

A view from Asia Now Consulting

Successful Market Entry and Profitable Growth in Vietnam Beer Industry



This special report which focuses on the Beer Industry:

- Evaluates the Vietnam market (using geographic, demographic and economic criteria) to identify overall potential and clusters of opportunity for profitable growth
- Identifies competition, points of sale, regional/local government groups of interest and other externalities
- Identify entry-routes and potential partnerships and assess high-level economics

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Vietnam Beer Industry

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Continuing Growth and Significant Opportunities in Vietnam's beer industry



The beer industry is the biggest sector of the Alcoholic Beverage industry, with global annual sales exceeding \$325 billion USD. Vietnam's continuing thirst for alcoholic drinks demonstrates the local industry's potential as does the expansion of beer production in recent years.

Beer sales in Vietnam, accounting for about 98% of alcohol sales in 2008, are set to grow 49% 2008-2013 due to high levels of investment from local players and expansion-oriented multinationals. Per-capita beer consumption in Vietnam is expected to increase by 40% - from 21 liters in 2008 to 30.2 liters in 2013

With continuing growth and significant opportunities, companies that operate in the beer sector face considerable competitive pressures. Consequently, they must streamline their processes in order to drive real, profitable growth – all while ensuring that they effectively meet the demands of the sector.

To succeed in this environment, companies must consider the market trends that will likely shape the industry over the next few years. This will help them understand the challenges they will encounter and transform these challenges into opportunities for process improvement, enhanced flexibility and, ultimately, greater profitability.

Trends

Market trends for Vietnam's beer industry can be characterized by five fundamental themes:

- Active government encouragement for local players to improve performance - in terms of capacity, quality, price and distribution, in order to maintain a competitive position in the market.
- Domestic brands leading sales
- Fierce competition, fuelled by Increasing presence of major global brands, especially in the premium beer segment.
- International and local brewers increase share through merger and acquisitions.
- Aggressive investment in brewing capacity by other leading brands

Opportunities

Each beer company must take these industry trends into consideration, as well as its own strengths and market position, when looking for ways to drive innovation, accelerate growth and increase margins. The most important opportunities for market entry will be found in:

- Better understanding the consumer – identifying fast-moving changes in consumer requirements and expectations. Environment may require different approaches in different regions of Vietnam
- Effective innovation and new product introduction – profitable growth through agile alignment with consumers' tastes and preferences
- Profile of key *external* factors that influence a company's ability to compete

Approach

Beer industry solutions are now available that can support beer companies in taking advantage of these improvement opportunities. These solutions provide an integrated platform and sector-specific functionality that help companies to:

- Identify the dynamics of the industry value chain in Vietnam, especially the nature of competitor responses (intensity of competitor rivalry)
- Confirm the key players and the roles they play and are likely to play (e.g. retailers, wholesalers, distributors etc)
- Assess if business or community practices affect the ease of market entry
- Develop provisional value proposition – what features would attract the customer, who would buy it?
- Identify the cluster(s) that offer high attractiveness and the key risks associated with attractive clusters (balance attractiveness against risks)
- Prioritise clusters based upon best balance between attractiveness and ability to compete

To survive in the increasingly competitive marketplace, beer companies must not be afraid to introduce change into their business models and to implement the functionality needed to support it. Only by streamlining their operations and focusing on real improvements can they achieve truly profitable growth.

Asia Now Pte Ltd

The Lean Growth Company

SINGAPORE

3 Shenton Way
#18-05 Shenton House
Singapore 068805
Phone: +65 6322 8557
Facsimile: +65 6550 9898
Email: singapore@asia-now.com
Website: www.asia-now.com

HO CHI MINH

38/8B Tran Khac Chan
Tan Dinh Ward, District 1
Ho Chi Minh City, Vietnam
Mobile: (84) 904 582 897
Email: vietnam@asia-now.com

JAKARTA

39/F Wisma GKBI
Jl. Jend Sudirman No. 28
Jakarta 10210
Phone: +62 21 5799 8055
Facsimile: +62 21 5799 8080
E-mail: indonesia@asia-now.com

SHANGHAI

Suite 10E03, Shanghai Mart,
2299 Yan An Road
Shanghai 200330, P.R. China
Phone: +86 21 2890 3260
Email: china@asia-now.com

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CFO, Greater China

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CEO, Leading Specialty Company

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Sales Effectiveness and Transformation

salestransformation@asia-now.com

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