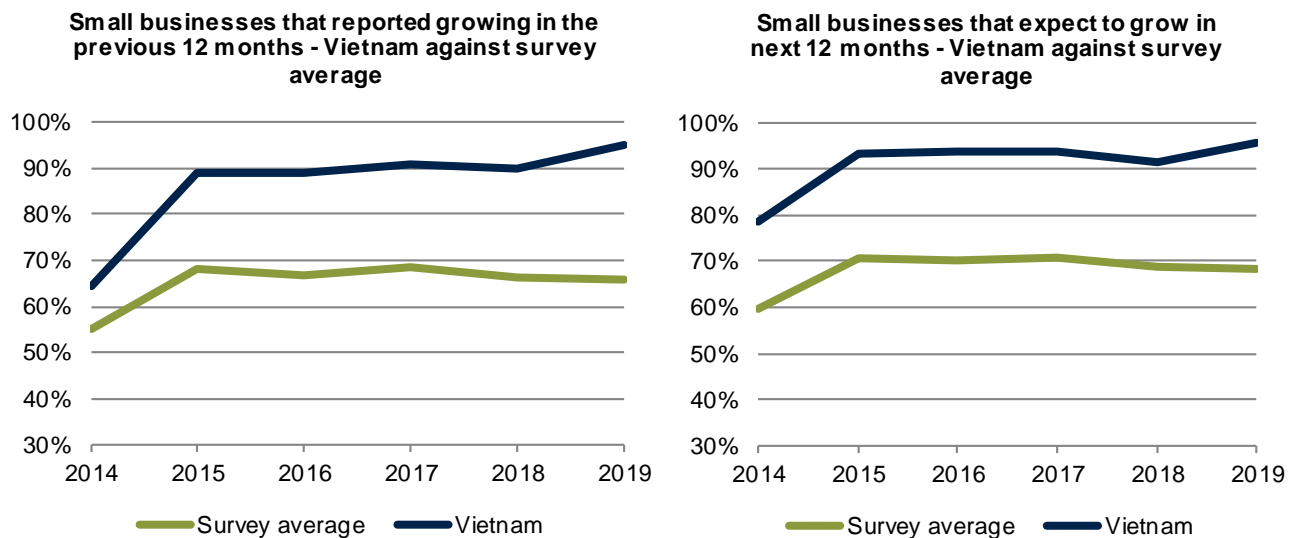


Vietnam market summary

Business and economic growth



| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|---|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Businesses that grew in the last 12 months | 95.0% | 65.8% | 1/11 | 90.0% | 1/10 | 90.7% | 89.0% | 89.0% |
| Businesses that expect to grow in the next 12 months | 95.7% | 68.2% | 1/11 | 91.3% | 3/10 | 93.7% | 93.9% | 93.5% |
| Businesses that expect the local economy to grow in the next 12 months | 95.0% | 59.1% | 1/11 | 92.2% | 1/10 | 85.0% | 85.8% | 91.0% |

Business activity over the past 12 months

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|--|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Increased employee numbers | 42.7% | 32.5% | 3/11 | 56.0% | 1/10 | 64.8% | 53.9% | 48.1% |
| Improved business management had a major positive impact on the business | 20.0% | 17.6% | 4/11 | 29.4% | 3/10 | 28.9% | 25.5% | 41.0% |
| Increasing costs had a major negative impact on the business | 50.0% | 33.8% | 1/11 | 43.4% | 4/10 | 29.6% | 43.2% | 57.1% |
| Required funds from an external source | 88.7% | 52.2% | 1/11 | 78.0% | 2/10 | 90.0% | 81.3% | 85.8% |
| Sought external funds for business growth | 67.3% | 54.0% | 1/11 | 70.1% | 2/10 | 47.6% | 63.5% | 70.3% |
| Found it easy or very easy to access external finance | 17.3% | 31.6% | 10/11 | 28.6% | 5/10 | 27.7% | 23.0% | 29.7% |
| A bank was the business's main source of external finance | 84.6% | 36.2% | 1/11 | 46.9% | 3/10 | 46.1% | 50.8% | 62.8% |

Planned business activity over the next 12 months

| | 2020 | Survey average | Rank 2020 | 2019 | Rank 2019 | 2018 | 2017 | 2016 |
|--|-------|----------------|-----------|-------|-----------|-------|-------|-------|
| Expect to increase employee numbers | 72.0% | 42.7% | 1/11 | 73.1% | 1/10 | 67.4% | 70.6% | 66.1% |
| Will introduce a new product, service or process unique to their market or the world | 37.0% | 25.8% | 3/11 | 33.7% | 2/10 | 41.9% | 31.0% | 26.1% |
| Expect revenue from overseas markets to grow strongly | 22.0% | 17.1% | 5/11 | 29.4% | 1/10 | 51.2% | 26.8% | 19.7% |
| Will seek external funds | 68.0% | 23.3% | 1/11 | 38.5% | 1/10 | 54.8% | 44.5% | 47.1% |
| Expect easy to very easy access to finance | 14.5% | 27.4% | 8/11 | 26.6% | 4/10 | 24.2% | 22.9% | 22.9% |

Social media, e-commerce and technology

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|--|---|---------------------|-----------|---------|-----------|-------|-------|-------|
| Did NOT earn any revenue from online sales | 6.3% | 26.2% | 10/11 | 14.9% | 8/10 | 4.3% | 12.6% | 13.9% |
| Did NOT use social media for business purposes | 4.0% | 18.9% | 10/11 | 10.4% | 7/10 | 2.0% | 8.1% | 3.2% |
| Investment in technology by the business over the past 12 months has improved profitability | 88.0% | 48.9% | 1/11 | 76.4% | 2/10^ | 76.4% | N/A | N/A |
| Technology the business invested in most heavily over the past 12 months | Artificial intelligence, machine learning and conversational platforms such as chatbots | Computer equipment | N/A | Website | N/A | N/A | N/A | N/A |
| Consider the business likely to be cyberattacked in next 12 months | 64.7% | 37.5% | 1/11 | 65.7% | 1/10 | 80.7% | N/A | N/A |
| Reviewed the business's cybersecurity protections in last six months | 70.7% | 45.9% | 1/11 | 69.6% | 1/10 | N/A | N/A | N/A |
| More than 10 per cent of sales is received through digital payment options such as PayPal, Alipay, WeChat Pay | 82.5% | 60.1% | 2/11 | 60.0% | 3/10 | 62.5% | N/A | N/A |

Factors that had positive and negative influences on business

| Top four factors that had a positive influence on small business in 2019 | Top four factors that had a positive influence on small business in 2018 |
|--|--|
| Technology | Improved customer satisfaction |
| Improved customer satisfaction | Customer loyalty |
| Good staff | Good staff |
| Cost control | Improved business strategy |

| Top four factors that had a negative impact on small business in 2019 | Top four factors that had a negative impact on small business in 2018 |
|---|---|
| Increasing competition | Increasing competition |
| Increasing costs | Increasing costs |
| Increasing rent | Difficulty expanding into new markets |
| Cash flow difficulties | Tax |

Impact of a trade war

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 |
|---|-------|---------------------|-----------|-------|-----------|
| Possible trade war between the US and a range of other economies will have a negative impact on your business in next 12 months | 56.0% | 33.1% | 1/11 | 43.7% | 2/10 |

Demographics

| | 2019 | Survey average 2019 | Rank 2019 | 2018 | Rank 2018 | 2017 | 2016 | 2015 |
|--|-------|---------------------|-----------|-------|-----------|-------|-------|-------|
| Business has been established for 10 years or less | 71.7% | 65.4% | 6/11 | 77.0% | 2/10 | 64.5% | 80.3% | 80.7% |
| Respondent is aged under 40 | 65.0% | 54.7% | 3/11 | 75.7% | 1/10 | 41.8% | 72.2% | 79.7% |
| Respondent is the business owner | 33.7% | 42.5% | 8/11 | 19.7% | 7/10 | 5.3% | 15.5% | 17.7% |
| Business has 10 to 19 employees | 59.7% | 34.6% | 2/11 | 47.9% | 2/10 | 75.4% | 73.9% | 65.5% |

Summary

Small business conditions were very positive in Vietnam in 2019, with 95.0 per cent reporting that they grew – the highest result of all the markets surveyed, and the highest result ever recorded in this survey, and well above the survey average of 65.8 per cent. While the overall results are more positive than in 2018, the percentage of businesses in Vietnam that grew strongly was down from 26.9 per cent in 2018 to 19.0 per cent in 2019.

Reflecting these strong business conditions, 42.7 per cent of Vietnam's small businesses added to their employee numbers in 2019 – the third highest amongst the markets surveyed. This result was down from 2018, where 56.0 per cent added staff. The fall can be attributed to the decline in the number of businesses that reported growing strongly in 2019 from 2018.

Small businesses from Vietnam continue to be strong adopters of new technology. Many of Vietnam's small businesses sell online and use social media in their business, with only 4.0 per cent not using social media for business purposes. Further, digital payment options such as Alipay and WeChat Pay are an important part of many Vietnamese small businesses, with 82.5 per cent receiving more than ten per cent of their sales from that channel in 2019, up from 60.0 per cent in 2018.

The growing trend in digital payment adoption is reflected in the decrease in popularity of cash as a payment option for Vietnam's small businesses. Only 27.7 per cent of businesses stated that cash made up 50 per cent or more of their sales, which was down from 57.9 per cent in 2018.

Cybersecurity is taken seriously in Vietnam given that 64.7 per cent of Vietnamese respondents believe that a cyberattack on their business is likely in 2020 – the highest result of the markets surveyed. This concern is most likely driven by the increasing use of technology in Vietnam, not because of any identified risk factor. Due to these concerns, Vietnamese small businesses were also the most likely of the markets surveyed to review their cybersecurity in the past six months.

The strong level of investment in technology in Vietnam is producing benefits for a clear majority of small businesses, with 88.0 per cent of respondents stating that such investment in 2019 has already improved profitability – the highest result of the markets surveyed.

Vietnam was the only market in which respondents nominated artificial intelligence, machine learning and conversational platforms such as chatbots as the technology they made the biggest investment in in 2019. Vietnam's small businesses was also the only market that nominated technology as the most positive factor for their business in 2019. This suggests that the focus on emerging technologies such as artificial intelligence amongst Vietnam's small businesses is an indication of a desire to move up the value chain.

On the same note, Vietnam's small business sector continues to be highly innovative, with 37.0 per cent stating that they will introduce a totally new product, process or service to Vietnam or the world in 2020 – up from 33.7 per cent in 2019. This is likely to result in Vietnam having a more competitive small business sector and stronger economic growth over the medium to long-term.

Reflecting strong growth and investment in technology, 88.7 per cent of Vietnamese small businesses accessed external finance in 2019 – the highest result of the markets surveyed,. However, small businesses from Vietnam continue to find accessing finance more difficult than easy, with 61.7 per cent of those who accessed finance reporting that it was difficult or very difficult, compared with the 17.3 per cent that found it easy.

Of course, while the survey results are overwhelmingly positive for Vietnam, businesses did also report challenges, with increasing competition and increasing costs being identified as the largest barriers to growth. The percentage that selected these challenges was up from 2018, with Vietnam's small businesses the most likely to cite increasing competition and increasing costs as barriers to growth. However, increasing competition reflects a vibrant economy and should result in businesses focusing more on innovation and improving business models; both critical to sustainable growth.

With significant numbers of Vietnam's small businesses having characteristics strongly connected with growth, such as a focus on technology, e-commerce, exports and innovation, they should recover quickly from COVID-19 and then grow strongly.