
Overview of ride-hailing industry in Vietnam

The ride-hailing industry is a subset of the shared mobility sector which is divided into 7 mobility verticals: ride-hailing, ride-pooling, car-sharing, P2P car sharing and ridesharing, shared micro-mobility, aerial mobility, robotaxis and shuttles. This categorisation would also encompass public transportation, rental cars and traditional taxi services. Specifically, this report will dive into the ride-hailing industry. As defined by McKinsey & Co.¹, the ride-hailing service is the service where riders order a car via a virtual device to pick them up and drive them to their designated location.

<table>
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<tr>
<th>7 types of shared mobilities</th>
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<tbody>
<tr>
<td>Ride-hailing</td>
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<td>Ride-hailing in when riders hire a personal driver to take them to a destination. It includes platforms like Uber and Grab.</td>
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<tr>
<td>Ride-pooling</td>
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<tr>
<td>Ride-pooling includes dynamic shuttle service and pooled e-hailing. Ride-pooling is a way for multiple riders to get to where they’re going by sharing in a single vehicle.</td>
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<tr>
<td>Car-sharing</td>
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<td>Car-sharing is a model of car rental where people rent cars for very short periods of time, such as by the hour.</td>
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<td>P2P car sharing and ride-sharing</td>
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<td>Peer-to-Peer (P2P) carsharing is the process where existing car owners make their vehicles</td>
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available for others to rent for short periods of time.

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<th>Shared in micro-mobility</th>
<th>Shared mobility includes e-scooters, bikes, e-bikes and so on.</th>
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<tr>
<td>Aerial Mobility</td>
<td>Aerial mobility includes helicopter, personal jet and other urban air mobilities.</td>
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<tr>
<td>Robo-taxis and shuttles</td>
<td>A mode of transport where autonomous cars are used for taxis and shuttle services.</td>
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Vietnam hosts one of Southeast Asia’s fastest growing ride-hailing markets, generating US$2.4 billion in revenue in 2021. Vietnam’s ride-hailing industry has an expected valuation of US$4 billion in 2025 and a compound annual growth rate (CAGR) of 16% during the forecast period between 2020 and 2025. Vietnam’s ride-hailing market has witnessed the second highest user\(^2\) growth rate, raking in an average revenue of US$107.61 per user\(^3\).


Overview of ride-hailing industry in Vietnam
(Source: Vietnam Plus)

Expected to be the fastest growing internet economy within Southeast Asia in the next ten years according to a report by Google, Vietnam's digital infrastructure has created a strong foundation to accommodate the growth of its ride-hailing industry. Particularly, the high accessibility to digital financial services like e-wallets in Vietnam has allowed for the integration of digital payments into ride-hailing services, thereby enhancing the demand and ease of use of ride-hailing services. Other factors contributing to the rise in demand for ride-hailing services in Vietnam include the convenience and transparent pricing of these services as cited in a report by Statistica in 2021.

On the supply side, an increase in new entrants can also be seen in recent years following Grab’s acquisition of Uber in Southeast Asia including Vietnam in 2018. These new firms encompass both foreign-owned players

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like Russia’s InDriver as well as homegrown companies like Be Group. Thus, the increase in competition within the industry has been driving changes in pricing, range of services, service innovation and network incentives within the industry.

**Governmental regulation and involvement in Vietnam’s ride-hailing industry**

The debate as to whether ride-hailing drivers should be classified as workers or independent contractors has been a recurring one globally, including in Vietnam. The polarising views occur as drivers prefer to be classified as workers to receive employment benefits like minimum wages, protection against unfair dismissal and sick pay. However, ride-hailing platforms strive to keep drivers classified as independent contractors who are not entitled to such benefits for cost reduction purposes. The tension intensified in August 2019 when Grab drivers were subjected to a new tax policy which would impose heavier taxes on app-based drivers who are newly classified as independent contractors rather than workers. These angered hundreds of Grab drivers in Ho Chi Minh City who went on a strike and refused to operate. While the Vietnam General Confederation of Labour (VGCL) has not developed an official position on this debate, high-level officials including Vice President Ngô Duy Hiệu and Deputy Director of the Labour Relations Department Lê Đình Quang, have suggested that ride-hailing drivers are actually workers and should be recognised as such. In May 2022, the VGCL also proposed policy reforms to enhance working conditions and access to social protection for app-based drivers.

Aside from the contentious status of ride-hailing drivers in Vietnam, changes to the classification of ride-hailing platforms made by the Vietnamese government have also strained the financial relationships between ride-hailing platforms and drivers as well as with other stakeholders. In 2020, a tax decree, Decree No.126/2020/ND-CP, was introduced which categorised ride-hailing companies as ‘transportation

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firms’ as opposed to their initial categorisation as ‘technology firms’. This move came with the aim of narrowing the gap in competition between ride-hailing businesses and traditional taxis. The introduction of this change meant that ride-hailing businesses had to declare tax for their driver partners at the value added tax (VAT) rate of 10% compared to 3% as set previously, with the original intention of reducing tax duties on ride-hailing drivers. However, this led to unintentional complications where compliance costs and tax incidence for ride-hailing platforms were increased. In response to the fall in profits, Grab reduced the drivers’ share of fees in addition to increasing user fees by 5 to 6% while GoJek increased its share of driver fees to 27% and increased user fees by 8-10%. After the decree came into effect in December 2020, hundreds of GrabBike drivers shut down their apps and travelled around Hanoi to protest against the increased commission rate.

**Characteristic of ride-hailing industry in Vietnam**

According to a report published by Rakuten Insight, ride-hailing services are the most popular in Vietnam out of all the countries surveyed. In the surveyed countries which includes Vietnam, the consumer demographic leans towards teenagers and young adults between the age range of 16 to 34 years old.

Among cities in Vietnam, Hanoi is anticipated to show a faster growth rate in the ride-hailing industry due to the launches of new ride-hailing services within the city by companies like Grab, FastGo and GoJek during the forecast period from 2020 to 2025.

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During the fourth wave of the COVID-19 pandemic between 2020 and 2021, stringent social distancing measures in Vietnam have led to the temporary suspension of ride-hailing services locally. This temporary halt of ride-hailing services has also been a driving force for service diversification and the lateral expansion of established players to other industries. Major ride-hailing firms in Vietnam, namely Grab, GoJek and Be Group have ventured into other services related to their digital network capabilities such as food delivery and on-demand shopping services to sustain their operations. For instance, GoJek shifted its focus to its food and parcel delivery arm – GoFood and GoSend respectively which were allowed to operate amidst prevailing restrictions and has seen a growing demand due to the need for supply of necessities and food to local areas, particularly quarantine zones. The push for service diversification by ride-hailing giants has accelerated the emergence of ‘super apps’ by ride-hailing giants which are mobile applications that serve as portals to a wide range of virtual products and services as defined by KPMG. This is also said to be the firm’s strategy of competing for their share in the fast-growing mobile-first market in Vietnam.

**Key players in ride-hailing industry in Vietnam**

As an oligopolistic industry, the ride-hailing market in Vietnam is dominated by both home-grown firms like beGroup and FastGo as well as foreign entrants like Grab and Gojek. More specifically, foreign capital accounts for 87.4% of the market while the largest domestic capital, Be Group accounts for 12.4% of the market.

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As one of the founding players of the ride-hailing industry in Vietnam in 2014, Grab, a Singapore-based firm, stood to gain the first player advantage. By identifying the gap of unregulated pricing and service in the pre-existing model of independent traditional bike taxis – Xe Ôm, Grab was able to distinguish its network-based business model successfully through its uniform regulation for prices and driver verifications. Recognising the need for safety regulations, Grab prides itself as a safe transportation platform through “liveliness checks” on its drivers to dissuade unregistered drivers on its platforms as well as the use of trip-monitoring technology to ensure that drivers follow the planned routes on trips. After Grab’s acquisition of Uber in Southeast Asia in 2018, the Singapore-grown ride-hailing firm has risen to dominate the ride-hailing industries in many ASEAN countries including Vietnam. According to a report in 2020, Grab has dominated Vietnam’s ride-hailing industry having attained a market share of 74.6%. Grab’s dominance is particularly strong in major urban

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cities in Vietnam such as Hanoi and Ho Chi Minh where Grab has gained control of 44% and 82%\textsuperscript{17} of the market respectively. In 2019, Grab announced that it would be channelling US$500 million\textsuperscript{18} into Vietnam which it views as its next growth market over the next 5 years, hence signalling its commitment to sustaining its growth in Vietnam.

Founded in 2018, the Vietnam-grown startup Be Group has grown to attract over 10 million users\textsuperscript{19}, raking in a 12.4% market share to become the second largest ride-hailing firm in Vietnam. In contrast to Grab and Gojek which still suffer from annual losses, Be Group has hit its breakeven point in 2020 and was set to attain profitability in 2021\textsuperscript{20}. To improve driver loyalty, Be Group stands out with its competitive income policies and benefit schemes for its driver partners which most ride-hailing platforms do not cover. Beyond Hanoi and Ho Chi Minh City, beGroup prides itself in its nationwide expansion since 2019 to also cover other cities like Can Tho and Bien Hao, etc. Besides its ride-hailing arm – beCar, beGroup also partnered with ComfortDelGro’s Vietnam unit to launch its taxi service – beTaxi in 2020\textsuperscript{21}.

Entering Vietnam’s ride hailing market initially under the brand GoViet in 2018, the rebranded Gojek Vietnam has established itself as the third largest ride-hailing firm within the span of 4 years as it attains a market share of 12.3%. In the initial stages of its market entry, Indonesian-based Gojek faced regulatory challenges in obtaining licensure for its car-based ride-hailing services and thus focused on its motorbike-hailing and parcel delivery arms – GoRide and GoSend respectively. It was not until November 2021 when Gojek announced that it will officially launch its car-


hailing service, GoCar, for all users in Ho Chi Minh City. The launch of GoCar was then extended to Hanoi in January 2022. As hygiene concerns arose during the pandemic, Gojek made a conscientious effort to distinguish its ride-hailing service with the launch of GoCar Protect+ with safety precautions like vaccinated driver-partners assigned and the installation of special air purifiers to curb the spread of the virus. Following Gojek’s exit from the Thailand market, it is speculated that Gojek is planning to focus on its operations in Vietnam and Singapore\textsuperscript{22} which it deems as more lucrative markets in Southeast Asia.

As digitalisation persists as a major trend in Vietnam, the integration of digital payments into ride-hailing applications has been a common competitive strategy amongst the major players. For instance, in May 2021, Gojek Vietnam announced its plans to add e-payments to its operations in partnership with Vietnam’s e-wallet unicorn MoMo\textsuperscript{23}. Be Group has also started its partnership with MoMo in 2020 to support cashless payment for its users\textsuperscript{24}. Boasting 31 million users which outnumbers Vietnam’s entire market for ride-hailing of 19.9 million users, MoMo’s extensive network of users can potentially expand Gojek and Be Group’s customer pool. On the other hand, GrabPay has partnered with Vietnamese payments company Moca to launch GrabPay by Moca\textsuperscript{25} in 2018 which is a mobile wallet integrated into Grab’s app to provide reliable and affordable financial services for the Vietnamese population.

**Analysis of motorbike ride-hailing industry in Vietnam**

Motorbikes have been the most widely used mode of transportation by people in Vietnam for more than 2 decades. Traditional bike taxis (also known as Xe Ôm) typically run by independent drivers have been a

conventional mode of transport in Vietnam for decades. With the launch of GrabBike in 2014, Grab is the first company in Vietnam to launch app-based motorbike taxi services, enabling bike taxis to be centralised on a single platform. The launch of GrabBike then sparked off a trend of similar services offered by other ride-hailing companies in Vietnam including GoJek, FastGo, Be Group and VATO. According to a survey by Q&Me in 2021, there is a common preference for motorbike ride-hailing services over traditional bike taxis across Ha Noi, Ho Chi Minh City and other Vietnamese cities. This can be credited to the ease of ordering for rides from applications and the clear and competitive cost structure offered by bike ride-hailing services. Today, traditional bike taxi drivers are still present, especially in tourist zones. Nevertheless, app-based motorbike services have dominated Vietnam’s motorbike taxi market with more than 60% of the market share.

GoRide in Vietnam
(Source: Gojek Vietnam)

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Future of ride-hailing industry in Vietnam

Moving forward, we expect 3 trends to be observed in Vietnam’s ride-hailing industry, namely:

1. Ride-hailing firms’ expansion into the financial sector
2. Shift to electric vehicles
3. Rise of micro-mobility in ride-hailing industry

Poised to emerge as one of Southeast Asia’s most competitive fintech markets, Vietnam has become an attractive playing ground for ride-hailing players who have been expanding their financial arms in Vietnam. Besides the addition of digital payment for ride-hailing services, most of the partnerships between e-wallets and ride-hailing firms like Gojek’s collaboration with MoMo can be also used for other services on the superapps including food and parcel deliveries. Expanding beyond the realm of digital payments, ride-hailing firms have also been venturing into other financial services such as lending and insurance. In 2019, Grab was reported to be building up its team to develop its go-to-market strategy for

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its lending business in Vietnam under Grab Financial Services Asia30. Its newly launched feature – GrabFin will be rolled out in Southeast Asia including Vietnam throughout 2022 to unify its range of financial services covering insurance, investments and “Shop Now Pay Later” options31. Be Group has also partnered with VPBank in 2019 to launch beFinancial which is its mobile financial service platform, covering payment, loyalty and reward, as well as financial planning services. Having established themselves within the value chain, the embrace of embedded finance by the 3 big players within Vietnam’s ride-hailing industry can be seen as their customer, merchant and driver retention strategy. Therefore, we can anticipate the financial branch of Vietnam’s major ride-hailing firms to grow in scale in the coming years.

Secondly, with the push for electric vehicles in the transition towards the green economy, ride-hailing firms are also hopping onto the electric vehicle bandwagon. In January 2022, the National Assembly in Vietnam agreed to reduce the excise tax placed on electric cars to encourage greater investment in developing battery-powered electric cars, thereby reducing environmental pollution from vehicle emissions32. Under a decree issued by the Vietnamese government in January 2022 as well, battery-powered electric cars are to be exempted from registration fees for 3 years33. These moves to reduce the cost of purchase of battery-powered electric cars signify the Vietnamese government’s commitment to strengthening the nation’s electric vehicle capability for vehicular emission reduction. With strong electrification ambitions, major ride-hailing players in Vietnam have also launched their respective fleet electrification plans. For instance, Grab vowed to attain carbon neutrality by 204034 with plans to launch electric car services in Vietnam and Indonesia while Gojek is working on its shift to

electric vehicles by 2030\textsuperscript{35}. Hence, the adoption of electric vehicles, particularly battery-powered ones to adapt Vietnam’s limited charging infrastructure, may be a foreseeable trend.

Lastly, the integration of micromobility in ride-hailing services may be seen as a promising solution to the long-lasting problem of road congestion in Vietnam. The growing governmental commitment to tackle road congestion can be seen in the Hanoi government’s commitment US$80 million to mitigate traffic congestion and ensure road safety in the period from 2021 to 2025\textsuperscript{36}. The potential for micro-mobility to alleviate road congestion concerns have led to a rapid growth of Vietnam’s micro-mobility industry as it records a CAGR of 66% from 2021 to 2030\textsuperscript{37}. The synergies between micro-mobility and ride-hailing can be seen in the success of the ride-hailing platform’s diversification into 2-wheeled motorbike hailing such as GoBike and beBike. Thus, we may anticipate the expansion of ride-hailing firms’ 2-wheel fleet within Vietnam in the years ahead.


