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Understanding the new Vietnam

Five executives discuss what makes Vietnam unique among Asia's fast-growing consumer markets.



What is unique about Vietnam?

Randy Guttery: I've been in Asia 15 years. I came here in 1996. I've seen this industry develop in several countries now. And in Vietnam it's moving really very quickly. It's still a relatively underdeveloped consumer-products market. It's, for instance, nowhere close to Thailand in consumer development. But it's also an extremely young population and an extremely well-educated population.

Jean Yves Romagnani: Everything has to be created and done from scratch. We need retail space. We need the proper staff. We need to recruit and train the staff. We need to set up the proper marketing and operations. And everything is new here. We don't have much experienced staff to handle this task. And I think that's the beauty and the interest of the challenge.

Mai Huong Hoang: Vietnamese, by research, are the happiest people in Asia. We are very happy. And the reason is, because our path was so difficult for both the north and the south—because of the war, because of all the changes—that we are so grateful that we actually can peacefully enjoy making money and spending money now.

Jean Yves Romagnani: Vietnam is a fascinating country in that aspect, because you still find a very strong Chinese influence. And back to the French heritage, you can see it everywhere. You can see it in a city like Hanoi.

Mai Huong Hoang: You have a lot of leaders of businesses, of organizations, that are female. What to buy, when to buy it: usually is [decided by] the woman. So the woman is definitely a very, very important—absolutely the most important—player for products, even if it's a male product. Even a male shampoo; the man would not go into a supermarket and buy a male shampoo. It's a woman that decided to buy it for him.

How is Vietnam's consumer market evolving?

Randy Guttery: Still most of the detergent we sell is for hand washing. Because, still, most of the clothes are washed by hand—either in the house, in the river—and it's still that way. And then go to the other side: our fastest-growing segment is fabric softener. So you have this real dichotomy. And people are buying washing machines, refrigerators, electrical appliances, these kinds of things, including flat-screen TVs.

Mai Huong Hoang: In Vietnam, people have the latest handsets. We have 3G. We have everything. So the technology here—communication technology—is very advanced. But aside from that, we are less interactive with the world than more developed markets, where people might use the Internet for banking, for purchasing products. I think it also has a lot to do with the financial-banking system. Most Vietnamese don't have credit cards, so it's harder to make online purchases.

Jean Yves Romagnani: And we have even younger consumers, who maybe have to save for one year just to buy a small accessory in one of our stores. But what is interesting is the trend: the number of these customers is growing every year.

Mai Huong Hoang: Rich people in Vietnam don't have a lot of opportunity to spend their money. They have just made this money, and maybe in your country you have yachts, or private airplanes, but here you have to have permission to take off or land. It's too complicated. So mostly people who have money would be spending it on tangible products that can be imported into Vietnam. So you have Vietnamese that have cars that, including tax, would be worth \$1 million. Really expensive cars, because the tax could be 100 percent, 150 percent. Or for females: handbags, very expensive handbags.

Jean Yves Romagnani: Not every Vietnamese person can afford these products. But we are working with, today, still a pretty small customer base—a few hundred people—that can afford very easily our products. Some maybe save for a few months and just come twice or three times a year into our store to purchase the piece they are dreaming about.

What are some of the challenges of operating in Vietnam?

Viet Hung Do: You need to be patient in this market. The growth will be there, because, wherever you look, almost every sector needs development and growth. But it will be bumpy, because we are learning by doing here. And sometimes we make mistakes, and those mistakes make it bumpy.

Randy Guttery: There are a lot of frustrations in dealing with the processes. No doubt. And this is something that all of us, especially the foreign investors here, deal with every day, because in a lot of cases, there's just no law. The laws aren't clear or they're not developed yet, or they're going to be developed, or they're developed retroactively.

Can you find the local talent that you need?

Ahn Tu Do: In Vietnam, it's a big problem to have good people.

Viet Hung Do: The education system here is not as practical as it is elsewhere. So therefore, if you move up the ladder, we are facing a severe human-resource issue. We recruit people here; you can't use them. You have to train them. You have to train them for a few years before you can use them. So professional training—either by the company or by the outsourcer—is a big issue.

Randy Guttery: In our industry, there are not a lot of retailers, wholesalers. There are not so many companies. So it's very difficult to find people with a knowledge base to draw upon, which means we really have to be the trainer for our industry.

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Mai Huong Hoang: Unfortunately, we have a lack of the middle-management level in people with good skills. Because if a person in Vietnam works for a company and becomes successful within that company, the trend usually is that they immediately want to spin off and set up their own business.

Randy Guttery: We still find ourselves able to attract really good talent. At the same time, if you look at the statistics, the average employment time in Vietnam right now is around three years.

Anh Tu Do: You catch people the same way you might catch fish. Sometimes you are lucky and you can catch some good ones. And sometimes you are not lucky.

Jean Yves Romagnani: It was the same in China’s early days. The only advantage I would say of China in the early days: if you cannot find local people, you can still hire some Taiwanese or Hong Kongese that have some experience in that field and ask them to come to China. For Vietnam, it’s a little bit more difficult because we don’t have that many people from the Vietnamese Diaspora that are in luxury businesses and that would be willing to come back. So we need to find a way to achieve the recruitment. But it’s true that recruiting the proper people is the key point for our long-term development. And it’s an everyday challenge. ○