



Applying e-commerce to the retail sector in the context of covid-19 pandemic in Vietnam

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Abstract

Applying e-commerce to the retail sector has become a common trend of businesses in the complicated context of the Covid-19 pandemic of Vietnam and the world. Electronic retail sales in Vietnam increased rapidly in recent years. Consumers are becoming more interested in the convenience of online shopping. Consumer behavior change is the driving force to promote businesses to develop digital capacities and take more steps into the e-commerce industry, especially the retail sector.

Keywords: retail, e-commerce, Vietnam

Introduction

Covid-19 pandemic and the requirements for social distancing, blockade, and exposure limitations have contributed significantly in making businesses and consumers more interested in online shopping. The number of new online consumers continues to increase, and a large number of buyers have become smart consumers, more proficient in online shopping skills, and even a segment of consumers have prioritized online shopping compared to traditional shopping. Many companies have used many kinds of digital tools to maintain relationships with customers, online sales, including sales on e-commerce exchanges, the company's website, mobile applications, and social networks. The seller includes both businesses and individuals by using various channels to sell goods to maximize opportunities to interact with customers (Zachman, 2009). There are a great number of e-commerce tools, and an enterprise can select some of those in accordance with its Electronic retail businesses (Brzozowska, 2015). Typical Electronic retail tools include E-shops on B2C exchanges such as Amazon.com, eBay, and Taobao; an E-commerce website; Facebook and other social networks; Email Marketing; Forum; Blog; Classified site; YouTube; SEO and Google AdWords.

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Retail e-commerce market size

From the first months of 2021, the Covid-19 pandemic broke out in a number of provinces and cities, posing many challenges for economic development and social security. With the drastic and timely direction and management of the Government, the Prime Minister, and the efforts of all levels of government, sectors, citizens, and businesses, Vietnam is continuing to implement solutions to effectively achieve the dual goal of both disease prevention and economic development. Accompanying the challenges and difficulties during the pandemic, between 2020 and 2021, Vietnam witnessed many positive changes in the habit of online shopping and business of the consumer community and businesses over the whole country. The growth rate of retail e-commerce in 2020 is stable at 18%, with retail revenue reaching 11.8 billion USD. 2021 is the first year of implementing Decision No. 645/QD-TTg of the Prime Minister dated May 15, 2020 approving the National E-commerce Development Master Plan for the 2021-2025 period. Accordingly, solutions to support the digital transformation process of businesses, strengthen the capacity of infrastructure systems, and support services for e-commerce so as to cope with the Covid-19 pandemic are the group of solutions prioritized to be deployed from the fourth quarter of 2020. Compared to 2019 and 2020, the solution chosen by retailers in 2021 is to promote sales on e-commerce sites and online platforms. The most common measure to respond to social distancing in 2021 is converting businesses from offline to online (72.8%), up 9% compared to 2020 (63.8%). The percentage of sellers who only focus on offline business, not online, decreased from 36.2% (in 2020) to 20.9% (in 2021). Table 1 shows that the number of online shoppers increased rapidly from 33.6 million people (2017) to 49.3 million people (in 2020). In 2021, people changed a lot in consumption habits and behaviors. Specifically, 58% of Vietnamese consumers think that they will continue to shop for groceries on e-commerce platforms because of convenience. This habit will remain with 53% admitting that online grocery shopping has become a part of their lives.

Online shopping value per capita reached 202 USD, up 8.6%. The most popular online digital sales platforms are e-commerce trading floors in the retail sector, such as Shopee.vn, Lazada.vn, Tiki.vn, Sendo.vn, etc.

In 2019, the leading in the number of website visits in Vietnam was Shopee Vietnam, with an average of 38 million visits/month. Then, respectively, Thegioididong with 28 million visits/month, Sendo with 27.2 million visits/month, Lazada with 27 million visits/month, Tiki with 24.5 million visits/month (according to iPrice insights, updated on 03.03. March 2020).

Sendo focuses mainly on attracting new users. From the first quarter to the second quarter of 2020, Sendo's website traffic increased by 24%, bringing them to No. 3 nationwide. At the same time, Sendo's mobile application also ranked 2nd nationwide in terms of downloads in the second and third quarters of 2020.

For Tiki, it chooses to focus on increasing the user experience by launching the TikiLIVE livestream feature and developing a warehouse and fast delivery system. According to iPrice's report, Tiki received very good feedback, helping them to rank 2nd nationwide in terms of social media users' popularity.

Besides, Vietnamese consumers are also willing to spend more online. The data shows that the percentage of online consumers shopping over 5 million VND in 2020 has increased significantly compared to 2019. In 2021, Lazada also recorded the highest value of an order of up to 300 million VND and 50 million VND per order on LazMall - the genuine store system of Lazada.

From the end of 2021, thanks to Covid-19 vaccine coverage and economic stimulus policies, Vietnam gradually controls the disease and adapts to the new normal. Consumer demand becomes the driving force for growth, and retail and services will be the two industries to catch up with the post-lockdown spending trend, promising a brighter outlook in 2022.

By the end of 2021, 46.7% of sellers believe that the retail market will recover; 14.5% expect to witness strong growth next year.

Entering 2022, it is predicted that the biggest trend of retailers is digital transformation, diversifying sales channels, promoting online business besides optimizing traditional sales channels. Enterprises that have invested in and built an effective online platform with flexible access to e-commerce will benefit from the omnichannel trend. The fact has proven that innovative and quick digital transformation enterprises and stores have adapted and developed during the past two years of the pandemic.

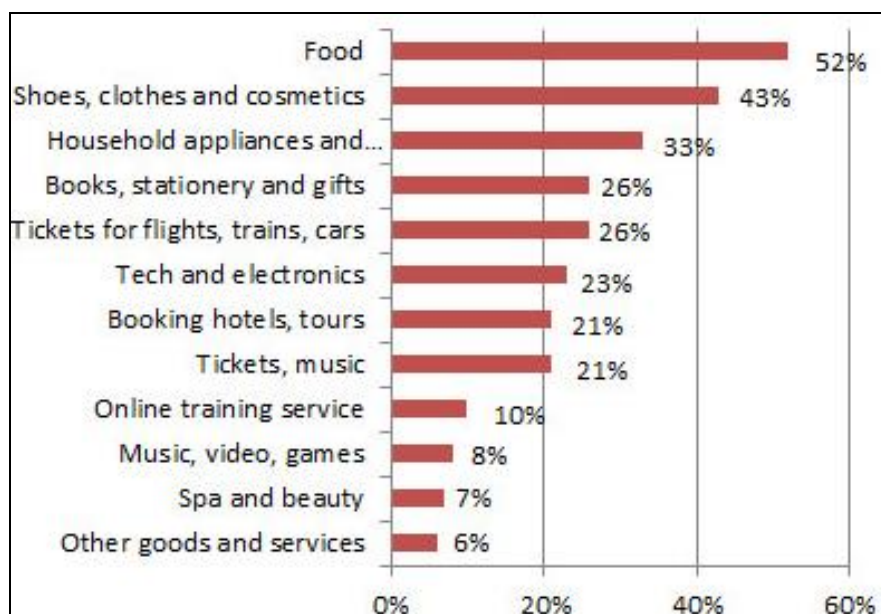
Table 1: Retail e-commerce market size in Vietnam

	Unit	2017	2018	2019	2020
Number of consumers shopping online	million	33,6	39,9	44,8	49,3
Value of 1 person's online shopping	USD	186	202	225	240
Proportion of B2C e-commerce revenue to the total retail sales of goods and services for the whole country	%	3,6	4,2	4,9	5,5
Percentage of people using the Internet	%	58,1	60	66	70

Source: The Vietnam E-commerce White (2021)

Electronic retail products and services

Products and services chosen by consumers when shopping through e-commerce platforms are food; shoes, clothes, cosmetics; appliances and household goods; books, stationery, gifts... A survey of Vietnamese consumers conducted by Deloitte Vietnam shows that they spend more on ready-made, fresh foods, housing products, and utilities.



Source: The Vietnam E-commerce White (2021)

Fig 1: Percentage of consumers buying products on e-commerce platforms

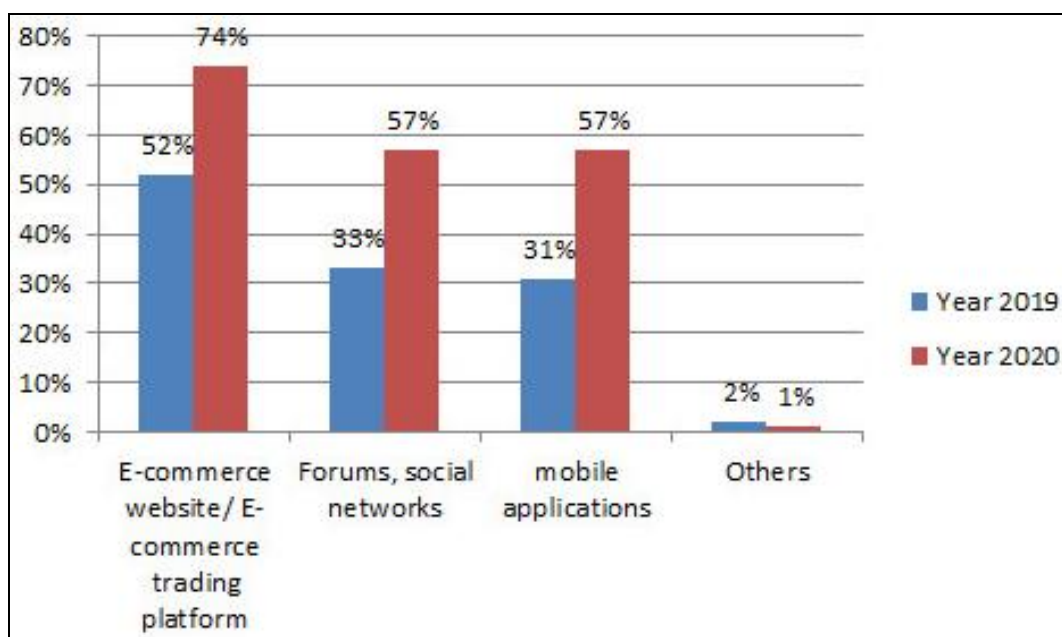
Data from the third quarter of 2021 report on consumer behavior of Lazada, one of the largest e-commerce platforms in Vietnam at present, shows that the department stores industry leads the way in sales with a growth rate of more than 4 times over the same period last year. Fresh food alone achieved an impressive growth rate of 17 times.

On the other hand, products in the electronics industry, especially laptops, desktop computers, and related accessories, serving the needs of working from home, also grew strongly. As noted by Lazada, this industry's revenue grew 5 times more than the same period last year. This increase in sales is considered quite impressive by Lazada because this is an industry that is picky about online buyers because of its high value and needs to check the quality for a long time. However, many Vietnamese users have gradually accepted and trusted them when choosing to buy high-value items online.

One point of change in consumer shopping behavior in the past year is the shift in online shopping channels. Accordingly, the Vietnam E-commerce and Digital Economy Agency statistics show that customers in Vietnam switch to shopping mainly on websites and e-commerce trading floors.

Specifically, in 2020, up to 74% of people shop on websites, e-commerce exchanges while buying on forums and social networks reaches 33%. This rate is significantly different from the previous year's figure of 52% on e-commerce channels and 57% on social networks. E-commerce platforms in Vietnam such as Shopee, Lazada, Tiki, and Sendo recently have also increased food and essential goods to meet user demands.

Not only are they buying from domestic e-commerce websites, but the percentage of users buying from foreign websites is also higher, with 29%.



Source: The Vietnam E-commerce White book (2021)

Fig 2: Vietnamese customers shop online on e-commerce platforms

The percentage of consumers shopping on websites or e-commerce exchanges.

The data shows that the percentage of online consumers shopping over 5 million VND in 2020 has increased significantly compared to 2019. Lazada also recorded the highest value of an order of up to 300 million VND and 50 million VND per order on LazMall - genuine store system in 2021. The number of Lazada Vietnam sellers in the second quarter of 2021 has doubled compared to the same period last year and this number continues to increase by more than 1.5 times in the quarter III/2021 compared to the same period last year. The third quarter also saw big food and beverage (F&B) brands participating in businesses on Lazada. This has contributed to the highest growth in the number of sellers in the FMCG industry in 2021.

Besides, the number of new sellers in non-urban areas also increased significantly in the past year. According to Lazada's latest statistics, in the first 11 months of 2021, up to 40% of new sellers on this platform come from non-urban areas while the number of new sellers from Hanoi and Ho Chi Minh City are 29% and 31% respectively.

Electronic retail trends of the digital future

The report also makes predictions about the trends of the e-commerce industry in the coming time so that e-commerce platforms can strive to better serve customers. In addition, sellers can take advantage of it to grow revenue and recover the economy in the new normal.

Firstly, Social commerce is predicted to take the throne in 2022. Accordingly, sales methods using highly interactive content, communication, and direct connection with consumers, such as livestream (live streaming),

experiencing virtual store, shoppertainment activities (entertainment combined with shopping) will help promote sales. Revenue from sales via livestream is expected to continue to increase.

The second trend to mention is the promotion of user generated content. With the rise of many highly engaged social media platforms and the tendency to leave reviews, attracting users to create brand or product related content will help optimize connections and support the purchasing decision process.

Third, omnichannel is a new form of retail. Leveraging both online and traditional channels by joining e-commerce platforms, using available online marketing tools, delivery packages, and seller support from e-commerce platforms are methods to help sellers save costs when expanding their online business.

Fourth, personalize the customer's shopping journey. Tailoring content personalization and touchpoints in the shopping journey will be key to capturing attention and retaining consumers. E-commerce platforms like Lazada have invested in AI and technology to aggregate and process information, thereby understanding customers better and designing their own experiences.

Fifth, diversifying payment methods brings convenience and safety. To enhance convenience for consumers, e-wallet payments are becoming more popular and are likely to dominate over payment on delivery (CoD) in the near future.

E-commerce application solution, online retail development

In order to increase competitiveness, businesses need to apply digital technology to connect and interact with customers, thereby promoting products and brands, and combining activities that bring unique experiences to customers. Some solutions to develop Electronic retail through e-commerce are as follows:

Firstly, select the appropriate Electronic retail models according to the resources and capabilities of enterprises, such as building optimized and effective sales websites in the target market; expanding online sales on trade exchanges to develop online stores such as Lazada, Tiki, Shopee,... or on Wix, Weebly, Bigcommerce platforms. Enterprises can integrate the website with social networks, Blog, Forum, Youtube, and other Electronic retail tools or sell products on mobile platforms such as applications: Zalo, Viber, Messenger... to increase the number of customers viewing the website, increase sales

Second, promote the combination of e-commerce with existing distribution channels, forming a multi-channel distribution method in accordance with the general development trend in the world. Applying omnichannel from technology enterprises to support order management and warehouse management.

Third, enterprises can participate in training classes on management such as executive skills, financial management skills, orientation skills, planning,... to improve their management skills of business owners.

In addition, enterprises should enhance to train e-commerce skills for the team participating in Electronic retail in order to achieve sustainable development, especially focusing on innovation and thorough application of digital technology to increase customers' experience.

Fourth, build markets and improve consumer confidence in e-commerce through many forms such as propaganda, advertising, organizing conferences, events, thereby enhancing awareness and consumers' responses to negative behaviors in e-commerce, helping consumers and businesses understand the positive aspects that technology and e-commerce bring.

Conclusion

The process of digital economic transformation and social distancing have created a favorable context for transactions on e-commerce platforms. Retailers are digital transformation, diversifying sales channels, promoting online business besides optimizing traditional sales channels. Enterprises that have invested in and built an effective online platform with flexible access to e-commerce will benefit from the omnichannel trend. The fact has proven that innovative and quick digital transformation businesses and stores have adapted and developed during the past two years of the pandemic.

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