

# E-Commerce In Vietnam In The Context Of Digital Economy And Opportunities For Foreign Investors

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**Abstract:** Vietnam is building an increasingly strong digital economy and the payment sector is also greatly influenced by technological changes. In recent years, the number of Internet users in Vietnam is high and the percentage of online shoppers is increasing. Payment intermediaries have grown strongly; e-wallets are the evidence of these changes with quite a few advantages. At the same time, the proportion of this country's population using smartphones is quite impressed. By owning a smartphone in which an e-wallet application has been installed, people may not need to carry a payment card anymore. However, digital economy currently focuses on communication, entertainment and information, while many other areas such as e-commerce still have many challenges. The paper focuses on some advantages, hidden opportunities as well as challenges of the e-commerce market in Vietnam in order to demonstrate potentials for both domestic and foreign investors.

**Index Terms:** Challenges; e-commerce; economics; potentials; investors.

## 1. INTRODUCTION

Vietnam has a young, dynamic population, with 65 million people using mobile devices, but among these, the percentage of online shoppers is still very low, and the development potential is very abundant. Cash transactions are still limited, inappropriate in the development of e-commerce in the industrial revolution 4.0. The explosion of e-commerce through social networks is seen as a trend and the purchase of social networking in Vietnam is increasing and this will become a trend in the future. In fact, the evolution of Vietnam's e-commerce market is in two directions. The first one is the "gold mining" direction of e-commerce corporations with huge investments in order to gain market share. The next one is the emergence of more and more startups with groundbreaking technologies that offer symbiotic services to leading businesses. Recently, a series of e-commerce exchanges and new sales pages have appeared. Foreign enterprises are also not afraid to invest millions of USD in Vietnam's e-commerce [1].

## 2. RESEARCH CONTENT

### 2.1 Actual status of application of technology for e-commerce in Vietnam

A study of the digital economy 2018 conducted by Google and Temasek shows that up to 90% of the population of Southeast Asia currently access the internet mainly through smart mobile devices. Along with that trend, the role of mobile applications for e-commerce in Vietnam has also become increasingly larger, opening up new opportunities for e-commerce businesses in accessing and increasing conversion rates for customers.

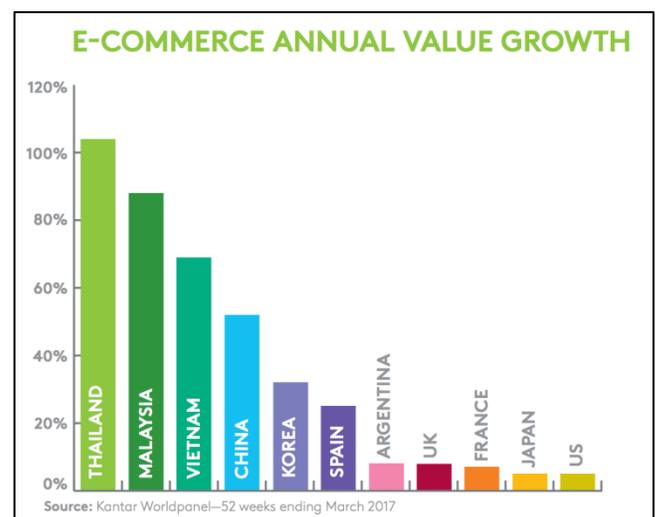
### 2.2 Vietnam e-commerce revenue

The Department of E-commerce and Digital Economy said that after more than 30 years of renovation, Vietnam's socio-economy has achieved great achievements. Especially in 2018, with the GDP growth rate of 7.08%, Vietnam's economy has reached the highest growth mark since 2008.

E-commerce activities contributed significantly to the increase of the commercial sector in particular and the economy in general. According to the report "Southeast Asia Internet Economy 2018" by Google - Temasek and published, Vietnam's e-commerce growth in the period 2015 - 2025 is forecast at 43%. The country has the fastest growing e-commerce region. E-commerce is increasingly showing an important role in creating new production and consumption values, a driving force for development and a pioneer field of the digital economy in the future [2].

### 2.3 Current status of Vietnam e-commerce in comparison with other countries

Vietnam's e-commerce has bright areas when approaching the industrial revolution 4.0. While the application of artificial intelligence, cloud computing is quite limited, e-commerce with the participation of many businesses has grown sharply (25-30% / year). Currently, the value of Vietnam's e-commerce market is about 8 billion USD. Vietnam's e-commerce value ranked third in Southeast Asia, after Malaysia and Thailand. By 2025, Vietnam's figure is estimated at US \$ 43 billion. Vietnam has many factors to overcome Thailand in the near future (Figure 1).



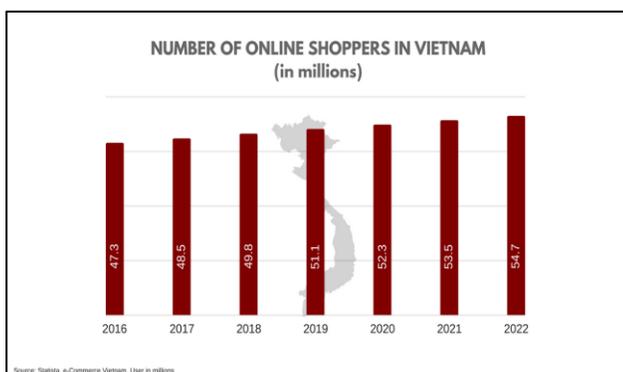
**Figure 1.** E-Commerce annual value growth of some countries (Source: Kantar World panel)

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Vietnam has many opportunities to develop e-commerce, especially with population structure. Besides, the internet coverage in Vietnam is quite large. Even some islands still have 4G, it is not easy to access while traveling abroad [4]. According to statistics, the number of people participating in online shopping in Vietnam increases steadily. Currently the number is 40 million, which means that 1 out of 2 people participate in online payment. However, the proportion of revenue compared to the retail level across the country was only 4.5%.

## 2.4 The potential of e-commerce in Vietnam

All businesses selling on e-commerce websites have websites, but there are only about 61% for mobile applications. In addition, the proportion of enterprises entering into electronic contracts is still limited. Regarding the biggest challenge of Vietnam, currently, the use of cash for e-commerce transactions dominates [5]. Digital economy is an economy based on digital technologies. E-commerce and online advertising on social networks are the hallmarks of digital economy in the lives of Vietnamese people in recent years. According to a study by the Global Business Center of Tufts University (USA), Vietnam currently ranks 48/60 countries with the fastest digital economic transformation in the world, and ranked 22 in speed of developing digitization. This proves that Vietnam is in a digital economy and the field of e-commerce has the prospect of going further [4]. With a number of over 53% of the population using the internet and smartphone, the e-commerce market in Vietnam is expected to boom in the near future. The fact of the past time also shows that the growth potential of Vietnam's e-commerce field is very large (Figure 2).



**Figure 2.** Number of online shoppers in Vietnam (Source: Statista.e-commerce Vietnam)

According to a survey by the Vietnam E-Commerce Association (VECOM) released in the Vietnam E-Commerce Index Report 2018, the growth rate in 2017 compared to the previous year was estimated at over 25%. Many businesses said that the growth rate in 2018 would remain at the same level [2]. The Vietnam E-Commerce Index 2018 report also shows that the growth in some specific areas is very spectacular. For the online retail sector, information from thousands of e-commerce websites shows that the revenue growth rate in 2017 increased by 35%. Indirect survey of some leading delivery companies shows that the growth rate of revenue from delivery services is from 62% to 200%. For payment field, according to information from the National

Payment Corporation of Vietnam (NAPAS), in 2017, the number of domestic card online transactions increased by about 50% compared to 2016, while the value of transaction increased to 75%. In the field of online marketing, some marketing companies have growth rates in 2017 from 100% to 200%. By the end of 2016, Vietnam's e-commerce market size was about 4 billion USD. It is forecasted that in the next 4 years, the size of Vietnam's e-commerce market is expected to reach US \$ 10 billion. According to iPrice Group's recent statistics, combining 1,000 different e-commerce businesses, Vietnam is participating in the game with "good performance", capturing most of the regional trends. According to iPrice, total online shopping via mobile devices in Vietnam increased impressively, at 26% in 2017. Vietnam used to be ranked first in Southeast Asia in terms of conversion rates - the percentage of website visits that can lead to successful shopping. E-commerce businesses in Vietnam have the conversion rate up to 65%, the highest in the region. Singapore has the second highest conversion rate and Indonesia is close at 3rd. Vietnam Association of High Quality Goods Businesses evaluated, in recent years, with the introduction of a series of e-commerce websites such as Lazada, Tiki, Shopee, Sendo, Adayroi, etc. Online shopping has been no stranger to Vietnamese consumers. The online shopping market becomes more exciting as young consumers engage in social buying and selling more and more [5]. The growth figures that surpassed the forecasts were the factors that drew a stronger wave of foreign investment into the e-commerce field in Vietnam. Investment activities and potential from foreign names are expected to accelerate the development of e-commerce very quickly, while at the same time showing the attractiveness of the Vietnamese market. By 2020, it is expected that about 30% of the population in Vietnam will participate in online shopping, reaching 350 USD / person. Accordingly, mobile e-commerce and positioning e-commerce will continue to be the mainstream in the world, accounting for about 25% of global retail sales. According to the forecast, 2018 and then, 2019 will be the time of e-commerce when people are almost familiar with online shopping.



**Figure 3.** Percentage of shoppers who bought (Source: Vietnam Briefing)

Price, quality of products, services, etc. will still be an important factor to attract users to buy online. At the same time, the more consumers know about e-commerce, the better

the brand, service style, technology platform, and value-added services such as shipping, payment, after-sales, will need to be improved.

## 2.5 Some challenges and barriers

Vietnamese businesses are now facing the opportunity to transform themselves from the 4.0 technology revolution and the great benefits of global integration. However, there are also significant challenges in capturing trends, developing long-term development strategies, financial management and new-age human resources, etc. This requires managers constantly seek new paths and, most importantly, constantly learn to develop themselves [6]. The Vietnam E-commerce Index Report 2019 also shows that there are still many obstacles for a breakthrough in the coming period. For example, regarding logistics services, fulfillment of orders is still limited,. Although 70% or more of online shoppers use payment collection services, the percentage of buyers returning products ordered online is high. Estimated average ratio of total value of returned products to the total order value is up to 13%. In addition, consumer confidence in online purchases is low. A small survey was also conducted in some different areas with the support of 50 respondents in order to complete this paper. The survey results show that less than 50% of respondents said that they are satisfied with the online shopping method, which means that there is still a large percentage of potential customers that e-commerce service providers must conquer [7]. The biggest cause affecting user sentiment is still the quality of goods. More than 70% of people surveyed are concerned about poor quality products compared to advertising. And there are many other reasons, that is, the price is not cheaper than buying outside the store while having promotions; personal information leaked; shop at stores easier and faster; consumers do not have a bank card to pay; the way to buy goods online is still complicated for many people, etc.



**Figure 4.** Current status of shopping methods of some Vietnamese people

In addition, for e-commerce exchanges, the fact that the law does not accept shortened forms of payment with electronic data instead of paper documents has created many obstacles for the development of e-commerce, and also creates a lack of transparency in the payment process [8]. The wave of foreign competitors investing in Vietnam shows that future e-commerce may be just a playground for big names [9]. Many experts predict that in the near future, Vietnam's e-commerce will be dominated by 2 or 3 companies accounting for 80% of the market share and the smaller companies are only able to

enter the small market. Currently, Vietnamese consumers, especially the younger generation, are quite fond of buying goods through foreign e-commerce websites such as Amazon, eBay, etc. due to a variety of foreign goods and suitable for consumers, especially urban youth, while the cost of completing orders for online purchasing contracts from abroad is lower. The fierce competition environment is not for businesses with weak financial, technological, management capacity. In fact, capital potential is a major obstacle for domestic enterprises if they want to compete with foreign e-commerce industry. In addition, if you are not careful in choosing a provider of e-commerce solutions, it is very easy to cost money without gaining any benefits [10]. Most Vietnamese enterprises, especially small and medium-sized enterprises, have not properly invested in researching and researching foreign customer tastes to sell directly, not through intermediaries distributors. In terms of reputation, domestic online sellers are still weak compared to many global online sellers. Quality and design of domestic products are still inferior to similar products of many other countries.

## 2.6 Some recommendations for e-commerce development in Vietnam

Located in an area considered to be the most dynamic development of e-commerce in the world, Vietnam has both advantages and challenges. The development trend of Vietnam e-commerce in the coming time will not be out of the general trend of the world. Specific technologies of the Industrial Revolution 4.0 (big data, everything internet, etc.) will start new forms of e-commerce applications in the near future to share thriving economic models. . After that, multi-channel sales method was widely applied in businesses. Cross-border e-commerce, mobile e-commerce and mobile payments will become commonplace. Therefore, in the future we need to pay attention to the following. For e-commerce to flourish, we need to improve the regulatory environment. Through the enactment and enforcement of laws and regulations, we need to regulate commercial activities to accommodate national laws and practices. We also need to continue reviewing, amending, supplementing and enacting new policies and mechanisms and policies to develop e-payments to enhance the trust of users and businesses in the payment system. In addition, we also need to strengthen coordination and cooperation in the development of domestic and international electronic payment services, inter-country and inter-industry electronic payment services. In addition, we need to study and propose amendments to adjustment policies that are no longer suitable for e-commerce development. The state needs direct investment and policies to continue encouraging and attracting social and private investment to develop technical infrastructure for electronic payment. At the same time, promote the development of public services for e-commerce. State agencies must apply e-commerce in public procurement and bidding, in association with administrative reform, transparency, improving national governance efficiency and building e-government. The State Bank should actively implement the cashless payment program and continue to improve the legal basis related to electronic payment, and promote the provision of public services such as electronic customs; tax declaration and payment, electronic import and export procedures. We also need to ensure the security of e-commerce transactions. E-

commerce has many positive effects but it is also easy for hackers to spread viruses and attack websites. On the other hand, bad transactions also need a mechanism to control violations [11]. For businesses and e-commerce exchanges, there is a need to enhance network security, security and safety of electronic payment information. If there is a solid and stable technology platform, more accessible users, then the barriers to e-commerce will certainly be narrowed. We also need to improve corporate governance through cooperation and increase competitiveness. Businesses need to come up with their own plans to build symbiotic relationships, cooperating to meet each part of the e-commerce process. Finally, we need to promote training and human resource development for e-commerce development. In addition to requiring a strong team of computer experts, we are constantly catching up with emerging information technology achievements, and can design software to meet the needs of the digital economy. It also requires that every person participating in e-commerce must be able to use computers, be able to exchange information online fluently, and have the necessary knowledge about commerce. Therefore, we need to train computer experts and disseminate knowledge of e-commerce not only to businesses and government officials but also to everyone [12]. Finally, governments and businesses need to work with consumers to promote communication and education activities, enhance advertising, propaganda and dissemination of guidelines throughout the society for means of payment should be viewed as a familiar form of payment.

### 3. CONCLUSION

Not only attractive in the forecast figures, Vietnam has become one of the most attractive markets for investors. The Industrial Revolution 4.0 along with the help of digital power and information technology have made breakthrough changes, becoming an intelligent and efficient supply chain for e-commerce. The industrial revolution 4.0 will create breakthrough changes in production and business. This is also a favorable opportunity for businesses in the field of e-commerce. At the same time, innovation and creativity pressures for e-commerce businesses, because they must have good background knowledge, can businesses deeply analyze issues and offer real solutions. effectiveness.

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