

Vietnam is witnessing an active startup movement with young people rushing to set up businesses. But experts warn that enthusiasm alone won't ensure success.



Vietnam is witnessing an active startup movement

Vietnam currently has 1,800 startups, according to the Vietnam Chamber of Commerce and Industry (VCCI). The startup density in comparison with the population in Vietnam is even higher than in China (2,300 startups), India (7,500) and Indonesia (2,100). At the 2017 Startup Day, five startups, namely Momo, F88, Got It!, Vntrip.vn and Toong, were introduced with total investment capital of \$40 million. In late 2017, SEA Group from Singapore acquired 82 percent of Foody's shares, worth \$64 million. Tiki has received the investment of \$44 million from JD.com, the second largest Chinese e-commerce group. However, analysts pointed out that the reported achievements are only the 'right side of the embroidered carpet' and there are many problems to worry about. GEN (Global Entrepreneurship Network) found that Vietnam is among 20 economies with the highest startup rates, but it is also among the 20 economies with the

lowest capability of implementing business plans.

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The view that Vietnam is in a state of turmoil does not face any opposition. In January 2018 alone, 420 enterprises stopped operation each day. Improving the startup movement's quality is now an important issue. Surveys have found that many startups succeeded in the service sector in their first development period. But when they grow, they face the risk of being swallowed up by foreign enterprises. Le Cao Doan, deputy head of the Vietnam Economics Institute, commented that Vietnam has kicked off a costly movement, but still does not have the right approach. Reviewing the one-year implementation of the PM's Decision No 844 on startup development in HCMC, the local science & technology department commented that the startup ecosystem is taking shape, but creative startup activities remain primitive. Because of the lack of orientation, startups operate in many different business fields, mostly agriculture and information technology. The success rate of startups is still low, just 5 percent. Analysts say that the conditions needed to ensure success for startups, such as marketing strategy, brand, business model, credit access and investors, are not available. Most startups are under one year old, have small operation scale, don't have high growth potential and have investment capital of less than \$10 million. Many investment funds are willing to pour capital into Vietnamese startups, but meet barriers in doing this. As a result, many Vietnamese have set up businesses overseas. Doan said the first thing that needs to be done is creating a good environment for startups – a real market economy, where businesses are helped to develop. Vietnam needs to accelerate creative startups, or it won't be able to escape the medium-income trap.

M. Ha

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