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Coffee in Vietnam

2020 Impact

Huge Impact on Sales of Coffee from the COVID-19 Pandemic

The COVID-19 pandemic had a huge impact on sales of coffee in Vietnam during 2020. At the peak of the COVID-19 pandemic, the Vietnamese government implemented strict social distancing protocols to control the spread of the virus. This involved the closure of all educational institutions such as schools and universities as well as the mandated closure of all restaurants, bars, and pubs. Furthermore, a ban was imposed on all gatherings of more than 30 people. The result of this was a decline in total volume sales of coffee, with the category struggling to maintain sales as consumption opportunities were significantly reduced. While foodservice sales fell substantially for the year due to the unavailability of cafés and other on-trade venues, retail value growth remained positive as demand shifted to the off-trade. Faced with a potentially extensive quarantine lockdown during the early stages of the pandemic, many consumers tended to stock up on coffee to eliminate any chance of running out of coffee and to reduce the need to go out regularly to restock their coffee supplies. Also, coffee is of course a product that lends itself to stockpiling due to its long shelf life in packaged format.

Quarantine Lockdown Places Extreme Pressure on On-trade Sales

As mentioned above, the main reason for the substantial declines seen in foodservice sales of coffee in Vietnam during 2020 was the quarantine lockdown that was in place in the country between the middle of March and the end of April. This extensive and strictly enforced social distancing measure was undertaken primarily to

Highlights

- This issue provides insights and analysis on the Coffee industry in Vietnam which also gives a highlight to the COVID-19's impact on the sales of coffee in the country.
- This report also discusses the recovery and opportunities for the companies and new product development brought by the pandemic, among others.

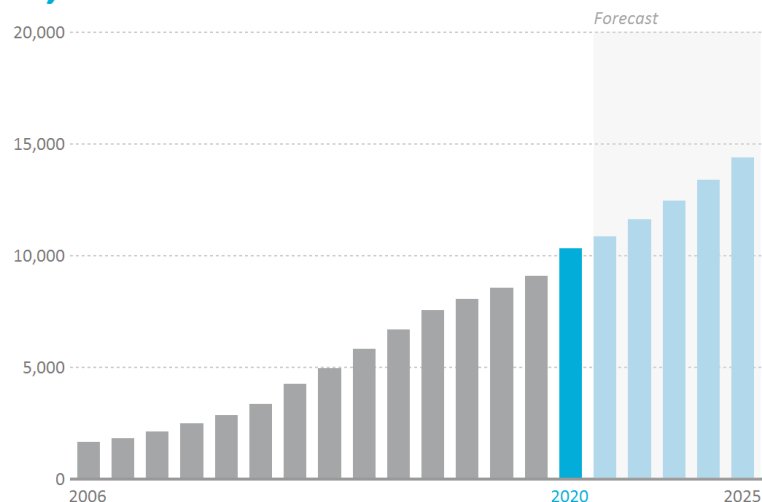
curb the spread of the COVID-19 virus and typified the particularly robust approach to the principles of social distancing that was taken in the country. As a result of all cafés, specialist shops, and restaurants being unavailable for an extended period, sales of coffee dropped to minimal levels. Furthermore, once the quarantine lockdown was lifted, many people continued to avoid consumer foodservice outlets due to the elevated risk of contracting the COVID-19 virus that spending time in such establishments would represent.

Another major factor placing pressure on demand for coffee in the on-trade during 2020 was the dramatic decline seen in inbound tourism flows over the year. This was due to Vietnam's borders being closed to foreign visitors for an extended period during the year, as well as the understandable reluctance of many people to engage with international air travel due to the elevated risk of contracting or spreading the COVID-19 virus that this represented. This absence of foreign tourists from

Sales of Coffee in Vietnam

Retail Value RSP - VND billion - Current - 2006-2025

10,255



the country dealt a further blow to the country's specialist coffee shops, with both Starbucks and Coffee Bean registering steep declines in the numbers of customers in their outlets between April and September 2020, in comparison with the same months of 2019. Within this context, it is understandable that on-trade volume sales of coffee recorded such strong declines during 2020.

New Product Development Undimmed by the COVID-19 Situation

Despite the difficulties faced by the leading players in coffee in Vietnam during 2020, the category witnessed numerous noteworthy new product developments, with most of these coming from the category's key players. Nestlé Vietnam Ltd for instance engaged in flavor innovation with the introduction of Nescafé Café Viet Tequila flavor and Nescafé Cappuccino Coconut. The target audience for these two new products comprises mainly young professionals. While Nescafé Café Viet Tequila flavor targets sophisticated male professionals, Nescafé Cappuccino Coconut targets their female counterparts. This target audience of young professionals has been less negatively impacted by the COVID-19 pandemic, specifically in terms of their incomes coming under less pressure and thus they are still able to spend money on sophisticated new products such as these. This has made them a particularly attractive target audience for new product development in coffee as the negative economic impact of the COVID-19 pandemic has led to many Vietnamese households facing pressure on their incomes.

Recovery and Opportunities

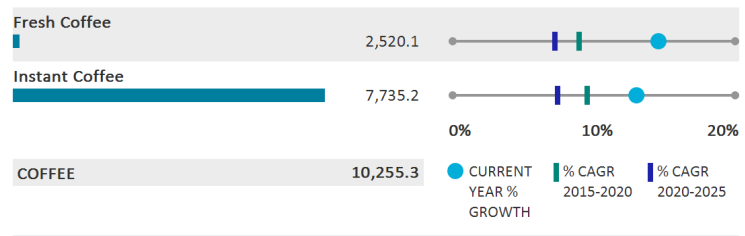
A Robust and Rapid Recovery Expected for Sales of Coffee

The forecast period is expected to see coffee record a rapid and robust recovery from the sales declines seen in the category during 2020 due to the COVID-19 pandemic. Total volume sales for instance are expected to recover fully before the end of 2021. One major factor to take into consideration here is the highly effective management of the COVID-19 situation by the Vietnamese government, which is expected to result in there being minimal impact being felt from the COVID-19 situation during 2021. Indeed, the response of the Vietnamese government to the onset of the COVID-19 pandemic has been widely praised and this is a reflection of how seriously the situation was taken in the country. As a result of this, consumer confidence has not been severely dented by the COVID-19 situation, with the country's economy expected to rebound strongly and quickly. This is all expected to support the strong recovery of coffee sales during the early stages of the forecast period, with many consumers likely

Sales of Coffee in Vietnam by Category

Retail Value RSP - VND billion - Current - 2020

Growth Performance



to become increasingly willing to spend money on coffee, while category players are expected to become increasingly willing to invest in product innovation in response to emerging consumer demand trends.

On-trade Sales of Coffee Expected to Rebound Fully by 2022 at the Latest

The forecast period is expected to see on-trade sales of coffee recover fully from the strong declines seen during 2020. As mentioned above, the main reason for the negative performance recorded in on-trade sales of coffee during 2020 was the quarantine lockdown that was in place between the middle of March and the end of April. Thus, the fact that further extended quarantine lockdowns are unlikely to be seen during 2021 due to the robust approach to managing the COVID-19 crisis means that a quick and full reopening of the Vietnamese economy, including a complete recovery of the foodservice sector, can be expected to support strong growth in on-trade sales of coffee throughout the forecast period.

Advertising and Marketing Activity Set to be Key to the Recovery of Coffee

One of the key factors set to support the strong performance of coffee during the forecast period is the robust approach to marketing and advertising on the part of the category's key players. Companies such as Nestlé Vietnam Ltd and Vinacafe Bien Hoa JSC are expected to become even more active in terms of their marketing and advertising activity as they seek to take advantage of the rising demand for coffee in both the on-trade and the off-trade. The leading names in coffee have identified that strong growth opportunities are likely to emerge during the post COVID-19 recovery period as the Vietnamese economy rebounds and consumers look to make up for the lost time by socializing more often with friends and family in both the on-trade and the off-trade. ■

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