

# The Development of E-commerce in Vietnam: Current Situation and Trends

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**Abstract:** *The process of integration into the world economy has opened up opportunities for Vietnam, particularly for its e-commerce sector. The sector has advanced over the years and is projected to continue its positive growth in the future, contributing to the national economic development. The paper analyzes the development of e-commerce in Vietnam in recent years, specifying its barriers and development trends.*

**Keywords:** E-Commerce, Development, Barriers, Development Trends, Vietnam

## 1. Introduction

Electronic commerce or e-commerce, according to *dictionary.com*, is “business that is transacted by transferring data electronically, especially over the internet”. Whereas, Market Business News defines e-commerce as “a type of business model that focuses on doing commercial transactions through electronic networks such as the internet”. E-commerce in Vietnam has been recognized in the government’s Decree No. 52/2013/ND-CP dated May 16, 2013 as the conduct of a partial or complete process of commercial activities via electronic means which are connected to the internet, mobile telecommunications networks, or other open networks.

There are different types of e-commerce, such as business to business (B2B), business to consumer (B2C), consumer to consumer

(C2C), business to government (B2G), and so forth. Current e-commerce transactions in Vietnam mainly take forms of B2C and C2C and in a competition between some big names like Lazada, Tiki, Sendo, and Shopee.

## 2. Online space

Vietnam established an internet connection for the first time in November 1997. The country’s number of internet users has increased promptly over the last twenty years. As of 2019, there were around 59 million Vietnamese internet users, of those 78% were online shoppers of the 16-64 age group, making Vietnam one among the leading Asian countries in terms of online shopping (Kemp and Moey, 2019). These numbers are expected to continue to increase at a rapid rate thanks to flexible bandwidth services and relatively low mobile data costs. Higher internet accessibility allows

more and more people to be able to log on for e-commerce services.

The rapid growth and adoption of the internet, in fact, stems from the emergence and popularity of smartphones. In recent years, the number of smartphone owners in Vietnam has skyrocketed. According to Statista (2019), Vietnam ranked among top twenty countries in the world with about 43.71 million smartphone users in 2019. When smartphones play as a key factor to the realization of e-commerce transactions, the increase in smartphone ownership would surely shape the picture of Vietnam's e-commerce in future.

### 3. E-commerce development

A continuous growth and development of e-commerce in Vietnam was observed during 2010-2019 at an average growth rate of 59% per annum. The sales revenue from just over VND 1.2 trillion in 2010 rose to more than VND 58 trillion in 2019 (Figure 1). Vietnam's e-commerce sales are projected to progress strongly in the coming time provided its base of 59 million internet users.

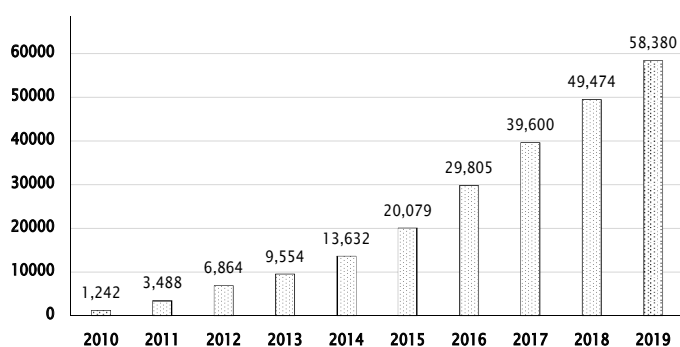
Vietnam also ranked third among the ASEAN countries in terms of e-commerce

market value, which was USD 12 billion in 2019, equivalent to Singapore's and only after Indonesia's USD 40 billion and Thailand's USD16 billion (Statista, 2019). Malaysia and the Philippines followed Vietnam closely with respective e-commerce market values of USD 11 billion and 7 billion. The situation reflected a rapid advancement of e-commerce in Vietnam in relation to other countries in the Southeast Asia.

Regarding the categories of traded products in Vietnam's e-commerce market in 2015-2019, apparel and footwear, consumer electronics, personal care and beauty, and home appliances were constantly the dominant groups in terms of sales and with a strong growth over the years. Among those, consumer electronics accounted for the largest proportion. According to Euromonitor (2020), the sales revenue in 2019 of consumer electronics was over VND 10.6 trillion, followed by those of apparel and footwear (VND 8.4 trillion), home appliances (VND 4.3 trillion), and personal care and beauty (VND 2.9 trillion) (Figure 2). The increase in sales of these product categories signifies a growing interest of Vietnamese consumers in online shopping over the traditional shopping process at stores for personal and electronic products.

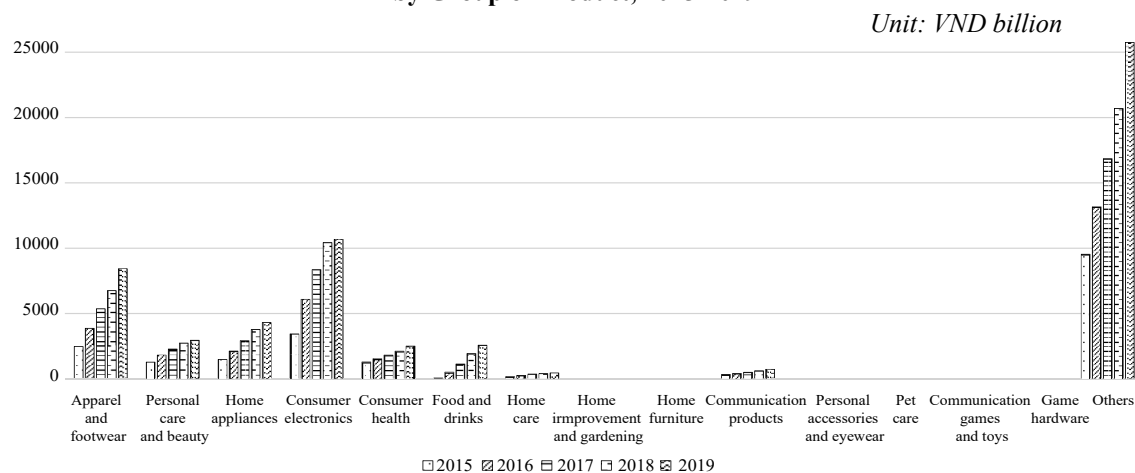
It is also necessary to assess the development of e-commerce from the perspective of electronic devices to access e-commerce because they are the key to this form of trade. The data collected in the 2016-2018 surveys by

**Figure 1. Vietnam's E-Commerce Sales Revenue, 2010-2019**  
Unit: VND billion



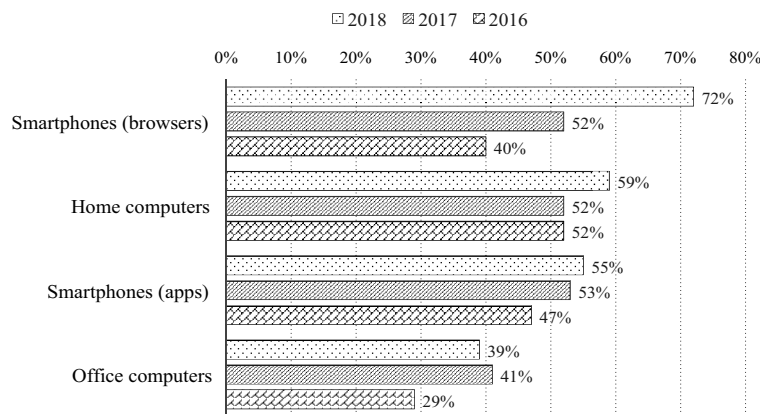
Source: Euromonitor (2019).

**Figure 2. Vietnam's E-Commerce Sales Revenue by Group of Product, 2015-2019**



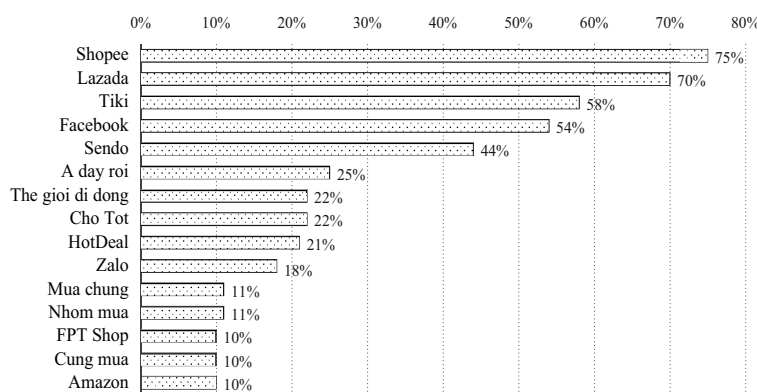
Source: Euromonitor (2020).

**Figure 3. Preferred devices for online shopping by Vietnamese consumers, 2016-2018**



Source: Statista (2019).

**Figure 4. Vietnam's most popular e-commerce sites, 2018**



Source: Statista (2019).

Statista (2019) indicated the largest and quickly growing proportion for consumers using smartphones, rather than other devices, for online shopping. In addition, shopping online via mobile applications on smartphones is becoming increasingly popular (Figure 3).

A variety of business entities, both from overseas and at home, participate in the Vietnamese e-commerce market, creating a vibrant competition among them. Brands such as Lazada, The Gioi Di Dong [Mobile World], Sendo, Shopee or Tiki are the popular names to consumers, particularly to those living in urban areas. A lot of businesses, especially large ones, combine the models of B2C and C2C, leaving it tricky to decide which model

really dominates the market. Specifically, Lazada, Tiki and Sendo are playing a dual role: collecting payment on delivery to final consumers (B2C) while in parallel attracting retailers to sell products on their sites (C2C). There is a fierce competition currently between e-commerce businesses in Vietnam. According to the 2018 survey by Statista (2019), Shopee was the leading and most popular e-commerce brand in Vietnam with 75% of the respondents using this platform for online shopping. Lazada and Tiki came respectively second and third with the rates of 70% and 58%. The figures indicate also insignificant gaps between the leading brands in terms of popularity, or in other words, there is not yet an absolutely dominant brand in the Vietnamese e-commerce market (Figure 4).

To win the race, e-commerce businesses adopt a break-the-bank strategy, which mean they are willing to make big investments and take losses in order to increase their market shares. It has become an 'obligatory' market rule in the current market and an elimination is unavoidable for those who could not be able to follow. A lot of domestic e-commerce brands (e.g. *beyeu.com* or *lingo.vn*) had subsisted shortly due to their limited capacity and capital investment. The break-the-bank strategy should not, however, be seen as a means of salvation to survive the competition: Many other brands with strong financial capability and boldness for risks, such as Vingroup's *adayroi.com*, Central Group's *robins.com* (a Thai brand), or The Gioi Di Dong's *vuivui.com*, still lost the race due to their operational inefficiency.

It should be acknowledged as well that, besides the websites of e-commerce businesses, a huge number of individuals are doing their online trade on the social networking sites like Facebook, Zalo, and others. E-commerce businesses themselves also use these platforms as an important channel for promoting their products and reaching their target customers. According to Vietnam's e-Commerce and Digital Economy Agency (iDEA) (2019), nearly all enterprises are now employing online communication platforms such as Viber, Skype, Facebook, and Zalo for their business. Statista (2019) also identified Facebook and Zalo as the top sites for online shopping in Vietnam. In particular, Facebook was the most popular site to Vietnamese online consumers, as responded by 70% of people participating in the Q&Me's 2018 survey (compared to 66% in 2017).

#### **4. Barriers to e-commerce development**

Vietnam's rapid development of e-commerce in recent years is also obstructed by both general and specific barriers as presented below.

##### *Lack of confidence*

An EVBN report (2018) pointed out the biggest obstacle to Vietnam's e-commerce development is the lack of confidence. These could be the issues related to various aspects of e-commerce transactions, from the product quality, customer services, data protection, banking frauds, unfinished deliveries, etc. The lack of confidence stems from Vietnam's immature e-commerce market and the existing limitations in terms of infrastructure serving those activities. E-commerce in the country only

started 13 years ago with a long period of e-commerce universalization. Whereas, the development process remains in its early stage, limiting the confidence of people and businesses in the field. The introduction of Decree 57/2006/ND-CP (Decree 57) on e-commerce in 2006 and other legal documents which provide instructions on the implementation of the 2005 Law on E-Transactions marked a 10-year period of universalization (2006-2015). Not until 2015 was there a large number of people and businesses participating in online purchasing and selling.

*Domination of the COD (Cash-on-Delivery) method*

Despite a strong development of Vietnam's e-commerce market, the advance of electronic payment methods is quite an opposite. Most Vietnamese people still maintain cash payments while a large number of consumers tend to distrust financial institutions in securing money transfers and account information. As a result, credit cards and online banking are still not widely used, particularly in rural areas and by the elderly. Moreover, many consumers view credit cards and online banking fees unnecessary. Payments in cash or the preference for COD leads to higher cancellation rates and lower profits for e-commerce businesses. The cash culture therefore would continue to hinder the development of Vietnam's e-commerce.

*Underdeveloped logistics infrastructure*

More often in Vietnam, logistics providers (third parties) and e-commerce firms have to work together to satisfy small and frequent orders of consumers. Most businesses in the market provide their own delivery services

and rely on third-party services providers concurrently. In practice, however, the logistics infrastructure of both the firms and the third parties is still underdeveloped, leading to pending or failed deliveries and high logistics costs. Moreover, according to a survey by VECOM (2019), a majority of the firms did not have enough space for storage and had to outsource. The warehouse operation technology is not advanced either and only 36% of the surveyed businesses have warehouse management systems connected online with customers. Storage costs and warehouse management costs are high consequently. In addition, the ratio of shipping cost to total order value is still significant, about 20% or more for half of the surveyed businesses. It is to say investments in logistics technology and infrastructure are an urgent issue for the advancement of e-commerce in Vietnam.

*Inconsistent policies and laws*

Regulations on the protection of personal information have been provided in Vietnam's current laws and legal documents such as the Law on Cyber Security, the Civil Code, the Penal Code, the Law on Information Technology, Decree 57, and so forth. They lay a very important legal foundation for e-commerce. The implementation effectiveness of these policies, however, remained limited. For example, the common practice of illegal collection, use, distribution and trading of personal information has contributed greatly to reducing consumer confidence in Vietnam's e-commerce.

Besides, cross-border e-commerce, a highly potential field for development, still meets with various difficulties in terms

of policies and laws for both export and import. A typical example is too many documents required for e-commerce businesses in order to legally purchase foreign currency for their cross-border payments. At the same time, the costs for paper work and money transfer are often very high compared to the product value, causing losses to e-commerce businesses in Vietnam. Moreover, the acceptance of only paper documents as currently practiced leads to a lack of transparency in the payment process, which is incompatible with the nature of modernization and automation of e-commerce activities.

### 5. E-commerce development trends

#### *A continuous rise of mobile shopping*

Vietnam currently has 43.71 million smartphone users. As e-commerce businesses invested heavily in their mobile-friendly websites, the country saw a boom in mobile commerce in 2015. Together with the current and future increase in quantity of 4G mobile network subscribers, an increasing tendency of mobile shopping is inevitable.

#### *A higher prevalence of e-commerce platforms*

E-commerce platforms are seen as a cost-effective channel for small and medium enterprises, business households, and individuals. Their websites allow traders, organizations, and individuals who are not the website owners to conduct part or the whole process of trading goods and services on there. According to iDEA (2020), there were 999 e-commerce platforms registered in Vietnam, more than three times higher

than that of 2014 (283 platforms). Their prevalence tends to continue to increase in future as e-commerce businesses invest further in this form of services. Indeed, this is also the world's general development trend of e-commerce thanks to the advantages brought about by e-commerce platforms.

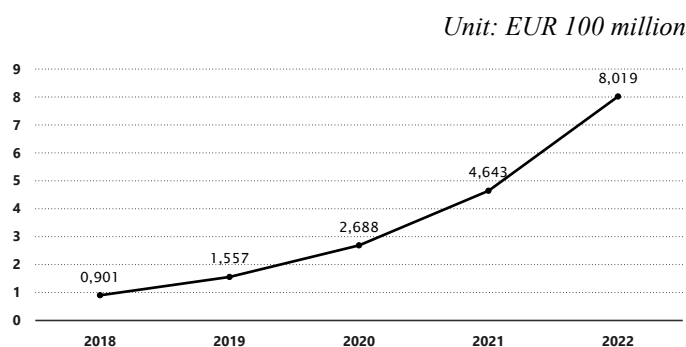
#### *A speedy development of e-commerce logistics*

Logistics services for e-commerce facilitate and support the circulation of goods throughout the transaction cycle, from ordering to payment, packaging, delivery, payment tracking, and after-sales services. Substantial investments in e-commerce logistics are expected to boost up the growth of the e-commerce industry. Given that Vietnam's e-commerce continues to grow at the current speed, logistics services for e-commerce will progress swiftly. As projected by Statista (2019), the value of Vietnam's market will reach EUR 801 million by 2022, an increase of more than 800% from about EUR 90.1 million in 2018 (Figure 5).

#### *A sturdy growth of cross-border e-commerce*

The number of Vietnamese users on

**Figure 5. Value of Vietnam's e-commerce logistics market, 2018-2022**



Source: Statista (2019).

Alibaba was a half of million in 2016, with 100,000 additional accounts for every year since then (EVBN, 2018). Vietnamese users consume a larger quantity of foreign goods and services than foreign users consume goods and services from Vietnam, which were explained by VECOM's three following reasons: First, foreign goods are more diversified and more likely to meet domestic consumer needs; second, Vietnam's e-commerce sites often have lower trust levels than foreign ones; third, transporting goods from overseas to Vietnam is less expensive. Some actions have been taken towards facilitating e-commerce to and from Vietnam. One example is the partnership between VECOM and Amazon in training Vietnamese sellers on successful selling on Amazon. The Ministry of Industry and Trade (MOIT) also proposed different policies for promoting cross-border e-commerce between Vietnam and other countries. All of these will contribute to the future development of trans-border e-commerce in Vietnam.

### Conclusion

Vietnam's e-commerce, despite aforementioned development barriers, has advanced greatly in recent years and is projected to grow strongly in future. This is a prominently potential field of trade and also the world's future trade tendency. The advancement of e-commerce will make an important contribution to the country's economic development. Thus, it is required for Vietnam to resolve the existing barriers and adopt practical development directions in order to grasp the opportunities created during the integration process and bring into full play the potential of the promising e-commerce sector □

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