

RETAIL

A look at Vietnam's affluent

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Ho Chi Minh City in Vietnam. Image credit: Pixabay

By A LUXURY DAILY COLUMNIST

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In the past decade, Vietnam's economy has undergone significant positive shifts.

After opening up to direct foreign investments and joining the World Trade Organization, the country has seen a boom in its retail sector and an influx of foreign brands in the recent years. Indeed, Vietnam is one of Asia's growing economies, boasting a GDP growth of 7.38 percent in the first quarter of 2018, according to the World Bank.

These economic and political reforms have led to higher incomes and a widening middle class, and home to a fast growing number of ultra-high-net-worth individuals (UHNWI).

Vietnam has also been forecasted to grow faster than India and China. So what marks the behavior and preferences of these affluent Vietnamese?

Building up appetite

Vietnam has a young population with a median age of 30 years old, and the affluent members of society are no different, with around half of them belonging to the millennial generation.

The country has a significant proportion of new wealth generators as the young accumulate their wealth faster than their predecessors in the last five years.

Given a challenging history, Vietnams wealthy have an appetite for investment.

Approximately 40 percent of their assets goes to investments and savings. They also maintain a responsible demeanor when it comes to spending on luxury goods, requiring not just a brand name, but also unrivaled quality that makes it worth the purchase.

It is not to say that they do not like to enjoy the finer things seven in 10 believe in pursuing the best quality in life.

Vietnamese affluent are drawn to brands and experiences with extraordinary appeal, and more likely choose brands that will make them stand out. They are likely to look for something unique, whether through limited-edition goods or through experiences, showing off the value on top of the brand story.

What is next for luxury brands?

It is no surprise that Vietnam is now becoming a lucrative market for luxury products.

The country's retail industry has already experienced double-digit growth in the most recent years.

New shopping establishments are popping up, and new players are entering the market. Examples of these are the opening of the first Takashimaya department store in 2016 and Dolce & Gabbana's flagship store just last November in Ho Chi Minh City.

Mall operator Vincom Retail has also planned to open 30 more shopping centers this year, increasing its network to 200 by 2021.

Both Vincom Center A and B boasts a list of high-end tenants: Ralph Lauren, Hermes, DKNY and Jimmy Choo, to name a few.

Outside of Saigon, Da Nang is also primed for a new luxury mall designed to appeal to locals and tourists alike, featuring international fashion brands and duty-free stores.

Luxury brands are expected to benefit from this momentum, as around half of affluent consumers foresee their spends on luxury goods to increase in the immediate future.

More luxury brands are also expected to set up shop locally.

Luxury purchase is split between local and international channels among the Vietnamese affluent consumers. Hence, luxury brands may find the need to bring their goods locally to reach out to this growing segment of the population, and compete with local jewels.

In terms of categories, Agility's research finds that top 3 most-often-bought products are cosmetics, skincare and jewelry.

Demand for travel

Vietnam has seen an increased demand for luxury accommodation and travel.

In 2018, the number of tourists who visited Vietnam in the first five months of the year is higher by 26 percent compared to the same period last year.

This influx of tourists shows renewed interest in this growing market.

From Agility's latest Affluent Syndicated study, Vietnam is also one of the planned destinations in the immediate future among Asia's affluent consumers, particularly Singapore, South Korea, Japan, Malaysia and China.

With real estate as one of top developments in the country, properties that offer luxury accommodations and services have already begun to step up their game. RCI's exchange network is prepared to receive six new resort properties, including FLC Luxury Resort Vnh Phc.

Anantara Hotels and Resorts has also added a 26-villa resort to its development plans in Quy Nhon, and another set of villas in the Binh Dinh province, nearer to the local cultural attractions.

Affluent Vietnamese themselves are frequent travelers.

On the average, our data found that on an average, they traveled six times overseas and 14 times annually one of the highest in Asia.

Agility's research finds that a significant part of the affluent Vietnamese plan to travel to improve and maximize their luxury consumption the lion's share of their travel expenditure goes straight to shopping, followed by miscellaneous leisure activities.

With a growing middle class and an affluent segment that likes to travel in style, increased demand for luxury travel options are on the horizon.

Young, tech-savvy consumers to influence in-market trends

Vietnamese affluent consumers are digitally connected.

From an era where a display of wealth was frowned upon, this new generation has no qualms acting as ambassadors for their brand of choice.

More than half of them would recommend luxury brands to peers and family, while seven in 10 would post their opinions on social media.

Two in 3 of them expressed a preference for purchasing luxury goods online whether it be through shopping marketplaces such as Amazon or Lazada, the official brand Web site, or through specialty sites including Luxola, it is clear that a Web presence is crucial in driving awareness and sales.



Ali Mirza is CEO of Affluent

*Ali Mirza is CEO of **Affluent** powered by Agility Research & Strategy, a specialist in intelligence focused on the affluent and emerging middle class consumer: the "influential affluent." Affluent works with leading premium brands, offering services such as analytics, consulting and consumer research.*

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