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EXECUTIVE INSIGHT
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Vietnam Logistics: When Growth Destroys Value

Test the economics, cash and capital behind every increment of volume.



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EXECUTIVE PREMISE

A growing logistics market does not establish the economic quality of an individual provider. Incremental contribution, cash conversion, capital productivity and funding headroom must support the commitments created by additional volume.

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EXECUTIVE LEAD

The danger is not weak demand. It is economically uncontrolled growth.

For Vietnamese logistics service providers, higher volume is not the same as stronger economics. Additional shipments create operating and financing requirements. Trucks, subcontractors, warehouse labour, fuel, tolls, carrier payments and working capital have to be funded and coordinated. If pricing, collections, productivity and asset utilisation do not improve at the same pace, growth can absorb cash while activity continues to rise.

Cash absorption is not itself value destruction. Profitable growth often requires working capital and capacity. The test is whether incremental contribution and return on the capital consumed are adequate, liquidity and financing headroom remain sufficient, and the economics survive realistic downside conditions. Growth becomes destructive when cash and capital are committed without commensurate return or when the funding requirement outruns financial resilience.

MANAGEMENT IMPLICATION

Boards should require evidence that incremental volume produces adequate contribution and return, and that its cash requirement fits available funding capacity, before approving major new capacity.

WHY NOW | MARKET AND SYSTEM CONTEXT

In January–October 2026, Vietnam's merchandise trade exceeded USD 1 trillion for the first time, reaching a preliminary USD 1,010.55 billion (+32.3% year on year). Freight volume rose 15.5% by weight, and freight tonne-kilometres rose 13.1%.[1] These are different national measures. They show stronger activity, but reveal little about demand on a particular lane, the cost of serving it or the return a provider earns.

Vietnam's operating environment makes that test more important. Ministry of Industry and Trade commentary cites logistics costs at approximately 16-17% of GDP, while government reporting puts road transport at roughly 70-75% of domestic freight.[2][3] These estimates describe system context, not any company's cost ratio or financial health.

The system is also changing. More than 3,800 km of expressways had been put into operation or technically opened by May 2026. The national logistics strategy sets development objectives through 2035.[3][6] Infrastructure progress and policy targets create opportunities, but do not establish the returns of an individual investment.

1. THE GROWTH PARADOX

A booming market can still produce financially weaker companies.

Logistics can create an illusion that activity equals health. Revenue, shipment counts, warehouse occupancy and new customers are visible immediately. The economic quality of that activity is harder to see.

A provider can win a large customer and increase revenue quickly while also taking on dedicated capacity, more subcontractors, longer payment terms or greater service complexity. The NSO's first-half 2026 price release reported a 7.26% year-on-year rise in transport and storage service prices.[4] Cost movements are not uniform. A survey reported after Vietnam's 2025 road-rule changes also found widespread disruption and higher operating expenses.[5] Where costs rise and customer pricing cannot adjust promptly, the provider carries part of the gap.

Some services require the provider to pay labour, carriers, subcontractors or tolls before the customer pays. That does not make the business unattractive; it makes payment terms, dispute rates and working-capital assumptions part of the commercial model. Gemadept's reported results demonstrate that profitable growth and sound liquidity can coexist.[7] Growth quality therefore has to be measured, not assumed.

A strong market can expose weaknesses that a slower market leaves hidden. More volume increases decisions, hand-offs and exceptions and can create pressure to add capacity before management has established whether the underlying volume generates an adequate risk-adjusted return.

Market growth describes demand. Enterprise value depends on converting demand into sustainable returns. A logistics company becomes stronger only when additional volume improves contribution and capital productivity without creating a funding requirement that exceeds balance-sheet resilience.

RETAINED INSIGHT

Revenue growth is an activity measure. It is not proof of economic quality.

2. HOW GROWTH TURNS INTO FINANCIAL STRESS

Volume creates operating and funding requirements immediately. Value creation depends on the return generated by them.

Five mechanisms can turn attractive market growth into financial pressure.

First, cost timing and price timing can diverge. Fuel, tolls, subcontractor rates, warehouse labour and carrier costs may move before customer contracts can be repriced. Where the provider bears those costs and cannot pass them through promptly, margin can compress even while demand remains strong.[4][5]

Second, logistics can contain a working-capital asymmetry. Providers may fund operating activity before collecting from customers. Faster growth can therefore increase the cash required to sustain the model. This can be rational when incremental returns are attractive and funding is secure; it becomes problematic when payment terms, disputes or pre-financing push cash conversion below the assumptions built into pricing and liquidity planning. This is a conditional operating mechanism, not a diagnosis of every provider.

Third, exception economics can deteriorate faster than headline volume suggests. Waiting time, detention, demurrage, failed pickups, claims, emergency handling and rebooking can create cost. The management defect occurs when the provider cannot identify which flow caused the exception, who bears the cost contractually and whether recovery occurs. These are illustrative cost mechanisms, subject to the actual contract and operating facts.

Fourth, growth can change the revenue mix. New lanes, warehouse operations or forwarding services carry different balance, labour, equipment, customs, service and financing requirements. Total revenue and average gross margin can therefore conceal deteriorating economics.

Fifth, capacity pressure can trigger premature commitments. Trucks, warehouse space, depots, automation or acquisitions may be added before demand economics and durability are sufficiently proven. Underinvestment can also destroy value; the risk is committing inflexible capacity faster than the evidence supporting its return.

The causal sequence is conditional but clear: volume creates operating and financing requirements; weak visibility delays repricing, redesign or exit; service pressure encourages capacity commitments; and the enlarged cost and capital base becomes harder to reverse if mix, pricing or demand changes.

The growth-to-value conversion chain

Volume	Is the customer and service demand economically attractive?
Contribution	Does the operating flow earn an adequate causal contribution?
Cash	Does the return justify cash used, with sufficient funding headroom?
Capital productivity	Does committed capacity earn its cost under realistic downside conditions?
Enterprise value	Is the company stronger after the return, risk and capital required?

Growth is at risk when commitments outrun incremental returns or funding resilience.

AI-generated diagram for explanatory purposes.

Figure 1. Growth-to-Value Conversion Chain

KEY INSIGHT

Growth becomes dangerous when economics, funding capacity and operating controls lag the scale of commitments.

3. THE HIDDEN ECONOMICS

Bad logistics growth hides in aggregation.

The conventional management pack can miss the problem because it reports the company at too high a level. Revenue, gross margin, EBITDA and utilisation matter, but they do not show which parts of the business create or destroy value.

The useful economic unit is customer x service x operating flow x cash. For transport, the flow often includes the lane; for warehousing or contract logistics, it may be a site, process, account or activity cluster. The principle is to analyse the smallest unit at which management can still make a real commercial or operating decision.

For important flows, management should see revenue, causal direct and variable cost, subcontracting, identifiable exception cost, working-capital requirement and contribution after those effects. Shared network and corporate costs should not be allocated mechanically merely to create apparent precision. Decision reporting should distinguish causal contribution from later allocations.

The same logic applies to utilisation. High fleet or warehouse utilisation is not automatically positive if achieved through inadequate economics. Conversely, preserving some flexibility can be rational when it protects high-value demand or limits

uncertain commitments. The relevant measure is the economic return generated by capacity, not utilisation alone.

Management therefore needs a decision architecture rather than another average. Strong contribution and strong cash conversion identify a scaling candidate, subject to concentration, compliance and capacity risk. Strong contribution with weak cash points to terms, collections or contract design. Weak contribution with acceptable cash calls for repricing or redesign. Weak performance on both dimensions should trigger a stop-loss or exit test, subject to contract and strategic-account constraints.

The logistics economic decision screen

Strong contribution, weak cash	Repair payment terms, disputes, collections or funding design.
Strong contribution, sound cash	Consider scaling after concentration, compliance, durability and capacity checks.
Weak contribution, acceptable cash	Test repricing, service redesign or operating-cost repair.
Weak contribution, weak cash	Test stop-loss or exit, subject to contractual and strategic constraints.

First screen only. Check obligations, strategic-account value, concentration and funding.

AI-generated diagram for explanatory purposes.

Figure 2. Logistics Economic Truth Table

DECISION PRINCIPLE

Use contribution and cash to separate scale, repair, reprice, redesign and exit decisions.

4. GROWTH CAN MASK A TURNAROUND NEED

A company does not need declining sales to require a performance turnaround.

Turnaround discussions often begin only after falling revenue, losses or visible liquidity pressure. In logistics, an operating-model intervention may be justified earlier.

A growth company can display deteriorating economics when operating cash flow persistently lags earnings, receivables grow faster than sales without a deliberate rationale, gross margin erodes as volume rises, emergency subcontracting becomes structural, concentration increases, or new debt and capacity are required merely to

maintain service. None of these indicators proves distress on its own. Each must be tested against seasonality, expansion programmes, billing cycles, contract structure and the service model.

The commercial picture may still look reassuring: the pipeline is strong, facilities are busy and revenue is increasing. Yet resilience can weaken if more cash is trapped in receivables, more capital is committed and a larger fixed-cost base must be carried if volume or pricing changes.

Gemadept's 2025 report recorded a current ratio of 2.65 and receivables turnover of 9.36 times.[7] For January–September 2026, the company reported revenue up 25% and core pre-tax profit up 34%.[8] The newer figures illustrate profitable growth at group level. They do not establish 2026 cash conversion or returns by service. Management must test those separately.

Earlier corrective action preserves options. Once liquidity tightens, financing constraints begin to shape choices that could previously have been made on operational or strategic grounds.

TURNAROUND TEST

If revenue grows while cash conversion, contribution quality and capital productivity deteriorate beyond plan or justified expansion effects, management should test for a performance-turnaround need rather than classify the pattern as normal growth.

5. THE CAPITAL TRAP

Capacity should follow proven economics. It should not be used to discover them.

Operational congestion is not automatic evidence that more assets are required.

A shortage of trucks, warehouse space, depot capacity or technology may be real. But each investment should answer a proven economic constraint. If dispatching is weak, more trucks can scale under-utilisation. If customer mix is unattractive, more warehouse space can lock the company into weak contracts. If data ownership is unclear, a new platform can digitise ambiguity. If integration capability is weak, an acquisition can multiply complexity.

The investment test starts with demand. Which customers and services require the capacity? What causal contribution and cash do they generate? What utilisation is contractually committed, economically credible or historically repeatable? What happens under a downside scenario? Could leased, variable or partner capacity provide sufficient optionality with lower irreversible exposure where legally and operationally feasible?

The answer is not to wait for perfect certainty. Vietnam is expanding infrastructure and the national strategy anticipates continued logistics development.[3][6] Underinvestment can damage service and customer relationships, while long lead times can make late capacity decisions expensive. Management should therefore use stage-gated commitments: reserve options or flexible capacity early where necessary, but release major irreversible capital only as customer, utilisation, margin and funding evidence strengthens.

For lenders and investors, planned working-capital absorption supporting attractive growth is different from uncontrolled cash burn. Debt maturity, covenant headroom, security constraints and liquidity buffers can determine how much growth the balance sheet can safely finance even when customer economics are positive.

INVESTMENT PRINCIPLE

Do not finance an operating-model problem. Stage capacity commitments against proven economics, downside resilience and available funding headroom.

6. THE NEW OPERATING MODEL

Control before capital.

A financially scalable logistics company requires a management system linking commercial decisions, operations, cash and capital. The sequence matters, although several workstreams will run in parallel after the initial fact base is established.

First comes economic transparency: customer-, service- and flow-level visibility into causal contribution, cash and capital consumed. Without it, repricing is less reliable and capacity decisions can be driven by utilisation rather than value.

Second is commercial discipline. Pricing, fuel and extraordinary-cost clauses, payment terms, service levels and exception charges should reflect the risk the provider actually carries.

Third is operating control. Critical hand-offs, exception ownership, subcontractor performance, asset utilisation and service failures need clear accountability. Technology supports this only after decision rights and data definitions are sufficiently stable.

Fourth is cash and funding governance. Receivables, customer credit, supplier terms, disputed invoices, working-capital exposure, liquidity headroom and financing constraints should be reviewed with operating performance.

Fifth is capital allocation. Fleet, warehouse, technology and M&A decisions follow demonstrated contribution, cash, utilisation, demand durability and funding capacity.

The integrated logic is: see the economics; decide what to keep, repair, reprice, redesign or exit; control the operating and cash drivers; prove the economics; then scale. Repricing, exit, rerouting, outsourcing and capacity changes remain subject to contracts, financing documents, licences, customs requirements and applicable law.

CORE RECOMMENDATION

The operating model must earn the right to grow, and the balance sheet must be able to finance that growth safely.

7. A FOCUSED 90-DAY START

The first 90 days should create economic control, not another growth plan.

The illustrative 90-day programme is a control horizon, not a validated universal timetable or a promise that every contract or structural change will be completed within three months. Adapt the phases to the company's cash cycle, commitments and decision deadlines. Diagnosis, stop-loss controls and selected negotiations can proceed in parallel where justified.

Days 1 to 20 establish economic truth. The CEO or executive sponsor sets the mandate. Finance owns the contribution, cash and funding fact base; operations owns service, capacity and exception data; commercial leadership owns customer and contract economics. Management maps the customers, services and flows that account for the largest shares of revenue, contribution and working-capital exposure, then identifies causal cost, subcontracting, exception cost, receivables, service failures, utilisation and contract terms. New discretionary expansion commitments not yet binding move to exception approval until the fact base is clear; safety-, regulatory- or service-critical commitments are handled separately.

Days 21 to 35 convert diagnosis into decisions. Management separates business that should be scaled from business requiring repair, repricing, redesign or an exit test. Decisions are screened against contract obligations, strategic-account value, concentration risk and execution feasibility.

Days 36 to 70 repair the economics. Contract negotiations, routing, dispatch rules, provider architecture, exception ownership, collections and working-capital interventions proceed according to dependency and authority. Some actions may extend beyond day 90; the requirement is clear ownership, a controlled path and measurable interim outcomes.

Days 71 to 90 test whether the economics have changed enough to support the next decision. Management reviews risk-adjusted contribution, receivables, exception cost, utilisation, liquidity headroom and cash conversion. Capacity proposals move forward only when the business case, downside test and funding case are sufficiently supported.

The executive review combines operations and finance. Core measures include causal contribution by customer/service/flow, gross-margin trend, DSO and disputed receivables, cash conversion, exception cost, utilisation, subcontracting intensity,

liquidity headroom and incremental return on committed capital. Thresholds should reflect plan, history, financing constraints and the service model.

90-DAY OUTCOME

The intended outcome is a clearer view of which growth creates value, action on the largest sources of deterioration, and a stronger evidence base for the next capacity decision. Progress must be measured against the company's baseline; completion is not guaranteed by the illustrative timetable.

An illustrative 90-day control horizon

Days 1-20: establish facts	Sponsor sets mandate. Finance, operations and commercial build the economic and funding baseline.
Days 21-35: decide	Select scale, repair, reprice, redesign or exit tests; screen obligations and concentration.
Days 36-70: repair economics	Negotiate and improve routing, exceptions, collections and working capital; track interim results.
Days 71-90: test and gate capital	Review contribution, cash, utilisation and downside resilience before the next commitment.

Illustrative horizon, not a completion promise. Adapt thresholds, authority and timing.

AI-generated diagram for explanatory purposes.

Figure 3. 90-Day Control Horizon

8. BOARD AGENDA

The strongest logistics companies will convert volume into value before they scale.

Vietnam offers logistics companies a powerful growth opportunity. Many providers can and will grow profitably. The strategic risk addressed here is narrower: growth can conceal weak economics until substantial operating, financing and capital commitments have already been made.

Boards should ask four questions.

- Which growth produces an adequate risk-adjusted return after the cash and capital it consumes?
- Which customers, services or flows increase revenue while weakening contribution, cash conversion or concentration risk?

- Which capacity commitments are economically justified, and which compensate for weak operations or poor commercial terms?
- If market growth slowed tomorrow, would the enlarged cost and capital base remain financeable and earn an acceptable return?

The answers determine whether the company is building scale or merely accumulating activity.

Logistics management cannot end with freight rates, shipment counts and utilisation. It must connect commercial promises to causal operating cost, exceptions, cash, funding headroom and invested capital. When those links are visible, management can distinguish good growth from bad growth early enough to act.

Vietnam's logistics market does not need less ambition. Its companies need more economic selectivity. The winners will not necessarily be those that absorb the most volume. They will be those that convert volume into contribution, cash and productive capital consistently enough to finance the next stage of growth from a position of strength.

FINAL TAKE-AWAY

Scale creates value only when incremental returns justify the cash, risk and capital required to support it.

SELECTED EVIDENCE

Selected Evidence

SCOPE NOTE. This Executive Insight is a management perspective, not legal, customs, tax, accounting or regulatory advice. Company-specific contracts, financing documents, licences, customs requirements and applicable regulations must be verified before implementation.

[1] National Statistics Office of Vietnam, Report on socio-economic performance in October and the first ten months of 2026, November 2026. Section 6(b), preliminary merchandise trade, and 6(d), estimated freight volume and tonne-kilometres. Original source

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[3] Government News / Ministry of Construction, "More than 3,800 km of key expressways put into operation or technically opened", 11 May 2026. Approximately 3,803 km expressways; road transport about 70-75% of domestic freight. Original source

[4] National Statistics Office of Vietnam, Press release on prices in June, Q2 and the first half of 2026, 3 July 2026. Part II.III: transport and storage service producer prices rose 7.26% year on year in the first half. This is a price index. Original source

[5] CEL, report on the impact of Vietnam's 2025 traffic law on logistics and supply chains. Survey of 460 participants. The reported disruptions and cost pressures describe the period after the rule changes. Original source

[6] Prime Minister of Vietnam, Decision No. 2229/QD-TTg, Vietnam Logistics Services Development Strategy 2025-2035, vision to 2050, 9 October 2025. Policy objectives are not achieved company outcomes. Official decision: Original source

[7] Gemadept Corporation, "2025 Annual Report", 2026. Counter-evidence: reported strong profitability and liquidity; 2025 current ratio 2.65 and receivables turnover 9.36x, demonstrating that growth can coexist with sound cash and capital management. Original source

[8] Gemadept Corporation, IR Newsletter Q3/2026, November 2026. Nine-month revenue VND 5,424bn (+25%); core pre-tax profit VND 2,369bn (+34%), distinguished from total pre-tax profit. Original source

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