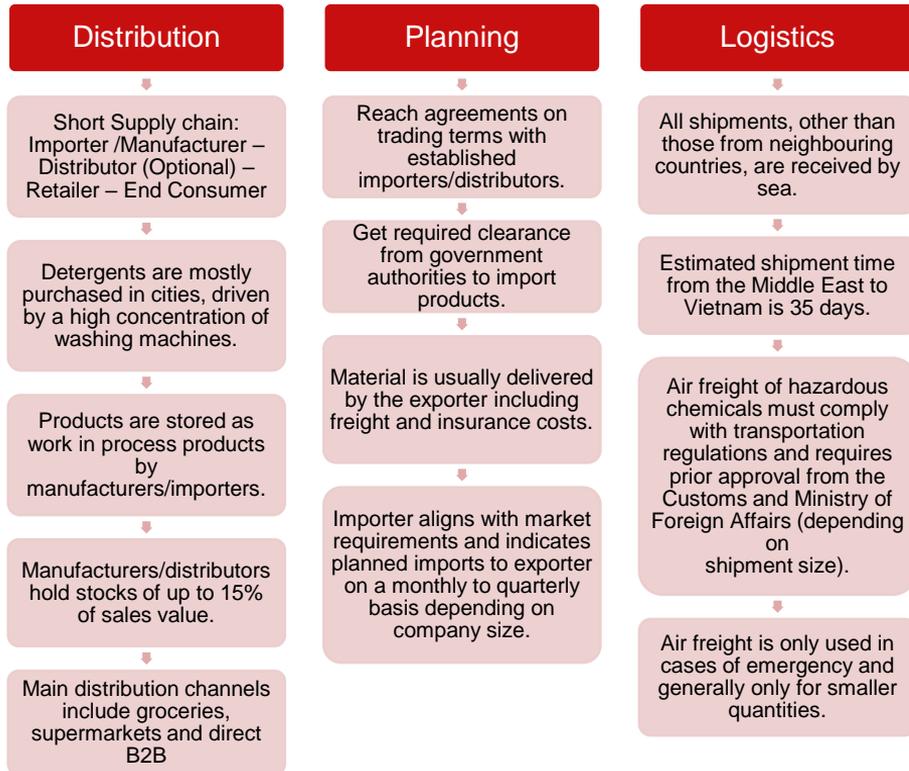


Supply Chain

Imports Supply Chain

Aggressive marketing is key to creating brand awareness in the market

SUPPLY CHAIN OUTLINE



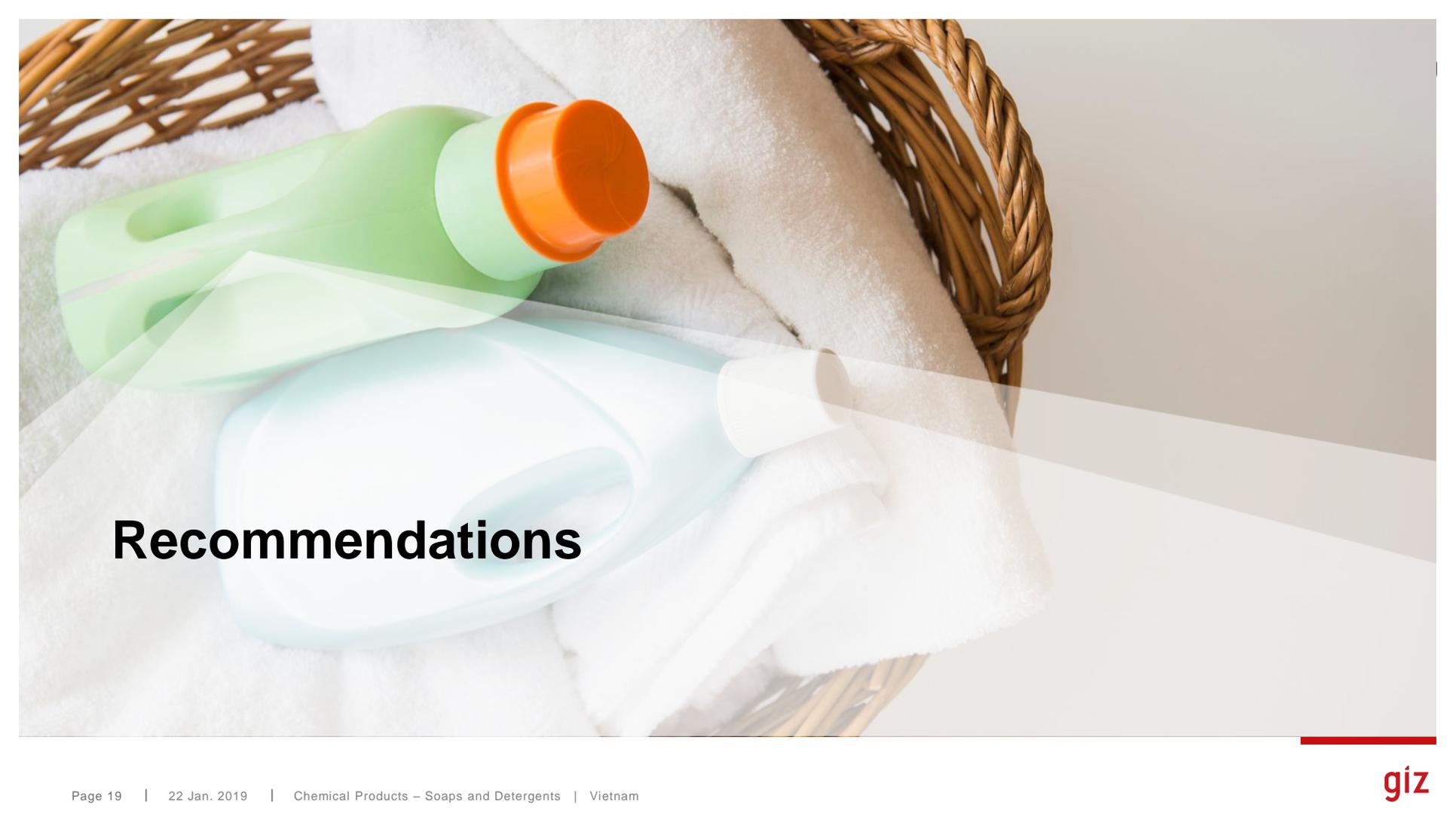
RECOMMENDATIONS TO INCREASE MARKET ACCESS EFFICIENCY

- Once the importer is identified, engagement of a customs broker is recommended to expedite market entry.
- Leverage identified importers/distributors or storage warehouses for initial stock management at minimal costs.
- Depending on product positioning, mass products can target smaller retailers for brand recall and penetration. If focusing on high quality, then products have to be cheaper than those from European countries in order to compete in this sector.
- In either case, the company will have to invest significantly in marketing its products in a very competitive sector.

LOGISTICS COSTS VS KEY COMPETITORS

Costs of shipping to destination market	Land Air Sea		
	Jordan to Vietnam	-	\$3,240
China (Shanghai) to Vietnam	-	\$2,533	\$600
Thailand to Vietnam	\$917	\$1,741	\$886
Malaysia to Vietnam	\$1942	\$2,716	\$853

Note: Shipping costs are calculated based on a standard 40 ft container and based on one location. Rates may vary depending on the exact location of the manufacturer.



Recommendations

Specific regions and small retailers can help penetration of a highly competitive market

WHO TO TARGET FOR SALES



- The main buyers are distributors and manufacturers, with some importers also operating as distributors.
- Soaps, detergents and chemicals from the Middle East are yet to be established in the region and would require identifying and partnering with an importer who has a well-established sales network in the market.
- Competing with global market leaders will require Jordanian exporters to identify importers focusing on smaller cities who are also well-connected with convenience stores.

RECOMMENDED TRADE ROUTE



- Sea is the most feasible trade route for Jordan.
- Hai Phong, Qui Nhon and Ho Chi Minh City are the major ports for trade of FMCG goods in Vietnam.
- Once a brand is established, Jordanian companies can explore the possibility of a trade deal with a local manufacturer to reduce costs and to penetrate the mass market category.

KEY CHALLENGES RELATED TO THE COMPETITION



- The current market situation sees global players dominating the mass market, posing a major challenge for new players looking to penetrate the market.
- The soaps and detergents subsector has a wide range of options available for consumers across the entire product spectrum. A company offering a wide portfolio generally benefits from good brand recall.

SUCCESSFUL MARKETING MIX



- **Place:** Major cities are the main driver of consumption for soaps and detergents through modern and traditional retail.
- **Product:** While there's no specific preference for soaps, the market is shifting rapidly from powder to liquid detergents.
- **Price:** 'Value-for-money' products are the most successful in the country.
- **Promotion:** A significant promotion and marketing budget is essential for any Jordanian company looking to penetrate the Vietnamese market.

APPENDIX I

DATA SOURCES USED IN THIS REPORT

DATA SOURCES	Slide 3 / Market Macro-Overview	Euromonitor International's analysis based on data from Passport, World Bank, International Monetary Fund / Passport forecasts
	Slide 4 / Industry Overview	Euromonitor International's analysis from Passport's in-country research, secondary research / Passport forecasts
	Slide 5 / Product Overview/ Demand Analysis	Euromonitor International research based on trade interviews with Duc Giang Chemicals and Detergent Powder Joint Stock Company, Cty CP Bot Giat LIX, secondary sources (UN Comtrade, Unilever Vietnam International, trade press) and national statistics
	Slide 6 / Supply Analysis	National statistics / United Nation's COMTRADE / TradeMap database / trade interviews with Duc Giang Chemicals and Detergent Powder Joint Stock Company, Cty CP Bot Giat LIX, Unilever Vietnam International
	Slide 7 / Route to Market Analysis	Trade interviews with Cong Ty Tnhh Fact – Link Marketplace, Duc Giang Chemicals and Detergent Powder Joint Stock Company, A My Gia Company Limited (AMG), Cty CP Bot Giat LIX, among others
	Slide 8 / Competitive Landscape	Trade interviews with Cty CP Bot Giat LIX, Net Detergent Joint Stock Company, Duc Giang Chemicals and Detergent Powder Joint Stock Company, A My Gia Company Limited (AMG), among others
	Slide 9 / Import Process	National regulatory offices / EU Market Access Database / ITC Market Access Map / US Commercial Service
	Slide 10 / Import Supply Chain	Euromonitor International research from trade interviews with Duc Giang Chemicals and Detergent Powder Joint Stock Company, A My Gia Company Limited (AMG), Net Detergent Joint Stock Company, etc.
	Slide 11 / Recommendations	Euromonitor International's analysis based on trade interviews with Duc Giang Chemicals and Detergent Powder Joint Stock Company, A My Gia Company Limited (AMG), Net Detergent Joint Stock Company, Cty Cp Bot Giat Lix, secondary research (trade press)
	Slide 13 / Price List	Trade interviews with Duc Giang Chemicals and Detergent Powder Joint Stock Company, A My Gia Company Limited (AMG), Net Detergent Joint Stock Company and Cty Cp Bot Giat Lix

APPENDIX II

COMPETITORS' PRODUCT MARKET PRICES

MARKET PRICES	Product	Variety	Brand	Prices at Distributor Level (US\$/unit)			Prices at Retail Level (US\$/unit)			
				Min	Avg.	Max	Min	Avg.	Max	
	Soaps and Detergents	Bath gel, bath soap, hand soap, hand wash gel		Dove	0.41	0.89	1.42	0.43	0.94	1.49
		Shea butter bath soap		Olay	0.90	1.44	3.16	0.95	1.52	3.33
		Bath gel, bath soap		Enchanteur	0.73	1.13	2.27	0.77	1.19	2.39
		Bath soap		Coast	0.57	0.75	1.01	0.60	0.79	1.07
		Bath soap		Lux	0.32	0.63	1.23	0.34	0.66	1.30
		Hand soap, hand wash gel		Lifebuoy	0.55	0.67	0.81	0.58	0.70	0.85
		Bath soap		Chateau Rouge	6.09	7.71	9.74	6.41	8.12	10.25
		Bath soap		HomeLab	5.40	5.40	5.40	5.68	5.68	5.68
Industrial cleaner			Klenco easy clean	3.74	3.74	3.74	4.02	4.02	4.02	
Industrial cleaner			industrial SYK clean	13.11	13.11	13.11	14.10	14.10	14.10	
Detergents			OXOFOAM Fish oil remover	1.97	1.97	1.97	2.11	2.11	2.11	
Detergents			Chempro GP Clean	2.96	2.96	2.96	3.18	3.18	3.18	
Detergents			Nabakem industrial machinery cleaner	7.87	7.87	7.87	8.46	8.46	8.46	
Detergents			Klenco easy clean	1.86	1.86	1.86	2.00	2.00	2.00	
Detergents			Kimas Super-cleaner detergent powder	3.96	3.96	3.96	4.26	4.26	4.26	

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