Insights for Vietnam’s e-Commerce Market
3 Key Perspectives
Key perspectives

Trends in Ecommerce Vietnam and Future Ready

Domestic Last Mile and Market Capacity

Vietnam Cross-border Opportunities and Challenges

Case study Air - linehaul service
Market overview

45% population using internet in average 2 hours/day

91% population own smartphone

Vietnamese e-commerce market growing 25% annually, US$ 4 billion in 2018 and is forecasted to acquire US$ 10 billion in 2020
### Market trends & future-ready Vietnam

<table>
<thead>
<tr>
<th>Omni-channel business model</th>
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<td>• Retail studies show 73% customer base search for products on Internet and 17% of them will make an online purchase</td>
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<th>Global supply</th>
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<td>• 11% of Vietnamese businesses have e-commerce platform and 32% of these are connected to international platform and partners</td>
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<td>• For businesses with online presence, roughly 40% estimate revenue from online sales to &gt; 50% of total sales</td>
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<th>Mobile payment</th>
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<td>• Vietnam currently has 34 million people having used mobile payment based on transactions, 29% of them proceed the transaction via mobile platform vs desktop</td>
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<th>Logistics for e-commerce</th>
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<td>• On-demand service is one of the hot trends recently (crowd sourcing)</td>
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<td>• Fulfillment is a key driving factor for logistics requirements of growing retailer and eCommerce base in Vietnam</td>
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Domestic last mile

Challenges

- Laws and Regulations
  - There is no official regulation for e-commerce.
- Mostly using motorbikes which is not suitable for cargo delivery
- Estimate of shipment fail rate 12-14%
- Facilities of transportation system (asset & infrastructure)
- COD payment issue
- High-cost for logistics
- Unfinished address standard
- Priority delivery service on demand

Key trends

- Improving solutions for Pick-up/Delivery.
- Online banking payments.
- Rural area delivery solution
- Same-day delivery
Domestic last mile market capacity

Last mile delivery cover 28% total logistics cost for e-commerce, a business field that has annual growth at 25%.

Market estimations shipment per day in Vietnam @ > 1,000,000+ for all eCommerce or on demand transactions (platforms equal approx. 500,000 +)

According to McKinsey, 25% people want to pay more money to receive a package faster
Consumers are looking overseas for the best deals for products currently unavailable in domestic market + Online merchants are also looking for ways to sell and deliver merchandise across the world = This phenomenon has made cross-border e-commerce become the key growth engine to B2C trade globally
Cross-border e-commerce

Challenges

- Laws and regulations: product returns, consumer right protection, labeling and discounting – costs of compliance for cross-border transactions add up quickly with uncertainty.
- Unable to provide full-landing costs (product net + shipping + duties and taxes) at the time of transaction – this in return discourages purchase.
- Lead time could be unpredictable for cross-border purchases with limited track-and-trace (e.g., postal network). In addition, the reverse logistics for return are costly and complicated.
- Payments: Security and reliability of payment is a major concern for most businesses and consumers. COD is still the preferred payment method.

Solutions

- Partner with last mile service provider having license and expertise solutions for cross-border.
- Using COD service of logistics service provider.


Strategic Cooperation with VN Post on Ecommerce Domestic and Cross border
- In collaboration with VN Post on domestic and international cross-border ecommerce
- Total volume airfreight traffic international & domestics 40,000 ton / year
- Solution for SME nationwide using VN Post network of 11,000 drop points
Thank You

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