

Vietnam

Highlights of consumer co-ops

- ✓ One Co-operative Law for all sectors
- ✓ Severe competition with private retailers

1. Co-operative movement in Vietnam

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It was the first time in 1927 when the then President, Ho Chi Minh brought the idea of co-operatives into Vietnam in his book “The revolution way”.

The first co-operative was established in Thai Nguyen province (Dan Chu co-operative specializing in handicraft production). With the success of this co-operative, co-operative movement expanded to other sectors.

The co-operative movement was strongly promoted in the 1950s as an organized group for economic development.

In 1956, there were 190,000 co-operative groups in the whole country, attracting about 50% of farming households.

In 1958, the number of agricultural co-operatives established was 4,723. Later, at the end of 1960, the number increased to 41,446 co-operatives. This figure accounted for 85.8% of farming households and 76.5% of field area.

At the same time, thousands of co-operatives were organized in such sectors as consumer, credit, small industries and handicraft. The national co-operative organizations were also established at different levels.

Co-operatives contributed significantly to the process of economic development, meeting the needs of production and people's livings in the country.

Agricultural co-operatives were especially active. By 1975, there were 17,000 agricultural co-operatives in the north of Vietnam, with nearly 96% of farming households.

After the unification of Vietnam in 1975, co-operatives developed rapidly in provinces and cities.

In 1986, there were 79,000 co-operatives in all sectors with different backgrounds, i.e., agriculture, industry, small industry and handicraft, consumer,

Co-operative movement in Vietnam (contd.)

transportation, construction/construction material production, credit, etc.

The membership amounted to over 20 million members.

Consumer co-operatives had accounted for about 20% of total domestic retail turnover and wholesale output of over 60% of agricultural produces and food products in the whole country.

Late in the 1980s, Vietnam entered into the comprehensive innovation period, crossing out the mechanism of centralized management and subsidy, establishing and developing the market economy.

The co-operative movement came into the crisis period, due to the incapability to adapt to the new mechanism and being out of the concern, guidance and facilitation to reorganize.

Many co-operatives dissolved, and the co-operative movement faced many difficulties, thus losing orientation of development. By December 1996, the number of co-operatives decreased to 17,462, 22.1% of 1986.

The first law on co-operatives was passed by Vietnam National Assembly at the 9th Session, wherein it was defined that Vietnam Co-operative Alliance (VCA) was the national co-operative organization representing and supporting primary co-operatives and co-operative unions of all sectors in the country.

The law included the concept of new type of co-operatives, organizational principles and operational models based on the co-operative concept, principles and values of the International Co-operative Alliance (ICA).

The co-operative movement faced the period

of strengthening, restructuring and making new development steps. Co-operatives, which were established before the promulgation of the law were required to transform into the new co-operative model.

Co-operatives, which did not meet the new legislation, were dissolved. New co-operatives were established in all sectors and professions.

Now-a-days, nearly 1,000 co-operatives are established every year in Vietnam.

By June 2008, the co-operative sector in Vietnam was composed of 17,900 co-operatives and 44 unions, including 8,553 agricultural co-operatives, 2,996 industrial, small industry/handicraft/construction co-operatives, 1,085 transportation co-operatives, 458 fishery co-operatives, 860 trading and service co-operatives, 1,006

credit co-operatives (also called people's credit funds), 2,708 electrical service co-operatives, 113 environment co-operatives, 121 other types of co-operatives and about more than 320,000 co-operation groups.

The sector embraced more than 12.5 million workers, households, small micro-businesses and production units, and became a large socio-economic sector having important roles in many economic fields, especially agriculture, fishery, micro-credit, small industries and transportation.

It also supported daily lives of 47–50 million people.



Co-operative movement in Vietnam (contd.)

The governing body of co-operatives in Vietnam differs from sector to sector. The function of Ministries concerning co-operative affairs are also different.

The Ministry of Planning and Investment is in charge of planning policies of all co-operative sectors. The Ministry of Industry and Commerce is in responsible for:

- a) preparing programs for consumer co-operatives,
- b) enacting policies and guidance for co-operatives,
- c) supporting co-operative activities. People's Committee is in charge of the registration of co-operatives.

The structure of co-operatives is in four-tier level, i.e. local, district, province and central. The co-operative enterprises at the primary level are affiliated to the provincial

co-operative alliance, which, federate into the central alliance.

Co-operatives in Vietnam are regulated by the Co-operative Law, which was amended in 2003.

The definition of Co-operative Law is used for all sectors. There is no clear definition of consumer co-operatives in the law. Therefore, trading co-operatives are also included in consumer co-operatives in Vietnam.

Vietnam Co-operative Alliance (VCA) is the sole apex co-operative organization of the country.

The missions of VCA are as follows;

- ✓ Participate in the formulation of legal policies and norms on co-operatives
- ✓ Promote communication and publicity

- ✓ on co-operatives
- ✓ Provide consulting and support services to its members
- ✓ Represent and advocate legal rights and interests of co-operatives
- ✓ Promote external relations and international relationship

The National Representative Congress of Co-operatives, the highest decision-making body of the VCA, meets every five years.

As the national organization representing and associating all co-operatives in Vietnam, VCA renders support services to the co-operatives as well as implements viable and effective economic activities to steer and uplift the movement.

The support services and economic activities of VCA are carried out through programs and the training, consulting and supporting centers or provincial co-operative alliances.



2. Outline of consumer co-ops

The first consumer co-operative, which was marketing and supply co-operative, was founded on 15 March 1955.

It had a strong relationship with agricultural credit co-operatives. There were 9,000 consumer co-operatives with 10,000 stores and 20 million members during the peak period. Co-operatives had difficult times during 1989 to 1991.

Now-a-days, consumer co-operatives are separate from agricultural co-operatives. Most of consumer co-operatives are “multipurpose co-operatives”. Saigon CO-OP, is a representative retail body of multi purpose co-operatives.

Vietnam Co-operative Alliance (VCA) is trying to revitalize consumer co-operatives in the country. Its target is to increase 20% of total volume business, by helping member societies to expand markets and efficiency of

businesses, and by assisting co-operatives to link with producers.

Consumer co-operatives in cities and towns are introducing modern retail technologies and formats to attract customers, while in rural areas, retails co-operatives play important role in selling basic necessities, agricultural inputs and products.

VCA recognizes that consumer co-operatives have important roles such as a) playing important role in inflation reductions and price stabilization and b) helping farmers to sell products.

Among consumer co-operatives, Saigon Co-op is the leading retailer in Vietnam and is active in 27 provinces of Vietnam.

Thuan Thanh Co-operative in Hue is the second biggest consumer co-operative. Most of the other consumer co-operatives are small in scale.

Recently, co-operative free market management is developing in the country. There are 200 free markets in Vietnam that support the development of small businesses. Some co-operatives in rural area supply products to customers using delivery cars.



3. Representative Co-operative Societies

3.1 Saigon CO.OP (Nationwide)

Saigon CO.OP, which is an abbreviation name of Saigon Union of Trading Co-operatives, was founded in 1989, by the Management Committee of the Ho Chi Minh City Trading Co-operatives and related organizations.

Its mission is to:

- 1) promote direct trade, and
- 2) promote co-operative movement in Vietnam.

Saigon CO.OP opened its first store in 1996 in Cong Quynh. Two years later, Saigon CO.OP decided to operate a Coop Mart supermarket chain at its First Congress of Members.

With the success of Coop Mart supermarket

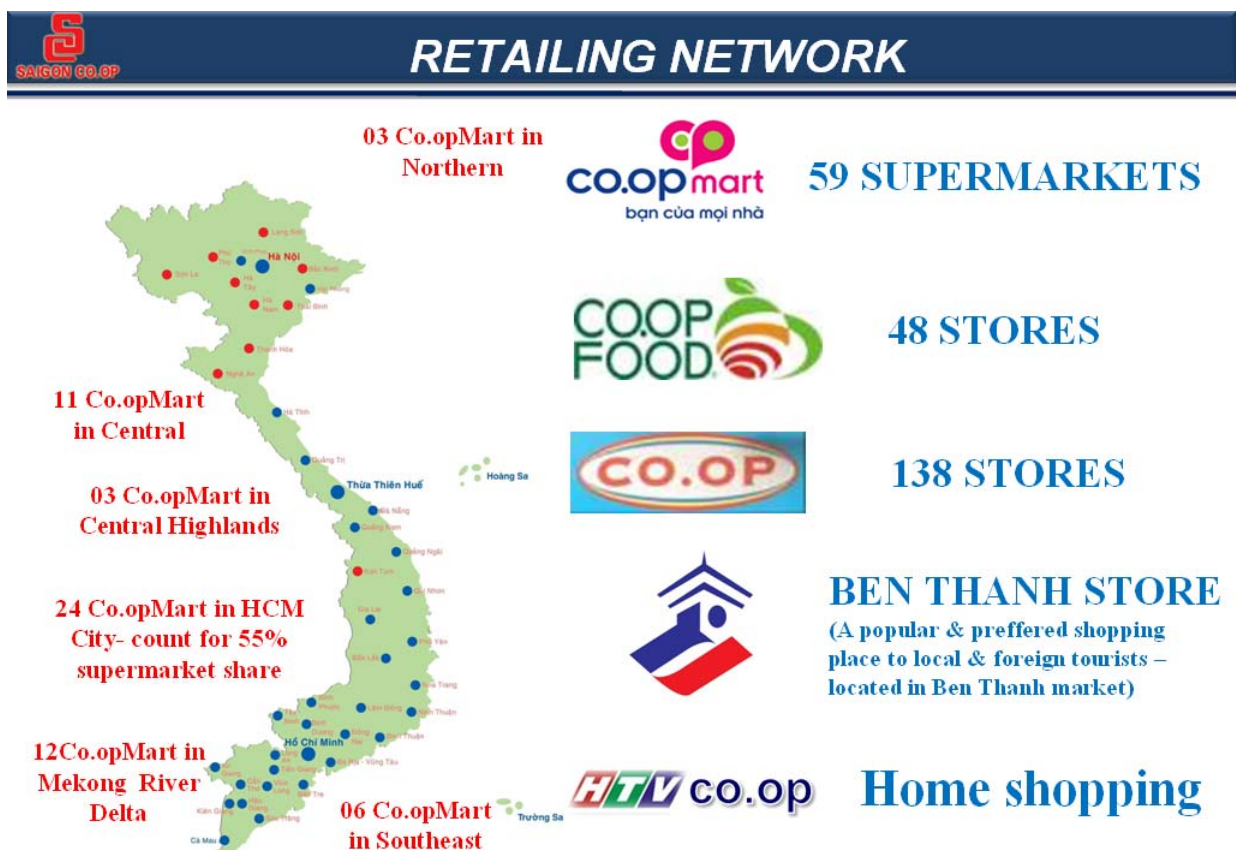
chain, it has become the largest co-operative organization in Vietnam.

In 2012, the number of Saigon CO.OP stores reached to 247, with 59 general merchandise supermarkets (Co.op Mart), 48 neighborhood Food stores (Co.op Food), 138 convenience stores (Co.op store), 1 Ben Thanh store and 1 TV Home Shopping site.

In 2011, the turnover of Saigon CO.OP sales accounted for VND16,071 million, with an increase of 34.3% compared with 2010.

Saigon CO.OP was awarded as the Top Retailer in Vietnam for the Top Retailer Asia Pacific from 2004 to 2011, for 8 consecutive years.

(1 US\$ = 20835 VND)



Representative Co-operative Societies

Saigon CO.OP (Nationwide) contd.



Saigon CO.OP's Social Activities

- *Donate 5 billion VND IN 2011 for charity.*
- *Support the poor and war/disaster victims.*
- *Saigon Co.op's scholarship.*
- *Golden heart fund.*
- *Blood donation for charity*
- *Environmental-friendly activities.*

Representative Co-operative Societies

3.2 Long Ha Commerce Co-operatives (Hanoi)

Long Ha Commerce of Co-operatives is a multi purpose co-operative that was developed from agricultural co-operatives.

It is registered to Peoples' Committee. Its business is to manage free markets, parking lot, travel agency, gas stations, restaurants, financial investment, house repair, imports and repair of cars.

It has two joint stock companies as subsidiaries to manage a) imports and repair of cars, and b) house repair and house equipment business.

In 2012, Long Ha Commerce of Co-operatives has 30 billion VND of share capital.

The main business of the co-operative is to manage two free markets that can fill in 400 shops.

The turnover of the market reached 250 million VND in 2011. The profit of the co-operative is divided equally among the members.

Retired old members can receive 2 million VND per month as co-operative old-age



Representative Co-operative Societies

3.3 Thuan Thanh Co-operative (Hue)

Thuan Thanh Co-operative is a primary consumer co-operative in Hue City and was founded in Sept. 1976. It has 1,100 (450 active) members and the turnover reached 360 billion VND with an increase of 14% in 2011.

The dividend for the share capital amounted 18%/year (bank average saving rate: 17%). The minimum share capital to become a coop member is 30,000 VND.

Currently, there are 3 supermarkets of Thuan Thanh Co-operative in Hue. In addition to the supermarkets, the co-operative

also owns 10 cafeterias in hospitals and universities.

With the increasing competition with private retailers and Saigon Coop stores, Thuan Thanh co-operative is trying to shift its business to the management of cafeterias.

Although the turnover of coop supermarkets increased, retail business is not as profitable as cafeteria business. The net profit ratio of coop supermarket decreased from 0.4% (2010) to 0.3% in 2011.



3 Supermarkets of Thuan Thanh Co-operative in Hue



Cafeteria Business



Outlook of Vietnam retail market

There was no official data of retail market in Vietnam.

However, the retail market in Vietnam is developing rapidly, especially in big cities such as Ho Chi Minh and Hanoi.

The majority of the food retail market is composed of traditional wet markets and micro-small shops so called Pop & Mom shops.

Now-a-days, with the increase of income of citizens, consumers are becoming even more conscious of price and quality of products.

Therefore, the need for modern retailing is increasing year by year.



4. Problems of consumer co-operatives

4.1 Problems

VCA recognizes the problems of consumer co-operatives as follows:

- ✓ Severe competition with private retailers and even among consumer co-operatives.
- ✓ Difficulty in getting bank finance.
- ✓ Limited working capitals.
- ✓ Low management skills.

4.2 Future Visions

Saigon CO.OP sets its vision, mission and core values as follows:

✓ Vision

To become a leading economic corporation in Vietnam retailing industry by focusing on promoting a sustainable growth of Co.op Mart supermarket

chain in conjunction with the development of other retailing channels according to the market demand.

✓ Mission

To satisfy the target consumers with daily consumption needs. To bring customers to conveniences, safety and added values. To contribute to the improvement of people's living standard and the development of Vietnam retailing industry.

✓ Core values

- ♦ To provide customers with the highest satisfaction and endeavoring for perfection.
- ♦ To be the beloved home of all staffs.
- ♦ To consider the benefits of the community in all activities.

Saigon CO.OP's Expanding Plan toward 2015

- ✓ Develop distribution centers nationwide
- ✓ In 2015, the number of CO.OP Mart supermarket will raise upto 100 supermarkets nationwide.



5. Relationship with the Government

Co-operatives in Vietnam have a strong relationship with the government.

Thus, the People's Committee has a big influence in guiding the activities of co-operatives. The management of co-

operatives is subject to the supervision of the People's Committee.

At the same time, the government supports the co-operatives so that they can create favorable conditions for their members.

Basic Information on Vietnam

6. Basic Information on Vietnam

Name	: Socialist Republic of Vietnam
Capital	: Hanoi
Largest city	: Ho Chi Minh City
Government	: Marxist Leninist single party state
Area	: 331,210 km ²
Population	: 91,519,280 [2012 estimate]
GDP (PPP)	: US\$ 299.985 billion [2011 estimate]
Currency	: Dong (VND)



From: Wikipedia

