



Vietnam: Market Overview on ICT Industry, including Broadcasting, IT and Telecom Sectors

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Summary

With a population of 85 million and annual GDP growth of 8.5 percent- among the highest in the world- Vietnam has become a promising destination for business development opportunities for U.S. exports in the Information and Communications Technologies (ICT) industry, including all IT, telecommunications and broadcasting sectors. Vietnam's telecommunications industry is among the world's fastest growing markets. In 2007, Vietnam's ICT growth rate was double that of the average in the Asia region and triple that of the world average. Also in 2007, the cell phone and Internet broadband subsectors experienced market growth of upwards of 200%. The Government of Vietnam (GoV) has articulated its commitment to boosting the development of the ICT industry, particularly in telecommunications and Internet infrastructure development, software production, IT education promotion, and other forms of human capital development.

Market Demand

With the world's 12th largest population at 85 million, 65 percent of which are under 15 years of age, Vietnam represents a significant growth market for U.S. exporters of telecommunications and broadcasting goods and services. Coming off of two years of year-on-year GDP growth above 8 percent, Vietnam's economy is expected to reach 8.5 percent growth in 2007, its highest growth rate to date. Although per capita annual GDP currently stands at \$835, unofficial estimates put per capita GDP in Hanoi and Ho Chi Minh City (HCMC) as high as \$2,500, hinting at disposable income levels of a well establish middle-income market and a market on the verge of significant demand growth.

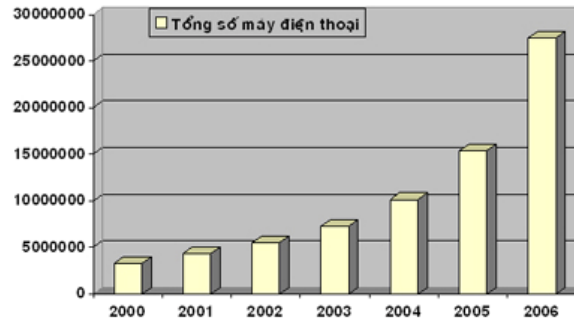
To meet the increasing market demand and the tough competition after Vietnam's accession to WTO, Vietnamese telecom operators understand they need to enhance their competitiveness by adopting new technologies and enhancing their human resource capabilities. They are seeking considerable transfer of technology and know-how via foreign involvement in the telecom sector, although the market is likely to open at a gradual pace in line with Vietnam's WTO commitments.

Industry analysts predict that by 2010 Vietnam's ICT industries will have a growth rate of 20-30% with annual revenues of US\$6-7 billion. Teledensity is expected to reach 40-42 lines (including 14-16 fixed telephone lines)/100 inhabitants, while Internet subscribers is to reach at 8-12/100 inhabitants (of which 30% is broadband subscribers) with 25-35% of the population using the Internet. New market entrants are expected to account for 40-50% of total market share.

In 1988, just after the "doi moi" (renovation/opened door) policies carried out by the Government of Vietnam (GoV), Vietnam had less than 200,000 subscribers with a teledensity of 0.18 lines/100 inhabitants. In 2000, Vietnam grew to approximately 2.6 million fixed-line subscribers and 640,000 mobile subscribers. In 2006, new phone subscribers in Vietnam more than doubled the total number of subscribers added in the 25-year period of 1975-2000, and the number of 18.5 million new telephone subscribers in the year 2007 tripled that of the period of the previous 3 years. According to Vietnam's Ministry of Information and Communications (MIC), as of June 2007, Vietnam has approximately 38.31 million telephone subscribers, with a teledensity of 45.27 lines/100 inhabitants. The chart below demonstrates significant telephone subscriber growth in the period of 2000-2006.

The major technologies used in Vietnam include cable, satellite, and wireless cable. Major broadband networks are deployed via ADSL, VDSL, and leased lines. WiFi is no longer a luxurious terminology, and local ISPs are seriously contemplating WiMax as a platform to popularize the Internet nationwide. So far 4 Vietnamese companies- VNPT, FPT, VTC and Viettel- are licensed to provide WiMax services and all have WiMax projects in the pilot stage. In terms of network convergence, voice/data networks are available nation-wide, while "triple play" networks (voice/data/video) and broadband services have been growing in the big cities. VoIP services are also expanding. Telecom companies own the Internet infrastructure and provide VoIP services. There are also several privately owned VoIP providers, all of which lease lines from major telecom carriers. Such new

technologies as 3G, even 4G, WiMax, mobile TV, and NGN have begun to be promoted in Vietnam and will become major trends in the development of Vietnam's telecom industry.



An important factor for exporting to Vietnam's market as this country becomes an official member of WTO is the implementation of tax cuts as the country implements the ITA agreement for ICT products and services. Specifically, categories currently in a 5% tax bracket will decrease evenly to 0% in 2010; those in a 10% bracket will decline evenly to 0% in 2012 and those in a 20-30% bracket will go down evenly to 0% in 2014.

Below is an analysis on major sectors of the ICT industry in Vietnam.

Broadcasting

Vietnam's broadcasting industry has been developing rapidly in recent years. At present, Vietnam has one national television station (called Vietnam Television/VTV), one national radio station (called Voice of Vietnam/VOV) and four inter-provincial broadcasting stations. Additionally, each of the country's 64 provinces and cities has its own local broadcasting station. Apart from these broadcasters, other several new entrants include cable television, satellite (DTH/Direct-to-home) and on-line television providers. In terms of network convergence, voice/data networks are available nation-wide, "triple play" networks (voice/data/video) and broadband services have been developing in the large cities. Moreover, 40% of the country's broadcasting facilities have been digitalized. The digitization covers up to 40% of country's technical facilities. The local broadcasting industry plans to reach full digitalization by the year 2010. This emerging market is highly competitive with the strong presence of third-country competitors from Japan, EU, and other Asian countries like China, South Korea, etc. Market growth in 2007 is estimated to reach approximately 28% and is expected to reach 30% in the next 2-3 years. Market size in 2007 is estimated to be valued at US\$200 million. Vietnam has developed and maintained a large national transmission network including parallel digital Ku-Band and C-Band satellite carriages and hundreds of relay stations in order to ensure 90% of coverage of the Vietnamese territory.

Satellite

Vietnam's very first communications satellite called Vinasat was approved by the Government on October 18, 2005. The project will cost a total estimated \$200 million, including ground facilities. In May 2006, U.S.-based Lockheed Martin and VNPT held a signing ceremony to award the U.S. firm with a \$168 million contract (including satellite, launch vehicle, insurance, ground systems and training). The satellite will be manufactured in Lockheed Martin's Pennsylvania facility.

The satellite, which has a height of 4 meters height, weighs 2.7 tons and has an A2100 frame, is scheduled to be launched into orbit at 132 East degrees by Arianespace's Ariane 5 ECA missile from the French Guyana launching spot on April 19, 2008, and will become operational on April 27, 2008, providing roughly 15 years of service. Vinasat will be a geostationary satellite, employing eight C-band channels and 12 Ku-band channels to provide broadcast and telecommunications service (video, data, voice) to some countries in the Asia-Pacific region such as Vietnam, Laos, Cambodia, India, Australia, Japan, Korea, part of China, and some other East Asia countries. The satellite principal ground station is located in Northern Vietnam (Que Duong, Ha Tay Province), and the back-up ground station is situated in the Southern Vietnam (Binh Duong Province).



Internet

The Internet market has also developed rapidly in recent years. Internet usage has increased in popularity as evidenced by the entry of many Internet service providers (ISPs) into the market. As of November 2007, the number of Internet subscribers in Vietnam stood at 5.12 million, with an estimated 18.22 million people or 21.66% of the population using the Internet regularly and is expected to reach 35% in 2010. Broadband market demand has increased so rapidly that the current market supply doesn't suffice. In 2007, the broadband market growth rate reached as high as at 200% with 1.2 million broadband subscribers. Presently, the country's total international and domestic connection bandwidth of Vietnam are 10,508 Mbps and 25,412 Mbps respectively. However, Internet density is not equally spread throughout the country; that is, 72.76% of Internet subscribers are in the two big cities of Hanoi and HCMC, 7 other cities and provinces including Hai Phong, Thua Thien-Hue, Quang Nam, Da Nang, Khanh Hoa, and Binh Duong account for 10.48%, while the rest of the 55 provinces account only for 16.76%.

So far, Vietnamese authorities have licensed 7 IXPs (Internet infrastructure service providers), 18 ISPs (Internet access service providers), and 25 online service providers. As of the end of 2006, Vietnam's Internet market shares of major Internet service providers were as follows: VNPT/VDC (54.21%), FPT (16.81%), Viettel (16.05%), EVN Telecom (4.84%), SPT (3.61%), and others (4.48%). In terms of the Internet broadband market share, 3-top key players are VNPT, FPT, and Viettel with 670,000, 300,000, and 250,000 subscribers respectively.

Computer Hardware and Software Services

Sales in Vietnam's ICT industry have been dominated by hardware, which has accounted for approximately 80 percent of total IT spending during the past five years. This focus on hardware reflects, in large part, the widespread piracy of software and lack of effective protection of intellectual property in Vietnam.

In 2006, the total value of Vietnam's ICT industry (exclusive of consumer electronics and telecommunications sectors) was \$1.74 billion, an increase of 22.1% compared to that of 2005. The software and services subsectors' growth rate was 32%, higher than the hardware subsector, due mostly to the development of digital content and software outsourcing. In the software and service subsectors in Vietnam, ICT training turnover was \$15 million and digital content subsector was \$65 million.

In 2006, Vietnam's hardware imports totaled \$1.412 billion (13.9% increased over 2005) and exports reached \$1.233 billion (18.3% increased than that of 2005). Vietnam's computer software imports increased from \$18 million in 2005 to \$30 million in 2006. The U.S. export of computer hardware products to Vietnam was ranked 6th in the list of top exporters to Vietnam in 2006 with the value of \$41 million.

Fixed telephone networks

As of June 2007, Vietnam has approximately 38.31 million telephone subscribers, with a teledensity of 45.27 lines/100 inhabitants, of which approximately 25% are fixed telephone subscribers (approximately 9 million fixed telephone subscribers.) Telephone access is currently available to all communities nationwide. State owned Vietnam Posts and Telecommunications Group (VNPT) is the major landline telephone carrier in this market. As the traditional PSTN fixed telephone service is no long a "cash cow" subsector, Vietnam's telcos are instead developing wireless fixed telephone service solutions, especially for remote and isolated areas.

Cell phone networks

In 2006, cell phone subscribers accounted for 61% of total phone subscribers, double that of 2004. Also, in 2007, the cell phone market growth rate stood at 200% with 14 million subscribers. It is predicted that Vietnam's cell phone subscribers will reach 20 million and 25 million in 2008 and 2010 respectively, with phone density of 42 lines/100 inhabitants, two-thirds of which will be cell phone subscribers.

As of June 2007, Vietnam has 22.87 million cell phone subscribers. Cell phone market share in Vietnam is currently divided between 6 network operators: Vinaphone (by VNPT), MobiFone (by VMS, a VNPT's BCC), Viettel Mobile, and S-Fone (a Saigon Postel's BCC with South Korean consortium SLD Telecom), EVN Telecom (by Electricity of Vietnam), and HT Mobile (a BCC between Hanoi Telecom and Hutchison). Viettel accounted for 32.8% market share with 7.5 million subscribers; MobiFone accounted for 28.1% market share with 6.4 million subscribers; Vinaphone accounted for 25% market share with 5.7 million subscribers; S-Fone accounted for 7.5% market share with 1.7 million subscribers, EVN Telecom accounted for 5.3% market shares with 1.2 million subscribers; and HT Mobile accounted for only 1.3% market share. In terms of the technologies used in Vietnam's cell phone networks, six licensed mobile network operators run 3 GSM mobile networks (Vinaphone, MobiFone, and Viettel) and 3 operate CDMA mobile networks (S-Fone, EVN Telecom, and HT Telecom). GSM mobile networks presently account for more than 95% of the cell phone market share. Investments by the major cell phone networks are: Vinaphone (\$130 million), Mobifone (\$456 million), S-Phone (\$230 million), EVN Telecom (\$630 million), and Hanoi Telecom (\$656 million).

In short, huge market demand from Vietnam's telecommunications and broadcasting industries (as well as from other subsectors) in the coming years presents great potential for U.S. exports.

Market Entry and Distribution Channels

The majority of the imported ICT equipment is sold directly to local telecom service providers or their subsidiaries or to broadcasters. Local distributors must have an import license for telecom equipment or should have an existing relationship with licensed trading companies.

Channel education has played a large role in expanding the abilities of these distributors to seek new customers and provide application specific solutions. Foreign principles will need to allocate a sufficient budget to handle the training of distributors. As some of the ICT equipment is new to the market, preparation and training are essential. Professional business-to-business and consumer selling organizations are new to Vietnam, thus periodic supervision and training are important ingredients for success.

Selection of the right local partner is essential to maximize business development opportunities. As the high tech industry continues to develop in Vietnam, prices will continue to go down, investment capital will increase and the business environment will become more competitive. By entering the market via the road of equitization/privatization, foreign telcos will best approach this emerging market in a step-by-step fashion.

However, problems do exist for the industry as it manages growth. Serious problems in network connectivity between the dominant player and the new entrants, while the non-stop price competition campaigns push out profitability timeframes.

Competition

The anticipated reduction in import costs due to the appreciation of the Vietnamese Dong against the U.S. dollar is expected to stimulate more demand for imported, durable, high-quality products American-made telecommunications and broadcastings. Local consumers are becoming more and more familiar with American telecommunications and broadcastings, particularly with increasing accessibility of product information on the Internet. The reputation for quality of US made products, combined with increased access to information, should further increase the attractiveness of American-made items and give U.S. firms a competitive edge.

Barriers to Entry

Inadequate intellectual property rights protection causes serious challenges for legitimate exporters to Vietnam. At present, although its piracy rate has been coming down, Vietnam is still among the top-20 countries breaking

the IPR protection. According to Business Software Association (BSA)'s Piracy Study Report conducted in May 2007, Vietnam's software infringement rates in 2004, 2005, and 2006 were 92%, 90%, and 88% respectively. Clones from China have made their way into the local market. Government enforcement of newly passed IPR laws remains woefully insufficient, though the GVN is focused on improving its track record, especially in regards to enforcement.

Best Prospects

American companies will find tremendous opportunities in almost every sub-sector, from equipment for telecom infrastructure to value-added services to computer hardware products. Many American ICT giants have marketing operations in Vietnam such as Microsoft, Oracle, Intel, Dell, HP, Cisco Systems, to name a few.

Software and services are also among best prospects for U.S. IT exporters, especially enterprise applications such as Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP) as Vietnam's new membership in the World Trade Organization (WTO) furthers its integration into the global economy.

American ICT companies will also find growing opportunities for doing business in Vietnam, particularly in sectors associated with Internet development. Once Vietnam implements an anticipated "e-transaction" law, e-commerce and other value-added applications and services over the Internet will drive the demand for the equipment and services needed to develop and grow the Internet infrastructure and subscriptions. These applications and services are prioritized into major areas such as e-Government, e-commerce, e-training, and e-healthcare to ensure that the entire population will have ready access to community information and services such as fire and rescue, health emergency, public order, and natural disaster response.

The ICT industry offers opportunities for training service providers as well. The Government has drawn up an ambitious plan for the domestic industry that aims at reaching annual sales of \$3 billion by 2020. The plan consists of three major programs: the development of IT human resources; the development of a software export sector; and the development of a hardware-manufacturing base. Currently, Vietnam does not have the capability to execute the Government's plan in any of these areas. In order to do so, significant investment in training and technology transfer must occur – a need that could offer significant export opportunities for American ICT hardware and service suppliers.

Vietnam will continue to import a significant number of PCs and peripherals. The primary customers for imported equipment are multi-national corporations, large state-owned-enterprises and the Government. The computer services market has evolved into a two-tier market, whereby foreign computer firms serve foreign businesses operating in Vietnam and local firms cater largely to Vietnamese clients. For the most part, foreign companies seeking computer services use foreign invested service providers, while Vietnamese companies rely on local computer retailers who offer a limited package of services.

Key Suppliers

Vietnam's telecom and broadcasting sectors are toughly competitive with the strong presence of third-country competitors from EU, Japan, and other Asian countries like China and South Korea.

Prospective Buyers

American exporters will find tremendous opportunities in almost every sub-sector of the telecom/broadcasting industry.

Below are the major buyers for broadcasting equipment and services:

- VTV (Vietnam Television)
- VoV (Voice of Vietnam)
- VTC (Vietnam Multimedia and Communications Corp.)
- 64 local provincial broadcasting stations (See <http://www.vtv.org.vn/home/vtv/daidiaphuong.html>), and other local cable TV, satellite, and on-line broadcasters.

Below are the lists of the major buyers for telecom equipment and services:

Fixed telephone service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- Hanoi Telecom (Hanoi Telecommunications Company)

International telecommunications service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)
- Viettel (Military Electronics Telecommunications Corporation)

Long distant and international telephone service based on IP protocol operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- Hanoi Telecom (Hanoi Telecommunications Company)
- Vietnam Maritime Communications and Electronics Company (Vishipel)

Mobile communications service operators:

- VNPT (Vietnam Posts and Telecommunications Group)
- Viettel (Military Electronics Telecommunications Corporation)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- Hanoi Telecom (Hanoi Telecommunications Company)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)

Internet services providers:

- VNPT (Vietnam Posts and Telecommunications Group)
- FPT (FPT Group)
- Viettel (Military Electronics Telecommunications Corporation)
- EVN Telecom (Electricity of Vietnam's Telecommunications Company)
- Hanoi Telecom (Hanoi Telecommunications Company)
- SPT or Saigon Postel (Saigon Posts and Telecommunications Service Corporation)
- OCI (One-Connection Internet Service Joint Stock Company)
- Netnam (Netnam Company)

Trade Events

CommunicAsia 2008 (<http://www.communicasia.com>)

The 19th International Information and Communications Technology Exhibition and Conference. This is the most prestigious event in the ICT industries in the Asia region, to be held from June 17-20, 2008, in Singapore.

ITU Telecom Asia 2008 (<http://www.itu.int/ASIA2008>)

ITU Telecom Asia 2008, the leading ICT Exhibition and Forum and major networking platform for players from across the Asia Pacific region, will take place from September 2-5, 2008, in Bangkok, Thailand.

VietnamTelecomp 2008 (<http://www.2456.com/vnc>)

The 12th International Exhibition in Vietnam on Telecommunications and Information Technology, to be held from November 26-29, 2008, in HCMC, Vietnam.

Resources & Key Contacts

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Vietnam's Ministry of Information and Communications (MIC)
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Vietnam's Ministry of Industry and Trade (MOIT)
<http://www.moit.gov.vn>

Ministry of Science and Technology (MOST)
<http://www.most.gov.vn>

Ministry of Planning and Investment (MPI)
<http://www.mpi.gov.vn>

Vietnam Internet Network Information Center (VNNIC)
<http://www.vnnic.net.vn>

For More Information

The U.S. Embassy Commercial Service in Vietnam can be contacted via e-mail at: Nguyen.Dzung@mail.doc.gov; Phone: (84-4) 850-5000; Fax: (84-4) 831-4540 or visit our website: www.buyusa.gov/vietnam.

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