The venture capitals change investment trend

The appearance of more and more venture capital has created a vibrant market and have provided a source of capital for Vietnamese start-up over the years. However, behind the optimistic factors, we also look at Vietnamese’s economic restructuring over the past decade.

Before Vietnamese start-ups always depended on sources of capital of the founders, also bank loans (the shareholder often used their assets as collateral for a loan) so they have a lot of difficulties in growth planning. Business activities essence of start-up always have soaring operational risks level so that has a capital structure which is sponsored by equity will help start-up better balance both business risks and financial risks. We can see this in the Covid-19 pandemic. These start-ups depend on a bank loan for businesses will be difficult to maintainability repayment for banks.

However, Vietnamese start-ups have never had an opportunity to approach various equity from angel investors and venture capitals now. According to statistics’ the amount of start-up investment funds soared in just three years.

Thanks to the appearance of investment funds start-ups will have a lot of growth opportunities through different funding rounds from the planned expansion. Based on the outlook for the market as well as leadership capacity of start-up investment funds will be a capital injection for growing demand. Start-up develops under the capital mechanism and uses funds from society to sponsor for expansion action will have opportunity to grow better than the firms under the market mechanism. For example, we can compare Grab’s growth with Vinasun’s decline over the years. Vinasun grew very well until Grab and Uber appeared in Vietnam. Technology taxi won traditional taxi that showed the important investment funds affecting business models competition.

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However, if we pay attention, we see that funding opportunities are not irregular for start-ups depending on different professions. To put it simply, there is a huge difference in start-up among agriculture, manufacturing, and service. According to statistics, the majority of start-ups raised in recent Shartank’s seasons from service, related to consumer demand and used individual service and household service. The statistic from shark tank in 2021 shows that 75 percent of start-ups are sponsored by service.

Looking back at Mekong Capital’s journey, we will not be thinking. When Vietnam’s market penetration, Mekong capital focus on manufacturing with a vision that Vietnam will become an industrial country in the next 20 years. However, the production capacity of domestic firms is more and more backward than other countries in the region so the investment funds exchange to limit to invest manufacturing and focus service.

Mekong Capital's current portfolio is more different than the past and they mainly focus on service firms such as Pharmacity in pharmaceutical retail, Pizza 4P's in the pizza chain, or Yola center in foreign language training. Likewise, we will see a similar trend from different funds. Most of us have difficulty seeing manufacturing firms being able to step and account for a significant proportion of the portfolio.

Unlike individual investors, professional investment funds maintain a long-term vision for the country in which they are investing. Change decisions in the investment strategy of firms will reflect changes in the economic expectations of these funds with the markets in which they are investing. Service sector enterprises with home advantage will have a more competitive advantage than foreign enterprises when participating in the Vietnamese market.

Starting from a change in economic restructuring

From 2014 to 2015 Viet Nam economy have started changing to economic which focuses on domestic consumption with more than 70 percent of economic growth annually from the household area. The change in economic restructuring has led to a growing demand for services around the lives of individuals. It creates good potential growth for firms catching related business models.

We will see that most of the business models that can be elevated on Shark tank are related to the service sector, revolving around solutions that serve human life. We can see that trend through established startups in the market like Grab to address our travel needs.

There will also be plenty of startups with ideas for other life needs such as fruit-laying startup app F99, which has just received funding from Do Ventures, or Bentaski startups involved in helping in the country, or even startups that offer ride-hailing services through the app so they can wash their cars on the spot. To increase the benefits of customers.