

VIETNAM E-COMMERCE POTENTIAL AND PROSPECTS

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Abstract. *The results of the analysis of the development of e-commerce in the Socialist Republic of Vietnam are presented. The features of the development of e-commerce in the Republic, including the features of demography and user dynamics; the main channels of e-commerce and preferred methods of payment for online purchases are revealed. The features of the transition of Vietnamese business to the organization of e-commerce are shown. The prospects are studied and the main trends in the development of e-commerce in Vietnam are formulated.*

Keywords: *Socialist Republic of Vietnam, e-commerce*

The Socialist Republic of Vietnam is one of the fastest growing economies in Southeast Asia. Having a favorable economic and geographical position and having rich labor resources, Vietnam demonstrates high rates of economic growth (the average annual growth rate of the Vietnamese economy in the period 1991-2020 was 6.92%)¹. The COVID-19 pandemic has negatively affected the development of the Vietnamese economy, however, the country's GDP growth has maintained positive dynamics and in 2020 amounted to 2.91%.² The Economist magazine notes that "... Vietnam, as before, remained one of the countries with the highest rates of economic growth in the world, was among the 40 largest economies in the world and ranked 4th in ASEAN, and is also a representative of the group of 16 most successful economies of emerging economies".³

E-commerce played an important role in maintaining the stability of Vietnam's economy during the pandemic, the active development of which has a growing impact on the economic development of the country (see Figure 1). In 2020, the e-commerce market amounted to \$ 11.8 billion, i.e., about 5.5% of the total retail sales of consumer goods and services.

¹ General Statistics Office of Vietnam (GSO) (2020a). Statistical Yearbook of Vietnam 2020. Hanoi: Statistical Publishing House. <https://www.gso.gov.vn/wp-content/uploads/2021/07/Sach-NGTK-2020Ban-quyen.pdf>

² General Statistics Office of Vietnam (GSO) (2020a). Statistical Yearbook of Vietnam 2020. Hanoi: Statistical Publishing House. <https://www.gso.gov.vn/wp-content/uploads/2021/07/Sach-NGTK-2020Ban-quyen.pdf>

³ <https://www.economist.com/the-world-in-2021>

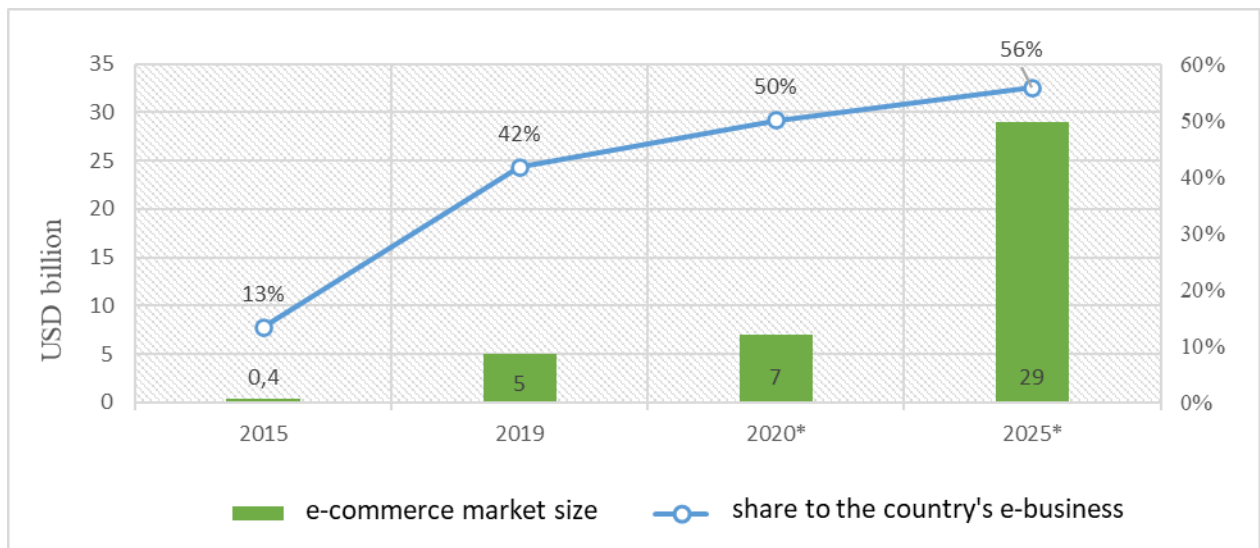


Figure 1 - Dynamics of Vietnam's e-commerce market, in billions of US dollars

Source: Google, Temasek and Bain & Company – e-Economy SEA 2020 – Viet Nam. - URL: https://storage.googleapis.com/gweb-economy-sea.appspot.com/assets/pdf/Vietnam-e-Economy_SEA_2020_Country_Insights.pdf

The expansion of the e-commerce market in Vietnam is largely due to the peculiarities of the country's demography: 40% of the population - people aged 10 to 39 years – are the most active users of the Internet and its trading platforms (Table 1).

Table 1 - Dynamics of the number of online trading users

Indicators	2015	2016	2017	2018	2019
Percentage of the population using the Internet, %	45,0	53,0	58,1	69,8	68,7
including users who make online purchases., %	32,7	34,9	35,5	41,8	46,4
Average online purchase price, USD	160	170	186	202	225

Source: iDEA – E-Commerce White Book 2020. – URL: <http://idea.gov.vn/file/5a4d2670-f7fc-4914-8e4b-d09d3b6bde83>

The data presented in Table 1 indicate a positive trend in the number of users making online purchases, as well as an increase in the average purchase receipt. In 2019, 46.4% of the Vietnamese population made purchases online using e-commerce channels. Figure 2 shows the dynamics of the use of the main e-commerce channels in Vietnam.

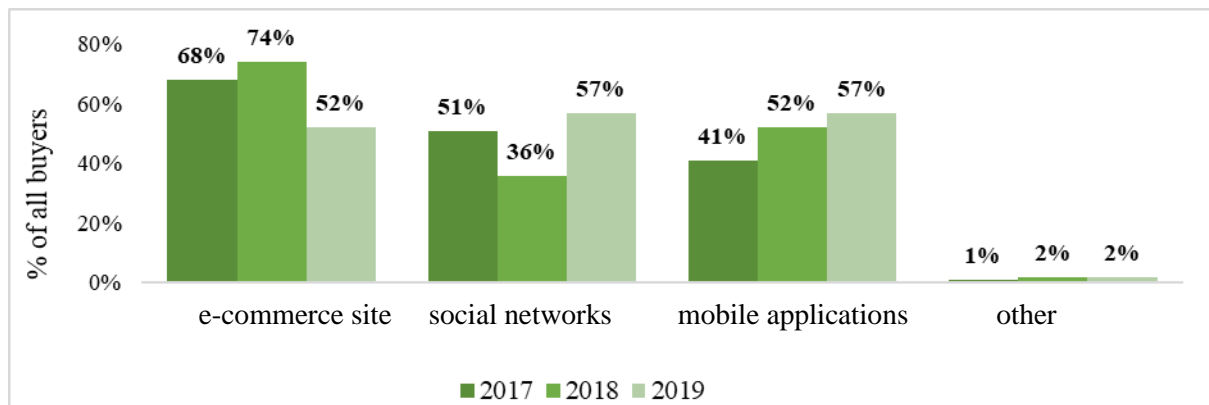


Figure 2 – Vietnam's Main e-commerce channels

Source: iDEA – E-Commerce White Book 2020. – URL: <http://idea.gov.vn/file/5a4d2670-f7fc-4914-8e4b-d09d3b6bde83>

Social networks with the ability to quickly post information and reach a wide audience will help sellers quickly interact directly with buyers. Facebook is the most popular social media channel for electronic sales in Vietnam. According to the 2019 business review report of Sapo multi-channel sales and management platform, Facebook is in the group of 5 most frequently used and effective sales channels⁴. The main factors that have caused the growth in popularity of social networks and mobile applications for online shopping are the popularization of smartphones and social networks in Vietnam, and the usability of mobile device applications.

According to the data provided by E-Commerce White Book 2020, the most popular online purchases in Vietnam in 2019 were SPA and cosmetology services; music, videos, DVDs, electronic games (see Fig.3).

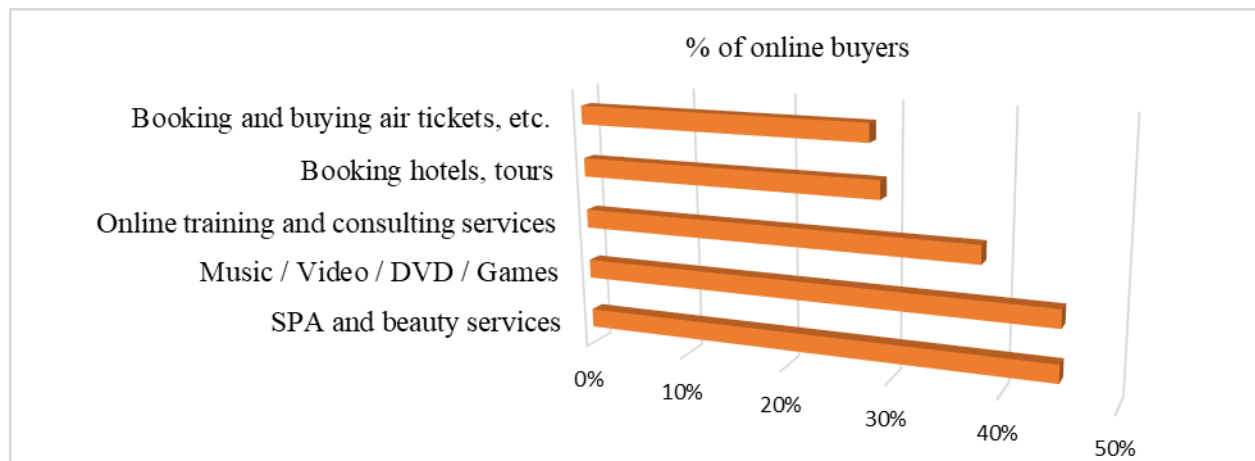


Figure 3 – The structure of online shopping in Vietnam in 2019, in % of the total number of online buyers

Source: iDEA – E-Commerce White Book 2020. – URL: <http://idea.gov.vn/file/5a4d2670-f7fc-4914-8e4b-d09d3b6bde83>

⁴ Brands Vietnam. – URL: <https://www.brandsvietnam.com/19979-Cho-Facebook-tang-suc-ep-cho-cac-san-TMDT>

Other popular services were online training and consultations; booking hotels and tours, booking tickets for various types of transport.

The main method of online payments in Vietnam are bank cards, which pay for about 31% of purchases (Fig. 4).

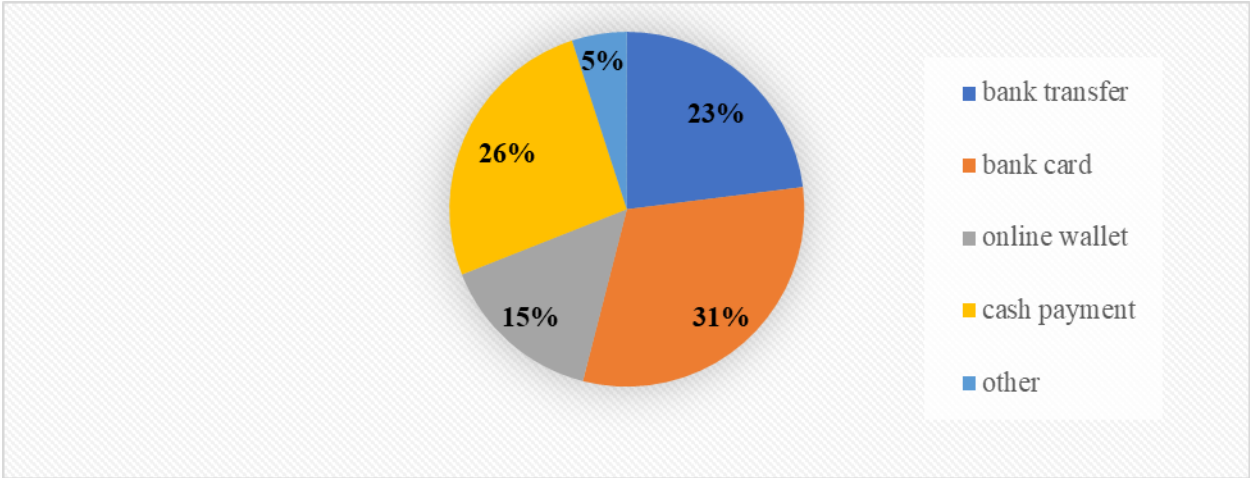


Figure 4 – E-commerce payment methods in Vietnam in 2019

Source: E-commerce Payments Trends Report: Vietnam. - URL: <https://www.jpmorgan.com/merchant-services/insights/reports/vietnam-2020>

According to JP Morgan, the popularization of debit cards in Vietnam is much higher than credit cards. This payment method ensures the security of transactions and the possibility of integration with digital wallets, whose popularity is also growing in Vietnam.

Cash-on-delivery is also the preferred method of paying for online purchases in Vietnam, accounting for 26% of the e-commerce payments market. The high proportion of cash payments is explained by the fact that 7 out of 10 people in the country do not have a bank account. But more importantly, Vietnamese consumers do not fully trust online transactions, as there is a risk of fraud, as well as the likelihood of receiving substandard or counterfeit products. Among the affluent urban population, an electronic wallet is increasingly used when paying for online purchases; The most popular are MoMo, Moca and ZaloPay, through which about 90% of online payments pass.

Thanks to its advantages, including savings on rent, labor, advertising and sales, e-commerce increases competition between national companies in Vietnam. Many Vietnamese companies have expanded their business through e-commerce (Figure 5).

According to a survey conducted by the official agency for Electronic Commerce and Digital Economy of Vietnam in 2019, more than 45% of enterprises have their own websites, the share of enterprises selling goods through social networks increased from 28% (in 2015) to 39%

in 2019. By 2019, the number of enterprises connected to digital e-commerce platforms increased by 4% compared to 2015 and amounted to 17%.

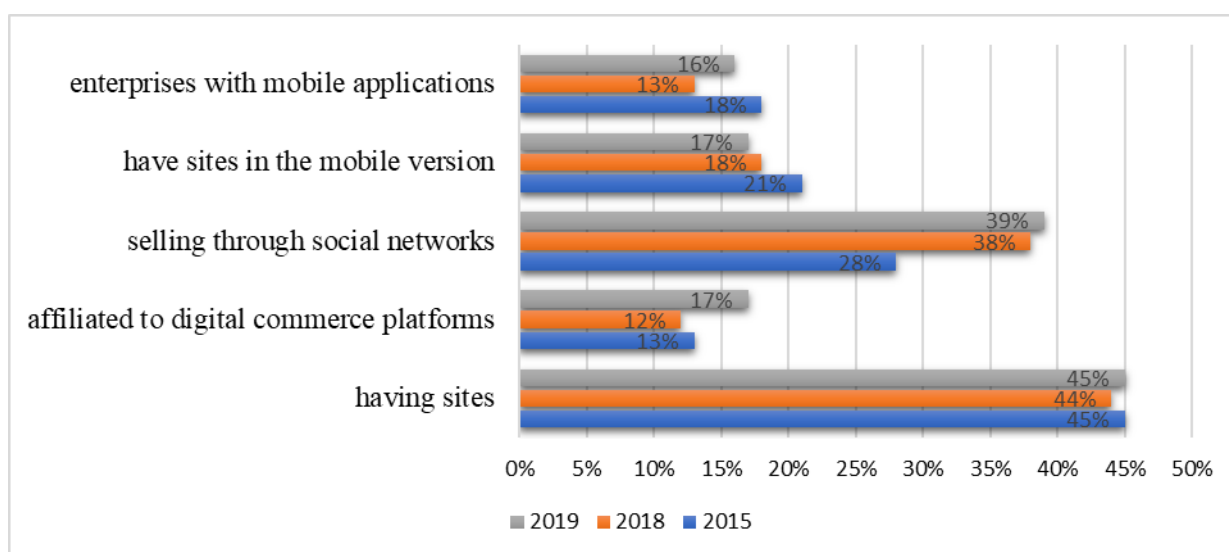


Figure 5 – Introduction of e-commerce at Vietnamese enterprises in 2015-2019, in % of the total number of enterprises

Source: iDEA – E-Commerce White Book 2017, E-Commerce White Book 2020. - URL: <http://idea.gov.vn/?page=document>

The companies leading in the e-commerce market of Vietnam are presented in Table 2.

Table 2 - Leading companies in the e-commerce market of Vietnam

Ranking positions, 2019	Company	Monthly web traffic	Rating in Google Play	Rating in App Store
1	Shopee VN	43.156.700	1	1
2	The Gioi Di Dong	28.590.000	5	7
3	Tiki	23.990.000	4	2
4	Lazada VN	19.763.300	2	3
5	Sendo	17.596.700	3	4

Source: iPrice Insights/ - URL: <https://iprice.vn/insights/mapofecommerce/>

The leader of e-commerce in Vietnam in 2019 is Shopee VN, which has the largest sales volume (website traffic in 2019 amounted to 43,156 thousand dollars), and the number of downloads of mobile applications. Less effective e-commerce platforms are the companies Tiki, Lazada VN, Sendo and Gioi Di Dong - Internet platforms for the sale of household appliances and electronics [3, p.149].

The high growth rates of e-commerce in Vietnam stimulated the influx of foreign investment in this area. Major investors were such well-known Chinese companies as Alibaba Group (USD 2 million); investment company Tencent (USD 500 million); a Chinese company

engaged in online trading and e-commerce JD.com (US\$ 300 million). The Vietnamese e-commerce company Sendo actively cooperates with three Japanese investment companies. The attracted investments, of course, activate the development of e-commerce in the country. It is expected that in 2021, about 70% of the Vietnamese population will make online purchases, and the average purchase price will increase to \$360.⁵

If we talk about the prospects for the development of e-commerce in the country, it is obvious that its trends will be based on the "National Digital Transformation Program until 2025 with a focus on 2030", approved by the government Decision in June 2020, which provides for the creation of 40 platforms "Made in Vietnam", which will certainly lead to the development of cross-border e-commerce. We can assume the launch of new types of e-commerce applications, including for mobile devices. An important aspect in the development of e-commerce is the need to improve the technological infrastructure to increase the competitiveness of Vietnamese enterprises in the world market. Great importance is given to solving network security problems, which will make the process of electronic purchase more attractive to the consumer [2, p. 91].

The implementation of these measures will serve as a source of realizing the potential of Vietnam's e-commerce, the prospects for the development of which are primarily related to investments in digital technologies and human capital.

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⁵ THƯƠNG MẠI ĐIỆN TỬ VIỆT NAM NĂM 2021. – URL: <https://wtocenter.vn/file/18499/bao-cao-tmdt-2021-v6-pdf.pdf>