

# Vietnam FMCG Outlook 2024

Winning New Age Consumers in Shifting Times







# Vietnam in Shifting Gears: A Macro Outlook

Decoding Vietnam's macro shifts: Economic, demographic, and consumer trends

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Thrive in Turbulence  
4 growth pillars for the future



# How to be chosen by more consumers?

In today's uncertain economic climate, navigating the delicate balance between managing costs and winning consumers is critical and requires strategic planning.



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Winning consumers' choices relies on the dual strategy of capturing the attention of shoppers' minds and effectively engaging them at the crucial point of sale. This multifaceted approach requires not only establishing a strong brand presence that resonates with consumers but also ensuring a compelling experience when they are making purchase decisions.

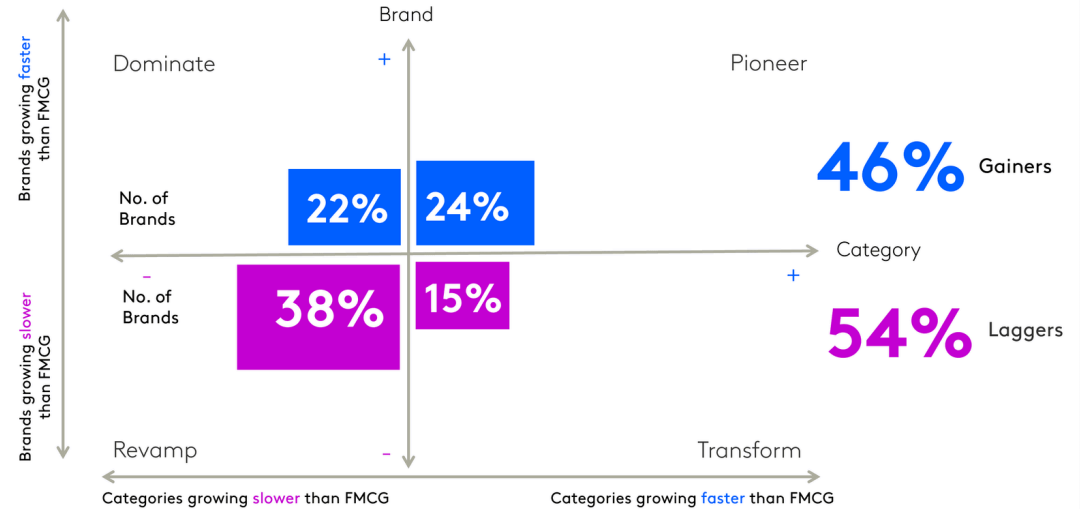
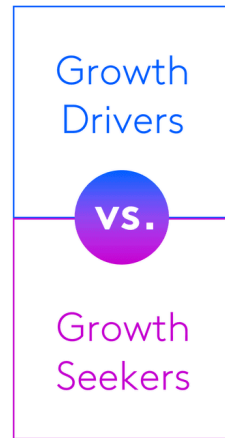
By strategically crafting marketing activities that focus on shopper behaviours' drivers, brands can imprint themselves in the minds of consumers, build relevancy and thereby, increase the likelihood of being chosen when it comes time to make a purchase.

Additionally, by optimising the retail environment and creating a positive shopping experience at the point of sale by through impactful promotions and strategic shelf display, brands can help shoppers find what they need and make informed purchasing decisions.



1.

# Unlocking the Why: Decoding drivers of change



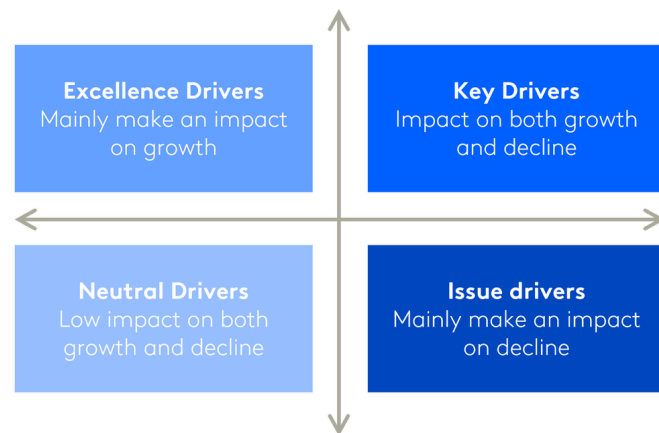
The year 2024 is expected to see even fiercer competition in the FMCG playground. Kantar's data reveals that **over half of FMCG brands struggled to keep pace with the competition** in 2023, **particularly within growing categories where approximately one-third of brands began to lag**. This highlights the urgent need for brands to identify their unique growth drivers to stay ahead of competition.



## Food for thought

Which drivers do I need to prioritise to ensure my future growth?

What are the key actions?  
Why?  
And who to target for each driver?



## Decoding Brand Performance

First, to identify growth drivers we need to understand the reasons for decline and growth on brand performance, which are clustered into 4 groups: *Excellence Drivers, Key Drivers, Neutral Drivers and Issue Drivers.*

In fact, each driver does not only have a one-way but a two-way impact and what makes the difference is whether the impact is positive or negative on growth. This is of great significance in helping manufacturers shape and prioritise the factors affecting their growth.



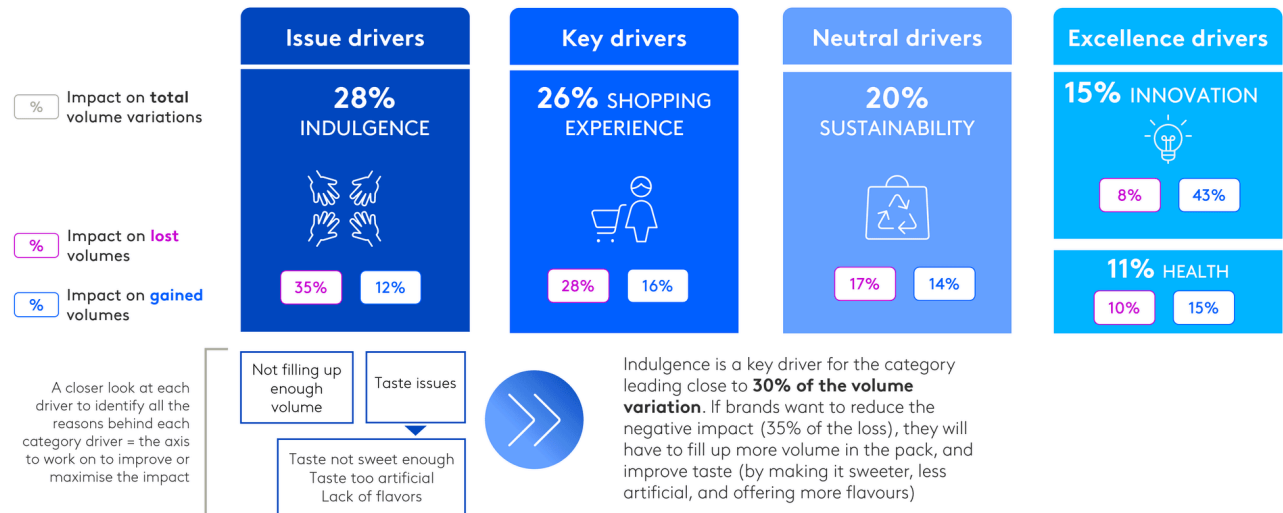
# Case Study:

## Measuring drivers' impact for strategic decision making

Let's take an example of a snack brand, where the brand must strategically allocate investments to drive profitability and develop the category.

Specifically, one of the drivers to address is the indulgence factor. While neglecting this driver could result in a substantial 35% reduction in purchase volume, rectifying it presents an opportunity for a 12% volume increase, albeit the lowest volume gain among all factors.

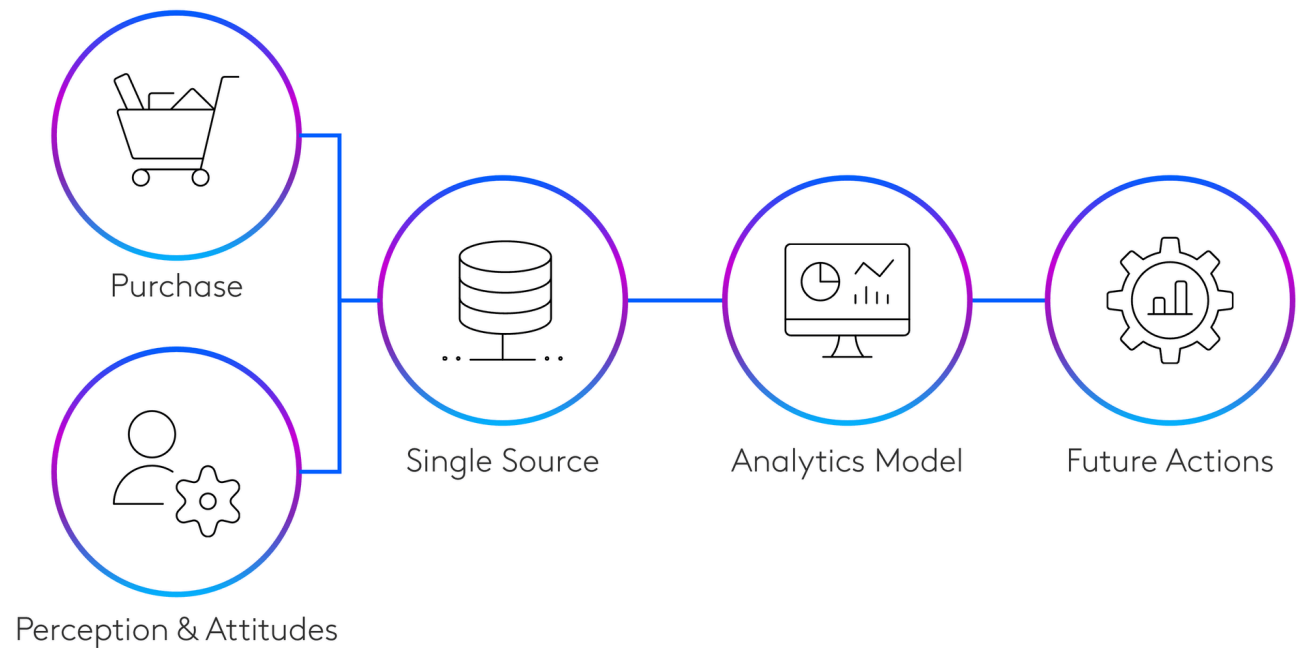
On the other hand, prioritising innovation through product development and new offerings yields significant growth potential, exceeding 40% of volume increase. Focusing solely on refining existing products might lead to an 8% decline, showcasing how aligning with consumer desires through product innovation unlocks substantially higher growth prospects.



# Understanding the power of **why**

At Kantar, we can make the link between the choices shoppers make: when they're doing it, where and how often; to why they are doing it and what they want next.

Understanding what shoppers think about your brand and category and connecting that to a real purchase can help you find the real behaviour changemakers, unlock unconscious behaviours and quantify your opportunities.





## 2.

# Channel strategy: Mastering the multi-channel landscape

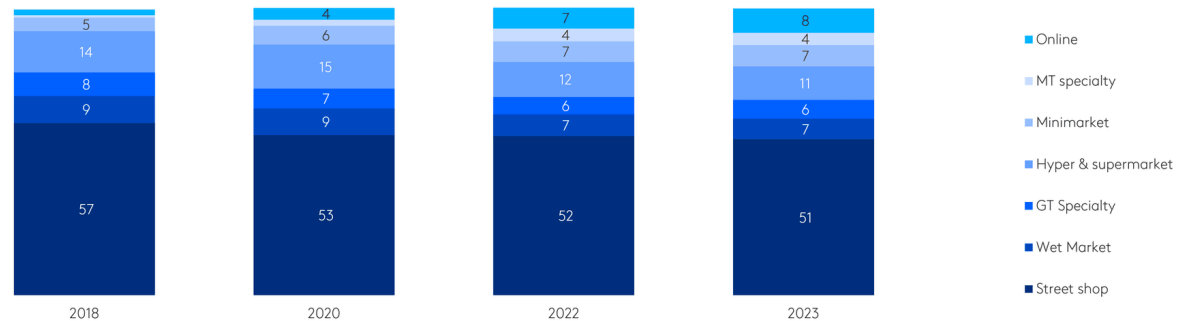
Being consumers' top of mind is the first step. The next challenge lies in getting your products seen in the places where your shoppers frequent and stand out to be chosen.

The FMCG retail landscape in Vietnam is shifting to more convenient and modern formats but not all modern trade channels can win. Mini stores are gaining popularity due to expanding product availability as well as proximity and convenience advantages. This rise comes at the expense of hypermarkets and supermarkets, whose value contribution is facing a gradual decline.

For brands attempting to be more present in smaller formats, every inch of shelf space becomes precious real estate. Brands need to maximise space to meet more shopper needs and missions with strategic product selection with less space.

Meanwhile, Online is exponentially growing in importance, capturing a bigger buyer base and fostering increased purchase frequency.

Channel Value contribution – Total FMCG





**As channel choices and preferences shift, understanding the "shopping mission" - the reason behind a shopper's visit to each channel - becomes crucial for success at the point of purchase.**

At its core, the 'shopping mission' dictates where consumers shop. By grasping its nuances, brands and retailers can pinpoint their target audience and create targeted marketing initiatives that resonate effectively at the point of sale.

#### Key FMCG & Fresh Food shopping missions



#### Stock up

Bulky trip, more time to browse for the best deals



#### Top up

Refill certain items that are going to run out



#### Immediate

Grab and go, already have the items in mind, or any item catches shopper's attention



#### Leisure

Do not plan to buy in advance, maybe attracted by interesting items/activities



#### Special Occasions

Gifting, celebration, open to spending more than usual

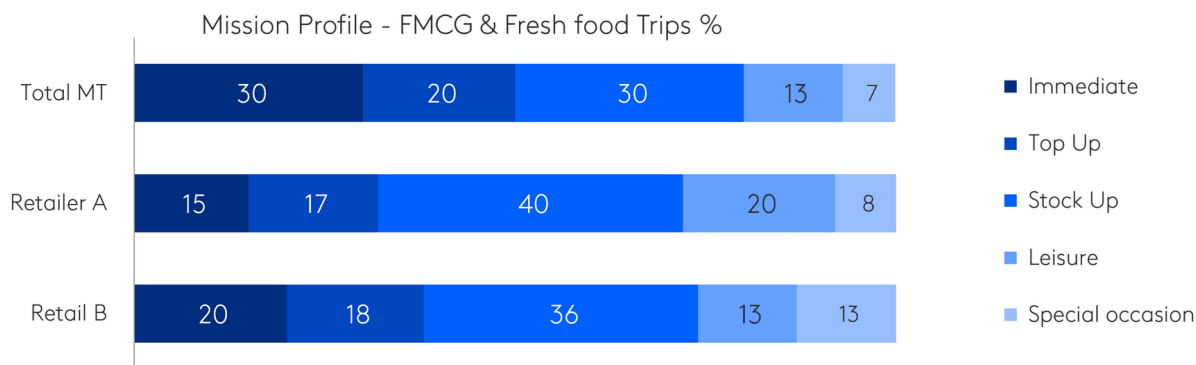


This understanding ensures your offerings are relevant at each channel and allows for strategic promotional activities, ultimately driving optimal engagement and conversions.

By decoding the shopper missions for each channel/retailer and adapting strategies accordingly, brands can ensure their products are not just seen, but chosen in the right places, at the right time.



What is the mission profile for each retail format?  
What are the differences between retailers?



In catering to consumer missions, it is imperative to recognise that different retail channels demand unique strategies, but it doesn't end there. Each retailer within those channels also needs a specific approach to effectively address the needs and preferences of their consumer base.

# Location, location

Contrary to consumers, shoppers can be influenced by various factors when they reach the point of sale, including the time of shopping, pricing, promotional incentives among others. Consequently, upon reaching the point of sale, there is a possibility that shoppers may opt for not making a purchase, selecting a different product from originally planned, or adjusting the quantity of the products they intended to buy.

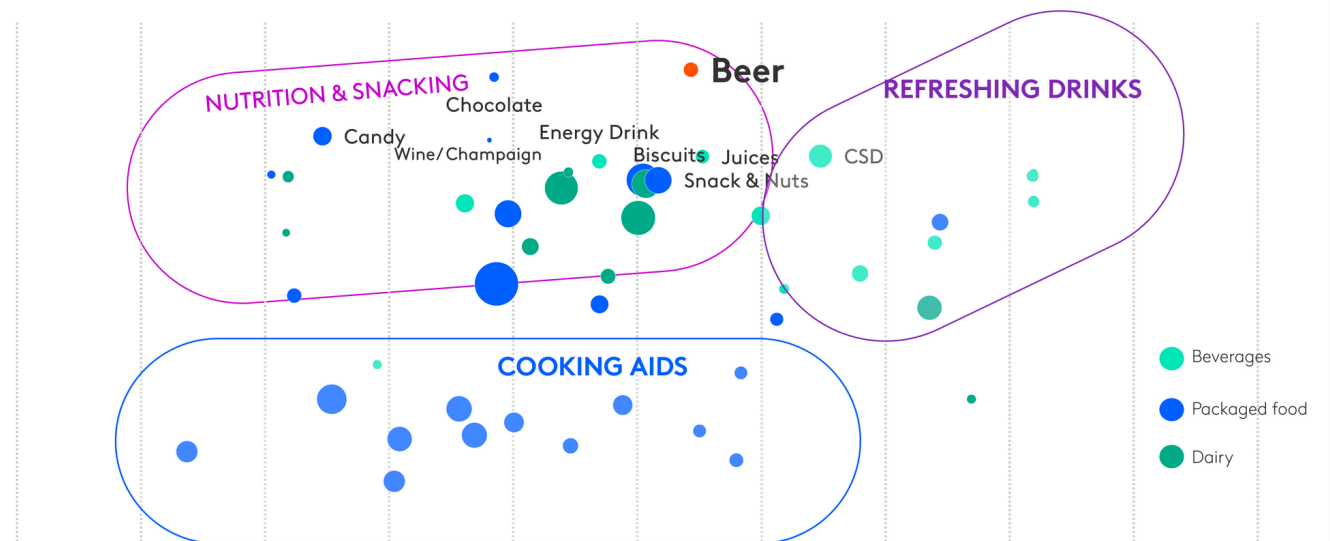
Strategic product placement plays a key role. Going beyond securing primary shelf space, brands can leverage secondary shelf positions and promotional placements, where frequently purchased items or adjacent categories are showcased. This strategy improves the visibility of products and increase the likelihood of impulsive selection by shoppers browsing through the shelves.

For example, studies reveal a high co-purchase rate between beer and energy drinks, carbonated soft drinks as well as biscuits, snacks and nuts in the same trip.

The primary location for beers should be within the Beverage sector in-store, where shoppers can find other key shopping basket complimentary categories such as soda drinks nearby. Such complimentary categories have high compatibility with alcoholic beverages and are more likely to unlock new opportunities for unplanned purchases.

For secondary placements on promotion and marketing tie-up, the optimum category would be next to or nearby snack category that is a high traffic category in-stores.

Adjacency at the category level in H&S





# 3.

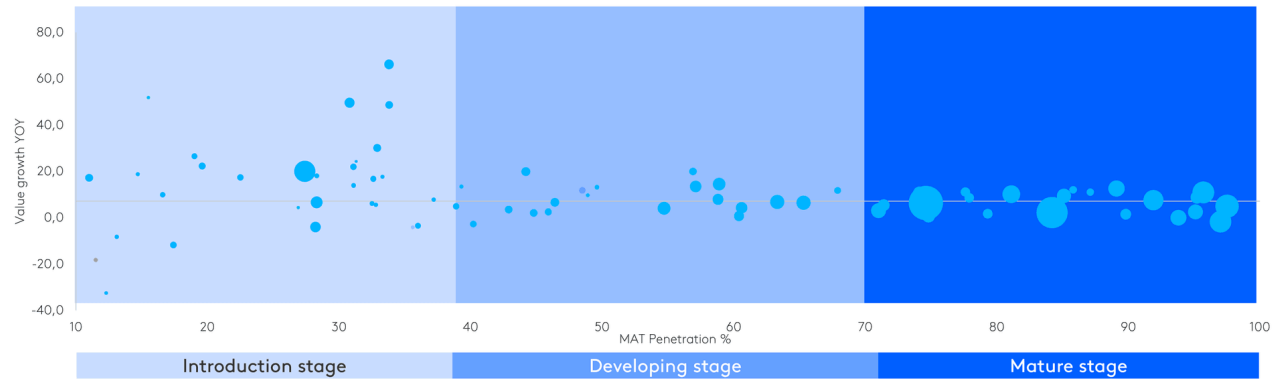
## Building a winning portfolio with consumer-centric innovation

### Standing out in a crowded aisle

Playing in multiple categories allows manufacturers to broaden the spectrum of value they offer and reach new consumers with diverse needs. However, simply adding products to the existing portfolio isn't the answer. A winning FMCG product mix requires strategic planning and continuous evaluation.

For FMCG manufacturers with a vast portfolio, identifying the key categories to prioritise investments in is crucial. There are opportunities for rising FMCG categories as well as mature categories.

Stages of category development



Brand owners, with the right consumer insights, can examine the opportunities among small rising categories and mature ones. Different strategies would be required for different categories, depending on the category size, growth and competition landscape.

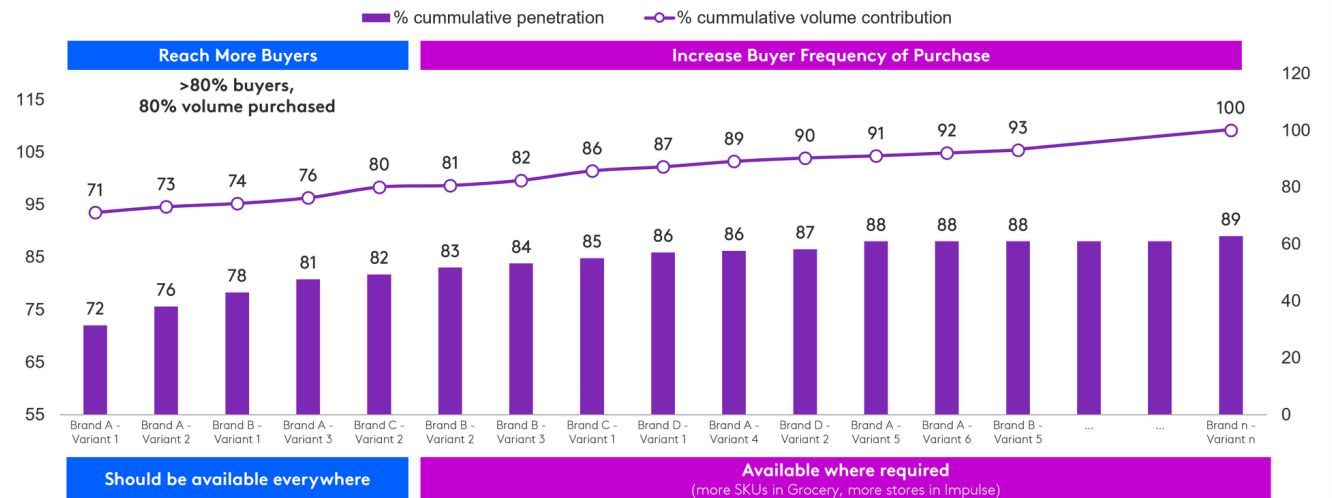
# Nurturing champions:

# Optimising your product assortment

To achieve sustained category growth and profitability, it is important to prioritise hero SKUs—those incremental or distinctive SKUs that not only address shopper needs but also have the potential to propel the overall category expansion.

Simultaneously, brands need to evaluate the tail end of the product portfolio, identifying items with minimal traction that can be rationalised without significant adverse effects. By striking a balance between nurturing hero SKUs and streamlining less impactful offerings, businesses can optimise their product assortment to better meet consumer demands while maximising operational efficiency and profitability.

Example for Manufacturer A – penetration is 89%



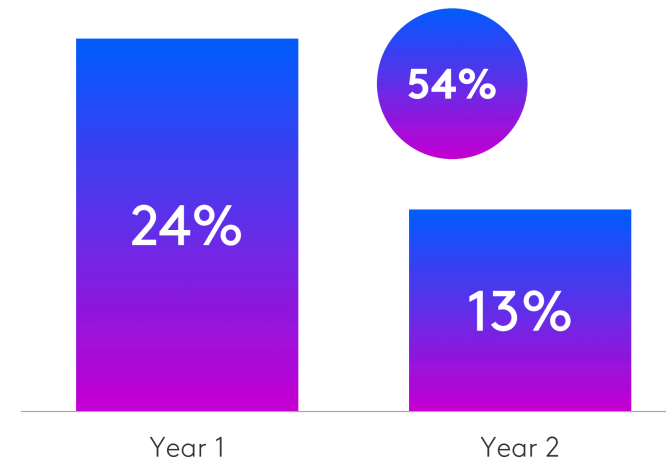
## Beyond the launch:

# Why sustaining support is key to innovation success

**Driving FMCG innovation that resonates with evolving consumer preferences is essential for staying competitive in today's dynamic market landscape. However, sustaining the quality and revenue impact of these innovations often poses a significant challenge.**

Kantar's innovation study shows that strong support is crucial for new product launches, particularly during the initial two years. During this period, investments in marketing, distribution, and product refinement are vital to establish a strong foothold in the market, build brand loyalty, and maximise revenue potential. By prioritising ongoing support and strategic investments in innovation, businesses can effectively navigate the complexities of the market and capitalise on emerging opportunities to meet the needs of today's shoppers.

**% contribution of Year 1's new launches in Year 2**  
(no. new launches over total FMCG products)



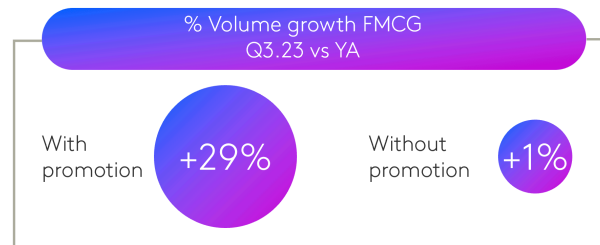


# 4.

## Promotions: quality over quantity

Under mounting financial pressures, consumers tend to become increasingly sensitive to prices, prompting them to actively seek out the best deals through promotions to manage their budgets.

### Shoppers increasingly seek the best deals through promotions



Brands in this situation, allocate considerable resources to crafting pricing and promotion strategies aimed at driving sales growth.

However, the outcomes of these initiatives may not always be beneficial to brand growth. Questions arise regarding the efficacy of promotions:

- Did they successfully entice non-buyers into making purchases?
- Were competitors' customers swayed to switch brands?
- Did existing buyers increase their consumption, or merely stockpile products?
- Moreover, how long will it take for consumer behaviour to revert to its normal patterns post-promotion?



### But do you know:

1. What is the right way to use promotions to drive profitable growth?
2. How should brands allocate the budget for different mechanics?

Answering these questions is essential for brands to assess the true impact of their pricing and promotional efforts and refine their strategies accordingly.



**Phuong Ho**  
Analytics Partner Director

*"Before running a promotion campaign, it's important to set clear goals. Is it to grow your market share, outshine competitors, or to build brand loyalty and strengthen relationships with your consumers?"*

*Each goal targets a specific group of shoppers with different needs and therefore are attracted to different promotion schemes. Knowing what matters to them will help you design a promotion that truly appeals."*

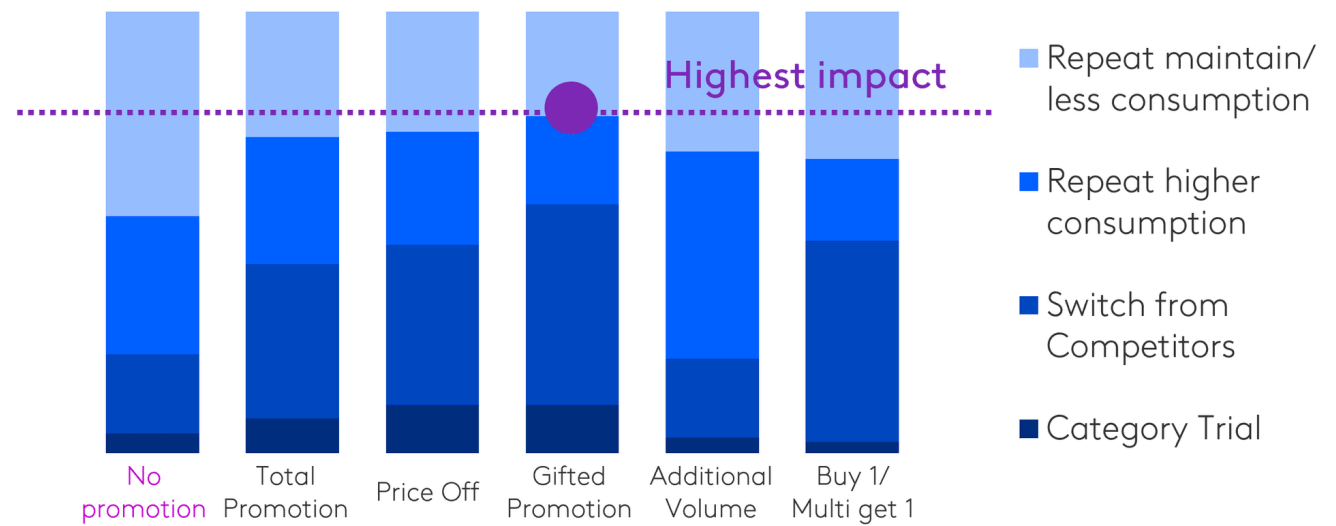
# Promotion evaluation



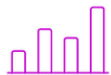
Using our promotion evaluation for a beverage category as a case in point, we find that the Gifted Promotion strategy, which involves offering a gift of additional FMCG/non-FMCG items upon purchase within the category, yields the most significant impact on recruitment.

This includes attracting new buyers to the category as well as drawing customers away from competitors, aligning precisely with the brand's intended objectives.

## % impact of promotion by types



# 4 Growth pillars for the future



Unlocking the why:  
Decoding drivers of  
behaviour change

As competition intensifies in 2024, particularly in growing categories, understanding a brand and category's key drivers and their impact on performance can pave the way for success. Understanding the impact of key growth drivers, brands can focus their resources on the actions that bring the highest value.



Mastering the  
multichannel landscape

The FMCG retail landscape is evolving in Vietnam, with modern and convenient formats like mini-stores gaining popularity. To succeed, brands need to understand the "shopping missions" - the reason behind a shopper's visit to each channel - and adapt their approach accordingly.



Building a winning  
portfolio with consumer-  
centric innovation

While a diverse product mix is crucial in the competitive Vietnamese FMCG landscape, strategic portfolio management is critical for long term success. Effective portfolio management requires identifying high-potential categories, nurturing 'hero SKUs' and sustaining new launches.



Promotions: Quality over  
quantity

Promotions are one of the most effective ways to drive immediate volume sales uplift. But not all promotions have the same impact. By understanding the true effectiveness of different promotion types on brand growth, brands can harness the power of promotions to not only drive impact on revenue but also build brand loyalty.



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Vietnam's consumer sustainability report



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The most chosen FMCG brands in Vietnam



## [FMCG Monitor](#)

An integrated FMCG update in a macro context

Thank you for reading

## Vietnam FMCG Outlook 2024

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