

VIETNAM



*From battleground to
marketplace.*

A consumer perspective.

Ogilvy & Mather
Worldwide



VIETNAM

Area	: 331,000 square miles
Population	: 66 million
Capital	: Hanoi
Other Main Cities	: Ho Chi Minh City (formerly Saigon) Hue (old Imperial capital)
Distance Hanoi- Ho Chi Minh City	: 1,730 km.
Currency	: Dong (credit cards not accepted)
Exchange rate	: US\$1 = 4,000 dong (June 1989)
Inflation	: 1986 - 487%, 1987 - 300%, 1988 - 200% (Source : IMF). Zero inflation in May 1989.
Resources	: Oil, gas, coal, bauxite, iron ore, agriculture, fishing.
Exports	: 1988 - US\$1.07 billion (Comparison to Thailand, US\$16.2 billion)
Imports	: 1987 - US\$2.2 billion (1983 US\$1.3 billion)
Workforce	: 350,000 graduates, 4,000 doctors and "associate doctors", 700,000 technicians, 1.3 million skilled workers, 8.7 million agricultural workers, 21 million manual workers (est.).
Foreign investment	: June 1988 to April 1989 - US\$350 million (of which US\$240 million comes from Western companies). Since June 1988, 48 foreign investment licences issued (of which 43 were in South Vietnam including 11 in Ho Chi Minh City).
Foreign investment law	: All foreign companies secured against nationalisation. No capital investment ceiling. 100% foreign ownership permitted. Low remittance and income tax commitments.

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When Nguyen Van Linh became national party leader of Vietnam in December 1986, the free-market reforms he had been carrying out in South Vietnam (as Ho Chi Minh City's party secretary) became national policy.

It is a policy called "doi moi" – a sort of Vietnamese "perestroika" which encourages private business, foreign investment and a more open market economy.

But there is a major political battle to overcome: the presence of Vietnamese troops in neighbouring Cambodia (also known as Kampuchea). Until these troops are withdrawn, not only are many overseas Governments – and also the IMF – refusing aid to Vietnam, but it is also against the law for American companies to do business there.

The withdrawal of these troops has now been promised by the Vietnamese government: it is a move which will open up one of the world's last, and largest, unexplored markets.

Many overseas companies are aware of this potential and are already preparing the ground for what is expected to be a major investment drive into Vietnam.

But what of the people? How do they live? How much do they earn? What do they spend their money on? How do they wash? What do they eat? How do they entertain themselves? Do they watch television, read newspapers? Are they aware of brands? How do they hear about them? What do they have? What do they need?

This report attempts to answer these questions.

It is the result of a few days observation in and around Ho Chi Minh City, where the greatest changes are taking place and the most opportunities lie.

With the political developments being widely covered in the world press, our objective is to give a *consumer* perspective of life in Vietnam today. □

1,2,3,4 : some impressive buildings: The Notre Dame Cathedral, The Hong Kong and Shanghai Bank building (unused since 1975), The Dragon House and The Post Office.



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THE PLACE

Ho Chi Minh City

Imagine a city which has not changed since the 1950's: no high rise office blocks, no neon shop signs, no billboards, hardly any cars, no pedestrian crossings, decrepit buildings, dirty roofs, rotten green and brown stained walls, crumbling pavements, rusty street-lights, clumsy cumbersome cables. Decay.

Imagine a crowded, condensed, chaotic Asian city of over 4 million people.

Combine these thoughts with a sense of sadness that you might expect in Eastern Europe. A feeling that things are not as much fun as they used to be.

This is Ho Chi Minh City.

It used to be called Saigon. And not much, apart from the name, has changed. Not structurally anyway.

True, there are some beautiful buildings that have been kept clean and intact. The imposing Roman Catholic Cathedral fronted by a virgin white statue of the Virgin Mary; the Dragon House, a memorial to Ho Chi Minh himself, built at the point in the port where he left Vietnam, we are told, "to go overseas and seek national salvation"; the occasional museum or library; a fine Post Office; even a solid, grey Hong Kong and Shanghai building not used for over 14 years.

There are some wide, attractive, tree-lined streets and the occasional park with proudly confident trees standing straight and strong.

But the rest is stale and depressing. Beautiful yellow Colonial buildings now rotten and nicotine-stained dirty. Tenement blocks, once white, now grey and ignored. Asbestos roofs, plywood walls, bamboo frames. Or a ramshackle boathouse on the river.

What Ho Chi Minh City needs is a scrub, a wash and a coat of paint. For this to happen, Ho Chi Minh City needs what the rest of Vietnam needs: money.

This is a recurring theme. ▷

1,3 : a beautiful park and open tree-lined street.

2,4,5,6 : most buildings are stained and dirty.

7 : some people live on the river.



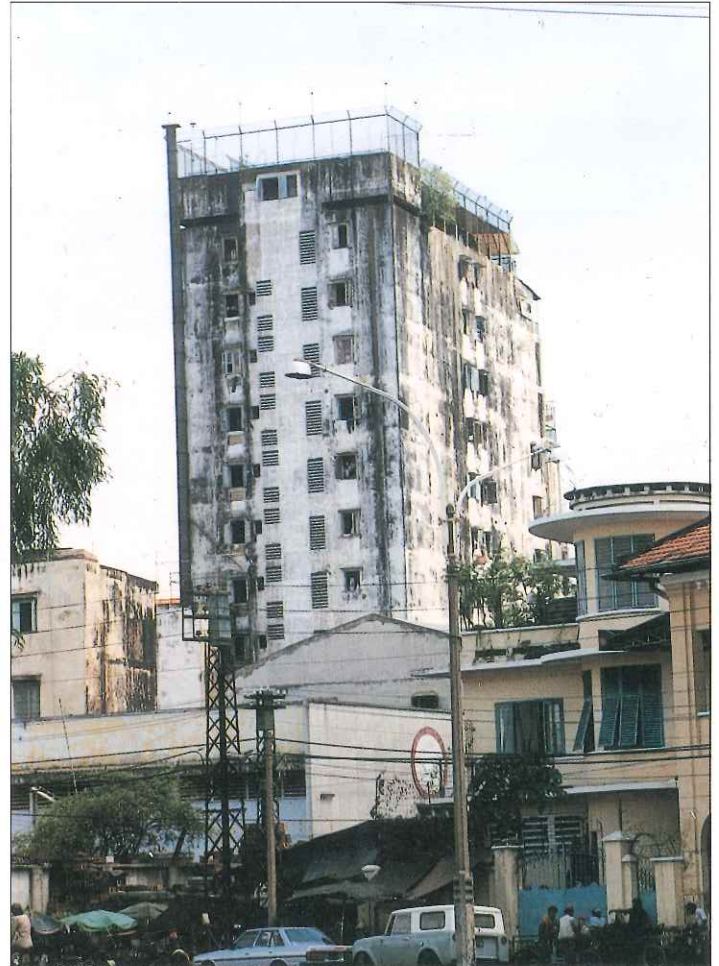
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- 1 : 10 dong is worth US\$ 0.0025.
 2,3 : bicycles as taxis and trucks.
 4 : not a busy airport (yet).
 5,6 : The Rex Hotel and The Lelai Hotel



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Currency

The Vietnamese Dong has been rocked by rampant inflation. In 1988, the dong's official exchange rate went from 368 to 3,300 to US\$1. The rate is now 4,000. In May 1989, after successive devaluations, Vietnam experienced negative inflation for the first time since 1975.

The Dong is available in a range of notes from 10 Dong to 5,000 Dong. In June 1989 10 Dong, still in circulation, was worth US\$0.0025—one quarter of one cent!

Transport

Basically, bicycles.

Bicycles for the individual, bicycles as taxis ("cyclos"), bicycles for moving food, some old French cars, some motorbikes, some buses, some boats. But lots of bicycles.

There are trains, but they are not very efficient. Prior to 1945 it took 48 hours to get from Hanoi to Saigon. The same trip now takes 70 hours. Tourists are not encouraged to use the trains.

The airport is basic, almost barren. It is only used by Air Vietnam, Thai, Air France, Aeroflot and since June 1989 by Garuda. The foreign airlines only fly in two or three times a week. They leave their passengers, pick up some new ones and then fly off again. The rest of the time the airport is deserted with a few broken down old planes standing on their own.

The Air Vietnam machines are old Russian cast-offs: small, tinny grey metal, dirty seats. One crashed outside Bangkok recently. Hanoi Radio has warned that Air Vietnam provide "no guarantee of air-worthiness". Better to use one of the international airlines if you can.

Accommodation

The best hotels are The Rex and The Caravelle. The Continental is being restored to its original style and will be re-opened shortly. The best of the rest are The Majestic, The Palace and The Lelai. The Rex has a good restaurant on the 5th Floor and a brand new lift supplied by The Nippon Elevator Company (one of the few pieces of modern machinery in the city). ▷

- 1 : The Holiday Inn 1990 is the only evidence of new building work.
- 2,3,4: rice is the staple diet – buffaloes plough the fields and transport the goods, the rice is dried on the road.
- 5 : a war memorial in Cu Chi.



The Rex and The Caravelle are usually booked for a month at a time, mainly by foreign businessmen. So take your pick from the rest : The Palace is close to The Rex and costs US\$45 per night, The Lelai is ten minutes “cyclo” away and costs US\$25 per night.

A room in the Lelai is a microcosm of the rest of the city: the wallpaper stained and filthy, the light switch giving an electric shock, the floor tiled and greasy, no pictures, the bath brown and stained, the pipes leaking. Windows that do not open.

Opposite The Lelai is the site of the new Holiday Inn, which promises to be built in 1990, but construction has not started yet.

This is how the visitor lives. The locals live differently (see Page 7).

Outside Ho Chi Minh City

The land outside Ho Chi Minh City is flat, green and fertile. The scenery is not unlike many other parts of Asia: buffalo toiling in the paddy-fields, women drying out the rice on the side of the road, bicycles.

There are two rice crops a year. In between the farmers grow peanuts, cassava, cucumber.

“After liberation”, a common phrase referring to the US withdrawal on April 30 1975 (before liberation is just called “before”), all the land was owned by co-operatives. But the co-operatives did not work, so three years ago, at the time of the new freedom, land was re-allocated according to the size of each family at the last census. Farmers are now rewarded individually, according to output.

Buffalo and ox-drawn carts are common forms of moving produce, but there are motorcycles and bicycles of course.

There are reminders of the war, especially at Cu Chi, north of Ho Chi Minh City. This was where much of the fighting took place to protect Saigon, which did not itself see much fighting.

It is still possible to drive past the war graves. It is still possible to see derelict armoured vehicles and helicopters. It is even possible to have a guided tour of the deep and impressive tunnel network where the local people sought to escape from the American “seek and destroy” missions. □

THE PEOPLE



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Outside Influences

In talking to, and observing, the Vietnamese people *inside* Vietnam the most striking feature of their lives is the influence of the Vietnamese *outside* the country.

Over two million Vietnamese are now settled in other parts of the world. Some of them toiling for long hours in what, in their adoptive countries, seem menial jobs, but most of them doing well enough to send back money and products to friends and relatives in Vietnam. The total amount sent back into Vietnam by expatriate Vietnamese is estimated at over US\$200 million per annum.

This phenomenon is having a massive effect. Most Vietnamese now have friends or relatives living outside Vietnam. Depending on how much a friend or relative can send back is the house you live in, whether you have a television or not, what sort of clothes you wear, what you eat, what you wash with.

Many of these expatriate Vietnamese are in the West – in America, Canada, England, France, Japan, Australia, Scandinavia – but not all of them. Over 400,000 Vietnamese are working in the Eastern bloc, where a factory job can earn a worker enough to send some money to his family and bring back 15 bars of gold (worth US\$10,000) after four years.

The Vietnamese are therefore much more aware of the outside world than might be expected. Not just in terms of current affairs but also in terms of *brands*: brands of toothpaste, brands of soap, brands of clothing, brands of electronic goods, motor-cycles and so on.

Although the Vietnamese have been living under a strict socialist regime since 1975, these connections with the outside have had a far deeper effect than one would expect in a Communist country.

They know what is going on in the world.

They also have a deep enthusiasm for all things Western, particularly American. They see the difference in attitude and lifestyle between tourists from the West and those from countries of the Eastern bloc. English is widely spoken – not only by tourist guides and hotel staff, but also by people working in factories and shops. This is not so, however, in remote districts where a Westerner attracts curiosity, ▷

1,2 : in the city, people live in run-down tenements or on house-boats.

3,4 : outside Ho Chi Minh City, a wooden hut or a new brick building (paid for by friends overseas).

5 : French bread is commonly eaten at breakfast.

particularly from children who may never have seen someone from the West.

It may also be that in Hanoi and other areas of North Vietnam, attitudes are harder and less open than those in Ho Chi Minh City.

Accommodation

The people who have a job and a family in Ho Chi Minh City are entitled to a modest state apartment at an advantageous rent. In nearly all cases, this means people employed by the State. Other people and those who are not one of the few with their own business are not so lucky. There are a surprising number of people who sleep on the street or on houseboats or in shacks by the river.

Outside Ho Chi Minh City, the standard of living again depends on who you know outside and how rich they are. Those who have money from abroad, or who are exceptionally successful farmers, can have a nice little house. Those less fortunate live in a wooden or mud hut with a thatched roof.

Food

Bread. The Vietnamese make the most delicious French bread. They make a meat or vegetable sandwich out of it for breakfast. This is the one feature of their diet that is different from most other Asian countries and is obviously a legacy of the French colonial days.

The rest of the Vietnamese diet is rice-based and, for most of the local people, a simpler version of the menu at any international Vietnamese restaurant. River prawns are especially cheap.

On special occasions they also eat snake (including cobra) and venison, which local hunters kill in the hills and take down to the city to sell on the street. The venison is tough and chewy and not to be confused with the street dogs which are commonly eaten. Quite a number of people eat at street stalls but not nearly so many as in, say Bangkok. There is a large eating section in the main market of Ho Chi Minh City. >



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1,2 : foreign brands are freely available.

3 : cinemas show Chinese and Western films.

Consumer Products

To the outsider, perhaps one of the most surprising features of Vietnam is the sheer range of consumer products that are available. Some of these are brands which have been sent in by expatriate Vietnamese. Others are locally-produced imitations.

You can buy Pepsodent toothpaste from Germany and Pepsodent Plus from India; you can buy Rose soap from Czechoslovakia, Bee and Flower soap from Hong Kong; you can buy radio-cassettes from Japan (which have been bartered for peanuts) and Philips radio-cassettes manufactured in Malaysia; you can buy T-shirts from France. You can buy all kinds of things, including food, from Thailand.

In various places you can also buy Campbell's soup, Cadbury's chocolate (US\$1.25 - 200 grams), Ajax lavatory cleaner (US\$1.75), as much Heineken beer as you like, expensive cameras (Fuji DL 200 - US\$162.00, Olympus XA2 US\$100), Kodak film (US\$3.75), National videotapes, Sony TV'S (or TiVi's, as they spell it, for US\$ 625-2,000) and Honda motorcycles (US\$1,000-1,250).

None of these are in full distribution. All are haphazardly available, haphazardly displayed and haphazardly priced. But they are there.

A fuller description of the retail system can be found on Page 11.

Entertainment

Many Vietnamese, probably most Vietnamese, are desperately poor. They are more worried about feeding themselves than entertaining themselves.

As many as 70% of households have TV sets (mostly paid for or sent in by friends overseas), although there is only three hours viewing per night. Much of the programming is unpopular Russian propaganda. Advertising is very basic and will be discussed later.

There are at least 30,000 video machines in Ho Chi Minh City.

There are also over 30 cinemas showing a variety of films. These include Chinese martial arts films and also, surprisingly, Western films ("A Fish Called Wanda" was showing in June 1989). ▷



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1,2,3 : The entrance hall, living room and balcony of a typical Vietnamese household (note the brand new Philips TV).



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Whether on video or in the cinema many people have seen *Platoon*, *Apocalypse Now* and *The Killing Fields*.

The big hotels have a disco every night, which cater for locals (government officials, rich students, people with friends overseas) as well as tourists, although locals have only been allowed to dance since the 1986 open-door policy. It costs US\$1.75 to get in plus US\$1.00 per drink. A quaint example of the Vietnamese time-warp since the 1950's is the interchanging of modern disco music with older dance-hall music. Most young Vietnamese can dance "modern Western dances" like the waltz, bolero, rumba, tango and bebop.

Sports are not particularly well organized owing to a shortage of facilities but soccer, volleyball, handball and basketball are popular.

A Typical Vietnamese Household

Lai works in an hotel souvenir shop. She has worked there since 1979. Before that she was a tour guide for Russian tourists. She is lucky to have a job at all. Her husband is out of work and acts as the housewife in the family. They have two daughters aged 13 and 5.

Lai is paid US\$26 per month. She is a state employee and lives in a State apartment where her "rent" per month is subsidised by the government. If she did not have the job, and therefore the apartment, they would have nowhere to live at all.

The apartment is on the first floor. The stairs and corridor leading to the flat are dirty and depressing. The walls used to be white but they are now damp with large brown stains. There are cables hanging low from the ceiling. It is dark and dingy.

The first impression on entering the apartment is that it is very small for a family of four : essentially one not very large room. Lai's husband has just built a makeshift staircase and landing to provide an extra area for the children to sleep (on the floor) and to keep all Lai's books: she loves reading and reads and speaks perfect Russian. She is now trying to learn English as she feels this will be more useful in the future. ▷

- 1,2 : a brand new refrigerator contrasts with the stained decrepit bathroom.
 3 : the kitchen is out on the balcony.

She is currently reading a Danielle Steele novel translated into Vietnamese.

Off the front of the room is a balcony overlooking the street. Over the road is the City Hall which gives the family a feeling of security, although she says crime is not a big problem in Ho Chi Minh City. On the left of the balcony is a small cooking area with two hot plates, an old Japanese kettle and a rice-cooker.

The other side of the main room from the balcony is the washing room, where the family washes the dishes, their clothes and themselves, and the lavatory. The shower and the basin are old and stained, and so is the lavatory.

The main room is where the family really live. The walls are bright blue (the only evidence of recent painting to be seen in the City). There is a bed with an attractive bedcover (both family heirlooms), a wardrobe, a dining table, a chest of drawers and a hammock for lounging about in. There is a Czechoslovakian calendar on the wall by the bed.

There is also a brand new Philips 14" colour TV (which the family watches every night) and a small National refrigerator. Both of these have been paid for by money from relatives abroad in the USA and Paris.

The family do not have a radio and seldom go to the cinema. They read "Saigon Liberation" newspaper everyday.

They go to the beach (a couple of hours out of Ho Chi Minh City) several times a year, usually on a works outing from the hotel. None of them have ever left Vietnam.

The family use Colgate toothpaste, made in the USA - "it has a better taste". They use local imitations of Zest and Fa soap and Russian washing powder and detergent (called Boke). They drink Vietnamese jasmine tea. Lai goes to the market every three days. She prefers the private stalls to government shops.

She likes French cosmetics: she had Revlon Lipstick and Faberge "Music" perfume (although she prefers Chanel).

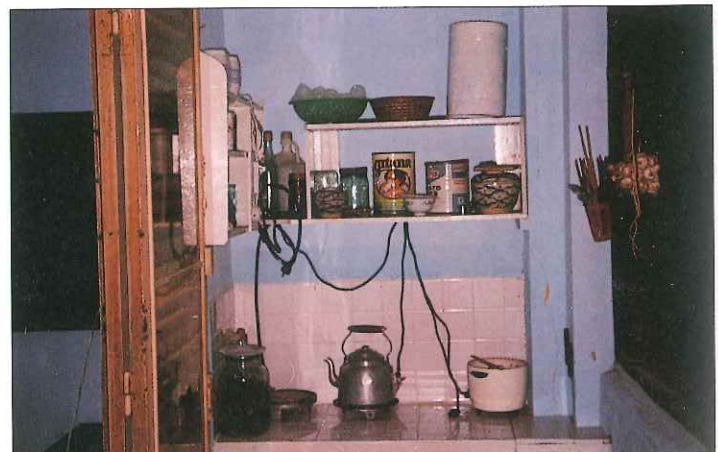
Lai is in regular contact with her friends in the USA and Paris. Not only have they opened her eyes to Western products and provided her with the money for the television and refrigerator, but their letters have left her with a strong feeling that life is better outside Vietnam. This has left her, in common with many Vietnamese, with a strong view that the open policies of "doi moi" are badly needed. □



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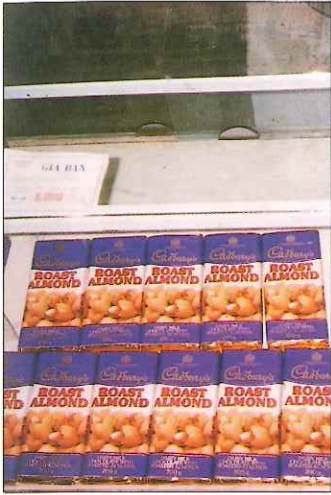


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THE RETAIL MARKET



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One of the biggest challenges facing Vietnam is managing the transition from state-ownership to free enterprise.

The effects of the new freedom have so far been on an individual, piecemeal basis. In other words, households of entrepreneurial Vietnamese are beginning to buy whatever they can, from where ever they can, to sell however they can. But so far it is an entirely ad hoc process. There is no evidence of any national manufacturing and distribution system or any kind of mass-market organisation. Certainly not for imported products anyway, and only in a very basic way for locally produced brands.

The real test of free enterprise (free from the Government that is) will be when the large international companies arrive with their mass-marketing techniques. They have not arrived yet.

In the meantime, what products are available? Where do Vietnamese consumers shop?

The retail market can be divided into three sections : the market, the private shop or street-stall and Government store. In the Government stores, prices are fixed. In the markets and private stalls enthusiastic haggling takes place.

There is a Government run store called "Intershop Saigon" where there are two striking features. The first being the layout and design of the displays which are much as one would imagine in an Eastern bloc store: a big pile of one type of product stacked next to a big pile of completely different products (a stack of boxed cordless hair trimmers on a cabinet of Ajax lavatory cleaner, a shelf of chocolates next to a shelf of toys, a vast pile of Campbell's soup stacked, Warhol-like, next to a stack of Heineken beer.)

The other striking feature is that ground floor goods are for sale in dong, while first floor goods (mainly electronic but also food and clothes) can only be paid for in US dollars. This section of the store is for the benefit of expatriate Vietnamese buying presents for their friends and relatives. ▷

1,2,3,4,5 : a wide variety of shops and stalls -some government owned, more and more privately owned.

There is another type of department store which includes both Government and private stalls for all manner of goods: personal products, food and drinks, liquor, plastic buckets, clothes, electronic machines and cassette tapes.

The Government-run personal products stall is extremely interesting in the variety of brands on offer (some imported, some locally-produced imitations). Some of the goods and prices (converted to US currency) are as follows:

Toothpaste

Colgate (Thailand)	- US 75 cents
Colligate (Vietnam)	- US 28 cents
Volgate (Vietnam)	- US 20 cents
Pepsodent Plus (India)	- US 80 cents
PS (Vietnam - export pack)	- US 60 cents
PS (Vietnam - local pack)	- US 45 cents
Ultra Brait (Italy)	- US\$1.25
Close-up (Thailand)	- US 58 cents

Soap

Bee & Flower (Hong Kong)	- US 70 cents
Camay (France)	- US 63 cents
Zest (France)	- US 63 cents
Lux (Thailand)	- US 46 cents
Lux (Vietnam)	- US 22 cents
Lervia (Thailand)	- US 75 cents
Palmolive (Thailand)	- US 40 cents
Rose (Czechoslovakia)	- US 30 cents
May (Vietnam)	- US 14 cents

There is not such a variety of shampoo (although Sunsilk and Kao brands from Thailand are available). The salesgirls have never heard of conditioner and cannot understand what it is for. Shampoo is for women: men use soap. ▷



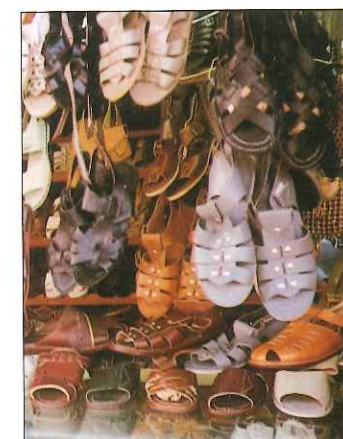
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1,2,3,4,5 : a wide choice of local and imported goods are available in Ho Chi Minh City market.

6,7 : foreign brands are also available on the street and in chemists.

8 : petrol costs US 25 cents per litre.



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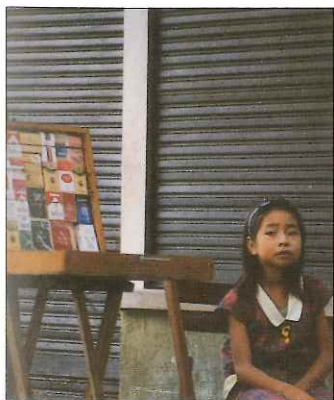
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There are no imported detergents. The local brands are Lix (US 33 cents - 1/2 kg) and Tico (US 31 cents - 1/2 kg).

Again, the stock is haphazardly presented: the salesgirls behind the counter are surrounded by cardboard boxes from which they take the product that has been pointed out on the display shelf by the customer.

Ho Chi Minh City market is a vast sprawling, covered area with a cornucopia of products especially food. There is also a typically haphazard range of Western brands.

Some of the shops are government-owned and many street vendors are government employees, but more and more are becoming private businesses. They reflect the same sort of products that can be found in the market. There certainly does not seem to be any shortage of basic commodities.

There are a number of chemists in Ho Chi Minh City who sell a variety of local and imported medicines. It is hard to tell how well qualified the Vietnamese pharmacists are, but they all have a thick, brown book in Vietnamese which describes the chemical breakdown and usage of a variety of medicines, including Western brands.

Finally, petrol stations. These are old and decayed and always fenced in. The pumps are very old fashioned and often in the faded, familiar colours of Shell and Esso. Nevertheless, the petrol itself is usually home-produced or Russian. It sells for 800 dong per litre (US 25 cents). □

1,2,3,4,5 : The Volgate toothpaste factory is under-financed and under-equipped.

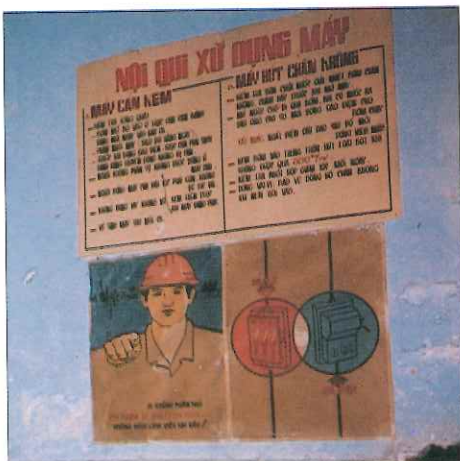
MANUFACTURING & PRINTING



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Items such as furniture, household goods, souvenirs and clothes are cheap and old-fashioned as you will see at a glance from a visit to a trade fair in District 10 of Ho Chi Minh City.

There is much more to be learnt from a visit to a Government-owned toothpaste factory on the outskirts of Ho Chi Minh City.

One of the brands of local toothpaste in Vietnam is Volgate.

Volgate is in national distribution, and sells five million tubes a year. They are currently No. 2 in the locally-produced market to another Government-owned brand P.S.

There is keen competition between the two brands. Volgate have a clear marketing objective to knock P.S. off the top spot. Nevertheless, even if they did, they would still have extra capacity.

The toothpaste, the tube and the cap are manufactured on site. The pack was designed by the Director of the factory. Costs are broken down into 55% for the toothpaste, 30% for the box and pack and 15% tax. They sell a plastic tube and an aluminium tube which costs US 25 cents (100 gram) retail.

The factory employs 135 people who earn US\$ 25 per month, but if the machine breaks down they only get half pay. ▷

1,2,3 : a printing plant, with old-fashioned machinery, produces impressive results.



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The factory is very small, the equipment was dated and the production process is extremely basic. There is, however, an infectious enthusiasm amongst the workforce.

The printers of the Volgate pack are also in Ho Chi Minh City. Again, this is a State-owned Company.

There are 15 Japanese offset litho machines, all over 20 years old. There is one photogravure (7 colour) machine, also "from before". Most of the parts that have been repaired in the last 20 years have been crafted locally, although a new roller has recently been bought from the USA for US\$400.

The business specialises in packaging but also produces calendars. They produce printed plastic bags for Thailand and a range of other packaging for noodles, biscuits, perfume, cigarettes and some shrink wrapping for household goods like scissors.

All paper is imported from Japan and paid for in US dollars, which they obtain by quota from the State Import/Export Company, Imexco. An Epson computer is used for administration and accounting. This is the only piece of modern machinery to be seen in either the toothpaste or printing plants.

The company employs 300 people, many of whom are skilled printers on US\$50 per month. They have their own design unit.

There are thirty printing-houses in Ho Chi Minh City, including 6 packaging specialists. "We are the top printing company," says the manager. Nevertheless, they are only working to 60% capacity.

Again, the people are hungry for work, friendly and enthusiastic. One of the salesmen speaks reasonable English. Like the toothpaste factory, there is a deep awareness of the need of overseas help (and funds). □

- 1 : the responsibilities of the Culture and Information Branch of Ho Chi Minh City are wide and varied but basically presented.
 2 : magazines are printed on poor quality paper.

MEDIA, ADVERTISING & PRODUCTION

Media

All media in Vietnam is State-owned and under the control of one individual whose title is President, Producers' Unions and Companies under the Culture and Information Branch of Ho Chi Minh City (R.S. Vietnam). The following unions and companies are under his control.

1. The Union of Technology and Printing Production.
2. The Union of Printing Enterprises.
3. The Union of Movies and Audio Tapes.
4. The Company of Fine Arts.
5. The Company of Photos.
6. The Company of Books Distribution.
7. The Company of Cultural Products.
8. The Company of Concert Organisation.
9. The Company of Commercial Advertisements.

As has been mentioned, considering the average income levels, there is a relatively high penetration of television sets (possibly up to 70% of households). There are three hours of programming per night, mainly Russian documentaries, drama and soap opera. There are 30,000 video sets in Ho Chi Minh City.

Radio penetration is higher. News, features and music programmes are broadcast in Vietnamese, Russian and English.

There are over 30 cinemas in Ho Chi Minh City.

A wide range of newspapers is available. The most popular is "Saigon Liberation". All of them are printed on poor quality news-print. Although written in Vietnamese, their content is still Russian-orientated.

Reading material also includes a number of magazines that cover such topics as films/cinemas, TV and fashion (in cheap colour). Other magazines, also in Vietnamese but printed in Russia, are of better quality. ▷

PRODUCERS' UNIONS AND COMPANIES UNDER THE CULTURE & INFORMATION BRANCH OF HOCHIMINH CITY R.S. VIETNAM	
1	<p>THE UNION OF TECHNOLOGY AND PRINTING PRODUCTION (LIKSI)</p> <ul style="list-style-type: none"> • Printing Center - Computer Technology Center (CINOTEC) • Poly Production Company (UNIPRAM) • Electronic Stereotype.
2	<p>THE UNION OF PRINTING ENTERPRISES</p> <ul style="list-style-type: none"> • Printing - House : No 1 . . . No 2 . . . No 3 No 4 . . . No 5 . . . No 6 No 7 . . . No 8
3	<p>THE UNION OF MOVIES AND AUDIO - TAPES</p> <ul style="list-style-type: none"> • Film Production Enterprise (Story - Documentary - Newsreel) Styled "NGUYEN DINH CHIEU" • VIDEO Enterprise (SAIGON VIDEO) AUDIO Tape Enterprise • Film Distribution and Movies Company.
4	<p>THE COMPANY OF FINE - ARTS</p> <ul style="list-style-type: none"> • Production for export : Goods of Fine Arts, Handicrafts, Pottery, Lacquer, Art, Paintings, Statues.
5	<p>THE COMPANY OF PHOTOS</p> <ul style="list-style-type: none"> • Service of Photos - Selling All kinds of Camera Film, Bulbs, Photo paper, Photo Chemicals • Agency For Photo Producers of Foreign Countries.
6	<p>THE COMPANY OF BOOKS DISTRIBUTION</p> <ul style="list-style-type: none"> • Selling and Buying : Books in the Country and abroad - Culture - Products - Stationery.
7	<p>THE COMPANY OF CULTURAL PRODUCTS</p> <ul style="list-style-type: none"> • Export and Import of All kinds of Cultural Products - Light Equipments - Electronic Sound Systems For Art Stages.
8	<p>THE COMPANY OF CONCERT ORGANISATION (SAIGON CONCERT)</p> <ul style="list-style-type: none"> • Carrying on Business of Entertainments in the Country and Abroad.
9	<p>THE COMPANY OF COMMERCIAL ADVERTISEMENT - SAIGON PUBLICITY</p> <ul style="list-style-type: none"> • Service of Commercial Advertisements in the Country and Abroad.



2

- 1 : most posters are political.
- 2,3 : foreign brand names are rarely displayed and often dating back to "before".
- 4 : local posters and signs are hand-painted.
- 5,6,7 : advertising is unemotional and information led.



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5

Advertising

The one TV channel, which is controlled by the state, transmits for three hours every evening.

At 8.30 pm every evening, there is a fifteen minute break for commercials. These are all for products manufactured by State-owned companies. They invariably consist of a motionless packshot with product benefits delivered by a rapid fire voice-over competing for attention with loud background music. These commercials are all produced by the TV company itself.

Magazine advertising exists but is very limited both in quality and quantity. There are usually only one or two advertisements in each issue. Normally these consist of a pack shot on the left with a long list of information about the manufacturer and the relevant State department on the right. Occasionally the face of a pretty girl is added to provide that extra creative touch.

There is classified advertising in the newspapers into which some of the State-manufacturers occasionally insert a small 10 cm x 3 column display advertisement. The entire classified section normally takes up about half a page of a ten page newspaper.

Posters or billboards are few in number. One or two brand names are still in evidence "from before", but most posters are used for state announcements and propaganda.

In the centre of town there was one modern-looking clock which has the Orient logo. The clock did not work. (The name used to be Citizen, but it is hard to know if the clock worked in those days.) ▷



6



7

1 : imported film equipment is available.
2,3 : point-of-sale material is basic.

Finally, there is an advertising booklet produced by the Company of Commercial Advertisements called Saigon Duang Cao. Again this consists of State-manufactured products only and again restricts its communication to product information rather than consumer benefits. A normal print-run is 10,000 copies every two weeks.

Apart from the occasional hand-painted sign outside a store, there is no evidence of any point-of-sale or promotional material in Ho Chi Minh City.

Advertising for foreign products is illegal at this time. Apart from the clock in the city centre there is no evidence of any overseas brand names.

Video Production

Saigon Video is a two-year-old production company employing 80 people. It controls everything to do with video filming and cassette production in Ho Chi Minh City. This includes copying and distributing films from abroad.

In 1988, they produced five feature films in cooperation with overseas production companies. The total for 1989 will be between fifteen and twenty.

They have no factory to repair the 30,000 registered video machines in Ho Chi Minh City, but are currently negotiating a joint venture agreement with a Japanese company. This will include manufacturing new video machines and tapes as well as repairing old ones. □



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2



3

THE POTENTIAL



Although the infrastructure is still very basic, who would dare to predict that there is not major potential in Vietnam?

The population is there. The cheap labour force is there. The natural resources are there. After generations of French, then American (in the South), and then Russian occupation, the people are if anything more cosmopolitan than their Indo-Chinese neighbours.

All they need is foreign investment.

Tourism will surely be the first major opportunity. Ho Chi Minh City has announced a major drive for tourism in 1990, when overseas visitors are expected to double from 70,000 to 140,000.

Already major new hotels projects are under way. The Holiday Inn Saigon will shortly commence construction. A floating hotel from Australia has just been moored in the river.

Vietnam is rich in oil. Since May 1988 major offshore oil exploration agreements have been signed with Shell, Petrofina of Belgium, Total of France and British Petroleum.

Agriculture and fishing are already attracting overseas investment, particularly from Japan and Australia.

The cheap labour force will make Vietnam a viable producer of a wide range of products especially in clothing, textiles and electronic components.

As we have seen, the Vietnamese people understand and demand Western brands. Every week more and more shops are opening.

Vietnam is becoming a consumer market. As manufacturing facilities and the distribution system become more and more developed so the market will grow.

And as the market grows, the more we will need to understand the Vietnamese consumer. In the long term, Vietnam may have the potential of a Thailand or Malaysia. So it is important for us to start understanding the Vietnamese people. Their desires, their motivations, their everyday needs and their buying power. □

This report is just a preliminary introduction to Vietnam. Ogilvy & Mather intends to keep an eye on this market of 66 million consumers as it develops.

If we can be of any help at this time, please contact your nearest Ogilvy & Mather office or write to:

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VIETNAM – AN UPDATE

*Ogilvy & Mather's first report,
"Vietnam: A consumer perspective",
was published in October 1989.*

Ogilvy & Mather
Worldwide

- 1: The Saigon Floating Hotel is filled with overseas businessmen.
- 2: We saw much more billboard advertising in 1990.
- 3: Advertising on park benches has high visibility.
- 4: We held our first training seminar for our new associates, The Saigon Advertising Company.



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4

It has now been 15 years since the American withdrawal from Saigon. But as Time magazine said in its anniversary issue of that event: "... the US has not extracted itself from Vietnam... in America, the pain endures... the war festers like a canker in the minds of many of the 2.7 million Vietnam veterans and the 750,000 Vietnamese who live in the US. For the families of the 58,022 US servicemen and women who died in Indo China, the war continues as a dull ache, a pain shared by the kin of millions of Vietnamese killed on both sides."

The last phrase is telling. The Vietnamese suffered too, as a visit to the War Museum in Ho Chi Minh City (Saigon) will show. They are still suffering.

The country is desperately poor. Its citizens earn an average of US\$250 a year, putting the country 151st out of 156 countries in per capita income.

There are massive shortcomings in infrastructure. Even in Saigon, arguably the most developed city, power is currently supplied for only three full days a week. These shortcomings can only be overcome by a major overseas aid commitment. Organisations such as the IMF are ready to provide this commitment. But they will not do so until the US government lifts its trade embargo on American companies wishing to do business in Vietnam.

One year ago, when Ogilvy & Mather first visited Vietnam, the major barrier was reportedly the presence of Vietnamese troops in Cambodia. These troops have since been withdrawn. But the embargo still remains, despite opposition from many US companies and organisations including the American Chambers of Commerce in Hong Kong and Thailand.

Nevertheless, Vietnam has not stood still. In the last year 6,500 businessmen (half of them Japanese) visited the Chambers of Commerce in Hanoi and Ho Chi Minh City. In 1989, with currency under control and inflation at a manageable level, Vietnam's exports were worth US\$1.8 billion, an increase of 80.7% over 1988.

We returned to Ho Chi Minh City earlier this year to examine the many changes that have taken place and assess how they affect Vietnamese consumers on an everyday level, as well as how they affect the prospects of overseas non-American companies looking at business opportunities in Vietnam.

In particular, we looked at four key areas: communications, tourism, consumer products and advertising.

1. Communications

There is still a shortage of flights to Ho Chi Minh City. But the situation is improving. Flights from Bangkok are still heavily booked on both Air France and Thai, although Air France have now announced one more flight per week. Flights from Manila are also full. It is easier to get a booking on Garuda from Jakarta. In addition, the route from Kuala Lumpur has been opened by MAS, and Cathay Pacific will shortly commence service from Hong Kong.

Telecommunications are surprisingly advanced; the Australian company, OTC, now has satellite stations in both Hanoi and Ho Chi Minh City. There is no problem phoning Ho Chi Minh from another country and equally no problem calling any city in the world, including Shanghai, from Ho Chi Minh City.

DHL couriers have an office in Vietnam and are making some headway in reducing delivery times for parcels and documents, despite the airline bottleneck. Postal service within Saigon is generally reliable and letters to and from Bangkok take only a few days.

At street level, bicycles are everywhere. The favourite hobby of Ho Chi Minh youth, because it is cheap, is to ride round and round the city as the sun goes down. In 1990 it appeared to us that many bicycle owners now have motorcycles. Also, not seen a year ago, is the occasional BMW and Mercedes.

2. Tourism

In last year's report, Ogilvy & Mather predicted that tourism would be the first big opportunity for foreign companies. In 1989 receipts were US\$135 million (up 320% over 1988) despite the flight shortages. Many of these visitors were from the two million Vietnamese living overseas.

Major progress is being made in upgrading hotel accommodation to international standards, especially by French companies. In February 1990, the Accor Group announced the construction of a new 300 room Novotel in Ho Chi Minh City. Another French company, Sercib, have also announced the building of a 300 room hotel near the market in the city centre, as well as the development of 6,000 square metres of office space in Han Nghi Boulevard and a leisure complex consisting of a 200 room hotel and 18 hole golf course at Thui Duc park in the suburbs. Two other French companies, VWH and Pullman, have announced major renovations to two existing hotels, The Metropol and The Majestic.

The most immediate and spectacular development, however, has been the arrival of The Saigon Floating Hotel which was towed from Australia's Great Barrier Reef. Despite the high cost of rooms at US\$150 per night (a lunch for five cost US\$130 – over half the national wage) the hotel is awash with overseas businessmen making inroads into the Vietnamese market.

The Holiday Inn site, trumpeted on a hoarding last year, has not moved forward, reportedly due to US embargo problems. The sign is still there but the Holiday Inn name as well as that of the Hong Kong developer and the completion date have been painted out.

The Cu Chi tunnel complex, used during the war, will undoubtedly become a major tourist attraction in the next few years. It now has a smart new bamboo hut with a bar, tables and chairs. Last year refreshment was only available from a girl selling soft drinks out of an old US army jerry can. The facilities will no doubt continue to improve as the number of tourists increases.

Visitors can travel to all areas of the country but trips must be cleared through the Saigon Tourist Company. At the moment, it is foolish to head off on one's own ignoring these approval procedures. Vun Tau, two hours' drive from Saigon, is the most popular coastal resort.

3. Consumer Products

As we found last year, there is a surprisingly large range of international brands available in Saigon: one hairdresser we visited had twelve shampoo brands, including Sunsilk and Head and Shoulders.

Despite the US embargo Coca Cola, distributed via Singapore, is freely available although each can costs 60 US cents.

Heineken beer is equally well-distributed, not only in hotels but also in bars, nightclubs and restaurants. Tiger Beer and San Miguel can also be found.

The most visible brands are electronic goods. Surprisingly, this applies to software as well as hardware. Video tapes, featuring a wide range of American movies, including all the Vietnam war films (we noted "Full Metal Jacket" was available), can be rented for 10 US cents per night.

Electronic items, especially from Japan, are not only widely available but are also becoming widely advertised. As we shall see, this is a major development that has taken place in the last year.

4. Advertising

Outdoor advertising, locally based and low-key in 1989, is mushrooming. The only evidence of an overseas advertiser last year was a tired old Sanyo sign opposite The Rex Hotel in the city centre. Now, on the same site, the names of Orion, JVC and Sony among others stand out loud and clear.

The Orient clock in the city centre, not working on our last visit, now shows the correct time.

Press advertising is beginning to be allowed on a limited basis. Rado watches have been advertising in the newspapers using international artwork. The rates are US\$250 for a 100 centimetre by 2 column space in black-and-white (US\$350 for colour). There are restraints on the advertising of soft drinks, cigarettes and alcohol including beer; point-of-sale material is allowed in bars and restaurants, where stickers and bunting for Tiger and San Miguel beers are frequently seen.

As part of our effort to help develop the country's advertising infrastructure, Ogilvy & Mather now acts as consultants to Ho Chi Minh City's largest circulation magazine, Knowledge Today, and an English-language rate card will shortly be issued.

The restrictions on soft drinks, cigarettes and alcohol also apply to their advertising on television. However, local food and other consumer products are advertised. Samsung, Goldstar and Agfa have put in applications for commercials and, if permitted, these will be the first foreign brands to be aired.

Other branding opportunities can be negotiated. Samsung have sponsored a table tennis tournament. Goldstar have provided 200 branded trolleys at the airport.

So as to be of greater assistance to marketers, and to gain a more intimate knowledge of the local advertising scene, we have formed an association with The Saigon Advertising Company. Ogilvy & Mather will be working closely with them to help develop their communications skills and expertise.

The positive changes that have occurred during the last year reinforce our belief, and that of many other businessmen, that Vietnam is a major potential market for international and regional companies. One day it could even be a Thailand or a Malaysia.

The question is: how quickly will that happen? The answer to that lies with the US government who have to weigh the emotions of the past with what Vietnam offers in the future.

At the moment, unless the Americans withdraw their embargo and encourage the flow of overseas investment funds into Vietnam, US companies will lose out in the evolution of a major underdeveloped market that is strategically located in the middle of the world's leading growth region.

As we have mentioned, Ogilvy & Mather is taking the initiative to help the country develop its media and advertising industry so that we are in a better position to help clients when they decide to enter the market.

We will continue observing developments and if we can be of help in your plans, please don't hesitate to get in touch with us. For information, contact your local Ogilvy & Mather office or write to:

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