

Analysis of the beauty market in Vietnam

October 11, 2024

There is much opportunity for growth in prestige beauty in Vietnam despite the lack of retail infrastructure

Vietnam is seen as one of the most promising and largely untapped markets in Southeast Asia for beauty. It has seen an upsurge in foreign investment in recent years, with a fast-developing premium beauty space. Brands are flocking to enter the country and tap into the opportunity, but it is not without its share of challenges.

Political instability—the country's president resigned in March after only a year in office—and a crackdown on corruption are taking their toll on consumer sentiment. "Growth has slowed due to global headwinds and local political uncertainty," says LUXASIA Country Manager Dinh Nguyen. "The local consumer is a little cautious."

Limited distribution

The country's lack of retail infrastructure is another challenge, with only a handful of prestige doors and competition for prime retail space high. "The main challenge in Vietnam is the limited availability of suitable luxury retail spaces," says LUXASIA Managing Director for Southeast Asia Alwyn Chong. "There are still essentially only four malls where you can do luxury retail, although there are a number of mall projects coming up." Nguyen adds, "You need to capture the first-mover advantage. [...] There is high competition for strategic locations inside department stores and shopping malls."

Despite this, observers agree the country has much potential. "Vietnam is an up-and-coming market with highly aspirational consumers," says Groupe Clarins Executive Vice President for Southeast Asia Guillaume Nagy. "The prestige beauty market is valued at around \$116m— 70% of Indonesia's market, with a third of its population—with potential to accelerate in the coming years."

Despite a slowdown in early 2024, the market has seen fast growth since the pandemic, with prestige fragrance up by around 41% on a compound annual growth rate between 2021 and 2023, while make-up gained by around 28%. Prestige skincare, with 7% growth, has been slower. Skincare still accounts for 60% of the beauty market, with fragrance representing around 20% of sales, according to sources.

Much of the recent growth in prestige is coming from new brands entrants, observers say, even though the product registration process remains complex and lengthy. LUXASIA introduced the SK-II brand to the market last year and opened its first counter for La Prairie there in May. "SK-II is consistently performing very well, and is in the top-three brands in Takashimaya," says Nguyen.

Growth in fragrance is being driven by the arrival of niche brands. Maison Francis Kurkdjian, Creed, Amouage and Penhaligon's have all recently entered the market, and LUXASIA opened its first niche brand store Escentials in the market in May.

Among high-earning consumers, prestige brand awareness is already developed, and as such, execution is key despite the market's infrastructure challenges. "Luxury beauty brands must adapt to local consumer

preferences, deliver a luxury retail experience and capture market share,” says Nguyen. “In the past, affluent consumers traveled to Singapore or Malaysia or Hong Kong to buy luxury beauty products. These brands have a strong reputation already.”

But the core of the market is still at an exploratory stage. Basic products are key to recruiting consumers to trade up to prestige beauty, Nagy comments. “Experience is important for the consumer to justify the costs,” says Nguyen.

According to data from the US department of commerce, international brands account for around 93% of beauty sales in Vietnam, with South Korea the biggest importer with a 30% market share, followed by the EU with 23% and Japan with 17%. Local brands are few and far between.

Parallel and counterfeit products as well as a value-for-money mindset remain a challenge. “The prevalence of counterfeit make-up from China undermines consumer trust,” says one brand manager. “Ensuring product authenticity and building consumer confidence are major challenges.”

Beauty priorities for consumers in Vietnam include clear skin and a radiant complexion, with hybrid products like tinted moisturizers resonating well, according to Asia Cosmelab project manager for Southeast Asia Héloïse Lefebvre du Prey. “Younger consumers’ beauty tastes are increasingly sophisticated; they are fans of make-up and hair products, and are driving demand for lipstick and eye make-up, for example,” she adds.

“The main challenge in Vietnam is the limited availability of suitable luxury retail spaces”

LUXASIA Managing Director for Southeast Asia
Alwyn Chong



More brands are launching in Vietnam, such as SK-II, which entered the market last year and, and is in the top-three brands in Takashimaya (pictured), according to LUXASIA

Competition for retail space

With prestige retail real estate still sparse, competition for prime locations is intense. Takashimaya in Ho Chi Minh City is considered the top door for international brands. The Japanese retailer is planning to open a hotly awaited second store in Hanoi in 2026. Another Japanese player, Aeon, opened its first mall last year, and several major new developments are on the cards.

Crescent Mall, in Ho Chi Minh's District 7, is considered another key location. This is where LUXASIA recently launched its Essentials niche multibrand concept, and it also houses a number of boutiques for brands including Guerlain and Hermès. Local mall operator Vincom's larger Vincom Center locations also offer opportunities for expansion. "With the limited distribution available to showcase international beauty products, standalone formats are gaining popularity, with brands opening boutiques in Ho Chi Minh and Hanoi," says Clarins' Nagy. With operating costs expected to escalate, observers highlight that now is the time to get a foot in the door for flagship formats.

Elsewhere on the retail front, multibrand boutiques are mushrooming. While most are focused on mass and masstige products, local chains including Hasaki, Beauty Box and AB Beauty World are premiumizing their concepts, and offer opportunities for geographic expansion. "We have a variety of local chain stores that are trying to occupy all the provinces in Vietnam as fast as possible. Not all are luxury-oriented yet, but many are premiumizing their stores selectively," Nguyen comments.

E-commerce accounts for an estimated 50% of beauty sales in the country, but less than 10% for prestige. As well as Shopee and Lazmall, social commerce, especially TikTok Shop, has been developing strongly, according to observers, although mainly for lower-priced products. "Young Vietnamese consumers typically test products in stores but often purchase online to take advantage of promotions, discounts and gwps," observes one brand manager. Finding the right business model to tap into opportunities online, especially for prestige brands, is a priority for the months ahead.



The Namperfume stores (pictured) focusing on niche fragrance are expanding, with seven now in the market

Vietnam's key retailers

Takashimaya

Takashimaya is considered the top luxury door for beauty in Vietnam. After opening its store in Ho Chi Minh City in 2016, it is planning to open its second location, in Hanoi, by 2026.

Lotte

South Korea's Lotte launched Lotte Mall West Lake Hanoi last fall, with a first-floor beauty department featuring spaces from a wealth of international beauty players.

Robins

Operated by Central Retail, Robins has stores in both Hanoi and Ho Chi Minh City's Crescent Mall featuring a range of core prestige brands as well as outlets for local chain Beauty Box.

Hasaki

Beauty chain Hasaki has the biggest footprint, with around 40 doors and an established online presence. Alongside its core mass offer, it lists premium hair and mid-range prestige skincare and make-up brands like MAC, Laneige, Estée Lauder and Kiehl's.

Beauty Box

With around 20 stores, mainly in Hanoi and Ho Chi Minh City, Beauty Box is another of the dominant multi-brand chains in Vietnam, praised for its innovative shopping experience.

AB Beauty

AB Beauty has around 20 large-format AB Beauty World stores in prime locations in Ho Chi Minh City, with a large selection of brands across price points, including MAC and Laneige, as well as international fragrance labels.

Namperfume

Namperfume, founded in 2013, is focused on fragrance, offering niche brands including Creed, By Kilian, Tom Ford and Maison Francis Kurkdjian. It has a strong social-media presence and seven physical stores in streetfront locations.

Vietnam prestige market growth forecasts

Category	% 2024 sales growth forecast	% 5-year CAGR forecast (2024-2028)
Prestige skincare	+6	+6.4
Prestige color cosmetics	+7	+7.1
Prestige fragrance	+7	+8.3
Prestige haircare	+6	+7.0

Source: LUXASIA

Vietnam beauty and personal care sales

Category	2023 sales \$	% change 2023/2022	2024 sales forecast \$	% forecast change 2024/ 2023
Skincare	1.02bn	+3.8	1.08bn	+6.1

Color cosmetics	667.3m	+10.3	715.2m	+7.2
Fragrance	113.3m	+3.8	121.6m	+7.3
Premium beauty and personal care	612.0m	+2.8	651.2m	+6.4
Total beauty and personal care	3.34bn	+2.3	3.53bn	+5.5

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