

In rural Vietnam, Facebook finds a new approach to growth

Social media giant betting on chat-based e-commerce and online video

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HO CHI MINH CITY -- Facebook is taking lessons from rural Vietnam as part of its advertising business becomes more difficult and online merchants embrace video and chat to connect with customers.

Vietnam's increasingly prosperous rural population is adapting quickly to smartphone use and especially to video and chat functions, according to the U.S. social media giant whose business relies almost entirely on advertising.

Facebook told Nikkei Asia that Vietnam, along with Thailand, leads the world in the use of chat functions in online retail, as measured by the volume of messages swapped between businesses and customers.

"It's also very eye-opening for a lot of our colleagues in the U.S.," Khoi Le, the head of Facebook's Vietnam business, said of the chat trend. "We actually build a lot of things to be scaled to the global audience. If you're coming from the U.S. and you see things like this in Vietnam, it's quite fascinating."

Vietnam is already an important market for Facebook -- the country is its biggest revenue engine in Southeast Asia, according to a financial report filed in January. Worldwide, "substantially all" of the company's income derives from ads, the report said.

Le says the rural market is part of Facebook's next stage. Of Vietnam's 98 million people, 62 million lived in the countryside last year, according to the General Statistics Office. Their spending, moreover, is set to increase more quickly than that of their urban peers.

Facebook forecast rural spending on fast-moving consumer goods will rise 7% annually from 2020 to 2025, versus 2% growth in the cities.

Among rural viewers, online video also has surpassed TV for the first time. While TV was their main form of media in 2018, in 2020, penetration fell to 86% while internet penetration hit 91%, Facebook said in an April report, citing a survey by media investment company GroupM of 4,500 rural Vietnamese.

"I also [used to] have a myth about, maybe people in rural don't really use internet well," Le said. But the company's survey found 92% of those households have smartphones in Vietnam, using them to play games, shop and watch TV. "They're already sophisticated, using all of the tools they have at hand."

Given Vietnamese users' "evolving video habits," Facebook identified several areas of focus, including livestreaming, TV shows on Facebook Watch, video clips in news feeds, reposts from Facebook-owned Instagram, and so-called ephemeral videos that automatically disappear after a set time.

For e-commerce, Le said, these offerings will complement the site's chat function, which ranges from chat bots to allowing sellers to answer questions directly during a livestream.

The company hopes these tools will keep retailers connected to Facebook users, especially after Apple's policy took effect in April requiring apps to obtain iPhone owners' consent to track them.

The policy change means it is harder for companies -- which buy most of their digital ads from Google and Facebook's platforms -- to send targeted advertisements to their customer base.

On Monday, Apple unveiled even more privacy features for its latest operating systems, a move expected to further disrupt online advertising.

Phuc Ngo, strategic planning director at regional marketing firm Vero, says advertisers are still figuring out how to adapt to Apple's stricter tracking policy. Custom ads remain the most effective, while "social commerce" of the kind Facebook is touting has played only a "small role" in the campaigns he has managed, he said.

"Before the policy change, you [could] depend on the Facebook AI, it's very clever," Ngo said, referring to artificial intelligence. "You give the AI the time to study the target behavior, they can come back with more effective conversion [to purchases]."

While rural Vietnam is getting wealthier, it still lags cities. The minimum monthly wage in Hanoi is 4.4 million dong (\$191), compared with 3 million dong in the poorest provinces.

A focus on video, moreover, puts Facebook in closer competition with compatriot YouTube and short-video platform TikTok, an emerging challenger in Vietnam.

Then there are regulatory issues. Both Facebook and YouTube walk a tightrope in Vietnam, which has forced them to remove content critical of the one-party state. Facebook said its local servers were cut off in early 2020 after it refused some of Hanoi's censorship demands. The two U.S. giants also have come under scrutiny over their tax practices in the country.

Chinese-owned TikTok is putting both Facebook and YouTube on defense, too, says Decision Lab. The market researcher's survey showed Facebook was Vietnam's first choice for short videos, but it lost 3 percentage points in the first quarter versus a year earlier, whereas TikTok more than doubled its market share.

And while Le stressed the role that e-commerce has played in helping businesses connect with rural customers, these shoppers remain expensive to reach.

With less infrastructure outside of cities, overall logistics costs equate to 16.8% of gross domestic product, higher than the Asia average, according to the trade ministry's 2020 Vietnam Logistics Report. Companies may be able to advertise their products to Vietnamese farmers. But shipping those products after a successful ad is another matter.