

E-COMMERCE DEVELOPMENT IN VIETNAM IN THE POST-COVID-19 ERA

NGUYEN QUANG TRUNG *

PhD, Vice Dean, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
*Corresponding Author Email: trungnq@uef.edu.vn.

LE THANH HAI

MBA, Lecturer, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
Email: hait@uef.edu.vn

LE KIM NGUYEN

MBA, Lecturer, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
Email: nguyenlk@uef.edu.vn

BUI ANH DUNG

MBA, Lecturer, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
Email: dungba@uef.edu.vn

NGUYEN HONG THACH

MBA, Lecturer, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
Email: thachnh@uef.edu.vn

NGUYEN THI HOA NHAI

MEL, Head Secretary, Marketing Faculty, Ho Chi Minh City University of Economics and Finance.
Email: nhainth@uef.edu.vn

Abstract

Currently, Vietnam is entering the post-COVID-19 era. If before COVID-19, e-commerce was still a foreign concept to consumers, then in the post-COVID-19 era it has become popular and familiar to people. Thus, businesses are forced to completely change the way they approach customers, analyze needs, market, sell, and provide customer service. A question that arises is how businesses can reach their target customers and adjust their marketing methods to suit the post-COVID-19 market context. In this context, e-commerce businesses have many opportunities to apply a variety of methods that utilize information technology and digital marketing activities to "touch" the buying habits of consumers. Drawing on these methods, this article analyzes and predicts the application of advantages as well as recognizes the importance of e-commerce in the post-COVID-19 era. Through this, the authors propose solutions to improve the efficiency of e-commerce activities in Vietnam in the current period.

Keywords: Development, E-Commerce, Post-Covid-19, Vietnam.

1. INTRODUCTION

In today's fast-paced world, businesses face numerous challenges as they strive to adapt to changing market approaches and flexible business models. With the advent of the 4.0 industrial revolution, the need for businesses to keep up with the pace of technological advancements has become more critical than ever before.

According to "We are social & Hootsuite," by January 2022, there will be over 4.9 billion internet users worldwide, with 4.62 billion or more people on social media platforms. In 2021, the global revenue from e-commerce reached \$5.2 trillion, and this number is expected to increase rapidly in the future. However, the road to success in Vietnam's digital commerce industry has not been without its challenges.

The Prime Minister's decision on the "National e-commerce development master plan for the period 2021 - 2025" has set ambitious goals for the industry. By 2025, the aim is for 55% of the population to participate in online shopping, with the average online purchase value of goods and services reaching 600 USD/year per person. B2C e-commerce sales (online consumer goods and services) are expected to increase by 25% each year, reaching \$35 billion, accounting for 10% of the total retail sales of consumer goods and services nationwide.

The rise of digital marketing activities, particularly social media marketing, has become a new, effective, and low-cost e-commerce support channel for businesses, especially small businesses and individual business households. The popularity of doing business through social networks is also on the rise. Business owners are beginning to "digitize" their operations to increase revenue and provide products and services that meet customer needs.

From an overall perspective, digitizing trade and applying digital technology to the market is an inevitable need for global businesses, including Vietnam. To promote governance and facilitate economic development, businesses need to understand and address the challenges of e-commerce, thereby finding viable solutions. In the post-Covid-19 era, the article below will provide an overview of the development of e-commerce, highlighting the challenges that Vietnamese businesses face and proposing recommendations for developing their e-commerce operations.

2. LITERATURE REVIEW

2.1 The concept of Post-Covid

In Vietnam, the post-Covid-19 is referred to as the "new normal". This term encompasses the changes that have occurred in activities, social relationships, and human behavior as a result of the pandemic. According to Nguyen (2022), the new normal means that things are different from the way they used to be. What was once considered abnormal has now become normal. These changes are not temporary but are here to stay, requiring people, society, and businesses to be more dynamic, flexible, resilient, and adaptable to social changes in the post-Covid era. (Gomes & Lopes, 2022; Younes et al, 2022).

This, combined with the 4.0 industrial revolution, has caused a shift in the way organizations and production structures are organized, as well as in the way people consume and live their lives, with a greater emphasis on digitalization and online activities.

E-commerce businesses must research the online shopping activities of consumers on e-commerce platforms during the new normal period and deploy synchronous marketing methods to meet consumer needs in the age of technology and post-Covid-19. (Chon Thanh, 2021)

2.2 E-Commerce

E-commerce originated in 1979 when Michael Aldrich, a British business owner, introduced online shopping. Tim Berners-Lee's invention of World Wide Web in 1990 led to the continuous development of e-commerce in many countries, with the UK having the first online shopping service, CompuServe. In 1995, Jeff Bezos launched Amazon.com in the US, and in 1998, Jack Ma and 17 others founded Alibaba Group in China.

E-commerce has become a global trend due to its convenience, speed, and lesser dependence on factors such as time, delivery, customer search, and payment. It involves buying, selling, transferring or exchanging goods, services or information using electronic networks such as the Internet. (Turban et al., 2017)

The World Trade Organization recognized e-commerce at the Second Ministerial Conference in May 1998 in Geneva. The WTO Work Program on Electronic Commerce was established by the General Council in September 1998. It defines electronic commerce as “the production, distribution, marketing, sale or delivery of goods and services by electronic media” (WTO, 1998).

This definition is considered broad compared to definitions used by other international organizations and forums. During the early Internet era, analysts identified key benefits of e-commerce, such as narrowing the gap between producers and consumers and empowering small and medium-sized enterprises (SMEs) with advantages traditionally enjoyed by large corporations (ICTSD, 2017; OECD, 2019).

As telecommunications and digital capabilities have surged, e-commerce has accelerated, opening new avenues for economic growth and development (Kende & Sen, 2019). Consequently, e-commerce has become a central focus for policymakers at national, regional, and international levels since the mid-1990s (ICTSD, 2017; OECD, 2019).

The Vietnamese Government regulates e-commerce activities as the implementation of part or all of the commercial process by electronic means connected to the Internet, mobile telecommunications networks or other open networks. E-commerce is still the buying and selling of goods that takes place on the Internet environment, based on the sales website platform and registered telecommunications network in accordance with the law.

E-commerce only takes place in the Internet business environment and electronic means between groups or individuals through electronic tools, techniques, and technology. All researchers agree that both e-commerce and e-business are covered by the Internet economy (Charumathi & Rani, 2017; Roggeveen & Sethuraman, 2020).

3. RESEARCH METHODOLOGY

The research methods used include statistics, synthesis, comparison, and literature review. The statistical method collects data on E-Commerce before and after the COVID-19 pandemic to provide the most appropriate research results. In addition, the author also uses the methods of analysis, theoretical synthesis, and research analysis of different documents and theories by breaking them down into smaller parts to better understand the object.

4. THE CURRENT STATE OF E-COMMERCE ACTIVITIES IN VIETNAM IN THE 2022-2023 PERIOD

E-commerce has been rapidly growing in Vietnam since 2019. In that year, B2C e-commerce revenue surpassed the \$10 billion USD mark, and by 2020, it had increased to \$11.8 billion USD. Retail e-commerce revenue is expected to reach \$16.4 billion USD in 2022, accounting for 7.5% of Vietnam's total retail revenue. By 2023, it is estimated that B2C e-commerce revenue will reach \$20.5 billion USD, accounting for 7.8-8% of the total retail sales of goods and consumer service revenue nationwide.

The most popular products and services purchased online by Vietnamese consumers are clothing, shoes, cosmetics, household appliances, technology, electronics, books, flowers, gifts, movies, and food.

According to Kepios (2022) - an organization that tracks online users worldwide, the number of digital consumers in Vietnam in 2022 was 72 million, up 3.4 million from 2021, accounting for 73% of the total population. Of these, 52 million people use e-commerce to buy goods, with electronics being the most popular category, followed by fashion and furniture. Annual spending on e-commerce is \$12.4 billion USD, with more than half of that coming from mobile commerce.

According to the General Statistics Office (2021), Vietnam's e-commerce activities achieved a fairly positive growth rate in the 2020-2021 period with increases of 15% and 20%, respectively, contributing significantly to Vietnam's GDP. The Vietnam E-commerce Association predicts that the number of new online consumers will continue to increase, as the internet and digital media make it easier and more convenient to shop online.

The increasing competition among trading platforms is also driving this growth. According to the Vietnam Ministry of Industry and Trade, e-commerce will contribute up to \$14 billion USD to the country's digital economy, out of a total of \$23 billion USD in 2022.

The total sales of the top four e-commerce platforms and Tiktok Shop amounted to 141,000 billion VND (about \$6 billion USD), with Tiktok Shop becoming the third largest retail e-commerce platform in Vietnam since its launch in mid-2022. B2B data technology platforms have also emerged, connecting small-scale traditional retailers with manufacturers or wholesalers on a centralized platform.

Telio Vietnam Co., Ltd.'s technology platform achieved sales of nearly \$300 million USD in 2022, with a growth rate of 140% compared to the previous year, and had over 40,000 customers in many provinces and cities.

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Youtube	Instagram	Facebook
1 Shopee VN	84,520,000	#1	#1	856,000	302,070	24,946,140
2 Thế Giới Di Động	54,033,300	n/a	n/a	839,000	2,660	3,826,590
3 Điện Máy Xanh	20,816,700	#9	#8	595,000	n/a	1,979,130
4 Lazada VN	16,970,000	#2	#2	356,000	328,310	31,833,900
5 Tiki	15,073,300	#3	#3	384,000	161,270	3,211,170
6 FPT Shop	7,306,700	n/a	n/a	254,000	23,560	2,632,330
7 CellphoneS	7,146,700	n/a	n/a	3,210,000	62,570	820,260
8 Bách Hóa Xanh	7,043,300	#8	n/a	38,000	n/a	500,630
9 Hoàng Hà Mobile	4,783,300	n/a	n/a	126,000	14,630	912,840
10 Điện Máy Chợ Lớn	4,133,300	#12	#10	6,100	3,660	815,800

Image 1: Mapping Vietnam's Leading E-commerce Players (1st quarter, 2022)

Source: iPrice Group

According to recent reports, e-commerce activities are expected to become a prominent highlight in Vietnam's commercial landscape in the years 2022-2023. It is forecasted that e-commerce growth in 2023 will exceed 25%, reaching a scale of more than 20 billion USD, which is expected to put Vietnam in the 5th position globally. This growth trend is anticipated to continue, creating an important distribution channel and leading the way for digital transformation in businesses across Vietnam.

Alongside the growth of e-commerce, Vietnam's retail market is also showing positive signs. In 2022, the scale of the e-commerce market in Vietnam's retail industry is estimated to reach 16.4 billion USD, accounting for 7.5% of the country's revenue of consumer goods and services, along with an increase in tax revenue from e-commerce activities. In the first 6 months of 2023 alone, total retail sales of goods and service revenue grew and reached the highest level in the period 2019-2023, 1.5 times higher than that of the first 6 months of 2019, the year before the Covid-19 pandemic, reaching 33.404 trillion VND.

Table 2: Estimated E-Commerce in Vietnam from 2018 to 2022 and Forecast for 2023

	2018	2019	2020	2021	2022	Dự báo 2023
Ước tính số lượng người tiêu dùng mua sắm trực tuyến (triệu người)	39,9	44,8	49,3	54,6	57,0	59 – 62
Ước tính giá trị mua sắm trực tuyến của một người (USD)	202	225	240	251	288	300 – 320
Tỷ trọng doanh thu TMĐT B2C so với tổng mức bán lẻ hàng hóa và doanh thu dịch vụ tiêu dùng cả nước	4,2%	4,9%	5,5%	7%	7,5%	7,8% - 8%
Tỷ lệ người dân sử dụng Internet ⁸	60%	66%	70%	73%	73,2%	74%

Source: VECOM (2023)

According to the Vietnam E-commerce Association, business activities on e-commerce platforms and social networks are the standout features of Vietnam's e-commerce industry in 2022 and the first quarter of 2023.

A survey conducted by the association reveals that up to 65% of businesses have deployed business activities on social networks. In addition, the number of employees in businesses who regularly use tools such as Zalo, WhatsApp, Viber, or Facebook Messenger continues to increase each year. With the internet creating a platform for millions of businesses, billions of products, and a huge number of customers, many businesses have successfully increased their sales by up to 70-80% by participating in international trading floors.

Currently, 70% of the Vietnamese population has access to the Internet, and most of them are young people in the Gen Z generation. By 2050, Gen Z will be the main consumer and shopping audience, which is a great potential for development. Digital transformation and the application of technology in businesses will enhance the value of products, save time and operating costs, and increase the competitiveness of Vietnamese products in the international market.

The E-Commerce Report of Vietnam in 2023, just released by the Department of E-Commerce and Digital Economy, shows:

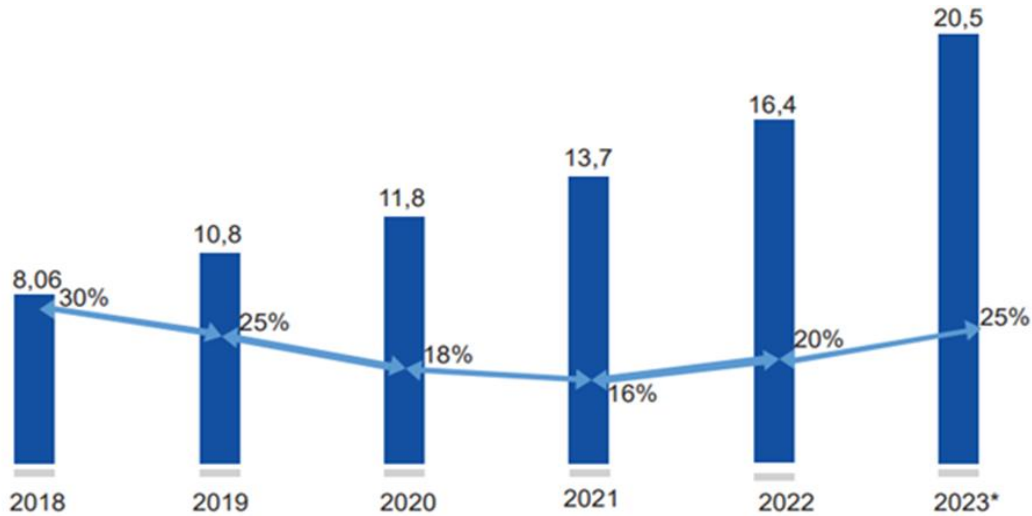


Image 2: Vietnam B2C E-Commerce Revenue from 2018 to 2023 (billion USD)

Source: VECOM (2023)

Small and medium-sized enterprises looking to participate in e-commerce platforms will need to closely monitor market trends and be ready to accept changes in business methods. Developing unique product designs that attract consumers on e-commerce platforms is one way businesses can stand out. By adopting digital transformation and technology, businesses can increase the value of their products, save time and operating costs, and increase the competitiveness of Vietnamese products in the international market.

The report "Vietnam: New E-Commerce Hotspot in Southeast Asia by 2026" by Facebook and Bain & Company forecasts strong growth for Vietnamese e-commerce in the coming years. By 2026, Vietnam is expected to be the fastest-growing e-commerce market in Southeast Asia, with the total value of e-commerce goods estimated to reach 56 billion USD, 4.5 times the predicted value in 2021. Similarly, the e-Conomy report by Google predicts that Vietnam is one of the three countries attracting the most investors in this field, with a potential market worth an estimated 32 billion USD by 2025. E-commerce is an effective approach in digital marketing, helping businesses and organizations to sell and increase revenue online.

According to we are Social's report, the total value of e-commerce transactions in Vietnam reached 12.6 billion USD, an increase of 42% compared to 2021. Of which, the value of B2C e-commerce transactions reached 7.8 billion USD, an increase of 46% compared to 2021. On average, each internet user in Vietnam spends 239 USD on e-commerce transactions each year. The outlook for e-commerce in Vietnam is promising, and it is expected to contribute significantly to the country's economic development in the years to come.

5. COMMENTARY ON THE IMPACT OF THE COVID-19 PANDEMIC ON THE VIETNAMESE ECONOMY

According to a recent report from the Ministry of Industry and Trade, Vietnam's e-commerce industry is experiencing significant growth. In 2021, the country's e-commerce revenue is estimated to reach 13.7 billion USD, representing a 16% increase compared to the previous year and accounting for 6.5% of the country's total retail revenue. Moreover, data from the General Statistics Office shows that Vietnam's e-commerce industry is expected to maintain a growth rate of over 25% in 2022 and reach a scale of over 20 billion USD. Hanoi and Ho Chi Minh City are the two leading cities in the country in terms of e-commerce growth. A report by the Vietnam E-commerce Association reveals that Ho Chi Minh City tops the Vietnam E-commerce Index 2022 with 90.6 points, followed by Hanoi with 85.9 points. However, there is still a significant development gap between these two cities and the rest of the country. While the growth of Vietnam's e-commerce industry is impressive, it remains small compared to the total retail sales of goods and consumer service revenue. By 2022, the ratio of online retail to total retail sales is expected to be around 7.2%, indicating the immense potential for further growth in this industry. The COVID-19 pandemic has significantly impacted consumer shopping behavior, leading to a surge in e-commerce transactions and sales. Businesses and organizations need to focus on improving service quality, customer care, and optimizing user experience on e-commerce platforms to compete and retain customers.

E-commerce in Vietnam has achieved significant growth, with consumers becoming increasingly familiar and confident with online purchases, leading to an increase in the number of online transactions and sales. E-commerce platforms such as Shopee, Tiki, Lazada and Sendo have continued to invest and develop, bringing better online shopping experiences to consumers. Mobile applications have also been strongly developed and become an important means for online shopping. In addition to international e-commerce platforms, Vietnam also sees the growth of local online marketplaces, such as Sendo and Tiki. Beyond retail, e-commerce in Vietnam is flourishing in travel services, airline bookings, online dining, and more, unlocking a multitude of opportunities for businesses and consumers.

However, the e-commerce industry in Vietnam still faces some challenges. The issue of safety and security of personal information and transactions remains a major challenge, with data breaches and transaction fraud still occurring, leading to a loss of consumer trust. To ensure trust and safety, there is a need to strengthen network security and security systems. The rapid development of e-commerce has also created a fiercely competitive environment, and businesses must find ways to stand out and provide unique value to attract customers. The traffic and transportation system in Vietnam is still limited, especially in rural areas, leading to slow and unreliable deliveries, which affects the online shopping experience and makes things difficult for e-commerce businesses. Some consumers still feel insecure when shopping online, especially for large transactions or ordering from unknown businesses. Building consumer trust remains an important challenge that needs to be overcome. Lastly, although there has been the development

of online payment methods such as e-wallets, bank cards and online transfers, some users are still unfamiliar or unable to use these payment methods, making online shopping difficult.

6. RECOMMENDATIONS

6.1 Improvement of institutions and policies

Institutions and policies play a crucial role in the development of e-commerce. Therefore, the government must improve its mechanisms and policies to meet the needs of e-commerce development. This includes amending and drafting new policies and normative documents in the direction of creating conditions, encouraging and supporting e-commerce activities, and new business models on digital technology platforms. The government should also promulgate a new E-commerce Law to meet the development requirements of e-commerce in the context of the 4.0 Industrial Revolution. It should continue to improve the legal system on e-commerce, ensuring synchronization, consistency, and suitability with practice. The government should also create policies to improve e-commerce capacity in small and medium-sized enterprises, apply digital technologies to improve production and business models, especially domestic goods distribution (logistics) enterprises, on an equal basis with foreign ones. It should also have policies to support export enterprises through cross-border e-commerce to promote cross-border e-commerce activities.

6.2 Prevention and strict handling of commercial fraud

The government must prevent and strictly handle acts of commercial fraud, intellectual property rights infringement, and unfair competition in e-commerce. It should strengthen internet management for websites with e-commerce activities in Vietnam and perfect the law to ensure network information security in e-commerce. The government should implement measures to handle violations of e-commerce websites in accordance with the law on sanctioning administrative violations. It must also handle violations against organizations providing telecommunications services, advertising on the network environment, software products and services, digital information content products and services, and other products and services through domestic and cross-border digital platforms that violate tax laws. In addition, the government needs to promote the reform of administrative procedures in the field of e-commerce, creating favorable conditions for businesses to participate in e-commerce activities. At the same time, it should strengthen inspection, examination, and strictly handle violations of the law on e-commerce.

6.3 Development of e-commerce infrastructure

E-commerce infrastructure is vital in determining the connection and transaction capabilities of entities participating in e-commerce. Therefore, the government must continue investing in developing telecommunications and broadband internet infrastructure, ensuring connectivity and internet access for people in all regions. It should also encourage the development of logistics centers, warehouses, electronic payment solutions, and e-commerce logistics services. These are important factors that help

improve the efficiency of e-commerce activities. The government should develop infrastructure sharing solutions between businesses providing e-commerce services and businesses providing retail distribution services, smart linking and sharing solutions between businesses and consumers, and businesses with the government on mobile platforms, smart cards, and big data. It should also build an infrastructure to authenticate electronic contracts and electronic documents serving other commercial transactions on an information authentication platform applying digital technology, including public digital signatures, personal digital signatures on mobile, block-chain storage, etc. Moreover, it should build an online management system for shipping, delivery, and order fulfillment services for e-commerce to cover all provinces and cities across the country, gradually expanding to the region to promote cross-border e-commerce activities. The government should also promulgate a standard system for delivery services and order fulfillment in e-commerce.

6.4 Participation in international cooperation activities on e-commerce

The government and businesses must actively participate in international cooperation activities on e-commerce. They should actively cooperate multilaterally on e-commerce with regional and international organizations such as ASEAN, APEC, UNCITRAL (United Nation Commission on international trade law), etc., supporting businesses and associations to become proactive, active, and responsible members of international e-commerce organizations such as the Asia-Pacific E-commerce Alliance (PAA), the Alliance of website certification organizations Prestigious e-commerce in Asia-Pacific (ATA). The government should also well implement international commitments on e-commerce. Cross-border e-commerce is an inevitable trend in global e-commerce. Therefore, the government needs to have solutions to promote the development of cross-border e-commerce, including completing the legal framework on cross-border e-commerce, ensuring the rights of businesses and consumers. It should also strengthen international cooperation in the field of e-commerce, promote connections between Vietnamese e-commerce businesses and foreign e-commerce businesses.

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