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THE GOOD, THE BAD, THE UGLY

2012- Q.3 2013- Vietnam Macro Economic Overview
The Ugly #1

Un-real estate market

- No movement in the real-estate market

CBD Rental decrease

All rents are the average rents quoted on ground floor and first floor, exclusive of VAT and service charge.

Average condo selling price (US$/sm)

Until the real estate market recovers, Vietnam will continue to struggle

Source: CBRE
The Ugly #2

Bad Debt

- 2012 Bad Debt = 55.3% of GDP (US $75 Billion USD)  
  *Source: Ministry of Finance*

- SOE and private company bad dept would represent 95% of GDP, far exceeding the safety barrier of 60% set by the World Bank.  
  *Source: Tran Tho Dat – Dean of Hanoi National Economic University*

- “…It is quit clear that Vietnam’s public debt is escalating quickly”  
  *Source: Hanoi Banking Academy*

**Bad debt will likely cause havoc in the near future**
The Ugly #3
Consumer Confidence (%)

Consumer confidence has dropped due to domestic economic woes

Source: TNS CCIP – 2008 – 2013 urban only
Bankruptcies are a sign of the times, but also a measure of Vietnam’s bubble popping.

Bankruptcy growth:
- 2010: 39,000
- 2011: 49,000
- Q2 2012: 54,000

FMCG Volume Growth (%):
- 2012: 6%
- 2013: 2.4%

FMCG growth is a key measure of spend and has dropped significantly.

Source: GSO

Source: Kantar Worldpanel
GDP Growth - Bad...or Good?

GDP = 5.14% slow down of growth actually has positive effects by reducing speculation and inflation

Source: GSO
The Good

Exports (US Billion)

- 2010: 71.6
- 2011: 96.4
- 2012: 114.6
- 2013 Q3: 96.5

Exports are Vietnam’s saving grace but is this sustainable?

Trade Deficit (US Billion)

- 2010: 12.4
- 2011: 9.6
- 2012: 0.3
- 2013 Q3: 0.5

Trade Deficit = a sign of fiscal responsibility or lack of growth?

Source: GSO
The Good

**Inflation (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11.75%</td>
</tr>
<tr>
<td>2011</td>
<td>18.13%</td>
</tr>
<tr>
<td>2012</td>
<td>9.21%</td>
</tr>
<tr>
<td>2013 Q3</td>
<td>6.83%</td>
</tr>
</tbody>
</table>

**ATL Ad Spend (US Million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATL Ad Spend</td>
<td>726M</td>
<td>760M</td>
<td>900M</td>
<td>625M</td>
</tr>
</tbody>
</table>

Inflation is in check, but will it remain, as typically Q.4 sees a spike.

Advertising spend looks to grow at a healthy 15% & 4-5% on inflation and free ad space largely driven by TV.

*Source: GSO*

*Source: Kantar Media*
The Good

Foreign Direct Investment

<table>
<thead>
<tr>
<th>Year</th>
<th>New Investment</th>
<th>Implemented Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>9,097</td>
<td>5.0</td>
</tr>
<tr>
<td>2007</td>
<td>17,855</td>
<td>6.0</td>
</tr>
<tr>
<td>2008</td>
<td>60,271</td>
<td>6.65</td>
</tr>
<tr>
<td>2009</td>
<td>16,345</td>
<td>5.5</td>
</tr>
<tr>
<td>2010</td>
<td>17,200</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>11,559</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>13,013</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>15,000</td>
<td></td>
</tr>
</tbody>
</table>

A Rebound?

Tourism (Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>5.0</td>
</tr>
<tr>
<td>2011</td>
<td>6.0</td>
</tr>
<tr>
<td>2012</td>
<td>6.65</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Strong FDI growth with US 9 billion from new projects

Tourism has picked up after a slow start

Source: Vietnam Economic Times

Source: GSO
The Good

Smartphone Ownership

Growth of smartphone ownership – Vietnam

Global: 42
Emerging Asia: 35
Vietnam 2013: 27 (+42% Growth)
Vietnam 2012: 19

Some products / categories are bucking the trend of consumption and spend slowdown

Source: TNS Local Report 2013 - Mobile Life
The Good
Automotive Sales

Surprisingly automotive sales have not stalled, indicating that the wealthy are not feeling the squeeze.

Source: VAMA
2013 YTD Economic indices scorecard

Ugly = 3 - Real Estate – Confidence – Bad debt
Bad  = 2 - Bankruptcies - FMCG growth
Good = 8 - Modest shift towards recovery

YTD 2013 is a mixed bag, some ugly, some bad, some good

However, 1st time since 2008 positives outweigh negatives

Good time to invest for the future
RECESSION IMPACT
Consumer Confidence (%)

Who, where and how does the recession impact...

Source: TNS CCIP – 2008 – 2012 urban only
Recession impact

“I don’t feel much different. I don’t feel the impact of economic crisis on me”

“too much stress, the worry always sticks in my mind, we don’t even have time to feel happy or relaxed…”

A-B SEC consumer

E-F SEC consumer

SEC differences are stark as are Education, life stage impact views & involvement
Is your present job is safe or not?

Employment fears on the rise leading to more caution, less spend

Jan-13

63

32

5

Aug-12

68

20

12

Present job is safe
Chance of unemployment
Don't know

Source: TNS 2013 VCCI – Urban only
# Forecast in the next 12 months

## Consumer Confidence Index

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consumer</td>
<td>Consumer</td>
</tr>
<tr>
<td></td>
<td>index = 56</td>
<td>index = 68</td>
</tr>
<tr>
<td>Value of the</td>
<td>Far worse (25)</td>
<td>Far worse (5)</td>
</tr>
<tr>
<td>Vietnamese dong</td>
<td>A little worse (40)</td>
<td>A little worse (45)</td>
</tr>
<tr>
<td>Employment</td>
<td>Far better (24)</td>
<td>Far better (34)</td>
</tr>
<tr>
<td>The cost of living</td>
<td>A little better (8)</td>
<td>Same (14)</td>
</tr>
<tr>
<td>Vietnam's economy</td>
<td>Same (2)</td>
<td>Far better (1)</td>
</tr>
<tr>
<td>My personal</td>
<td>Far worse (6)</td>
<td>A little worse (2)</td>
</tr>
<tr>
<td>standard of living</td>
<td>A little better (15)</td>
<td>Same (8)</td>
</tr>
<tr>
<td>Foreign investment</td>
<td>Far better (26)</td>
<td>A little better (38)</td>
</tr>
</tbody>
</table>

Consumer confidence index has dropped a massive 12 points in just 6 months, driven by consumer fears across most indices - not reassuring.

*Source: TNS 2013 VCCI – Urban only*
### Consumers spending will be down in 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Less</th>
<th>Same</th>
<th>More</th>
<th>DK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment &amp; dining out</td>
<td>40</td>
<td>39</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>House hold care products</td>
<td>25</td>
<td>54</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Household utilities</td>
<td>25</td>
<td>51</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Personal equipment (mobile)</td>
<td>25</td>
<td>52</td>
<td>22</td>
<td>1</td>
</tr>
<tr>
<td>Home appliances (wash)</td>
<td>24</td>
<td>54</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>21</td>
<td>43</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Personal care products</td>
<td>21</td>
<td>58</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Communications (telephone/fax/)</td>
<td>17</td>
<td>58</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Health care products/services</td>
<td>17</td>
<td>46</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Food &amp; beverages products</td>
<td>15</td>
<td>58</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>8</td>
<td>45</td>
<td>45</td>
<td></td>
</tr>
</tbody>
</table>

Consumer backlash to economic downturn results in specific spend cuts

Source: TNS 2013 VCCI – Urban only
Modern trade growth is in decline – Urban only

<table>
<thead>
<tr>
<th>FMCGBuyer</th>
<th>Value growth</th>
<th>Value contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 12</td>
<td>July 13</td>
</tr>
<tr>
<td>General Trade</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Modern Trade</td>
<td>19%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Generally prices at modern trade have out reached consumers pockets, while traditional trade still offers affordability and security.
Buy less / use less / conserve / save

<table>
<thead>
<tr>
<th>Year</th>
<th>Value growth (%)</th>
<th>Price growth (%)</th>
<th>Volume growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>18.6</td>
<td>18.8</td>
<td>0.1</td>
</tr>
<tr>
<td>2009-2010</td>
<td>16.7</td>
<td>8.5</td>
<td>7.6</td>
</tr>
<tr>
<td>2010-2011</td>
<td>16.2</td>
<td>13.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2011-2012</td>
<td>16.0</td>
<td>13.9</td>
<td>6.0</td>
</tr>
<tr>
<td>2012-2013</td>
<td>10.9</td>
<td>8.3</td>
<td>2.4</td>
</tr>
</tbody>
</table>

2012 - 2013 Value Growth down to 10.9% and volume down to 2.4%

Source: Kantar Worldpanel
Urban only
FMCG growth Q3 – 2102 – Q.3 2013

Urban 4 Key Cities

- Total FMCG
  - Price: 2.4
  - Volume: 8
  - Value: 8.3
  - Growth: 10.9

- Personal Care
  - Price: 4
  - Volume: 8
  - Growth: 14

- Dairy
  - Price: 8
  - Volume: 8
  - Growth: 15

- Beverages
  - Price: 8
  - Volume: 8
  - Growth: 15

- Packaged Food
  - Price: 3
  - Volume: 5
  - Growth: 11

- Home Care
  - Price: 1
  - Volume: 8
  - Growth: 8

Rural - Nationwide

- Total FMCG
  - Price: 6.6
  - Volume: 13
  - Value: 11
  - Growth: 11

- Personal Care
  - Price: 0
  - Volume: 12
  - Growth: 13

- Dairy
  - Price: 13
  - Volume: 13
  - Growth: 18

- Beverages
  - Price: 2
  - Volume: 2
  - Growth: 18

- Packaged Food
  - Price: 11
  - Volume: 16

Genuine decline in growth rates especially in urban Vietnam
SIX MARKETING TRENDS
1. Internet as a research tool

ENSURE YOU ARE DIGITAL

As the value of purchases increases, the amount of research both off and particularly online also increases.
2. Mobile device as the everything hub

As the availability of wireless broadband expands & the cost of advanced mobile phones drop, the mobile device will become the preferred hub for digital activity.

DEVELOP YOUTH APPLICATIONS FOR YOUR BUSINESS
3. Authenticity matters

Authenticity will become paramount for brands as they look to regain credibility and trust. Consumers have lost a great deal of faith in brands; they are searching for truths and clamouring for transparency.

Yes!

“I need to know the companies where the products or services are from so I have confidence to use them”

GUARANTEE
QUALITY / SAFETY
4. Promotion Impact – Coupon Crazy

Discounted prices are preferred promotions, driving “Groupon” & on-line coupon discount popularity

<table>
<thead>
<tr>
<th>Promotion Type</th>
<th>2008</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounted price</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Free gift with purchase</td>
<td>18</td>
<td>13</td>
</tr>
<tr>
<td>Sweepstake/Lucky draw prizes</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Get free product/sample with multiple purchase</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Monetary gift</td>
<td>8</td>
<td>5</td>
</tr>
</tbody>
</table>

On-line Coupons
“I often buy stuff I don’t even need right now, because prices are so cheap”

Source: TNS VietCycle 2011 – Urban only
5. Brand innovation & new product launches

A good time to launch new products and innovations to keep consumers excited and stay ahead of competition

- **X-Men**
  - Manly
  - International standard ads for men

- **Knorr**
  - All-in-one new multiple spices for specific meals

- **Pro Beauty**
  - New Yogurt gives you beautiful skin

- **Kent**
  - Taste & strength control filter
  - Non to menthol
6. Media Spend – driven by security of TV

TV is King and garnering more and more spend, but much of this is due to inflation

Note: Mindshare data indicates growth is mostly due to media inflation
Q3, 2013 data is for the period from 1.7.2013 to 29.9.2013 and that the adex of Sep 2013 is not validated yet.

Media Spend – driven by security of TV

- **TOTAL**: 5,378,453,056 (Q3 2012) vs. 8,114,941,221 (Q3 2013)
- **TV**: 4,829,542,898 (Q3 2012) vs. 7,581,203,928 (Q3 2013)
- **PRESS**: 541,906,396 (Q3 2012) vs. 524,932,607 (Q3 2013)
- **RADIO**: 7,003,762 (Q3 2012) vs. 8,804,686 (Q3 2013)

**Note**: Mindshare data indicates growth is mostly due to media inflation. Q3, 2013 data is for the period from 1.7.2013 to 29.9.2013 and that the adex of Sep 2013 is not validated yet.
Key insights and food for thought

- Vietnam is experiencing a long overdue correction caused largely by the country's emergence from 3rd world existence, financial and real estate speculation and overall fiscal mismanagement and lack of transparency.

- The days of “build it they will come” are over - generic organic growth due to sheer emergence are in the past for most sectors.

- Targeted consumer engagement and building a reason to believe and develop trust are key proponents to success.

- Many Vietnamese companies are under capitalized, thus shifting investment focus back onto MNC’s and fleet of foot organizations.

- Size and length of business in Vietnam has impact on ability to grow. Many big companies are able to drowned out competition, so long as they invest and build their capabilities and capacity.

- New Investment in the market shall come from Japan, China and South East Asian countries, which needs to be harnessed for maximum impact.
2014 Economic forecast

Negatives
- State Debt is huge
- Sagging consumer confidence
- Unemployment
- Slower growth & spend
- Reliance on cheap exports
- Who will Vietnam align too, the US or China?
- Will to address core issues?

Positives
- Vietnam still largely untapped
- Asian / ASEAN investment interest
- Overseas remittance
- More competitive / Lower prices
- Cheaper cost of entry
- Inflation presently in check

Continued slight downward trend but also elements beginning to improve – Key Real Estate & Bad Debt
Complete Consumer Insights

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