



## Executive Summary

# Vietnam ICT Market Landscape Study

### Macroeconomics & IT Spend

Vietnam's economy recovered in 2015, reaching a GDP rate of 7.01% in the fourth quarter and achieving a full year GDP of 6.68%; the highest rate since 2011. Vietnam's trade balance in 2015 stands at 3.2 billion USD, equivalent to 1.65% of the GDP, highest number since 2011. FDI investment increased by 19.9% to 15.6 billion USD in 2015, much higher than the rate 10.5% in 2014, exceeding expectations. Next-generation Free Trade Agreements (TPP, EVFTA, and AEC) are expected to generate new wave of foreign investments with discussions on the potential impact already underway. Vietnam has a large, young population and an increasing rate of urbanization. The median age of the population of 90 million is 29 years. 70 percent of the population is of working age and 30 percent live in urban areas. The percentage of social insurance, medical, unemployment, union fund etc. in Vietnam is very high with a total 34.5% of monthly salary. The starting point for Personal Income Tax (PIT) is from 9 million VND with the tax ranging from 5% to maximum of 30%.

Vietnam's socioeconomic development framework assigns ICT a strategic role in accelerating Vietnam's transition to a knowledge society and integration into the global economy. The Government of Vietnam has put ICT high on the development agenda for state management as well as for social and economic development of the country.

The overall ICT policy framework in Vietnam is comprehensive, and rather complex. Vietnam Master Plan on information technology was approved in 2011, which aims to turn Vietnam into a developed country in ICT by 2020. The total labor in the information technology industry will reach 1 million. 50-60% of households nationwide will have computers and access broadband Internet, of which 20-30% access optical cable broadband. Vietnam will be ranked among 55 countries on the ranking list of the ITU. The number of Internet users will account for over 70%. ICT industry is expected to contribute around 8-10% of the country's GDP.

Consumer spending accounted for 58.59% of total IT spending in 2015 with the largest contribution of 71.48% from smartphone (hardware). It is estimated that 17.7 million smartphone devices will be shipped by end of 2016.

Enterprise spending market share is around 23.7% of 2015 total spending which is contributed largely from communications (9.81%), BFSI (7.96%), manufacturing (5.96%). Enterprise spending is expected to reach US\$2.5 billion in 2016 in which private sector and public sector accounted for 86.5% and 13.5%, respectively.

Vietnam's telecommunications spending is anticipated to achieve US\$9.12 billion by the end 2016. The spending growth in next 5 years (CAGR) is driven greatly by wireless data growth which reached 8.78% CAGR. However, the mobile data spending is only contributing 30.78% of total spending by 2016. Fixed line services spending reaches US\$1.37 billion by end of 2016, with a flat CAGR of 0%.

IDC estimates that the total revenue for the software market in 2015 is US \$266.26 million. As Vietnam is an emerging market, revenue for System Infrastructure Software still represents the largest segment of the market, followed by Applications.

Within the Infrastructure market, system software is still leading the software market. One area of particular note in the System Infrastructure market is the security software market which will see a healthy growth in the next 5 years. In the Applications space, despite economic challenges

encountered, IDC witnessed strong investment from enterprises for Financial and Human Capital Management. Additionally, with nearly 640,000 businesses, there are significant opportunities for applications vendors. IDC expects these opportunities to be vigorously fought over by both MNC software vendors and local IT vendors trying to promote their products in Vietnam.

The recent Vietnam enterprise end user survey 2015, 2016 highlights:

- 52.4% Infrastructure services companies said their spending including 4G and broadband network will increase in 2016 while 60% of financial institutions will increase spending in ERP, CRM and mobile banking.
- IT Services spend focus areas are Security Enhancement, IT Resource Consolidation, Business Continuity & Disaster Recovery to improve productivity, reduce operation costs and better manage the risk and compliance processes.
- The demand for security enhancement have been increasing in 2015 since the number of cyberattacks reported on a number of Vietnam's websites have increased and become more pervasive.
- Organizations in Vietnam showed a strong unwillingness toward security outsourcing but were open to outsource IT infrastructure, Business application management, testing and development and Services management.
- Cloud Deployment Strategy - Top 3 priority investment areas: Hosted cloud infrastructure services (e.g. IaaS, PaaS, vPC); On-premises cloud systems and solutions, and; Hosted cloud application services

Hardware spending reached US\$4,975.39 billion in 2015 and forecasts to reach US\$5,932.11 billion by 2019, representing 4.5% CAGR. With expected declining growth rate in next 4 years, PC vendors in Vietnam still face challenges in their efforts to clear up inventory and control retail prices. Large labor force and enterprise mobility trends will be key accelerators for smartphones spending. IDC forecast mobile phone shipments will be maintained its strong growth in 2016, reaching to 29 million units from 26.8 million of 2015. Growing internet and 3G subscriber base and volume of traffic will continue to drive demand for hardware, especially networking devices and storage to support the expansion of infrastructure expansion.

Software spending reached US\$266.25 million in 2015 and forecasts to reach US\$403.84 million by 2019, representing 10.98% CAGR. e-Government projects for Tax, Social Welfare System and Business Registration in Vietnam is under implementation phase. This will lead to more connectivity and online activities requiring higher security requirements including IAM, Web & Network Security. Adoption of CRM, Big Data and Analytics solutions are expecting to increase drastically as retail industry are growing through M&A and new entrants of international franchising stores.

## IT Services Market Overview

The total Vietnam IT services market achieved US\$366.37 million by the end of 2014, and it is expected to reach US\$409.43 million by the end of 2016.

Services spending reached US\$356.92 million in 2015 and forecasts to reach US\$574.47 million by 2019, representing 12.64% CAGR. Project oriented market grew well with healthy spending for systems integration, led by the demand for ERP, human resource, and better financial systems control. Outsourcing market had a healthy growth with an increased spending for desktop management and network management services, largely from banking and government sectors, despite lack of skills and a growing demand for 24/7 support services.

Spending on support and training services in Vietnam grew considerably due to the demand for improving storage systems, upgrading new servers and LAN networks. Increased investments in virtualization, better security analytics and collaboration created a strong demand IDC expected that healthy spending for hardware and software deploy services and security services will help service market to strongly increase in coming years. The main increase will come from banking and government sectors. It also witnessed a stronger demand for education & training services to improve database management skillsets for tax system, core banking and ERP system.

Local services providers dominate Vietnam's IT services market, with key contracts in in the government, oil and gas (extraction and processing), banking, telecoms, process and discrete manufacturing and retail with software and hardware deploy services. Hardware deploy and System Integration (SI) dominate the market. However, hosting infrastructure services saw the highest growth rate as a result of investments in and the expansion of third-party datacenters, the entry of new providers, and a marked increase in demand for hosting services.

The competitive landscape is becoming increasingly intense as local integrators (SIs) seek more revenue sources in order to keep healthy growth and strengthen their position. There are high interests for consulting and systems integration projects that generate a high value for total revenue. Besides offering hardware and software products of global vendors, local IT service providers also start to delivery new services like datacenters, hosting infrastructure services and other managed services.

Top 10 local system integrators (SIs) by estimated 2014 revenues in US\$ millions are FPT (206), CMC Corporation (49.6), SVTECH (57.1), Sao Bac Dau (23.9), HPT (37.7), Viettel (10.4), CT-IN (11.2), Amigo (9.5), Hong Co (21), and Tinhvan Group (9.5). Collectively they reached approximate revenues of US\$118.4 million in 2014, accounting for 32.3% of the total market.

### **Market Entry Strategy**

Companies operating in the ICT industry receive a lot of support from government such as tax incentives and speedy administration procedures. Enterprises located in software or hi-tech parks are offered further support and incentives. The government is preparing a new law to give tax exemption for IT services firm and income tax deduction for ICT labor force to attract more quality FDI investment, accelerate the ICT industry and encourage the transfer and investment of advanced technology into Vietnam.

Potential entrants are encouraged to build alliances and partnerships with a local company leveraging their connections and clients in Vietnam to provide solutions including equipment and services. They also should establish an experienced sales team in the BFSI sector with strong relationship and business networks. As doing business in Vietnam usually requires introduction through an existing contact. It is important to understand the Vietnamese working culture and it often takes a long time to close a deal.

Recommended Market Entry Strategy for MSC exporters to Vietnam centers around 3 areas of focus:

**Solutions focus:** IT services: IT training, IT consulting, Enterprise applications, Cloud services. And new services in Big Data, Data Analytics, Mobility, and IoT.

**Vertical Focus:** BFSI sector as first priority (Security, ERP, CRM, Data Warehouse, Big Data/Analytics, Mobile banking, DX, Digital Banking), then Retail (CRM, Mobile Payments, Big Data/Analytics, Mobile Marketing), Communication and Media (Data center, CRM, IPv6, Digital Content.), Manufacturing (ERP, Supply Chain, IoT) and Government (Smart city, Big Data/Data Analytics).

**Location focus:** Hanoi will be key concentration for banks & state-owned enterprises & government projects as majority of their headquarters are based; Ho Chi Minh City and outskirt areas for retail, telecom, SMBs, and manufacturing sectors.

The following table lists the more prominent System Integrators in Vietnam for MSC companies to consider potential partnership.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
FPT	<p>Be preferred as national brand for Vietnam ICT industry.</p> <p>Has a large number of employees covering across provinces and multiple projects.</p> <p>Part of strong holding group can provide strong financial support.</p> <p>Gain professional skills after many years doing software/ service outsourcing for customers from Japan, USA and France.</p> <p>Still need support from global partners for complex projects.</p>	<p>Management change in FPT's service arm, FIS in 2011 resulted in a positive performance of FIS as they continue to win large deals across different verticals. FIS is increasing cooperation with multiple vendors in order to strengthen its position in the IT services market and capture vast opportunities. IDC witnessed strong engagements for FIS through software development as the company seeks more deals win for their in-house developed software for applications like clinics, HRM and e-Government.</p>	<p>FPT aims to become a globally trusted provider of software solution and IT services. FPT IS divided into 11 sectors of various verticals to have better management view and to provide well support to their customers. Products &amp; Solutions focus: Customer Relationship Management (CRM), Human Capital Management (HCM), Enterprise Content Management (ECM), Unified Communication/ Collaboration, Business Intelligence (BI)/ Data Warehouse (DWH). Infrastructure products: Virtualization, Operating Systems, Storage, Server, Network, Datacenter. Strategy focus - Smart solutions: Smart City, Smart Healthcare, Smart Transport, Smart Grid, Electronic Social Security, National Security System, Smart Government, Smart Citizen, Smart Public Finance.</p>	<p>Verticals: Banking, Insurance, Government, Healthcare, Communications and Media.</p> <p>Solutions: ERP, CRM, Data Warehouse, GIS, BI, ECM</p>	<p>FPT Ventures is established in 2015 with the focus on supporting tech startups in fields: Internet, Mobile solution for small and medium businesses (SMB), Health, Education, Transportation. So far, their supported startups include Sendo.vn, Ants.vn, FPT Play, Nhacso.net, Viecnha.vn, gostudybooking.com, and Fshare.vn. IDC is of opinion that the ventures will help FPT to find new initiatives and disruptive ideas to build their own services portfolio of IoT and social business solutions.</p>
CMC Corporation	<p>Strong relationship with Government, State Bank and State companies.</p>	<p>CMC has been offering the cloud services by their own Tier 3 data center to diversify their IT service portfolio to include infrastructure</p>	<p>CMC business focus in key services such as system integration, software (domestic and export), PC equipment and telecommunications services.</p>	<p>Verticals: Banking, Government, Finance, Insurance, Education</p>	<p>CMC are willing to form partnership with foreign vendors to seek for new revenue stream which is a good opportunity for MSC exporters to approach them.</p>

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
	<p>Have installed base in Hanoi market. Experienced in deploying datacenter projects.</p> <p>The senior management level is reliable.</p> <p>Experience in deploying SAP solutions.</p> <p>Lack of staffs that have strong background in IT.</p>	<p>consulting and maintenance service. This will be a base infrastructure for CMC to develop other services such as, managed services, IT leasing, SaaS, etc. to capture new revenue from new services.</p>	<p>Build and develop specialized IT services including consulting &amp; development services, IT infrastructure solutions, security, software as a service (SaaS).</p> <p>Research &amp; development of products &amp; services to capture new trends like mobile applications, cloud computing, big-data and value added services.</p>	<p>Solutions: ERP database solution and deploying datacenter infrastructure,</p>	<p>For example, recently they partnered with TIME dotCom (Malaysia based) to accelerate CMC's growth by offering new services based on their data center tier 3 and to increase their consultation business and implementation of SAP ERP solutions in Vietnam.</p>
SVTECH	<p>Many years of experience in networks devices distribution, especially Juniper Networks and Sun System (Oracle now)</p> <p>Well-experienced technical team in broadband network and data center projects.</p> <p>Revenue stream heavily depends on hardware contribution, especially network devices.</p>	<p>The expertise in big broad band projects will bring big advantages when expanding business operation to other developing countries such as Cambodia, Laos and Myanmar.; this is due business relationship with Viettel.</p>	<p>Strong players in Communications vertical with key product Juniper Networks.</p> <p>Build strong partnership with all big telcos in Vietnam such as Viettel, VNPT, FPT, VTN, VDC, SPT.</p>	<p>Verticals: Communication and Media, Government</p> <p>Solutions: Database solutions, Virtualization, Cloud, Data Protection</p>	<p>SVTECH has a very strong position in the market of network broadband system and datacenter infrastructure for telecom and banking sector; their strong relationship with operators (especially Viettel) will help partners to easily upsell their solutions to key customers such as Viettel, Mobifone, Vinaphone, VNPT.</p> <p>Well-experienced technical team and strong sales team in both Hanoi and Ho Chi Minh City will be a key advantage point for MDEC's members to introduce new services and products quickly.</p>
HPT	<p>Strong installed base relationship with Hewlett Packard for many years</p>	<p>Gain more opportunities to win big projects when alliancing with other SIs that are strong in other cities</p>	<p>Deliver products with best services by applying Quality Management System such as ISO 9001: 2008 standard, ISO</p>	<p>Verticals: Banking, Government, Finance.</p>	<p>HPT is one of the most experienced IT providers in term of banking security solutions in Vietnam, obtaining certificate by TUV NORD proving that their</p>

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
	<p>Well-known brand in Ho Chi Minh market</p> <p>Have loyal customers from banking and public sectors in many years</p> <p>Extreme focus on hardware solutions that have low margin for services</p>	<p>such as Hanoi and northern of Vietnam.</p>	<p>27001:2013 standard for Information Security.</p> <p>Focus on solutions for Financial Services Industry: Risk Management, e-Banking, Fund Management.</p>	<p>Solutions:</p> <p>IT Service Management (ITSM): Application: Performance Management (APM).</p> <p>Software Integration: Enterprise Content Management (ECM), Business Process Management (BPM), Data warehouse (DWH) and Business Intelligence (BI).</p>	<p>Information Security Management System is in compliance with ISO 27001:2013. Hence MSC companies should leverage HPT's security expertise when building rapport with them.</p>
CT-IN	<p>Experience in broadband deployment for big Telcos such as VNPT, Vinaphone, Mobiphone. The strong dependence in VNPT and other telcos will harm CT-IN's enduring revenue stream when the broadband upgrade phase is over</p>	<p>The strong relationship with government and MIC will help to maintain and exploit new revenue stream from IT services if they form alliance with experienced IT providers such as HPT, CMC.</p>	<p>CT-IN focuses strongly on Communications and Media sector including broadband network for 2G / 3G / 4G, MAN-Ethernet network for VNPT provinces and cities, Core IP systems, IP backbone, NGN, Enterprise management software; Billing solutions.</p> <p>The company is in the TOP SI Cisco networking equipment for the Telecommunications market.</p> <p>CT-IN is the largest system integrator for telecom integrated infrastructure of mobile network operators such as Vinaphone, Mobifone.</p>	<p>Verticals: Communication and Media.</p> <p>Solutions: Cisco Networks device. Network infrastructure for national broad band system. UC Smart City</p>	<p>CT-IN has been winning many key system integration projects in telecom sector since they receive large support from VNPT (Vietnam Posts and Telecommunications Group) who owns CT-IN's 32% shares. Hence partnering with CT-IN would help MSC exporters to get a strong footprint into the telecom sector.</p>

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
Sao Bac Dau	<p>Experience in networking infrastructure projects.</p> <p>Network management service market leader.</p> <p>Strong strategic partnerships with Cisco for Unified Communication solution.</p> <p>Have strong relationship with telecoms and digital content providers like VNPT, VDC and Viettel.</p> <p>Lack of focus on SMB segment; extreme focus on infrastructure projects, particular in networking.</p> <p>Not strong about ERP portfolio and software offerings</p>	<p>Sao Bac Dau tries to diversify its IT services portfolio that target to new market, particularly in capturing SMB segment by new products and services. So far, Sao Bac Dau has offered the online backup service as a pioneer step in approaching new market. After online backup service, Sao Bac plan to introduce more new datacenter services such as security services, managed services, and hosted infrastructure services.</p>	<p>Sao Bac Dau have several investments in cloud solutions including CDN VTN, VTN Cloud, VDC Cloud in alliance with VDC and VTN.</p> <p>Main cloud offerings: Easy Backup, LiveTV, HTTP Download, V-Cloud, CloudVNN.</p>	<p>Verticals: Communications and Media, Banking, Government.</p> <p>Solutions: Cloud solutions and MSP (Managed Service Provider)</p>	<p>Sao Bac Dau is very strong in networking including networking integration consulting, integrated network infrastructure and network management in South of Vietnam. Hence it would be a good idea for MSC companies to focus on these areas when working with Sao Bac Dau.</p>
Viettel ICT	<p>Big support from Military department with priority to implement national security projects. Leverage the experience of Viettel Telecom to win big project in broadband network deployment.</p> <p>Hard to attract high-skilled engineer as the company imposes military-based culture and employment referral.</p>	<p>Leverage the strengths of Viettel Telecom and Viettel Global business units to expand existing customer base, potential in Myanmar where parent company won the 4th telecom license.</p>	<p>Products-services are based on telecommunications platform to provide utilities customer support solutions in public sectors such as water, electricity, internet &amp; IPTV billing.</p> <p>Leverage the capability of 1,000 IT engineer of Viettel group for fast development and deployment.</p>	<p>Verticals: Government, Communications and Media, Banking</p> <p>Solutions: Education Management Solution (SMAS) is the ecosystem of education management which helps to connect student, parent, with school and state management</p>	<p>Viettel ICT with big inherited advantages from Viettel group including large optical fibre networks, biggest telecom infrastructure, 4 data centres qualified Tier 3 and sales and customer service networks in 63 provinces throughout Vietnam will be a strong player in large system integration projects for government and state-own companies. Hence building partnership with Viettel would help MSC companies to get fast into these segments.</p>

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
Tinhvan Group	<p>Strong in online content and focus banking &amp; public sectors.</p> <p>Focus on too many industries including online game, publishing may slowdown the investment for system integration business.</p>	Gain new revenue stream from offering ecommerce solutions from existing online solution and big consumer database.	<p>Tinhvan Solutions aims to become a leading IT solutions and Services Provider in the fields of Finance and Banking.</p> <p>Focus on Finance solutions: Internal Statistics Management software, Database system for managing stock traders, Managing Credit fund system of Banking sector, Declaring receipt of online payment transaction and one-door transaction in treasury field, Registration and use of Account in State Treasury.</p> <p>Leveraging Tinhvan Consulting company to provide a completed IT solutions package for customers including IT strategy, HRM, CRM.</p>	<p>Verticals: Banking, Communication and Media, Government, Process manufacturing, Resource Industries.</p> <p>Solutions: TViS: Portal solution based on Oracle Portal and Microsoft Sharepoint application platform HiStaff: Human resource management software Libol: Library automation; Digital Library eFile: Archive Management Solution Foldicl: Document and dossier management solution Wealth management solution</p>	Tinhvan is strong in northern of Vietnam, particularly Hanoi, where they have many strong clients in public finance agencies such as State Treasury, State Bank, Ministry of Finance, etc. Tinhvan's key focus on resources and database management solutions can be a potential partner to complement new big data and data analytics solutions for banking & finance and e-commerce sectors
Hong Co	<p>Strong in hardware maintenance and support.</p> <p>Too dependent on hardware distribution and support.</p>	With over 20 years' experience in IT industry and a large customer base, this will bring big advantages when moving to new IT services offerings.	Hong Co is the strategic partner of many big vendors such as HP, Lenovo, Dell which has helped them to become one of the largest IT devices maintenance and support business partners in Vietnam.	<p>Verticals: Banking, Government.</p> <p>Solutions: Hardware, IT Products leveraging key partner with HP Gold Partner, Cisco Premier Certified Partner Software Implementation &amp; Management (Symantec Gold Partner, Oracle Gold Partner) Training &amp; SupportCenter (HP Service One Specialist Partner, Lenovo Authorized</p>	Hong Co however has been changing their strategy in recent years with aim to become leading ICT services providers covering areas such as data centre, business continuity, virtualization, storage, application infrastructure, cloud services. IDC believes that the transformation would help Hong Co to increase their sales margin and maintain the profit growth since the margin of hardware and software selling is gradually declined.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
				Tier 1 Partner, Oracle Gold Partner)	
Amigo	<p>Strong experience in online banking</p> <p>Too dependent on banking and finance sector.</p> <p>Only strong in northern of Vietnam, particularly Hanoi market.</p>	<p>Capture new revenue streams from emerging and niche markets such as e-payments, ecommerce and mobile wallet.</p>	<p>Focus on Banking, Finance and Government verticals with specific solutions including Data Warehouse, E-Payments, Acquirer solutions, Online banking.</p> <p>Offer a completed solutions include hardware, software, consulting, risk management, IT training, data analytics, data warehouse for finance sector</p>	<p>Verticals: BFSI, Government.</p> <p>Solutions: Data analytics, credit analytics, ERP, CRM, ECM, BPM</p>	<p>Although Amigo is a small company but they own a very strong position in Hanoi, especially in payments sector. IDC believes that Amigo would be an ideal partner in specific solutions of payments including transaction solutions &amp; services, payments infrastructure, online payment.</p>

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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