

# **Booming online marketplaces as a strategic solution for e-commerce development in the context of Covid 19: A case study of Shopee Vietnam**

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## **Abstract**

The rapid growth of Shopee Vietnam during the Covid-19 has turned this start-up a role model for a successful online marketplace. This article aims to figure out how such a young business can achieve explosive growth and dominate the e-commerce market in Vietnam, especially when the economy is hit hard by the Covid-19. The research methods chosen to deal with a scientific problem in the theoretical part include an analysis of literature sources, systematisation, synthesis, generalisation, and comparison. The status of the research findings shows that the outstanding performance of Shopee is attributed to the precise detection of significant success factors of an online marketplace in particular periods; therefore, it can come up with strategic action plans to tackle existing issues and acquire further growth. In addition to gaining customer trust by rising the platform's creditability, online marketplaces should work closely with third-party partners to upgrade the e-commerce infrastructure. Besides, platform owners should pay intensive attention to adopting the promotional pricing strategy and improving the quality control system. From the success of Shopee by analyzing the tactics implemented before and during the Covid-19, the author can draw some critical lessons to suggest other online marketplaces to employ in their ongoing path.

**Keywords:** online marketplaces, e-commerce development, Covid 19, Shopee Vietnam

## **Introduction**

In the context of the Fourth Industrial Revolution, digital transformation has paved the way for new business opportunities for enterprises over the world. The enormous number of Internet users has been accompanied by the increasing need for information and online purchase on a global scale, leading to the growth of e-commerce as an efficient and cost-effective communication channel between firms and consumers. Considering that purchasing behaviors have been changed, transactions have been conducted faster, distance and language barriers are eliminated whilst resources are taken maximum advantage of, the appearance and development of e-commerce have been considered a life-changing solution to the retail market. As a result, the past decade has witnessed the explosion of online marketplaces globally, which reflects the corporate adaptation to information technology advancements and anticipates market transformation shortly.

While e-commerce is forecast to be of paramount importance in businesses'

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development strategy, 2020 marked a once-in-a-century global event – the Covid-19 outbreak. Its catastrophic impacts on the global economy can be illustrated by the stagnation in all sectors and the struggles of enterprises worldwide to survive. Although many industries have experienced devastating losses, Covid-19 gave rise to a surge in e-commerce, opening up opportunities for online marketplaces to accelerate their growth and scale-up. In the meantime, Vietnam, gaining tremendous success in Covid-19 containment, quickly recovers from the pandemic and becomes better-placed in the global markets for goods and services. That makes Vietnam a potential environment for e-commerce firms to flourish and achieve explosive growth. A fine example can be seen in Shopee Vietnam's success to become the dominant online marketplace despite the contagion. Consequently, a closer look into the development of Shopee Vietnam during Covid-19 is crucial for other marketplaces to understand the key to such accomplishment and come up with critical measures to employ.

## **Literature background**

### ***2.1. Definitions of e-commerce***

E-commerce (electronic commerce) implies transactions carried out by “means of electronic data interchange and other means of communication, which involve the use of alternatives to paper-based methods of communication and storage of information.” (UN, 1996). The World Trade Organization (WTO) in 1998 defines e-commerce as “the production, distribution, marketing, sale or delivery of goods and services by electronic means.” Similarly, an e-transaction was defined as “a transaction implemented by electronic means,” in which “an electronic means is a means that operates based on electric, electronic, digital, magnetic, wireless, optical, electro-magnetic technologies or similar technologies.” (Law on E-transactions, Vietnam, 2005)

The OECD (Organization for Economic Co-operation and Development) in 2011 defines “An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations.”

### ***2.2. Definition of online marketplace***

Online marketplace, often referred to as online market or e-marketplace, is where buyers and sellers can make e-commerce transactions.

Deloitte Consulting (2019) defined online marketplace as “a place where demand and supply follow certain mechanisms and regulations to accomplish money, invisible products, and services exchange or to collect more valuable information with the specific product range.”

Kaplan, S. & Sawhney, M. (2000) described online marketplace as “a platform that gathers many buyers and vendors and helps them find partners to do business through an automatic matching and transaction system.” In this kind of marketplace, a wide range of products and services is available to buyers, and vendors simultaneously can benefit from reduced costs as they can find new customers and markets there.

The Economist (2000) divided the concept of online market into three categories regarding the role of administrator and participant; therein, the electronic market plays as an independent digital platform hosted by a third party other than sellers and buyers. This platform is claimed to solve the problems caused by the lack of a complete logistic and distribution system and help international customers search for products and sellers owing to the open and

transparent environment.

In general, an online marketplace is understood as an Internet-based platform with a diverse range of products and services provided by sellers, where buyers can easily get access to and make purchases online.

### ***2.3. Significance of online marketplace in e-commerce development***

In the digital transformation era, online marketplaces play a vital role in the e-commerce sustainable development as they integrate the significant technological advances of e-commerce. (Nibusinessinfo.co.uk., 2022)

*For business managers*, the online marketplace solves the problem of setting up a physical store. Expenses for renting a location or hiring personnel are excluded from the operation cost by joining e-markets. Besides, e-commerce enterprises can gain both reduced costs and increased efficiency by implementing promotion campaigns online. Online marketing activities can approach a wide range of customers in various countries with much lower costs (Devesy, S. 2018). In this way, suppliers can also find new trading partners, either domestically or globally.

*For sellers specifically*, online marketplaces are helpful to control the goods flow better, as there is no need to maintain a physical store. Partnerships with reliable suppliers can allow sellers to handle orders better according to the product's availability and the estimated time of delivery, which can help retailers in inventory management. In addition, e-markets provide merchants customer insights more accurately via machine learning; thus, sellers can develop strategic promotion plans later to achieve higher customer satisfaction and a higher rate of returning customers.

*For buyers*, online platforms offer an excellent way to compare prices and products from various sellers while staying at a location. In addition to information about product availability, prices, and stock levels, reviews of previous customers are accessible to buyers so that they can take the purchase into more careful consideration. Furthermore, the practice of artificial intelligence (A.I), which helps analyze the tastes and interests of buyers based on previous searches and transactions, provides personalized recommendations associated with an increased likelihood of buyers making a purchase. Additionally, various utility software integrated into current online marketplaces provides customers with ease of use and convenience. Technologies like chatbots, virtual assistants, or live chat leverage customer communication by sending immediate responses without human intervention; e-wallets increase transaction security and personal privacy; and voice or image searching tools are innovative to optimize the customer buying experiences.

## **Methods**

The research is undertaken with the qualitative method. The theoretical background is built on the reference of the previous studies and synthesized to become the foundation of the research. Meanwhile, the data used in this research is secondary data that has been collected and gathered from various publications issued by domestic and international institutions, associated with surveys and reports conducted by individuals and organizations that have expertise in the industry.

A variety of methods used in this research includes the case study, analysis, synthesis, and comparison and contrast. By concentrating on a single case study – Shopee Vietnam, which

builds on actual practices and experiences, the research can be linked to action, and the insights from the case can contribute to changing practice. The remaining methods allow the author to produce generalizable knowledge about the development potential of Vietnamese online marketplaces.

## Results

### *4.1. Online marketplace in Vietnam*

Along with the tremendous growth of the Internet and wireless mobile telecommunication technology, Vietnam has witnessed the successful and sustainable development of e-commerce, especially trading activities on e-markets during the last decade.

Vietnam E-Commerce Association (VECOM) has considered that 2015 was the final year of the generalization stage; and from 2016, Vietnam's e-commerce would step into a new stage with a more rapid and stable growth rate, which could last from 2016 to 2025. According to surveys of VECOM, the growth rate of e-commerce reached over 32% in 2019. Besides, the Compound Annual Growth Rate (CAGR) was about 30% in a 4-year period from 2016 to 2019. 2019's scale of e-commercial retail sales and consumer services was about USD 11.5 billion. Along with the accelerated, stable development of the economy and high growth rate of Gross Domestic Product (GDP) at 7%, e-commerce has become a much more popular and frequent shopping channel of a large number of customers, especially the 9X generation clients in Ha Noi and Ho Chi Minh City.

According to Southeast Asia E-commerce Report in 2019 by Google, Temasek, and Bain & Company, regardless of only USD 3 billion as the original scale in 2015, the scale of Vietnam's e-commercial retailing and customers services reached USD 12 billion in 2019 with an average growth rate of 38%. This report also predicts that CAGR from 2015 to 2025 would reach 29%. By that time, the scale of Vietnam's e-commerce will reach USD 43 billion, ranking third in ASEAN.

The most popular online digital sales platforms in Vietnam are e-commerce trading floors for retailers. The common feature of leading e-commerce floors (B2C) such as Shopee.vn, Lazada.vn, Tiki.vn, Sendo.vn is that they are all foreign-invested or have substantial contributions of foreign capital. (Bui, M., 2021)

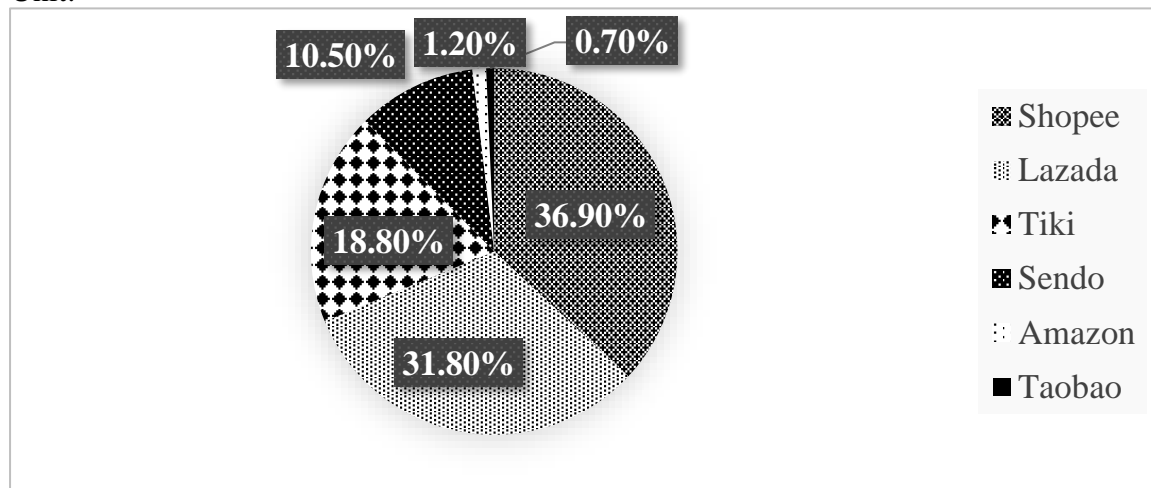
The role of e-commerce is also becoming more important as the share of revenue from e-commerce over the total retail sales of goods in the whole country in 2019 reached 4.2 percent, an increase of 0.6 percent over 2018. The number of people involved in online shopping activities soared on e-commerce platforms. In 2019, Vietnam witnessed 39.9 million people participating in online shopping, an increase of 11.8% compared to 2018 and nearly doubled just after three years. The average value of online purchases per capita reached USD 202, up by 8.6%. Among the 10 e-commerce platforms with the highest total website visits in the Southeast Asia market in the first half of 2019, 5 are Vietnamese enterprises, including Tiki, Sendo, thegioididong, dienmayxanh, and FPT Shop. (Campaign Asia-Pacific, 2021)

According to experts, the Vietnam e-commerce market is operating in two directions. Firstly, it acts as the playground for e-commerce giants with huge investments competing for market share. Secondly, there is a growing number of startup ideas with breakthrough technology in order to provide services to leading enterprises (Duong, N. H., 2020). According to the ranking of leading e-commerce enterprises in Vietnam updated by iPrice insights on

March 3, 2020, Shopee Vietnam continues to lead in the whole year of 2019 in website traffic (reaching an average of 36 million visits per month). It was followed by thegioididong with 28 million visits per month, Sendo with 27.2 million visits per month, Lazada with 27 million per month, and Tiki with 24.5 million per month.

Unit:

%



**Figure 1: Active users on Vietnam's top e-commerce platforms.**

Source: Author's compilation, 2021

#### 4.2. The development of Shopee Vietnam in the context of Covid 19

- An overview of Shopee Vietnam

Shopee Private Limited Company (Shopee) is a Singaporean multinational technology company that focuses mainly on e-commerce. In August 2016, Shopee was officially introduced to the Vietnam market with the e-commerce platform and social network on mobile devices at [www.shopee.vn](http://www.shopee.vn).

Shopee was launched as a combination of a C2C e-commerce platform and a social network site, regarding the enormous Internet traffic growth by the young population in South East Asia. Shopee app, which is available on iOS and Android, allows users to make purchases on their mobile phones within 30 seconds. It is integrated with texting aids for buyers to ask for consultations, negotiate bargains, and make other inquiries to the sellers. Users with an account on Shopee can make purchases on the platform and simultaneously become sellers as well. Sellers and buyers can connect to each other on the platform as they do on other social networks; besides, Shopee Live Chat and Shopee Hashtags, the social networking features, help optimize the user experience on the platform while shopping online.

Afterward, Shopee Mall was launched in 2017, turning the Shopee platform into a mixed model C2C and B2C marketplace. Shopee Mall is a by-invite-only premium retail space, which is reserved for brand owners and authorized distributors. All products available on Shopee Mall are guaranteed to be authentic, sellers have to satisfy specific requirements to register to be on Shopee Mall, and buyers can enjoy the exceptional return and refund policies from Shopee.

- Development strategies

Given the remarkable accomplishments in e-commerce sectors in 2019, Vietnam is considered one of the fastest-growing e-commerce markets in Southeast Asia, second only to Indonesia (Nguyen, C., 2021). With high and continuous growth from 2015, it was believed

that in 2020 the scale of Vietnam's e-commerce market would be likely to reach USD 13 billion. This is wholly grounded when there are 68 million Internet users out of 97 million Vietnamese people, which is the driving force for e-commerce to thrive.

According to the eEconomy SEA 2019 report published by Google and Temasek (2019), Vietnam's e-commerce market size in early 2020 reached USD 5 billion, while the growth rate was up to 81%. More notably, the Vietnam e-commerce White Paper 2019 issued by the Department of E-commerce and Digital Economy (Ministry of Industry and Trade, 2019) indicated that the growth of Vietnam's e-commerce market is the highest in 3 recent years.

Aside from this, although the whole economy was hit hard by the pandemic, e-commerce was considered among the minority that benefits most. The travel curbs and other social distancing practices resulted in the stagnant operation of various industries, while the growth of e-commerce is expected to remain intact. The outlook for the digital economy is forecast to be more robust than ever as the demand for e-commerce services kept soaring in the pandemic. In early 2020, Shopee was apparently outperforming its rivals in Vietnam; however, they started responding with strategic action plans to boost their performance and gain more market share. To counter, Shopee has focused on strategies to achieve the following major goals: reach more customer segments, provide stronger support for sellers, and accelerate digital inclusion via intensive integrations. (Vietnam Investment Review, 2021)

#### 1. Customer segment expansion

Taking Covid-19 as an opportunity to expand the market, Shopee's scheme aimed at platform innovations and intensive promotions.

##### *Platform innovations*

In the context of digital transformation and Covid-19, Shopee's innovations are introduced with the effort to bring users a more personalized, engaging, and social shopping experience.

As brands increasingly grow their online presence and consumers spend more time shopping online, it is easy to become overwhelmed by choices, negatively impacting the customer experience. Consequently, A.I. technologies have brought customers a highly personalized experience on Shopee, making online shopping more enjoyable and unique while enabling brands and sellers to drive increased traffic and growth. For instance, buyers can use filters included in the search engine to reach a search page with more relevant items, from categories, sellers' locations to price ranges. Moreover, Shopee leverages deep learning to give customers more precise recommendations based on their previous searches or purchases. With the use of A.I., Shopee Feed is built based on the users' following list, search history, and order history, providing buyers with a more customized home page that better fits their needs and interests (Michael, O., 2020).

Besides, identifying the primary target customers are millennials and the Gen Z population, who would spend most of their screen time on social networks during the pandemic, Shopee has developed more in-app features for entertaining and socializing to gain deeper customer engagement. Shopping on Shopee is now not only a transactional experience but also an informative, entertaining, and social one by gamification and socialization. Such gamification initiatives as Shopee Shake and Shopee Farm boost customers' engagement, thus raising customer satisfaction and turning prospects into loyal customers. In addition, Shopee focuses on deeper social interaction on the platform by upgrading Shopee Live and Shopee Feed. Customers are encouraged to watch lives to score exclusive deals, connect with their

favorite celebrities and get vouchers. More social functions are offered for users to create content and interact with their friends, other buyers, and sellers, making Shopee a tool to enjoy and connect as what a social network does. These strategies grasp the users' need to socialize and interact during quarantines; thus, they brought back a year-on-year increase in the average time spent in-app by a user.

### *Promotions*

As demand for online shopping has surged since the pandemic, Shopee's marketing efforts focus on scaling up programs of free deliveries and lower prices (EcomEye, 2021). The campaign "Shopee from home," introduced in response to the social distancing order to prevent the contagion of Covid-19, offers buyers attractive discounts and free shipping services. By massively collaborating with brands, Shopee provides customers with a wide range of products while maintaining a considerable quantity of goods to fulfill the spurring demand during the pandemic. Super Brand Day is a year-long event that entices a tremendous customer quantity with exclusive deals of genuine products offered by partnering brands.

Simultaneously, Shopee's marketing strategy progressively boosts the brand's coverage and boosts visibility about the upcoming sales events. By featuring celebrities and KOLs, who are currently brand ambassadors, Shopee focuses on celebrity endorsement on every online and OOH advertisement to promote its upcoming sales events. From the day 9/9 onwards, Super Shopping Day has continuously occurred monthly in the last quarter of 2020, offering buyers daily sales with various discount codes and free shipping vouchers. During the Super Sales events, beside hourly flash sales every day, users will have the chance to hunt great deals and vouchers while watching in-app livestream or music shows. Significantly, the fundraising program "Shopee 11/11 Million Hands" held on November 11<sup>th</sup> was introduced to raise community awareness and raise funds to support children in need. Those events have successfully enhanced brand awareness, attract significant traffic of new customers, and record explosive visits to the website and the mobile application.

## 2. Stronger sellers support

Shopee introduced Shopee Seller Support Package (SSSP) in April 2020 to help local sellers digitalize, reduce operating and marketing expenses, and grow sales (Markets.businessinsider.com., 2020). In fortifying its commitment to helping local businesses tide through the current economic climate, this package will see Shopee providing local sellers and SMEs with support totaling SGD 1 million (equivalent to over VND 17 billion). The SSSP aims to benefit sellers in 3 areas:

First, sellers who register for the package will receive two weeks of free enrolment to the Coins Cashback and Free Shipping Program, as well as SGD 100 in the form of vouchers and paid advertising credits.

Second, sellers already under the Coins Cashback and Free Shipping Program will receive SGD 200 worth of Shopee-sponsored vouchers and paid advertising credits.

Third, Shopee will offer training and support to help new sellers start, grow, and succeed on Shopee. Beside free weekly top-up of paid ad credits, free flash deal slots, homepage campaign exposure, and four weeks of free access to the Coins Cashback and Free Shipping Program, new sellers will receive SGD 120 in the form of Shopee-sponsored vouchers and paid advertising under the 12-week Shopee incubation program. Eligible sellers can also receive additional funding of up to SGD 9,000 through the recently announced E-commerce Booster Package developed in partnership with Enterprise Singapore without any

commission, free training from incubation managers, and free marketing tools to accelerate sales.

Additionally, sellers can enjoy great exposure and sales, including shop and product feature on in-app campaigns, Shopee sponsored vouchers applicable to all products, and shared push notifications, email shoutouts, and social media mentions. Access to free seller webinars is also offered to sellers to learn how to improve operations and sales, including bi-weekly classes about listing, shipping, and logistics management, as well as key marketing tools.

In addition to the Package, Shopee's scheme included promoting digital inclusion among sellers and strengthening its partner merchant ecosystem. At the most basic level, the Shopee Seller Centre was continually updated with new functions that make it easier for sellers to track and manage their sales performance, payments, inventories, and deliveries on Shopee. On top of that, in terms of marketing, Shopee provides a range of data and visualization tools to track and obtain shopping insights and a one-stop portal where merchants can create vouchers and other promotional tools. In addition, Shopee recently teamed up with Google to launch Google Ads with Shopee, a first-of-its-kind marketing solution for brands to drive sales online. Brands on Shopee will get access to specialized marketing tools to boost their online presence, create deeper engagements with customers, and flexibly manage and measure their marketing campaigns. Also, Shopee has partnered with VPBank to organize training programs for sellers such as the Small Business Academy.

Shopee is also aiming to power the next wave of digital growth in the region and ensure that more businesses can digitize and tap into the growing opportunity in the region, particularly following the COVID-19 downturn. Shopee upgraded Shopee University, which was introduced since its establishment, to empower the local sellers in the new stage of e-commerce development. The Shopee University curriculum was digitalized, the online Seller Education Hub was launched, allowing sellers to learn and upskill themselves at any time (Seller.shopee.ph, 2021). Besides, Seller Masterclass was introduced, driving sellers to adopt new tools and leverage new trends, especially helping sellers better leverage the benefits of livestreaming.

### 3. Intensive Integrations

In the effort to provide customers with refined value-added services, Shopee's initiatives focused on e-payment and logistics services (Michael, O., 2020). Although these services were developed initially, Shopee expected to boost digital adoption due to the pandemic's fast-growing internet penetration.

After the initial promotion of digital payment, Shopee recorded a significant increase in the e-transaction volume. In line with movement restrictions and social distancing efforts, cashless transactions were encouraged to ensure safety, and consumers and businesses have increasingly embraced digital payments for great convenience and security. In 2020, Shopee and Visa, the world's leader in digital payment, announced a five-year partnership that encouraged greater participation in the digital economy (Visa.com.vn, 2020). This partnership was part of Shopee's effort to stimulate SMEs to digitalize their business on Shopee and adopt digital payments through Visa; provide SMEs with marketing and campaign support to drive awareness, traffic, and sales to online stores; launch co-branded credit cards in collaboration with local banks; offer fast, easy and secure Visa payments to all Shopee users; create unique experiences for Shopee users through Visa's exclusive sponsorship platforms. Shopee will be able to provide shoppers and merchants with greater value, convenience, and security through Visa, making it easier to do business and increase sales. Visa will tap on Shopee's extensive



user base to expand its presence with Southeast Asia SMEs and online shoppers. Afterward, in September 2020, Shopee, VPBank, and Visa launched their first co-branded credit card with a hope to strengthen the ecosystem and cater to their ever-increasing and diverse user base. The card offers privileges such as a full year of free shipping, up to 10 percent cash back, online gifts, and advanced digital experiences (Vietnamnews.vn, 2020).

Beside working closely with e-payment solution providers, the pandemic action plan of Shopee included gaining extreme user penetration for its own e-wallet, AirPay (Vietnamnews.vn, 2021). Exclusive promotions such as cashback and free shipping were offered for AirPay users only, enticing shoppers to make payments via this e-wallet. Besides, Shopee focused on accelerating the use of AirPay outside Shopee to enhance customer awareness indirectly and attain a higher AirPay payment volume in the platform. Initially, Shopee expanded its partnership with grocery stores, convenience stores, and supermarkets so that consumers shall use e-wallet even not doing online shopping. Another highlight was Now, a food delivery application acquired by Sea Group, the parent company of Shopee, was integrated into the Shopee application. Beside reaching an additional number of customers from the previous Now application, Shopee can strengthen the ecosystem of AirPay users, as AirPay is the only cashless solution allowed for Now users. By this indirect approach, Shopee promoted AirPay subconsciously to online customers; thus, it benefits an increasing e-wallet usage.

Regarding logistics, during the pandemic, the increase in demand is particularly significant for daily necessities and household essentials. As a result, a Shopee team was formed to manage the flow of goods and inventory, ensuring sufficient stocks for even scarce commodities like medical masks and sanitizers during Covid-19. In 2020, BW Industrial developed a warehouse for Shopee in Ho Chi Minh City, which was the third fulfillment center of Shopee in Vietnam, beside one in Hanoi and another in Ho Chi Minh City. The strategic partnership with BW aims at providing a good supply chain as well as better experiences for Shopee users and firmly strengthens the competitive position of Shopee in the e-commerce industry. In addition to the partnership with logistic providers, Shopee developed its own logistics service, namely Shopee Express, which is an integrated initiative that aims to provide the most reliable pickup and delivery services. Delivery time may vary from 1 to 3 business days, and users can easily track their order via the mobile app or website. In 2020, Shopee Express expanded its geographical coverage to reach more users, including those in rural areas. By carrying logistics services independently, Shopee demonstrates its commitment to gradually standardize the entire procedure, lessening the dependence on partnering services and providing users with a better structured and systemized shopping experience.

In short, Shopee has proved its competency in the e-commerce market with various tactical plans of action specified for each stage of development. Before Covid-19, the young start-up, namely Shopee, gained enormous brand awareness by developing a well-structured and user-friendly online platform with digitalized auxiliary services since its establishment. Investing generously in the early days, Shopee has grown outstandingly and defeated other mature online marketplaces during Covid-19 owing to the well-planned scheme targeting buyers and sellers. Consequently, Shopee has turned the unprecedented pandemic into a precious opportunity to thrive more strongly and become a redoubtable opponent in the online retail sector.

## **Discussion**

The Covid-19 pandemic has upended people's purchasing behaviors and opened opportunities for e-businesses as well. Vietnam, among the least impacted countries, is the ideal destination for online marketplaces to target and benefit from it at the moment. Given the analysis of Shopee Vietnam's development and the current market situation, there are various lessons that online marketplaces can embrace to seize the opportunities and acquire remarkable growth in the pandemic context.

### **5.1. Build customer trust**

Shopee took this start-up stage many years to gain customers' trust instead of profits as Vietnamese shoppers are accustomed to physical interaction and small talks with merchants while shopping.

- **Promote on-site communication**

Traditional e-commerce platforms cause customers uncertainty due to the lack of communication; thus, one efficient measure is stimulating the discussions among buyers and sellers. Similar to Shopee, it is advisable for platforms to upgrade social functions like live chat or live stream to encourage interaction among users. Through live chats, buyers can ask for product information, seller's consultation, bargain, while livestream allows buyers to have a closer look at the items to avoid low-quality orders. With the current surge of social networks, other social features shall be developed as well, enabling users to socialize with their friends, while the platform will be more diverse with the user-created contents. Plus, gamification is another way to provide customers a joyful shopping journey and entice them to return as well as spread word-of-mouth. Upgrading users' shopping experiences is an indirect way to enhance customer engagement with the marketplace; thus, they will have a more positive impression about the platform and will be more likely to make purchases.

- **Work out customer protection policies**

Due to the fast-growing digitalization, people are commonly afraid of the platform security and personal data privacy. While Vietnamese laws on cybercrimes are not fully developed, each online marketplace must formulate its own regulation that offers customers sufficient protection.

First, the apparency of the platform is prioritized. All the information about product origin, products, or sellers shall be made public to buyers so that they can judge the credibility themselves. Also, businesses shall develop and upgrade the platform to avoid any technical error that results in information leaks, as well as to detect scammers or unreliable sellers. To exemplify, in addition to automatic filters, there should be a quality team that regularly monitors the marketplace and identify suspicious products or suppliers.

Product quality is also a problem causing trust issues. Many cases of fraudulence, fake item exchange, or copyright violation have been reported on the existing marketplaces without any radical solutions. To resolve this problem requires the cooperation of both the platform and the seller community to eliminate low-quality commodities or online frauds. In addition to the platform policies, it is crucial to impose policies on sellers, forcing them to provide buyers with high-quality and authentic products.

Moreover, policies on customer protection shall be published on the site, enabling the platform visitors to acknowledge their rights and benefits while shopping online. Given that the online shopping process is much more complicated than offline shopping, there should be guidelines regarding common issues arising from online purchases to instruct the buyers and earn their trust. Especially, policies on damaged orders, returns, and refunds should be made

clear and detailed to ensure the benefits of customers are protected.

In addition, there should be a commitment to customers about data privacy on the platform. As consumers may have to provide their personal information, including their home address, phone number, email address, or social media channels, in order to activate digital payments or for delivery purpose, the platform should make sure that their personal information shall neither be used in any other purposes nor provide for any third parties.

Lastly, the marketplace would look more trustworthy with credibility certificates or testimonials. Associated with enhancing communication, online marketplace can develop social features that allow users to leave their reviews on site. A product accepted widely by the community can quickly gain customer trust, and an online platform can, too. A marketplace only needs to provide high-quality services to receive positive feedbacks, thus can earn trust from other customers. Furthermore, a strategic plan is partnering with established brands or well-known celebrities, which increases the level of media coverage and helps the online marketplace gain trust and awareness from prospects and customers.

### ***5.2. Enhance e-commerce infrastructure***

After gaining customer trust and engagement, the online marketplaces shall focus on enhancing the e-commerce infrastructure systems and auxiliary services.

Considered a significant factor for the sustainable development of e-commerce, digital payment should be encouraged on online marketplaces. Previously, online marketplaces failed to promote electronic payments due to the lack of payment method diversity, the shortage of well-trained personnel, the poor awareness of the population, and the absence of new cutting-edge technologies. E-market owners did not invest much in digital payment in the early days, so the payment process was complicated without much support from the platform. As the government is moving towards a cashless society, epidemics have become a driving force behind this process in some areas where most consumer transactions are done in cash. Various digital payment solutions such as e-wallet, QR codes, bank transfers, or credit cards shall be integrated into the platforms, enabling the users to adapt quickly and conveniently. This requires online marketplaces to be prompt and sensible in response to the increasing demand for e-payments. The strategic plan should involve integrating a wide range of payment solutions into the platforms, creating a user-friendly payment gateway that eliminates complicated procedures and provides sufficient support for experienced and new customers, and developing regular upgrades to enhance the customers' experience.

Besides, online marketplaces should employ strategic policies to stimulate the usage of online payment as Vietnamese online shoppers neither get used to these digital solutions nor have enough trust in them. The payment procedure should be made clear on the platforms without ambiguous instructions, and the payment system needs to be easy and convenient to use. The rights and benefits of shoppers who use digital payment methods should be guaranteed and protected by a set of regulations on specific cases. Significantly, the platform needs to ensure payment security and safety to avoid cyber-crimes like data breaches. Furthermore, there should be exclusive offers such as discounts, cashback, or extra free shipping codes on the platforms to encourage buyers to choose e-payments over cash-on-delivery payment.

Additionally, it is suggested to partner with local banks and third-party solution providers to lessen the pressure on the marketplace while bring to the customers a wide range of option. This is a common practice of the existing online marketplaces in the effort to provide a professional payment service with the protection and support of the laws. These partnerships

will also facilitate the standardization of the payment system, thus contribute to the overall growth of the marketplace.

Logistics will become even more important as consumers continue to rely on e-commerce platforms and develop greater expectations for efficient deliveries. Brands and sellers need to make effective use of technology to ensure that parcels are delivered in a timely and cost-effective manner. Although the current marketplaces have integrated logistics service into the platform, there are rooms for improvement of delivery and logistics solution. Given the increasing volume of online transactions, online marketplaces shall collaborate with logistics providers and simultaneously develop their own logistics service, like Shopee, to have better control over the order processing procedures, make improvements and enhance the customer experience.

The collaboration with multiple logistics partners allows platforms to alleviate the workload, while offering sellers with more delivery options, as they can choose the service providers they want.

In addition, the surge in the online shopping demand is reported in all categories of merchandise including necessities, thus consumers increasingly expect to receive their online orders in such a short period of time. 46 percent of Vietnamese online shoppers shall be satisfied with an online purchase because of the speedy and convenient delivery service (Reputa, 2021). Specifically, Tiki received 80% of compliments for its TikiNOW that ensures shipments within 2 hours, whereas Sendo is the least preferred one due to the poor management of the delivery service. Therefore, urgent delivery services have proved to meet the market demand at present, so online marketplaces start to promote their own shipping services to easily attract more customers. However, to develop an efficient high-speed shipment service requires the cooperation of the platform and the sellers to promptly respond to orders and arrange the delivery within the limited time frame. In the case of Shopee, many sellers refuse to include the urgent delivery in the list of shipping options due to the strict time requirement, resulting in difficulties for the marketplace to offer all the buyers with the high-speed delivery service.

As the digital transformation has been fast growing, platform owners need to take the advantage and upgrade their logistics services with new cutting-edge technological advances. This requires the marketplace owners and the logistics providers to work closely together in order to come up with a strategic plan for the sustainable development. More intensive piloting should be invested to identify the optimized solution for logistics from the first mile to the last mile, especially for transactions in rural areas or cross-border transactions.

### **5.3. *Employ promotional pricing strategy***

As consumers prefer to be offered benefits when they shop at physical shops, they also expect additional offers while shopping online. Marketplaces can accelerate their scale-up in the online environment by providing daily discounts and periodic sales events, approaching more buyers, and enhancing platform awareness. In particular, Shopee has maintained the “Lowest Price Guarantee” since its early days, which ensures a refund for consumers if they can find the same product on similar platforms at a lower price (ManilaStandard, 2018). This campaign proves its effectiveness as it has attracted considerable traffic and transaction volume, and more sellers start coming to Shopee owing to its enormous market. Daily discounts and vouchers appeal to millennials and young adults, who are price-sensitive buyers, so they keep visiting the platform to collect coupons and look for good deals. Especially, young marketplaces can employ promotional pricing to quickly gain a considerable number of customers at the first stage of development.

In addition, well-planned sales events should be included in the strategic plan of e-commerce businesses as a way for branding and marketing. E-commerce giants in Vietnam like Shopee, Lazada, or Tiki are all famous for their seasonal super shopping events annually, which offer customers special discounts on a wide range of products and exclusive deals from big brands (Vietnamnews.vn, 2021). These sales events usually take place during the fourth quarter of the year, capturing the unprecedentedly colossal interest and participation of both buyers and sellers, ranging from Single's Day on November 11, Black Friday, Christmas Eve, New Year's Eve, and Lunar New Year. To explain this, customers tend to be busy working at the end of the year, so they prefer shopping online with discounts and vouchers to wandering around physical stores where prices are raised higher than usual. Moreover, shoppers see this period as a time to reward themselves after a hard-working year, and they also look for gifts to give their loved ones at gatherings.

Significant shopping periods like 9/9, 11/11, 12/12 held by e-commerce giants have been picking up the steam in Vietnam, and they are anticipated to become crucial annual promotion periods for online marketplaces. During each period, various types of promotions are devised to achieve increased sales, including vouchers and coupons for discounts and hourly flash sales. Instead of attracting buyers only by by-the-hour sales, these events successfully increase traffic during non-peak hours by flash sales. Flash sales range from VND 1,000, VND 9,000, deals under VND 59,000, and under VND 99,000, showing the intention of online marketplaces to target millennials and young adults, the dominators of the buyer class of these platforms. Consequently, the platform can gain more balanced traffic between different periods of the day; sellers can promote their shops better by offering flash deals and appearing on flash sale pages; and buyers can become satisfied simply after grasping all kinds of vouchers, discounts, and flash deals.

On the other hand, as sellers and brands are free to set up their own sales campaigns, online marketplaces need to employ strict policies that specify the practice of discounts and sales. These policies should aim to systemize the platform better as well as prevent sellers from deceiving buyers.

One of the most popular fraudulent cases during sales season is that sellers set the original price as discounted, reported in both physical stores and online markets. To avoid deceptive sellers in sales events, online marketplaces should build up a clear and detailed guideline set which specifies the pricing regulation before, during, and after the promotional events, associated with the type of punishment in the event of violations. Cases of violations must be strictly resolved to avoid similar practices in the future. Besides, there should be regulations on sale matters such as the maximum percentage of discount and the time limit for maintaining the discounted price. These regulations should be specified for different product categories, based on factors such as the nature and seasonality of the goods. Suppose online marketplaces can handle this issue well, platforms can develop a well-structured ecosystem of buyers, sellers, and products, which facilitates further growth in the context of the current fierce competition.

#### ***5.4. Improve product offerings and quality***

- Product diversity

Deloitte's Retail In Transition (2017) revealed that 76 percent of shoppers prefer going online to find a more significant "variety of products/styles available," and 57% prefer e-commerce due to the "availability of hard-to-find/unique products." Product diversity is the strength of an online market as it triggers a virtually infinite inventory prospect. By diversifying

the e-commerce offering, an online platform can widen its appeal to more shoppers while improving the shopping experience for its best customers.

It is required to expand the network of buyers and sellers that helps to stimulate both demands and supplies of various product categories and increase the merchandise diversity. E-commerce businesses, especially newcomers, need to reinforce the platforms and simultaneously employ beneficial policies to welcome brands and local sellers to join the ecosystem, building up a wide range of offerings that match the customers' needs. Increasing the product variety will trigger the buyers to spend more time on the platform, leading to the intention to buy more. Thus, there will be more items in one order, bringing sales and profits to one or several sellers simultaneously. In addition, sellers who usually provide seasonal items can add more products to their listings to increase sales and improve profits.

While it is beneficial for sellers to supply various goods, platforms also need to ensure sufficient stocks for every product displayed on the site by encouraging more sellers to join the market. This, on the one hand, can raise the total traffics as well as the total sales of the marketplaces, and on the other hand, provoke a more intense competition among sellers.

However, online marketplaces need to ensure a user-friendly platform for customers when there are many stores with broad-ranging categories of products. User Interface (UI) design and User Experience (UX) design together contribute to the success of an online platform, as 12 percent of Vietnamese shoppers refuse to shop on e-markets due to technical errors and bad UI/UX design, and Shopee replaces Lazada to be the dominant mobile application due to Lazada's poor designed look (Reputa, 2021). It requires platform owners to invest more in the R&D process to develop an intelligent design that best supports customers while they go online shopping. There should be separate online spaces for each merchandise category, integrated with tools that allow users to filter the search results by brand names, price ranges, or place of supplies. By improving the search engine, the shopping experiences on online marketplaces can be enhanced; customers are encouraged to spend more time surfing on the site and likely to add more items into their shopping cart before checking out. Additionally, each retailer can manage the stock better when the number of categories keeps going if there are in-app digital reports of stock and inventory. Moreover, merchants can also gain insight into competitor inventory management, thus identify areas for improvement. Therefore, making software upgrades could be a helpful tool when platform owners plan to diversify the onsite product offerings.

- **Quality improvement**

E-commerce marketplaces are, by design, a series of transactions that begin with low margins and grow exponentially with each new sale. In this environment, it is easy to overlook quality control as the primary means of preserving margins. However, it is necessary for businesses to optimize the transaction process in order to maintain healthy profit margins and customer satisfaction levels over the long term. To accomplish this, online marketplaces should build a concrete quality control system to standardize the whole e-commerce ecosystem.

As a matter of fact, many cases of broken items, counterfeit exchange frauds, or copyright violations have been reported on the existing marketplaces without any radical solutions. The issue is partially attributed to the communication established outside the platform between the sellers and the buyers, which is a common cheating way of dishonest sellers to avoid the automatic detectors integrated into the platforms. Successful online marketplaces have alert systems that can filter specific terms related to suspicious cases or

violations of community standards, and users who are alerted can be banned temporarily or permanently from the platforms.

Some other fraudulent cases are reported to be attributed to misleading sellers. Although most online marketplaces activate the review functions, the sellers still intentionally make up unreliable reviews that imitate positive feedback to attract naïve and trusting buyers. Due to the high volume of merchandise, it seems difficult for both buyers and the platform owners to verify all the feedback. Therefore, the most likely solution is to educate sellers to prioritize the product quality, which lays the foundation of sustainable development, instead of sales and profits.

To block the entry of counterfeit products and fraudulent sellers, marketplaces should investigate all the data about both products and sellers on the platform. Regarding the sellers, identity verification shall be conducted to ensure the seller's information is valid and legitimate. Binding agreements should be made as well between the sellers and the marketplace to ensure strict compliance with the platform's policies and regulations on the product quality, physical damage insurance, and punishments accordingly. Specifically, for certain products from established brands that are not provided by those brands, there shall be certificates of origin and other documents as proofs of authenticity.

E-commerce businesses also need to take the selection of logistics partners into careful consideration to ensure the fluent operation of the supply chain and minimize the losses due to logistics matters.

In short, free added services and low commissions are part of Shopee's aggressive marketing efforts in Vietnam that have helped it become the country's most popular e-commerce platform and grow through the Covid-19 pandemic.

## **Conclusions**

The global pandemic Covid-19 has stimulated the digital transformation in developing countries, and Vietnam has taken the lead to gain impressive achievements, especially in the e-commerce sector. The growth of Shopee Vietnam in such a short period to stand out from its rivals during Covid-19 proves its competency and convinces other e-commerce players to take its tactics into serious consideration to survive the pandemic.

The pandemic happening in the era of digital transformation has paved the way for e-commerce businesses, especially online marketplaces, to take advantage when the demand for online shopping keeps surging. Consequently, Shopee has employed strategic plans to scale up by expanding its customer base with exclusive promotions for buyers and better support for sellers, accelerating digital integrations, and making service improvements. This wise action plan has enabled Shopee to surpass other giant online marketplaces to take the first position in the e-commerce map of Vietnam during the pandemic period.

Considering the development orientation of Vietnamese e-commerce by 2025, there are tremendous opportunities for businesses to embrace; however, severe challenges are awaiting, requiring business owners to consider when building their strategic plans. Online marketplaces should refine their online ecosystem on a massive scale, focusing on major factors, including customer's trust issues, e-commerce infrastructure, the pricing and promoting tactics, and product quality management. In addition to addressing the targets, platform owners need to work closely with their partners to form a solid e-commerce alliance that can help strengthen

the platform's competency, given the intense competition currently.

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