

Modern Vietnam's economy: The rise of the retail chain

Zara, Circle K edge out communist country's family shophouses

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HO CHI MINH CITY -- The yoga students have to walk past blue-and-green iguanas and jars of hummus at the entry to get to Hanna Nguyen's home studio. Nguyen started offering workout classes by converting the ground level of her house into a business, while the family lives upstairs. Vietnamese have done this for centuries -- work on one floor, sleep on another -- but the 21st century has brought new competition: retail chains.

Nguyen competes with Elite Fitness, California Fitness and Yoga and other big gym brands that were almost nonexistent a decade ago.

Hers is a house divided, between work and personal, old and new. Downstairs she sells home-brewed kombucha and smoothies to yoga practitioners. Upstairs is her teenage son, who has no interest in the family business and favors the syrupy smoothies sold at 24-hour stores.

"I prefer cozy, homemade, and local," Nguyen said one bright afternoon by the pool, where she teaches aqua yoga.

But, as with her son, tastes are changing across the country of 98 million people.

National and international franchises have taken root in Vietnam, bringing uniformity to groceries, dentists, car washes -- even street food.

To take one key indicator: **The explosion of minimarts elbowing out mom-and-pop stores is among the most conspicuous signs of Vietnam's changing consumption patterns.** The number of people who said they had recently been to a store like 7-Eleven or Circle K rocketed to 57% in 2020, up from a mere 6% in 2016, according to market researcher Nielsen. By contrast, use of traditional stores contracted 2.5% from 2018 to 2019. Nguyen sees it as part of a lifestyle among young people like her son. They hang out at air-conditioned Ministops, go to Starbucks to see and be seen, or take selfies at Vincom malls.

Customers have taken to brands for their familiarity and consistency across markets, from Spain's Zara clothing to Singapore's Crystal Jade restaurants.

It is a far cry from the older way of doing business in Vietnam. Locals used to set up shop by renovating their living room or renting a low-slung storefront nearby. They would put up signs, naming the new enterprise after their street address or their own given names, and soon they would become the neighborhood cafe, pharmacy or clothes shop.

But corporate brands are replacing these old family businesses, a transformation that has been decades in the making. Today in this communist country that has long been ushering in capitalism, there seems to be a corporate chain for every kind of business under the sun:

Co.opmart edged out wet markets, Kofi Kai coffee and Nha Trang sandwiches park their sidewalk carts next to no-name carts, and Kim Dental competes with family practices.

Call it the chain-ification of Vietnam.

"The Vietnam market is the promised land for retailer chains," Nielsen senior manager Le Hoang Long told Nikkei Asia. He said the chain store trend is remarkable because it spans such a variety of sectors, from maternity clothes to health products.

"No other market within Southeast Asia has such dynamics," he said.

Each country has seen the rise of the franchise at a different time and pace. The moment has arrived for Vietnam. Fueling consumption, the country had the highest economic growth per capita among Southeast Asia's six big economies since 2017, according to Asian Development Bank data put out in April.

With more income, Vietnamese are demanding better and more consistent quality in products and services, said Vi Ton, founder of Beyond Creative Agency, a marketing and design firm.

"Even though price is a little higher, people are willing to spend," she said.

Inequality is growing but those who can afford it seek out companies that behave responsibly when it comes to workers, the environment and product safety, she added. Distrust in food safety, in particular, has shot up in recent years as locals have discovered banned chemicals in their instant noodles, coffee, or shrimp.

Facebook said in a 2020 report on Southeast Asia's six big economies that brand preference is highest in Vietnam, where 54% of the people are inclined to buy more established brands, versus the next-highest, 45% in Malaysia and 43% in Thailand.

"People tend to [be] willing to try and switch" brands, Ton said. "They want to make sure if they pay more, it pays back to the environment and society."

Big brands may be a sign of the times, but Nguyen, the yoga teacher, hopes there is still room for local businesses, where shopkeepers know customers' names or don't mind if they are sometimes short when it comes to paying the bill.

At her house, customers buy tote bags made by the disabled and call Nguyen for random neighborly tips, like where to find a notary.

"The reason we do home yoga is we want it to feel like home," she said, serving her guest a peach-colored kombucha.

She avoids mass-produced goods like ice cream and smoothies made from syrup. Nguyen understands, however, why her son and many others in his generation consume them: Even she is willing to admit, the smoothies are tasty and convenient.