



BritCham
VIETNAM

PROUD TO SUPPORT
GREAT
BRITAIN & NORTHERN IRELAND

E-commerce Report

October, 2020

Prepared by BritCham Vietnam



**British
Chambers of
Commerce**

International Affiliate

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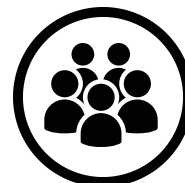
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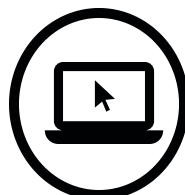
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OUR TEAM



What we do?

The British Chamber of Commerce (BritCham Vietnam) was officially established in Ho Chi Minh in 1998 with its Ha Noi branch founded in 2007. BritCham Vietnam aims to support and develop Vietnam-UK business links while raising the profile of Vietnam in the British business community and vice versa. As an accredited British Chamber, BritCham Vietnam in association with the Department for International Trade (DIT), is committed to promote strong business links between Vietnam and the UK.



BUSINESS MATCHING:

Partner search and one-to-one meetings with potential clients, agents/distributors or outsourcing partners



BUSINESS DEVELOPMENT REPRESENTATIVE:

Provide a professional business development representative to act locally on your behalf, strengthen existing engagements with the Vietnam market on a long term basis and develop further business relationships within the market.



INWARD INVESTMENT FACILITATION:

Business Registration, Site Selection, Factory/Office Set-up & Operations Support, HR & Financial Management



BUSINESS SERVICES EVENTS:

Organise trade missions, product launches and seminars/workshops



MARKET STUDIES:

Sector reports, competitor analysis and local prospect background research



EXPORT OPPORTUNITIES:

Explore your export opportunities to Vietnam through DIT's portal opportunities.export.great.gov.uk



WEBINARS:

Online dialogues with experts within industries to forecast new trends in doing business in Vietnam



BACK-OFFICE SUPPORTS:

Due Diligence, Marketing Materials & Company Documents Translation

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THE OVERVIEW OF VIETNAM'S ECONOMY



96.5 million

people in 2019

Urban population: **36.6%**

Urbanization rate: **2.98%**
annual rate of change



In 2020 Middle & Affluent Middle Class population expected to reach

3.3 million



2.15%

Unemployment Rate



21.9 M

people with higher than vocational primary degree



GDP: **255 billion** USD (2019)

GDP per capita: **2.567** USD



57,364,217

Quantity of labour force (2019)



World Bank's Ease of Doing Business 2020:

70th among 190 countries and

4th in ASEAN



Asia Development Bank predicts that Vietnam growth rate will fall to

4.8% in 2020, but will bounce back to **6.8%** in 2021.

According to PwC, Vietnam is one of the few countries in the world that are expected to still grow, while others go into recession.

E-COMMERCE LANDSCAPE IN VIETNAM

Rising Internet and smartphone penetration coupled with a large young population will propel the Vietnamese e-commerce market. It is projected to grow at a compound annual growth rate (CAGR) of 16.3% from VND218.3 trillion (US\$9.4bn) in 2019 to VND399.5 trillion (US\$17.3bn) in 2023, according to forecasts from GlobalData, a leading data and analytics company.

Online Purchases of Consumer Goods

(Source: Digital Report Vietnam 2020)



Total number of people purchasing consumer goods online in 2019:

54.70 Million



Value of the market for online consumer goods purchases (in US dollar):

\$ 2.96 Billion



Average Annual Revenue Per Online Consumer Goods Shopper (ARPU) in US dollar:

\$ 54



Online Consumer Goods ARPU as a Percentage of GDP per capita (both US dollar):

2.1 %

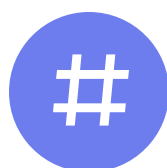
Usage Time (per day)



6H30M
PC/Laptop



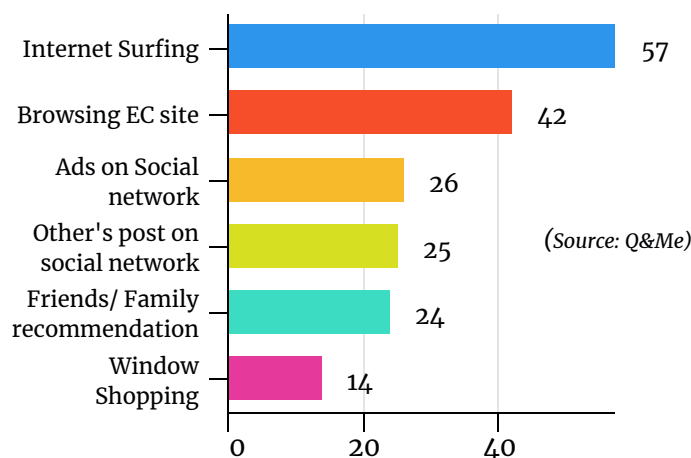
3H08M
Mobile



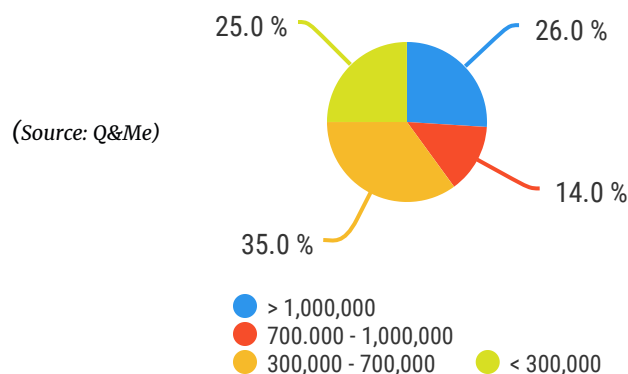
2H22M
Social Media

(Source: Digital Report Vietnam 2020)

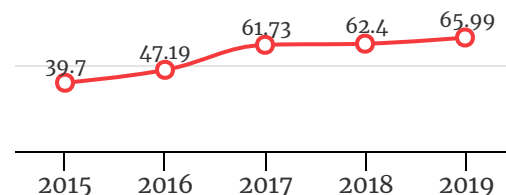
Triggers to Buy Online (%)



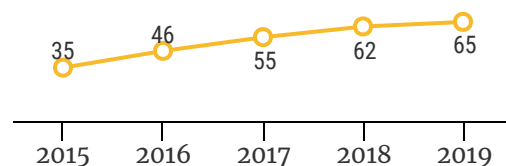
Monthly Spending for Online Shopping in VND (2019)



Mobile Internet Users (million)



Active Social Media Users (million)

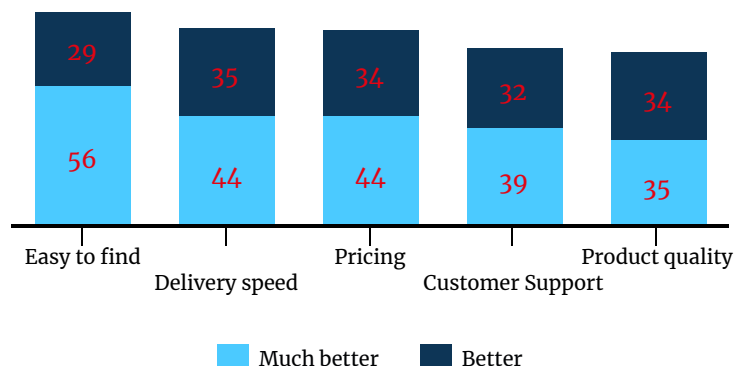


(Source: Digital Report Vietnam 2020)

E-COMMERCE LANDSCAPE IN VIETNAM

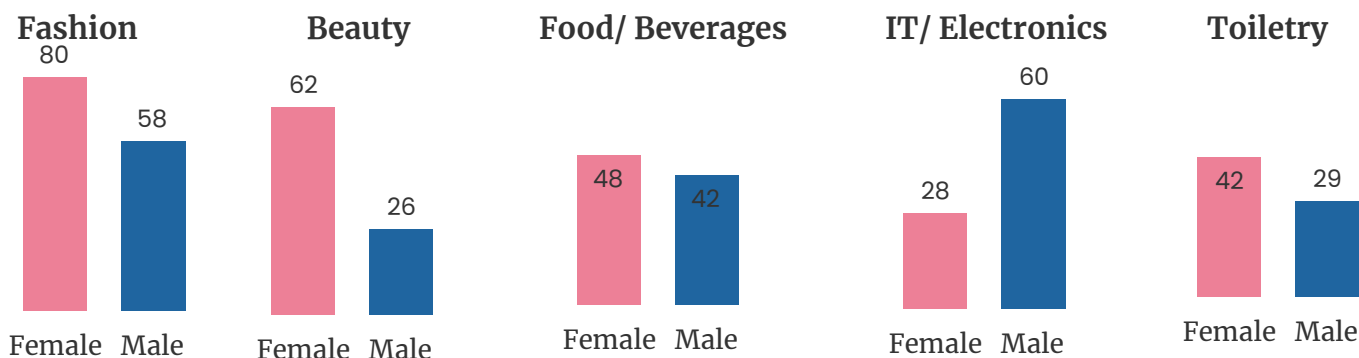
Strong growth has prompted global companies to invest in Vietnamese e-commerce companies. In 2018, the e-commerce company Tiki received US\$5.3m and US\$44.0m funding from VNG Corporation and Chinese investor JD.com, respectively. In the same year, another company Sendo secured US\$51m from SBI Group (a Japan-based financial services company) and other investors. Furthermore, Chinese e-commerce giant Alibaba invested an additional US\$2bn in Lazada, one of the leading e-commerce companies in the country.

Online Shopping Improvement (vs 1 year ago)



ONLINE SHOPPING - GENDER DIFFERENCES

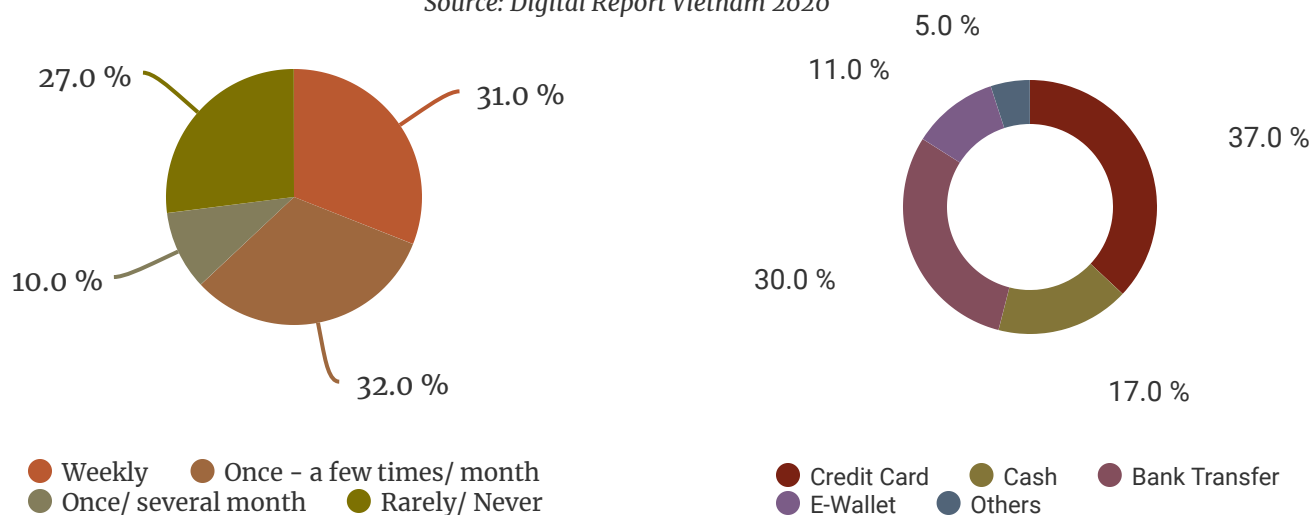
GlobalData's latest report, 'Vietnam Cards & Payments: Opportunities and Risks to 2023', states that the country's e-commerce market has doubled during the past five years with total online spending increasing from VND90.1 trillion (US\$3.9bn) in 2015 to VND218.3 trillion (US\$9.4bn) in 2019.



Source: Q&Me (%)

ONLINE SHOPPING FREQUENCY & PAYMENT METHOD

Source: Digital Report Vietnam 2020



MAJOR E-COMMERCE PLATFORMS IN VIETNAM

Shopee:

Founded in 2015 by SEA Group and despite having only entered the Vietnamese market in mid-2016, latecomer Shopee has completely taken the lead in the e-commerce race in Vietnam as well as the region. With more than 34 million website views in the third quarter of 2019, Shopee is also the e-commerce platform with the most monthly app downloads and active users.



Advantages

- Top e-commerce platform with a huge customer base.
- Young customers who are into trendy and new items
- Various promotional campaigns to attract buyers
- Shipping subsidy policies
- Prices are not controlled
- As a partner with many shipping couriers, Shopee can provide sellers with various shipping options in terms of pricing and time



Disadvantages

- Highly competitive due to large number of sellers
- Has not been able to control the issues of price dumping, counterfeit and low-quality products
- A strict, repetitive product-checking process with long waiting time
- The subsidy condition only applies to products valued above VND 200,000, which many shops selling low-value products find difficult to achieve.
- High shipping fees for express orders

Lazada:

As a Southeast Asia-focused e-commerce platform from Alibaba Group, Lazada stands with Shopee as the other largest e-commerce platform in the region.



Advantages

- High commission for sellers: 5% for electronics, 10% for fashion products, 8% for others.
- Trusted by customers because of the site's customer protection policy
- Outstanding customer service



Disadvantages

- Logistics costs (pickup, shipping, etc.) are high
- No quality control over the products
- Complicated registration procedures as sellers have to complete Lazada's online course, provide personal information and enterprise registration certificate
- Strict policies that focus on the interests of buyers, making it difficult for businesses to scale up. Therefore, Lazada is solely a sales channel for businesses.

MAJOR E-COMMERCE PLATFORMS IN VIETNAM

Tiki:

Starting as an online website for selling books and stationery, Tiki has now become one of the leading e-commerce sites in Vietnam. With a meticulous product inspection process and a professional logistics system, Tiki has become Vietnamese consumers' most reliable brand. Tiki's two major investors are Vietnam's VNG and China's JD.com.



Advantages

- Products are thoroughly verified for origin and quality
- Customers have high shopping confidence in Tiki
- Specialized print and electronic products
- Low rate of order return (less than 1%)
- Express shipping service with shipping subsidies

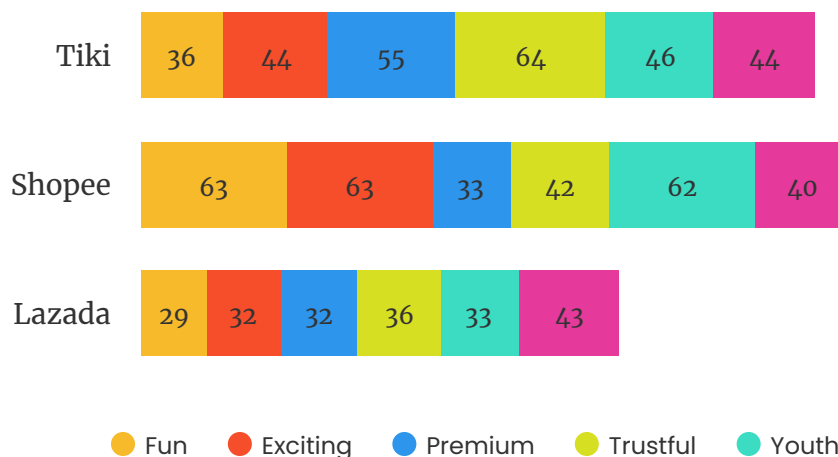


Disadvantages

- The strict registration process that requires sellers to provide personal information and enterprise registration certificate
- Limited products compared to other platforms
- Long delivery time with standard orders
- Several management fees such as payment fees, commission, pickup fees, etc.

TOP BRANDS IMAGE

Shopee is associated with fun, exciting, youth image. Tiki is good with premium and trustful image.



REGULATIONS

On 18 May 2020, the Ministry of Industrial and Trade (MOIT) called for public opinion on the draft proposal ("Proposal") to the government on proposed amendments to Decree 52/2013/ND-CP on e-commerce service ("Decree 52").
Some of the proposals can be found below:

New regulations applicable to cross-border service

The Proposal introduces new and stringent regulations on the operation of e-commerce services involving foreign elements, including companies providing cross-border e-commerce services, B2C e-commerce platforms having foreign merchants, and offshore merchants.

First, the Proposal requires the following offshore companies to comply with Vietnamese regulation on export and import rights, consumer protection, data privacy, goods qualification and other applicable laws and regulations:

- having an e-commerce website with a Vietnamese domain name;
- having an e-commerce website or application in the Vietnamese language; or
- selling goods on a Vietnamese e-commerce website.

Second, the Proposal requires offshore companies with an e-commerce website with a Vietnamese domain name or with an e-commerce website or application in the Vietnamese language to implement notification procedures to the Vietnamese authorities and identify its authorized entity in Vietnam. The Proposal does not provide any specific details about the notification procedures at this stage. The authorized entity will fulfill the obligations to state authorities and handle disputes/problems with Vietnamese consumers.

Third, under the Proposal, offshore merchants must provide and publicize their information on the selling booths on e-commerce exchange platforms. This information must include the name, address, business registration details, and contact points. The name of foreign merchants must be translated or transcribed in Vietnamese.

Finally, under the Proposal, the MOIT sets out new obligations for B2C e-commerce platforms offering ordering and online payment services with regards to their foreign merchants:

- With a separate place on its platform to list all foreign merchants (and individual foreign merchants are not allowed on these platforms)
- Responsible for the goods offered by offshore merchants and must implement procedures about international contractor tax for those overseas merchants

ADVANTAGES & DISADVANTAGES

Rising Income



According to the annual Salary Trends Report Vietnam ranks second in the world for real salary increases in 2020, thanks to low inflation and rising productivity. Moreover, the average real salary increase for workers in Vietnam in 2020 is projected to be 5.1 percent, up from 4 percent in 2019.



Lack of Trust

Domestic and international traders using e-commerce to cheat, sell counterfeit goods, infringe intellectual property rights, and even trade banned goods have reached an alarming level. Online fraud such as theft of information, data, and bank accounts has put e-commerce under the spotlight, further impacting the growth of a strong and healthy digital economy. These unsafe online transactions have made consumers wary of making online purchases.

Government Initiatives



- o Vietnam has set a target that the e-commerce industry will grow by 25 per cent per year to reach US\$35 billion with more than half of the population shopping online by the end of 2025.
- o The goals were highlighted in the master plan for national e-commerce development in 2021-25.
- o Specifically, the Government has set targets that 55 per cent of the country's population will do online shopping by the end of 2025 and the average spending for online shopping will be about US\$600 per person per year.
- o Business-to-consumer (B2C) e-commerce of goods and services will grow 25 per cent per year to reach US\$35 billion, accounting for 10 per cent of the country's total retail sales of goods and services.



Predominant of COD method

Despite its growing e-commerce market, the e-payment ecosystem in Vietnam is rather inadequate. Vietnam is still a cash-based society and Vietnamese consumers generally distrust financial institutions when it comes to securing, saving and transferring their money. For that reason, credit cards and online banking are not widely used. Moreover, many consumers see credit card and online banking transaction fees as unnecessary costs. Such fees may also discourage large transactions.

Digital Transformation



- o According to the e-Conomy Southeast Asia Report 2019 released by Google, Temasek and US-based global management consultancy Bain, Vietnam is evolving into one of the most digitalised of all economies in the ASEAN. As the second fastest-growing digital economy in the region after Indonesia, its value is expected to almost quadruple from US\$12 billion currently to US\$43 billion in 2025.
- o Vietnam is also the economy with the third highest digital funding in the ASEAN after Indonesia and Singapore, raising almost US\$1 billion in digital economy funding since 2015.



Lack of Legal Framework

- o The relatively new and rapidly growing e-commerce sector has posed challenges to the government's ability to create a conducive legal and policy framework. The legal guidelines in this area are not sufficiently comprehensive and robust, especially those related to cross-border e-commerce.
- o Although many legal documents have included provisions on the protection of personal information, the illegal collection, use, distribution, and trading of personal information still happens.
- o The government also faces challenges in administering taxes on e-commerce activities.

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