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Vietnam's Startups Step to the Fore

Private companies contribute to economy dominated by state firms and multinationals



Vietnam's e-commerce market had revenues of \$4 billion last year. New firms have sprung up to cater to the growing demand. *Photo: HOANG DINH NAM/AFP/Getty Images*

By James Hookway

HANOI — In 1988, a team of Vietnamese technicians secured their first deal to make computers for Russia's Academy of Sciences. One of their early machines is still on display here in Hanoi, surrounded by Hollywood-style imprints of the build team's hands, buttocks and other body parts.

“We were wild in those days, crazy,” said Truong Gia Binh, one of the lead designers on the team.

Today, the company created by that group of technicians, FPT, is one of Vietnam's leading firms with nearly 27,000 employees and revenue of nearly \$1.8 billion in 2014.

The emergence of FPT and other domestic companies points to the growth of new, innovative private businesses in Vietnam, a little understood aspect of the country's move from a Soviet-era backwater to an economic growth story.

Foreign investors often look at the country as a place where they can pay low wages and rents, and churn out sweatpants or cellphones cheaper than China or some other low-cost hub. And they are right. A wave of garments makers have moved here in recent years.

At the same time, multinational technology companies like Samsung and Intel Corp. have also set up large fabrication units. Samsung Group's top-of-the-line smartphones and other electronic gadgets now account for over a tenth of Vietnam's exports, contributing to a 5.6% rise in its economic growth rate in 2015, the highest rate in years.

Now, domestic startups and private companies are looking to escape the shadow of these foreign technology companies and the communist country's large state sector, and establish a name for themselves.

"We've already confirmed that Vietnam is a destination for investment. Samsung, Intel, Foxconn and Nokia have shown that," said Mr. Binh, 59 years old, and chairman of FPT, which is developing cloud-computing software with General Electric Co. and counts companies such as AT&T Inc. among its clients.

Gartner Inc. now ranks Vietnam among the top five providers of IT outsourcing services in Asia— alongside China, India, the Philippines and Sri Lanka— up from 30th place in 2010.

The consultancy described the country, in a survey released in February, as a low-cost option for international firms where English usage has improved in recent years.

Local programmers and developers already are stepping up their game. More than 100,000 businesses registered websites in 2013, according Vietnam's Ministry of Information and Communications's latest data, up 170% from the previous year.

Bkav Corp., an antivirus-software developer, is moving into consumer electronics, launching a Vietnamese-built cellphone to compete with existing Samsung and Apple Inc.'s models. Bkav Chief Executive Nguyen Tu Quang even wore a Steve Jobs-style black turtleneck and jeans at the launch of his company's new Bphone last year.

Dong Nguyen, the developer of the "Flappy Bird" smartphone game is back, too. He plans to release a series of new mobile games later this year. Among other things, FPT plans to bid for a 4G cellular license in Vietnam and has set aside some \$50 million a year to acquire or invest in startups in the U.S. Other projects include a new online teaching platform called FUNiX that matches mentors with students to produce a new generation of software developers to augment the rising number of graduates from FPT's privately-funded university.

The country's booming e-commerce market had revenues of \$4 billion last year compared with \$700 million in 2012, and is prompting creation of companies such as hotdeal.vn, an online marketplace.

Not all of these ventures are working out as planned though. Bkav withdrew demonstration models of its Bphone last year after local reviewers identified some problems; new, improved models are now available and the company also is branching out into wearables such as smartwatches. Bkav declined to comment.

But they do show Vietnam's ambition to follow a technology-oriented growth path set by the likes of South Korea and Taiwan. Vietnam already has much in its favor, Mr. Binh says, despite its focus so far on manufacturing.

Its high-school students ranked 12th in the world in science and mathematics in an OECD survey last year, compared with the U.S.'s ranking of 28th.

Even though the country has the innovation and skills to produce more homegrown companies, it has to do a better job of marketing itself to bring in more venture-capital investment, Mr. Binh said.

Google parent Alphabet Inc. recently announced plans to train 1,400 engineers in the country as part of a social outreach effort. Google CEO Sundar Pichai visited the country while on vacation in December and attended a forum with Vietnamese tech entrepreneurs. He said local startups could achieve global success in large part due to rising Internet use and a strong entrepreneurial culture. Speaking to about 200 people at a local cafe in central Hanoi, Mr. Pichai said he didn't see any reason why Vietnamese companies couldn't follow their counterparts in India and China.

"I think it is just a matter of time, and I think many of you are already working on something like that," Mr. Pichai said.

Vietnam's government also has eased on laws allowing for faster registration of new technology companies.

"We're a knowledge culture. Confucius, Buddhism and Taoism have made us that," Mr. Binh, nodding to increasing proficiency in math and science in Vietnamese schools. "We have to make the most of that."

ô Vu Trong Khanh in Hanoi contributed to this article.