



DI-GEST ASIA MARKET REPORT

VIETNAM'S FASHION RETAIL SECTOR

JULY 2021

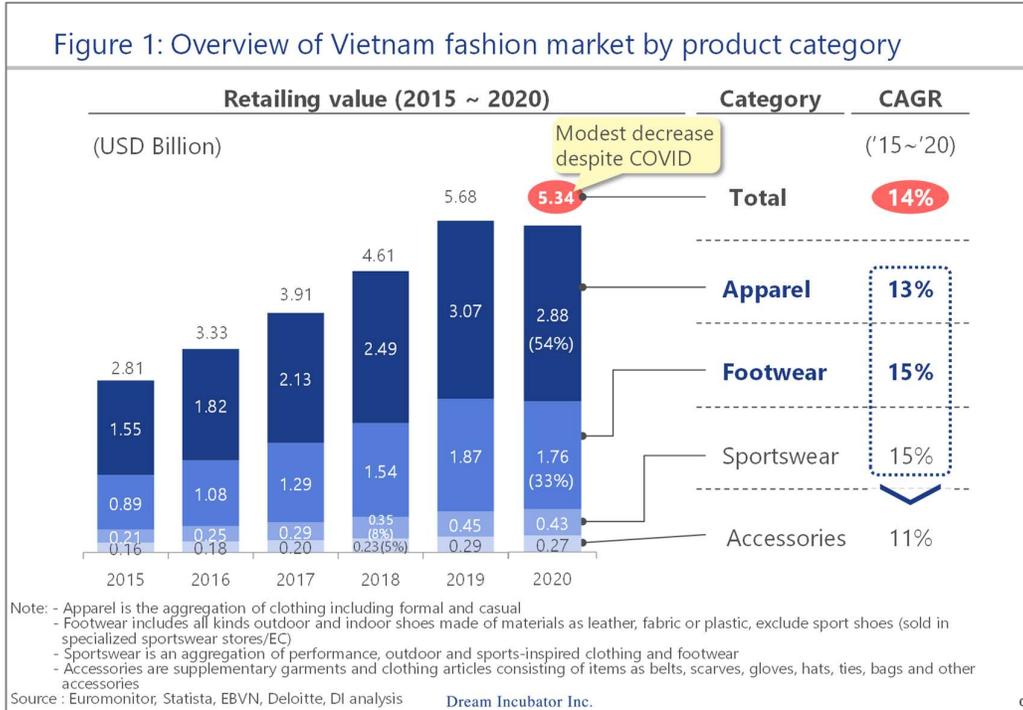
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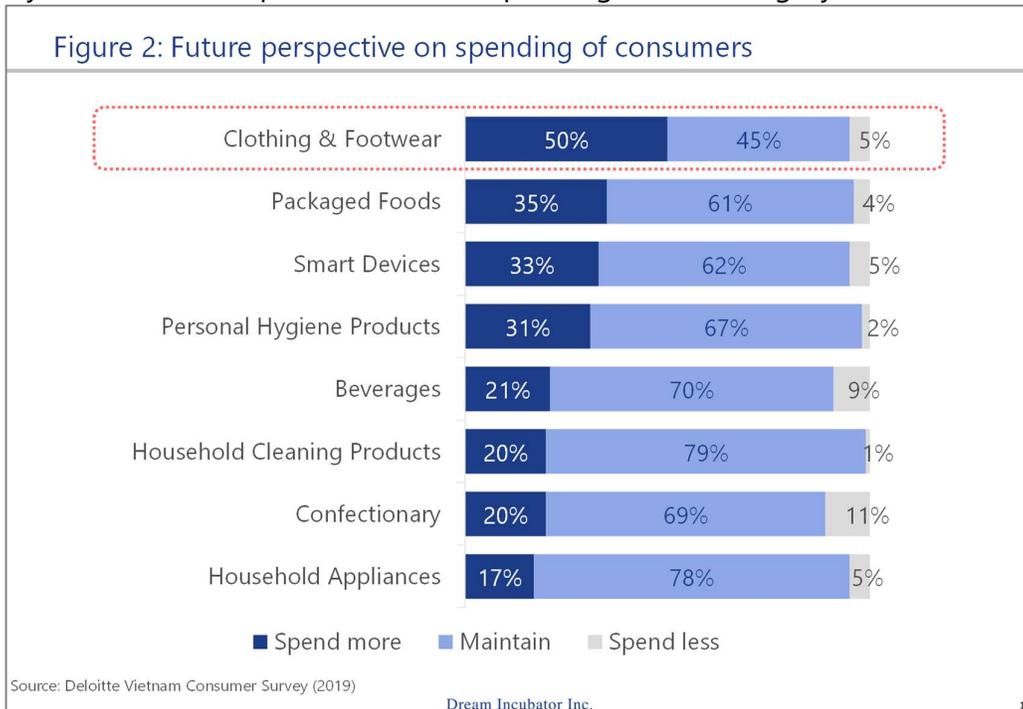
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Vietnam fashion: a high-growth potential market

The Vietnam fashion retail sector is valued at US\$5.34 billion (“B”) in 2020, going doubled during ‘15~’20. Apparel and Footwear are the two major products with 54% and 33% share respectively.



Vietnamese consumers are also optimistic about spending. In a 2019 survey, 50% of surveyed consumers reported increased spending on this category.

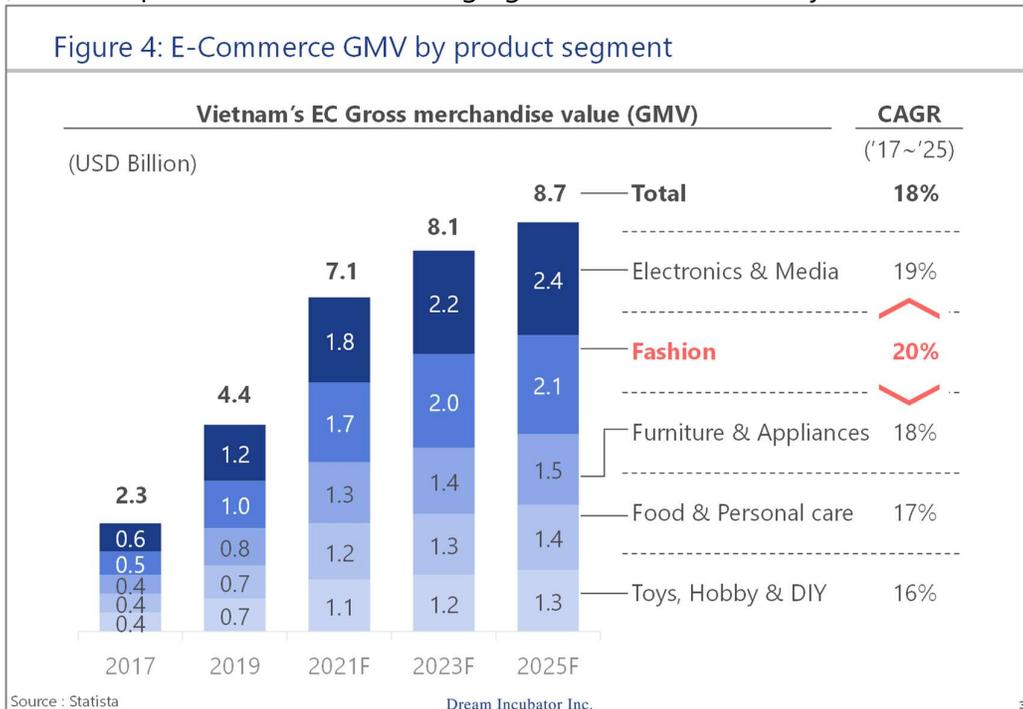


Emerging trend ① - ECommerce (“EC”) as a prevalent channel

Vietnamese consumers are used to EC shopping. According to a Nielsen survey, 61% of respondents reported being familiar with fashion EC, much more than other products.

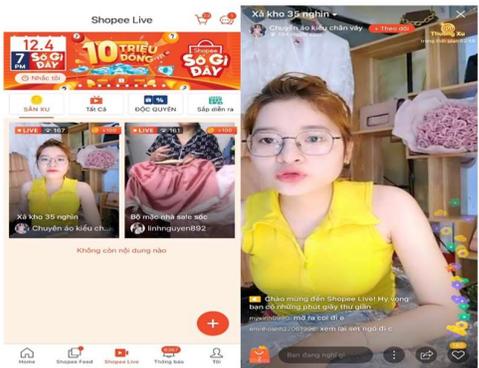


It is estimated that EC was accounted for 26% of fashion total sales, which is equivalent to ~\$1 B in total Vietnam’s EC GMV, coming just after Electronics & Media (~\$1.2 B sale) and is expected to continue its high growth in the next five years.

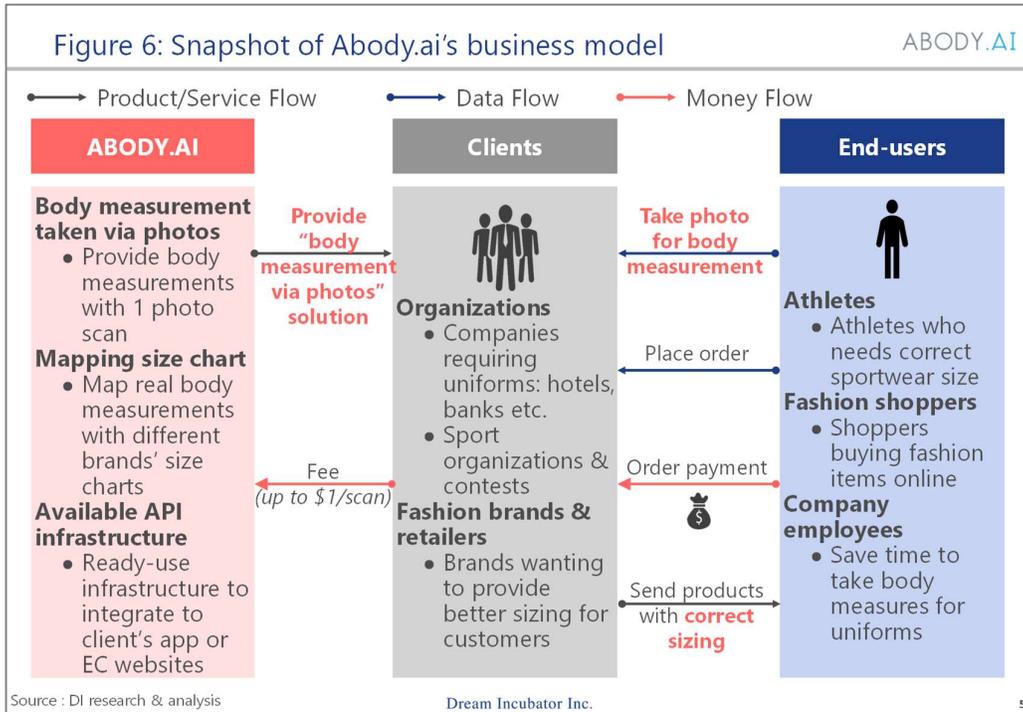


Players in the online space are continuously coming up with ways to overcome the online fashion shopping barriers (e.g., sizing & quality issues), with live streaming and body measuring apps playing an important role. Livestreaming, which initially comes from social media platforms like Facebook, is now adopted on most EC platforms like Shopee or Lazada. The tool enables an interactive interface between buyers and sellers diminishes several issues in the online shopping experience as buyers can see what they will get before deciding to buy.

Figure 5: Example of livestreaming on social media & EC platform

Livestreaming on Social media	Livestreaming on EC platform
	
<p>Local & unbranded players are taking advantage of social media livestreaming</p> <ul style="list-style-type: none"> - Exclusive deals to boost sales - Real product demonstration = overcoming size & quality hesitation 	<p>EC platformers introduce in-app livestreaming function</p> <ul style="list-style-type: none"> - Better interactions with buyers e.g., answering questions directly - Prolong app usage time & upsell to more products
<p>Source : DI research and analysis</p>	<p>Dream Incubator Inc.</p>

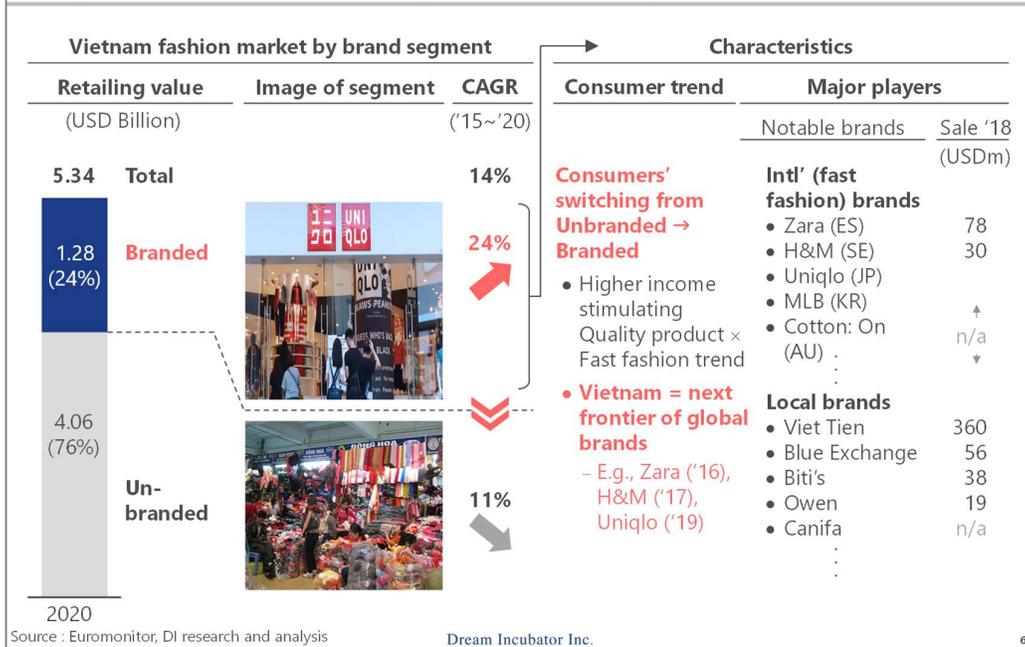
ABODY.AI, a relatively new startup founded in 2019, is fixing another major pain point of fashion-lovers during their online shopping journey – size. The startup provides sellers with a tool to offer end users body measurements by analyzing their body photos. It also has a comprehensive size database of different brands and can map body measurements of an end-user with various brands’ size charts since someone with a size S as defined by one brand can be an M as described by another. According to the founder, ABODY.AI’s mission is to help companies translate accurate body measurements into the language of the tailors.



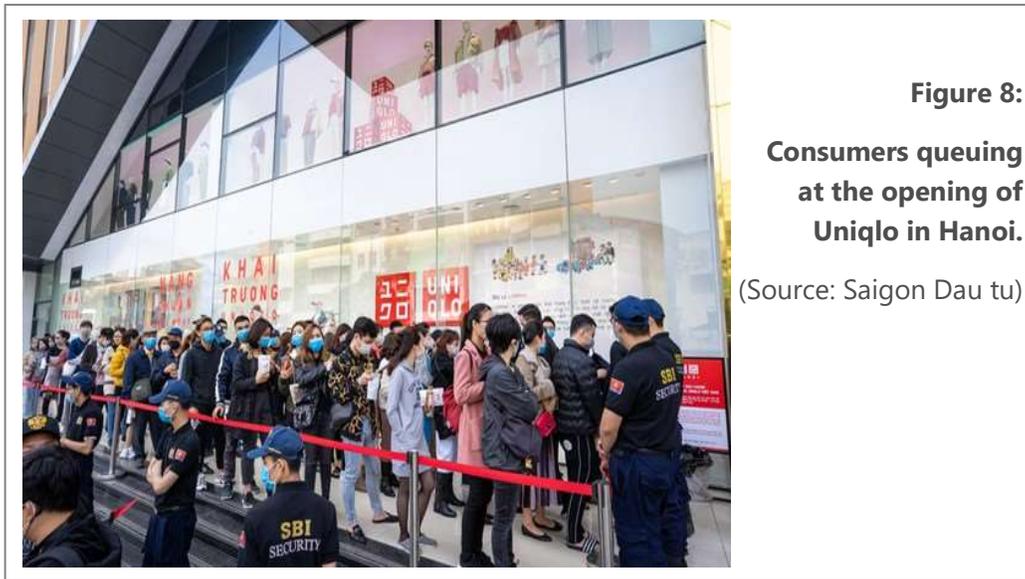
Emerging trend ② - The shift to branded products

Unbranded products are imported from China and sometimes domestically made and branded as "VNXX" (standing for Made-in-Vietnam for export, including brand-copied products). This segment is making up the vast majority of Vietnam's fashion sector, occupying 76% of the market's retail value. On the other hand, branded fashion only has a modest share of 24%. However, the significant growth of 24% ('15~'20 CAGR) versus a mere 11% of the unbranded segment indicates that consumers are rapidly switching to branded category. This trend is driven by higher income of the population and the fact that consumers are well educated by brands & fashion trends. Several international fashion brands are entering the Vietnamese market, with some notable names such as Zara, H&M, and Uniqlo. Local brands are also a force to be reckoned with, with one of the market leaders - Viet Tien, recording a revenue of US\$360 million in 2018. Both international and local brands are rapidly expanding their store coverage to meet ever-increasing customer expectations.

Figure 7: The shift of consumption to branded products

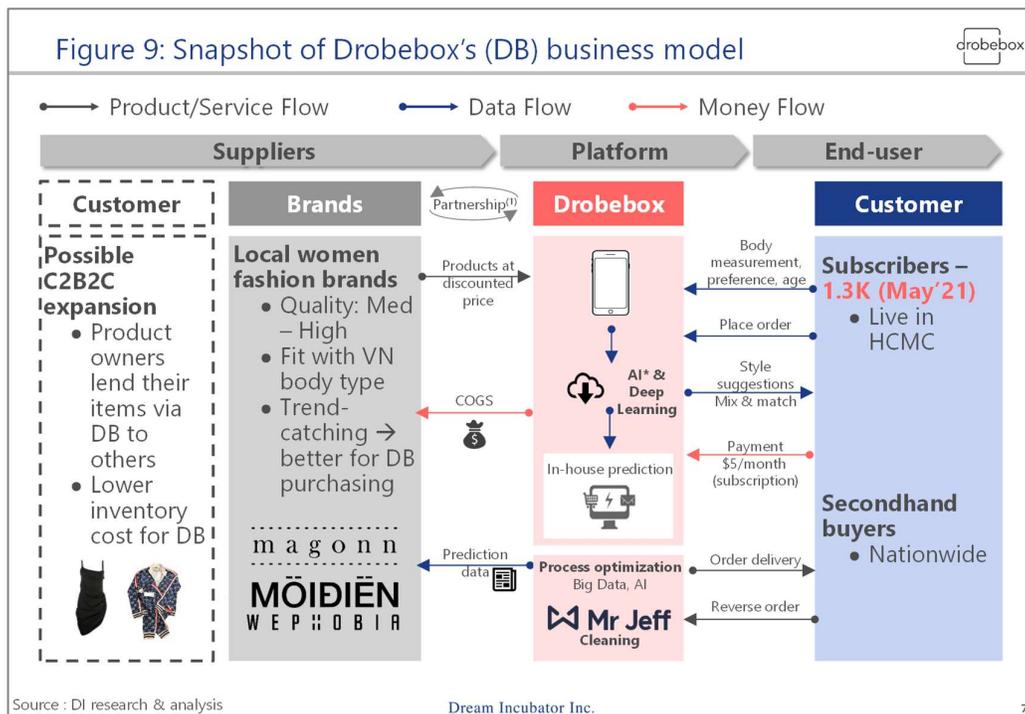


In some cases, young Vietnamese consumers would not even mind the long hours queuing at the opening of an international brand in Vietnam. This clearly shows the preference the brand receives from Vietnamese fashion lovers.



Some early-stage startups are navigating the market

Some startups are quick in adapting to the market dynamics and provide solutions that capture both the trend of online shopping & branded products. Drobebox (est. 2020) can be an example. Acknowledging that the market has a soft spot for branded fashion and the fact that women want to change their clothing daily, Drobebox adopts a cloth-renting model that is famous in countries around the world, such as Singapore with Style Theory or the US with Rent the Runway. According to its founder, Mr. Son Tang, Drobebox's addressable market is 40% of the total fashion market, which is over US\$2 B. This is estimated based on the fact that 40% of clothing purchased is not in regular use, and instead of buying those, renting is an ideal alternative.



Drobebox's main value propositions are the lower trial-and-error costs incurred for fashion lovers and the significant savings it provides. This model promises low trial-and-error costs, meaning instead of buying an item and putting it away because one does not like it, the person can now actually experience the product and decide to buy it (at a much lower price) or move on to other items. In addition, Drobebox also allows users wear several outfits at a fraction of the cost, equal to a considerable saving compared to them having to buy 30 outfits per month. Technology is also an advantage of Drobebox. By using an online app powered by Artificial Intelligence (AI), users can receive relevant clothing suggestions, place orders, receive rented items, and return the used items without having to clean them at their convenience. According to Drobebox's founder, their AI can predict a customer's taste with 95% accuracy after her 3rd order. Drobebox is currently partnering with several local fashion brands and using its system to predict trends that can benefit brands in the future.

Outlook on business potential in Vietnam fashion

The Vietnam fashion sector is probably known by the world by its world-class manufacturing capability. Garment & Textile is the No.2 export product of Vietnam in terms of value that reached US\$35 B in 2020 (slightly decreased due to COVID-19), with primary markets being high quality demanding ones like the US, EU, and Japan. In light of the fast-growing domestic market and favorable consumer trends, the potential is enormous for players to capitalize on the manufacturing foundation while solving the primitive distribution chain and offering new value propositions to Vietnamese consumers.

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