

# Understanding the hidden needs of customers is key

According to an integrated update of Vietnam's fast-moving consumer goods (FMCG) market carried out by Kantar Worldpanel, a world leader in consumer knowledge and insight, Vietnam's fast-moving consumer goods market is boasting huge growth opportunities, but needs innovation to meet customers' demands. Kantar Worldpanel's Business Development director **Nguyen Huy Hoang** explores some of the specific trends shown in the update.

The Vietnamese economy continues its upward ascent in this year's third quarter, with GDP growth at 6.8 per cent, higher than in the second quarter. Also, the consumer price index reported no increase in September 2015.

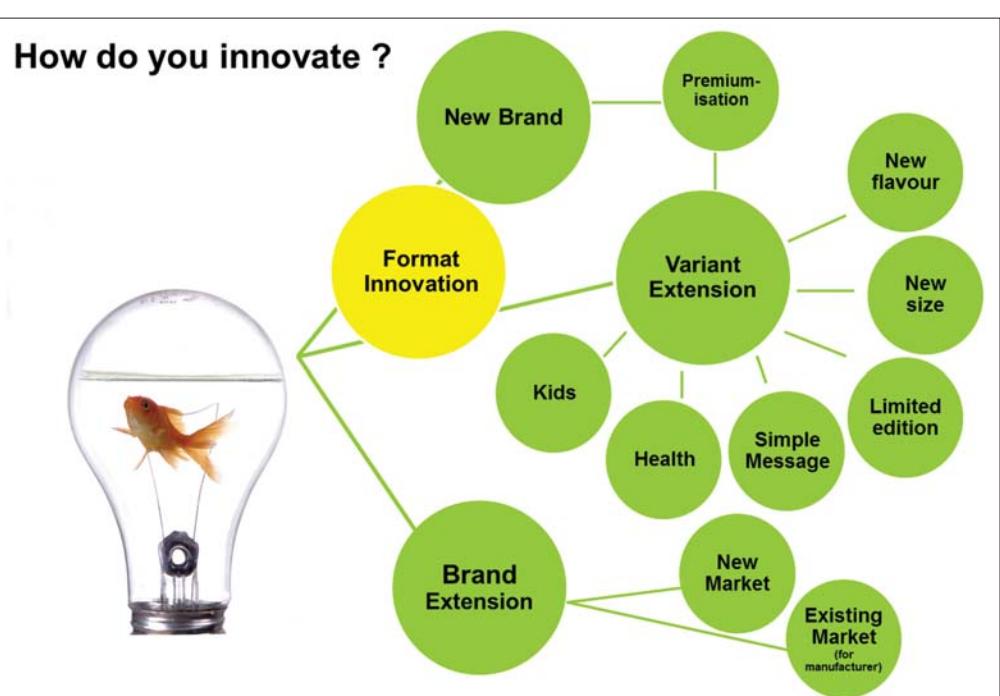
In the long term, the fast-moving consumer goods (FMCG) market in Vietnam has a marginal growth rate in urban areas, but has a much higher growth rate of about 9 per cent in rural areas. Most Vietnamese consumers still have a conservative mindset, "saving for a rainy day". However, they are also ready to "pamper" the increasing needs of different family members. Looking more closely at the level of development of FMCG in Vietnam, we can clearly see that it is still underdeveloped, with more than 60 per cent of individual FMCG

categories showing a shopper penetration base less than 50 per cent on a yearly basis. This fact shows that the market here still has large growth opportunities for players who understand the hidden needs of consumers and can deliver innovative products/services which trigger, meet, and satisfy the needs of consumers.

There are several reasons why the generation of new ideas can be critical for business success. Two major factors are the ability to respond to market competition, and meeting consumer trends. First, with globalisation, competition is not only between local players, but also international players. Innovation is vital, as it is one of the primary ways to differentiate your products from the competition. Second, consumer needs and expectations change con-

stantly. Our consumers are now more willing to try new things. However, they are also becoming more sophisticated. They are now seeking more convenient, healthier products with additional value. Coming up with new ideas and innovative products to meet consumers' needs rapidly and effectively will help us gain huge competitive advantages.

The above-mentioned reasons require continuous innovation in the business process. According to the latest Kantar Worldpanel Innovation Tracker study, every two hours, there is a new FMCG product launch. In 2014 alone, the FMCG market in Vietnam saw nearly 4,500 new launches – posting a 26 per cent increase compared to the total number of new launches in 2012 (3,547 launches), and those new launches played an



**Makers of fast-moving consumer goods must innovate to stay market relevant**

instrumental part in driving the growth of Vietnam's FMCG market in 2014. In fact, innovation has become highly diversified. New packaging, new brands, new segments, and new markets are also the results of innovation. Products with new packaging size or packaging type are still the most popular type of innovation in FMCG (occupying nearly 40 per cent of the innovation share), followed by new brands (33 per cent share), and then new variants (27 per cent share).

Interestingly, among all

FMCG sectors, dairy-based categories have been the most active in launching new brands relative to other sectors in 2014. However, launching a new FMCG product and keeping it successful in the long-term in a highly-competitive FMCG market like Vietnam requires a lot of investment and efforts.

Under Kantar Worldpanel's latest study, an average FMCG new launch will need to reach about 5 per cent of Vietnamese households in one year (to buy it at least once in a year) and at least 27 per cent

of them need to come back to repurchase that new product. In order to be in the top 20 per cent of successful new launches, one needs to triple the efforts – reaching at least 15 per cent of families in Vietnam and obtaining a repurchase rate of 38 per cent. After the two-year launch, there were only 40 per cent of the new launches still on the market, with 60 per cent disappearing.

The Kantar Worldpanel Innovation Tracker study was based on 593 new product launches (variant level) from 2009 to 2014.■

# Scrap importers hit by new decree

By Thanh Tung

Local scrap importers are seeking ways to deal with the impact of hefty deposits on scrap import packages into Vietnam that they are subject to make in accordance with new waste and scrap management regulations.

Under governmental Decree No.38/2015/NĐ-CP on the management of waste and scrap, which took effect on June 15, 2015, organisations and individuals must put down large deposits before they can import scrap packages into Vietnam for reuse in production processes (see table). They must pay deposits (in dong) to the Vietnam Environmental Protection Fund or the commercial banks where they opened their accounts.

According to the decree, the deposit must be made at least 15 working days before customs clearance procedures for importing the scrap are conducted. The deposit reimbursement will be made within five working days from the date the im-



**Local scrap importers have proposed a lower deposit rate so as to reduce the impact on their cash flow**

Photo: Le Toan

porters ask for their deposits back.

Le Hoai Nam, head of the Vietnam Environment Administration's Pollution Control Department, insisted that the large deposits were necessary to offset risks which might arise from the importers' scrap.

"Local firms import about 10 million tonnes of assorted scrap annually, including large amounts of hazardous waste, which negatively affects the environ-

Steel and iron scrap		Paper and plastic scrap	
Volume (Package)	Deposit (% of the goods' total value)	Volume (Package)	Deposit (% of the goods' total value)
Under 500 tonnes	10	Under 100 tonnes	15
500 tonnes-under 1,000 tonnes	15	100 tonnes-under 500 tonnes	18
1,000 tonnes upward	20	500 tonnes upward	20

ment and people's health," he said.

However, scrap importers have felt this new regulation was necessary for environmental protection, but "the deposit value is too high, and the deposit time is too long, making it

Vietnam Sepcial Steel Co. Ltd, in the northern province of Thai Binh, told *VIR* that this regulation was necessary for environmental protection, but "the deposit value is too high, and the deposit time is too long, making it hard for importers."

Echoing Huong's view, Vu Van Quang, director of the External Relations Section of locally-owned Tan Dong Aluminium Co. Ltd., in the northern province of Hai Duong, told *VIR* that the

requirement of hefty deposits "will freeze enterprises' capital, which largely comes from bank loans with an annual average high lending rate of 7-10 per cent".

Vu Ngoc Bao, vice chairman of the Vietnam Pulp and Paper Association, also said since June 2015, many importers, who are association members, had either ceased operations or reduced production due to the new regulation. He explained that on average, an enterprise imported at least 500 tonnes of paper scrap each time, meaning that they had to use 20 per cent of the goods' value, or over \$20,000, to pay the deposit. Crucially, they imported hundreds of times a year and their capital came mainly from bank loans.

"The deposit should be fixed at a low rate, not as is the case now," Bao said. "The situation would become worse when dong was devalued, which would raise the value of imported goods and thus local importers would have to spend more money on deposits."■