



AVPI Policy Briefing

Seizing Opportunities in FinTech and Ecommerce

July 2022



Australia Vietnam Policy Institute (AVPI)

The AVPI is the first policy institute focused on Australia's relationship with Vietnam, acting as a partnered public policy hub centred around engagement, collaboration and impact.

The AVPI enables and facilitates discussions on strategic and economic issues in the Australia-Vietnam bilateral relationship. Through disseminating the latest research, identifying upcoming trends and sharing practical insights from people with on-the-ground experience, the AVPI helps to advance a cooperative and secure environment for business and investment.

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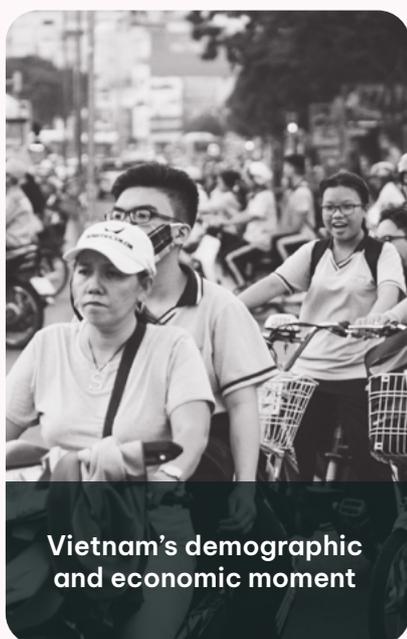
Vietnam Sectoral Dialogues

Roundtables Series

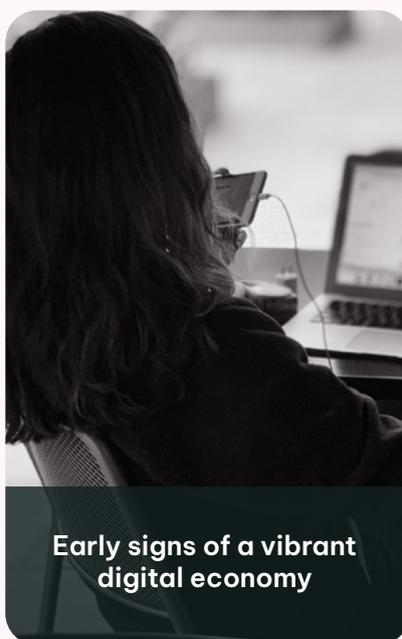
Seizing Opportunities in FinTech & Ecommerce

Thursday 12 May 2022 - Hosted Online (via Zoom)

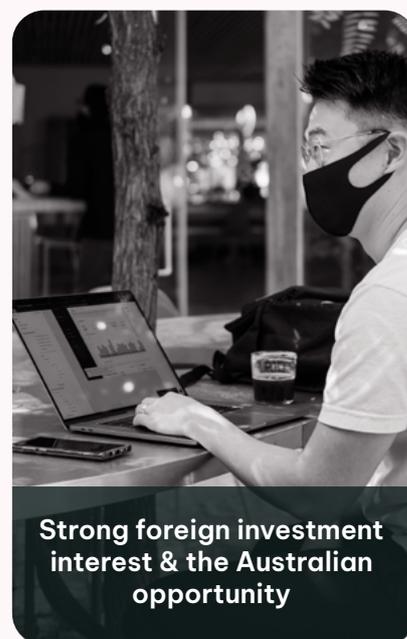
KEY THEMES



**Vietnam's demographic
and economic moment**



**Early signs of a vibrant
digital economy**



**Strong foreign investment
interest & the Australian
opportunity**

PANEL MEMBERS:

Tim Aman

Partner, Audit and Assurance, BDO

Phillip An

Co-founder, Homebase

Sandra Tran

Director, Trade and Investment, Global Victoria

GUEST SPEAKERS:

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Vietnam Business Champion and former Vice-Chancellor, RMIT University

MODERATOR:

Danielle Rajendram

Associate Director, Advisory and Insights,
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Why Vietnam

Vietnam is one of the fastest growing and most dynamic economies of Asia Pacific. The Vietnamese economy has proven to be resilient to large shocks, maintaining a growth rate of 2.9% at a time when the rest of the region had flatlined to -0.1% in 2020¹.

Vietnam has a young and growing population with a rapidly increasing middle class and high levels of internet penetration creating a vibrant but early-stage digital ecosystem ripe for Australian business investment, innovation and two-way knowledge transfer.

The Australia - Vietnam Enhanced Economic Engagement Strategy aims to put Australia and Vietnam on a path to becoming top 10 trading partners in the very near future. Vietnam's digital economy is a significant part of this growth story and a driver of opportunities for Australian businesses in Vietnam.

Demographics

Vietnam with its estimated population of 98.32 million is the third most populous country in ASEAN, next only to Indonesia and Philippines. More than 50% of the Vietnamese population are below 35 years old². Additionally, most of the population growth in Vietnam is coming from the middle-income group. Vietnam has the highest annual growth rate in middle income population of roughly 10.1% between 2016-2021.³

Vietnam's middle income class population is estimated to grow to 95 million by 2030.⁴



- ¹. The World Bank, Databank (2021)
- ². International Monetary Fund, World Economic Outlook Database (2021).
- ³. The World Bank, Databank (2021)
- ⁴. Statista, Vietnam (2021).



Promising macroeconomic trends, business climate and geopolitical factors

Vietnam has been consistently registering high economic growth rates among the other three of its main peers (Thailand, Philippines and Indonesia) since 2015 and managed to underscore the positive growth figures in 2020 when the growth rates of the other countries deteriorated.⁵

Many high tech and manufacturing companies from Japan, US and South Korea have recently shifted their investments and manufacturing base from China to Vietnam in accordance with their “China plus one” strategy.

Vietnam’s middle power status is bolstered by its strategic location directly facing the South China Sea. Tension across the region and between the US and China are rising. China’s increasingly assertive strategy in maritime issues has brought Vietnam into the forefront of strategic initiatives such as US-led “Pivot to Asia” and “Free and Open Indo-Pacific”; China’s Belt and Road Initiative; Japan’s ambition for “normal statehood”; and India’s Look East Policy.



“Vietnam, however, so far followed independent, and self-reliant foreign policy with a “*soft balancing*” strategy, keeping it somewhat away from the growing regional tension.”⁶

⁵. The World Bank, Databank (2021).

⁶. Do Thuy, ‘Vietnam’s Emergence as a Middle Power in Asia: Unfolding the Power-Knowledge Nexus’, Journal of Current South East Asian Affairs (2022).

Trends and issues driving opportunities for Australian business within Vietnam's digital economy.

As of 2020, Vietnam had **69 million internet users** and **61 million smartphone users**, with a penetration rate of **71%** and **63%** respectively.⁷



The country's digital economy had an estimated value of \$14 billion in 2020 – approximately 5% of GDP – and an expected growth rate of 30% from 2020 to 2025.

Digital infrastructure and literacy are imperative for the growth of Ecommerce and FinTech industries. Vietnam is the lead country in the ASEAN region in providing digital literacy to its children and youth. According to a survey conducted by UNICEF in September 2020, 76% of the respondents aged between 10–24 years are receiving digital education in Vietnam at school⁸. It will not only support but fasten the growth of Ecommerce and FinTech industries in future.

Vietnam's young population and early-stage digital economy has led to substantial momentum in social commerce, which uses networking websites such as Facebook, Instagram, and Twitter as vehicles to promote and sell products and services.

⁷. Google, Temasek and Bain and Company, Sixth edition of "e-Economy Southeast Asia" report, released (2021)..

⁸. Unicef, 'Digital literacy in education systems across ASEAN' (2021).

Emerging growth sectors in the digital economy

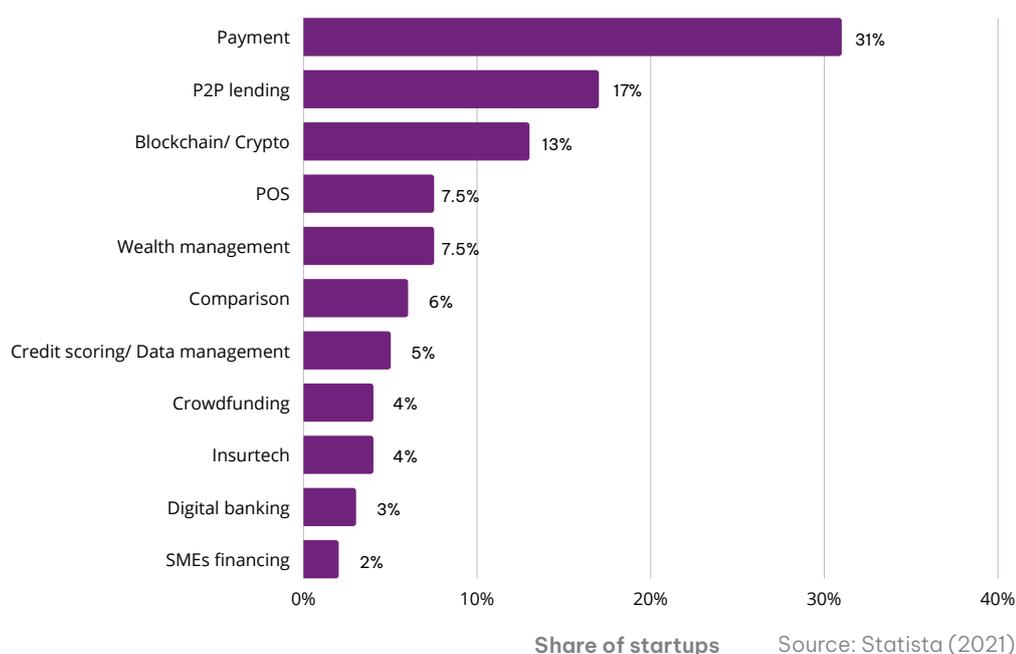
Ecommerce and FinTech form an integral part of Vietnam’s growing digital economy. Vietnam’s Ecommerce market is worth over \$5 billion, approximately 1.5% of GDP⁹. The nation’s FinTech industry has grown by 170% between 2017 to 2020 and currently constitutes about 0.12% of GDP¹⁰.

Vietnam has a young and growing population with a rapidly increasing middle class and high levels of internet penetration creating a vibrant but early-stage digital ecosystem ripe for Australian business investment, innovation and two-way knowledge transfer.

A large portion of the Vietnamese population is not covered by a formal banking system. A 2020 survey, conducted by merchantmachine.co.uk, found 69% of Vietnam’s population is without access to services of banks and other similar organisations.¹¹

Service and product innovations to improve financial access is emerging as a key growth area in the Vietnamese digital economy. Digital innovations include financial literacy products; mobile banking, payments and insurance; and loans and wealth management services, among others (see Figure 1).

Figure 1: FinTech start-ups in Vietnam, 2020



⁹ International Trade Administration, Department of Commerce, ‘Vietnam Ecommerce’ (2020).

¹⁰ Statista, Vietnam (2021).

¹¹ Austrade, ‘Digital Banking in Vietnam’ (2020)

Understanding the challenges and opportunities of doing business in Vietnam

Vietnam has a number of strong growth factors, such as high internet and smart phone penetration rates; a young population; and a growing middle class. Although, entering or investing in the Vietnamese digital economy can be challenging for Australian businesses due to the complexity of the regulatory and governance frameworks; and some cultural factors around marketing and product design.

A solution being pioneered by some Australian and Vietnamese businesses is to develop long term partnerships for economic advantage. Building partnerships between Vietnamese and Australian businesses is proving to be a successful model for entry into the Vietnamese market and reducing investment uncertainty; while providing Australian business know-how and accelerating growth and scale in the digital economy.

This is especially true in FinTech. Partnerships between Australian and Vietnamese businesses can provide a two-way transfer of human capital, financial investment and shared risk to successfully reap the opportunities available in an early-stage digital economy like Vietnam.

Partnership for success – Ecommerce

Vietnamese businesses can provide local knowledge to help build the right distribution channels, supply chains and logistics which otherwise can be very hard to control.

Partnership can further facilitate the execution of digital marketing strategies and provide the necessary local expertise to navigate the legal, regulatory and governance environment which can make direct foreign investment too complex and high risk.

Australian businesses that have entered the Vietnamese Ecommerce market through partnership have highlighted the main considerations an Australian business should undertake when choosing a partner: effective use of FinTech to engage customers on their platform; knowing the characteristics and behaviour of a targeted consumer segment; an understanding of their competitors; and having a dynamic and strong digital strategy.

Australian State and Territory based trade facilitation agencies and Austrade can support Australian businesses in finding the right Vietnamese business partners.

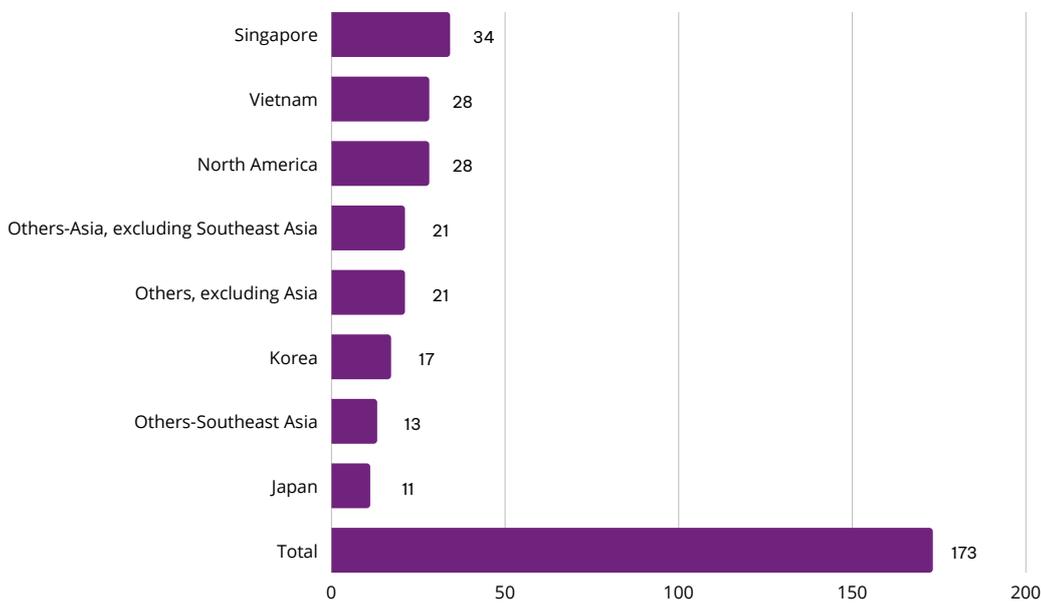
An opportunity seen across the region

According to the EY Global FinTech Adoption Index (2019), Vietnam was ranked second in Southeast Asia in terms of the start-up ecosystem's growth rate.¹²

The Vietnamese Government in recent years has taken a number of measures to incentivize start-ups such as support funds, intercountry travel programs between Singapore and Vietnam to learn from the start-up development process of each other.

The lead countries investing in Vietnam tech start-ups are Singapore, North America, Korea, and Japan (see Figure 2).

Figure 2: Funds in Tech start-ups in Vietnam by country or region, 2021



Sources: Do Ventures; Vietnam National Innovation Centre; Cento Ventures.

Additional information: Vietnam National Innovation Center, 2021.

Australian businesses should recognise the investment opportunities available in Vietnam, much like other developed regional partners have. In addition to funding, Vietnamese start-ups would benefit from Australian business and scaling experience which can steer them in the right direction.

¹² EY, 'EY Global FinTech Adoption Index' (2019)

BUSINESS CASE STUDY

RMIT University

RMIT Vietnam was established in 2000 and over two decades has developed into a leading university in the region, with 9,500 students across two well-equipped campuses in Ho Chi Minh City and Hanoi.

RMIT's investment and impact in Vietnam has established a cohort of 15,000 alumni across a diverse set of curriculum and skillsets including business, IT, STEM, global trade, aviation, security, cybersecurity, education, engineering, tourism, international relations, fashion, design and psychology.

RMIT maintains deep partnerships with Vietnamese authorities, institutions, and industry on a tranche of strategic priorities, including technology, urbanisation, Industry 4.0, blockchain, water management, climate change, educational and sectoral development.

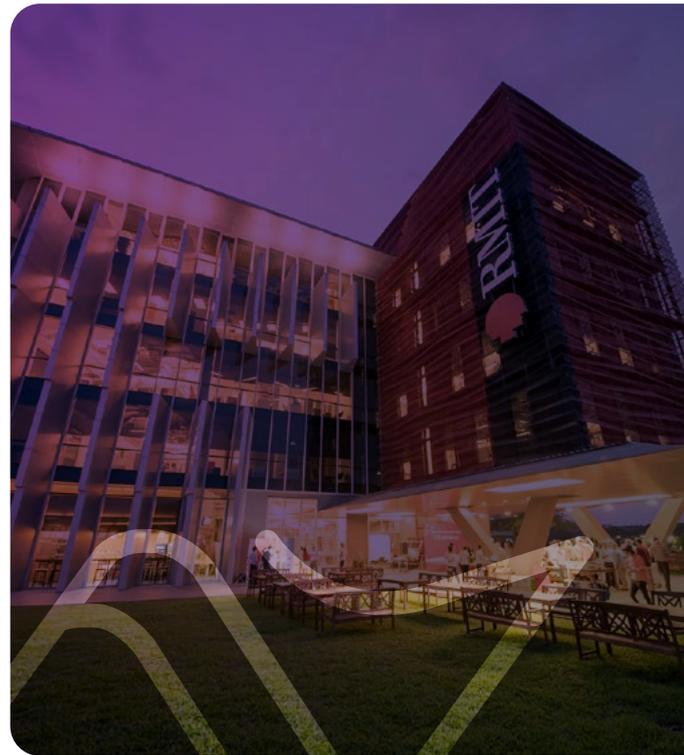
RMIT is proud of its investment in Vietnam and promotes and supports Australian businesses entering the Vietnamese market.

Homebase

Homebase is a FinTech startup providing innovative real estate services across Vietnam in response to the regulatory and governance complexity around transacting residential property for foreign buyers.

Homebase developed a shared ownership model which transacts a property between the buyer and Homebase through installments providing legal, financial and tax support as part of the service.

Homebase was founded in 2019 and has experienced steady growth leading to the development of new services such as, Sell to Homebase, which provides greater liquidity for foreign residential property owners. Homebase has completed two funding rounds from international investors, venture capital firms and private equity, highlighting the strong investor interest in Vietnam's digital economy.



Emerging Insights

The Vietnam opportunity is now

Vietnam presents exciting opportunities for Australian industry. There is a unique economic and social moment occurring in Vietnam, coupled with a renewed focus by the Australian and Vietnamese governments on strengthening economic and cultural ties.

To harness the growing opportunities in the Vietnam's digital economy across Ecommerce and FinTech, the vital step for Australian businesses is to **invest in local knowledge and relationships in Vietnam to realise the market opportunity** that is currently being harnessed by other nations.

Australian businesses are encouraged to seize this moment by leveraging the existing knowledge and networks of mature Australian businesses in Vietnam such as RMIT in Vietnam and SunRice. The AVPI series of sectoral dialogues aims to support this work, raising awareness of the Vietnam opportunity within the Australian business community and providing a platform for knowledge exchange around current opportunities.

Engage at local levels

Vietnam's decentralised, location-based governance model creates opportunities for Australian industry to harness localised opportunities and develop two-way partnerships at the provincial level for mutual advantage and growth.

Localised special economic zones across Vietnam's 63 provinces are one example of this. **Regional and local governments will have different subsidies and tax benefits for industry to encourage local investment.** These benefits are not generally well known and local networks and representatives are key to navigating these opportunities.

Understanding local regulations and opportunities is strongly reliant on finding the right partners and cultivating local knowledge. Australian businesses looking to engage at this level are encouraged to leverage the experience of the vibrant Australian-Vietnamese community on-the-ground. This community can be accessed through Australian education alumni networks, or by engaging with Austrade, Australian state and territory government trade offices and various business chambers in Vietnam.



Staying the course is key

Due to the complex regulatory, governance and legal frameworks in Vietnam, business leaders highlight the importance of engaging with a long-term mindset. Doing the research, setting the right corporate structure, and, most importantly, building trust and relationships is the recipe for success.

The Vietnamese market remembers who leaves quickly. Staying committed and continuing to work with local partners, advisors, lawyers and government can lead to opportunities for innovative solutions, especially when aligned to areas of growth or anticipated regulatory change.

COVID-19 accelerated growth in Vietnam's digital economy and uptake in digital services, shifting cultural attitudes to some services like online banking and online education. To maintain this growth trajectory and support innovation, Vietnam's regulatory frameworks should be regularly reviewed.

The AVPI will continue to speak with business leaders to assist Australian businesses to navigate this landscape. The AVPI's sectoral dialogues are seeking to contribute to policy solutions that can further enhance the two-way trade and investment relationship.

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Images

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Nguyen, Quang Ngoc Tonkin. panoramic cityscape view of HoChiMinh city and the Nhieu Loc canar, Vietnam with blue sky at sunset. 2020. Photograph. Shutterstock. Web. 15 June 2022

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