VECITA

MINISTRY OF INDUSTRY AND TRADE

VIETNAM E-COMMERCE AND INFORMATION TECHNOLOGY AGENCY

VIETNAM E-COMMERCE REPORT

2014

DECEMBER 2014

TABLE OF CONTENTS

CHAPTER I

MANAGEMENT OF E-COMMERCE ACTIVITIES

I. LEGAL FRAMEWORK FOR E-COMMERCE APPLICATION IN VIETNAM

E-commerce is basically defined as the application of electronic means in business and commerce. The subjects of e-commerce activities have to comply with the provisions on e-commerce as well as the other relevant related to the investment, commercial, civil provisions…

On 26 November 2014, regarding the legal framework of business, the National Assembly of Vietnam passed two new laws: Law No.67/2014/QH13 on Investment (Investment Law 2014) and Law No.68/2014/QH13 on Enterprises (Enterprise Law 2014), both will take effect from 01 July 2015. Regarding the specialized provisions of e-commerce, on 05 December 2014, the Ministry of Industry and Trade promulgated Circular No.47/2014/TT-BCT stipulating on the management of e-commerce websites. 2014 has been a remarkable year for the appearance of these two laws and Circular No.47/2014/TT-BCT with many changes on the legal framework of e-commerce activities in Vietnam[1].

Figure 1: Updating the basic legal framework on e-commerce in Vietnam 2014

Time	Law	
21/12/1999	Penal Code	
14/6/2005	Civil Code	
14/6/2005	Commercial Law	
29/11/2005	Law on Electronic Transactions	
29/06/2006	Law on Information Technology	
23/11/2009	Law on Telecommunication	
19/6/2009	Law on amending and supplementing several articles of the Penal Code, No. 37/2009/QH12	
21/6/2012	Law on Advertising	
26/11/2014	Law on Investment	
26/11/2014	Law on Enterprises	
	Decree to provide guidance on law	Over ridding texts
15/02/2007	Decree No. 26/2007/ND-CP guiding the implementation of the E-transaction Law on digital signature and C/A services	**E-transactions Law**
23/02/2007	Decree No.27/2007/ND-CP on electronic transactions in financial activities	**E-transactions Law**
08/03/2007	Decree No.35/2007/ND-CP on electronic transactions in banking activities	**E-transactions Law**
13/08/2008	Decree No.90/2008/ND-CP on anti-spam	**E-transactions**
06/04/2011	Decree No. 25/2011/ND-CP detailing and guiding the implementation of some articles of the Law on	**Telecommunication Law**

[1] Introduction of related legal documents are provided in part II of this report

	Telecommunication	
13/06/2011	Decree No. 43/2011/ND-CP detailing regulations on the provision of online information and services on websites or e-portals of State agencies	**IT**
23/11/2011	Decree No. 106/2011/ND-CP amending and supplementing Decree No. 26/2007/ND-CP on Digital Signature and Certification Authority services	**E-transactions**
5/10/2012	Decree No. 77/2012/ND-CP amending and supplementing Decree No. 90/2008/ND-CP on Anti-spam	**E-transactions**
22/11/2012	Decree No 101/2012/ND-CP on non-cash payment (supersedes Decree No.64/2001/ND-CP on payment operations via the payment service providers)	**IT Law**
16/5/2013	Decree No. 52/2013/ND-CP on E-commerce	**E-transactions**
15/7/2013	Decree No. 72/2013/ND-CP on management, provision and use of Internet services and online information	**IT Law**
08/11/2013	Decree No.154/2013/ND-CP stipulation on the concentrated zones of information technology	**IT Law**
13/11/2013	Decree No.170/2013/ND-CP amending, supplementing some articles of Decree No.26/2007/ND-CP dated 15 February 2007 of the Government detailing on implementation of Law on Electronic Transactions on Digital signature and certification services of digital signature services and Decree No.106/2011/ND-CP dated 23 November 2011 of the Government amending and supplementing some articles of Decree No.26/2007/ND-CP dated 15 February 2007.	**E-transactions**
14/11/2013	Decree No. 181/2013/ND-CP detailing some articles of Law on Advertising	**Advertising Law**
	Decree on handling administrative violations	Over riding texts
12/11/2013	Decree No. 158/2013/ND-CP on sanctioning administrative violations in culture, sport, tourism and advertising.	
13/11/2013	Decree No. 174/2013/ND-CP on sanctioning administrative violations in the fields of posts, telecommunications, information technology and radio frequency.	
15/11/2013	Decree No. 185/2013/ND-CP on sanctioning administrative violations in commercial activities, production, trading counterfeit or prohibited goods and protection of the consumers' rights	
07/4/2014	Decree No.25/2014/ND-CP on the preventing, combating crimes and other violations of law using higt technologies	
	Circular guiding the implementation of some provisions in the decrees	Overriding texts
15/09/2008	Circular No.78/2008/TT-BTC guiding the implementation of	**Decree No. 27/2007/ND-CP**

	several provisions of Decree No.27/2007/ND-CP of 23 February 2007 on e-transactions in the financial activities	
30/12/2008	Circular No. 12/2008/TT-BTTTT guiding the implementation of several provisions of Decree No. 90/2008/ND-CP on Anti-spam	**Decree No.90/2008/ND-CP**
02/03/2009	Circular No. 03/2009/TT-BTTTT stipulating the codes of management and the certification templates of these code for e-mail, messages and Internet messages advertisement service providers.	**Decree No.90/2008/ND-CP**
16/03/2009	Circular No. 50/2009/TT-BCT guiding on electronic transactions on the stock market.	**Decree No.27/2007/ND-CP**
31/07/2009	Circular No. 26/2009/TT-BTTTT stipulating the provision of information on and assurance of access to government agencies' websites	**Decree No.64/2007/ND-CP**
14/12/2009	Circular No. 37/2009/TT-BTTTT stipulating procedures and required documents for the registration, licensing, and recognition of digital signature certification authorities	**Decree No.26/2007/ND-CP**
22/07/2010	Circular No.17/2010/TT-BKH detailing pilot online bidding	**Decree No.26/2007/ND-CP**
28/9/2010	Circular No.153/2010/TT-BCT guiding the implementation of the Government's Decree No.51/2010/ND-Cp dated 14 May 2010 stipulating on the form of invoice selling goods and providing services	**Decree No.51/2010/ND-CP**
9/11/2010	Circular No. 23/2010/TT-NHNN stipulating the managements, operations and use of inter-bank electronic payment system	**Decree No.35/2007/ND-CP**
10/11/2010	Circular No. 180/2010/TT-BTC guiding instructions on electronic transactions in the sector of taxation	**Decree No.27/2007/ND-CP**
15/11/2010	Circular No. 25/2010/TT-BTTTT stipulating the collection, use, share, safety assurance and protection of personal information on websites or e-portals of State agencies	**Decree No.64/2007/ND-CP**
20/12/2010	Circular No. 209/2010/TT-BTC stipulating electronic transactions in the professional operations of the State Bank.	**Decree No.27/2007/ND-CP**
14/3/2011	Circular No. 32/2011/TT-BTC guiding the creation, issuance and use of electronic invoices for goods sales and service provision	**Decree No.27/2007/ND-CP**
10/9/2012	Joint Circular No.10/2012/TTLT-BCA-BQPBTP-BTTTT-VKSNDTC-TANDTC guiding the provisions of Penal Code on some violations in the fields of information technology and communication	**Penal Code**
05/12/2014	Circular No.47/2014/TT-BCT stipulating on the management of e-commerce websites (replaced Circular No.12/2013/TT-BCT stipulating the procedures for notifying, registering and	**Decree No.52/2013/ND-CP**

	publicizing information related to e-commerce websites)	
11/12/2014	**Circular No.39/2014/TT-NHNN guiding on the intermediary payment services**	**Decree No.101/2012/ND-CP**

II. INTRODUCTION OF NEW LEGAL DOCUMENTS CONCERNING TO E-COMMERCE ACTIVITIES

1. The Investment Law and Enterprises Law 2014

The Enterprises Law 2014 has various key changes in the concepts compared to the Enterprises Law 2005, reflecting the right of freedom of enterprises in the Constitution 2013 when conducting business. According to the Constitution, the enterprises have the right and may do what the law does not prohibit[2].

Figure 2: Introduction of the Enterprises Law 2014

No.	Some new regulations of the Enterprises Law 2014
1	The procedures for establishment of enterprises will be separated with others on the investment projects, investment certificate and creating opportunities for enterprises to join the market.
2	The provisions of providing the sector code when registering business will be deregulated. It means the enterprises have the right to do business and actively select the forms, the sectors as well as the geographic when conducting business and they may also self-actively adjust the scale of sectors and businesses.
3	According to the development trends in the means of electronic transactions, the use of seals are significant reformed in this law. The enterprises have the right to decide on the form, the number and the content of their seals accordance with the law; at the same time, the enterprises are obliged to inform their seal forms to the business registration agency to publicize on the National portal of business registration. According to this law, not all the business texts have to be sealed but only on those texts that prescribed by law or required by the partners.
4	The provisions on the proportion of state holding in the state enterprises now changing from 50% to 100% of the charter capital.

[2] *Quote of the Ministry of Justice Gazette on 03 December 2014 at the Portal of Justice*

There are 07 chapters and 76 articles in the Investment Law 2014, a part thereof has several new changes ensuring that the legal framework are wide-open and attractive to the investment, contributing a transparent environment, ensuring the interests of the holders and creating the best benefit for the social and economic development.

The standing concept in the Investment Law 2014 consist of provisions which related to the principle of freedom of business, as enterprises will have the right to conduct freely business in sectors which are not prohibited by law.

The Investment Law 2014 gathers and governs the list of conditional and prohibited business sectors according to the methods of exclusion, which has contributed to innovate the basic principles of application in recent law. According to this law, the investors have the right to conduct business freely in any sectors not prohibited by law, which has changed from the principal provisions of investors could only conducting business that accepted by law[3].

2. Circular No.47/2014/TT-BCT stipulating on the management of e-commerce websites

On 5 December 2014, the Ministry and Industry and Trade promulgated Circular No.47/2014/TT-BCT, stipulating on the management of e-commerce websites, guiding some regulations of the Decree No. 52/2013/ND-CP on E-commerce, which was promulgated by the Government dated 16 May 2013. This Circular takes effect from 20 January 2015 and replaces the Circular No.12/2013/TT-BCT stipulating the procedures for notifying, registering and publicizing information related to e-commerce websites.

Figure 3: Approaching in formulating Circular No. 47/2014/TT-BCT

Remaining some provisions of Circular No. 12/2013/TT-BCT

1. Provisions on the procedures for notifying, registering related to e-commerce websites
2. Provisions on publicizing information related to e-commerce websites

Adding some new provisions

1. Enhancing the management of business activites on e-commerce websites, social-network websites, online sale promotion websites.
2. Allocating the management scope of specific websites.
3. Enhancing the management of conditional and prohibited goods on the e-commerce websites.
4. Other provisions

[3] *Quote of the Ministry of Justice Gazette on 8 December 2014 at the Portal of Justice*

Besides the remaining provisions of Circular No. 12/2013/TT-BCT on the procedures for notifying, registering and publicizing information related to e-commerce websites, the Circular No. 47 details certain provisions of the Decree No. 52/2013/ND-CP which related to: the management of business on e-commerce websites, including the clearance of the responsibilities to specific websites; the business operations of conditional or prohibited goods on e-commerce websites; the management of the social-commerce websites.

Figure 4: Responsibilities of traders or organizations for notifying, registering or licensing to the Ministry of Industry and Trade

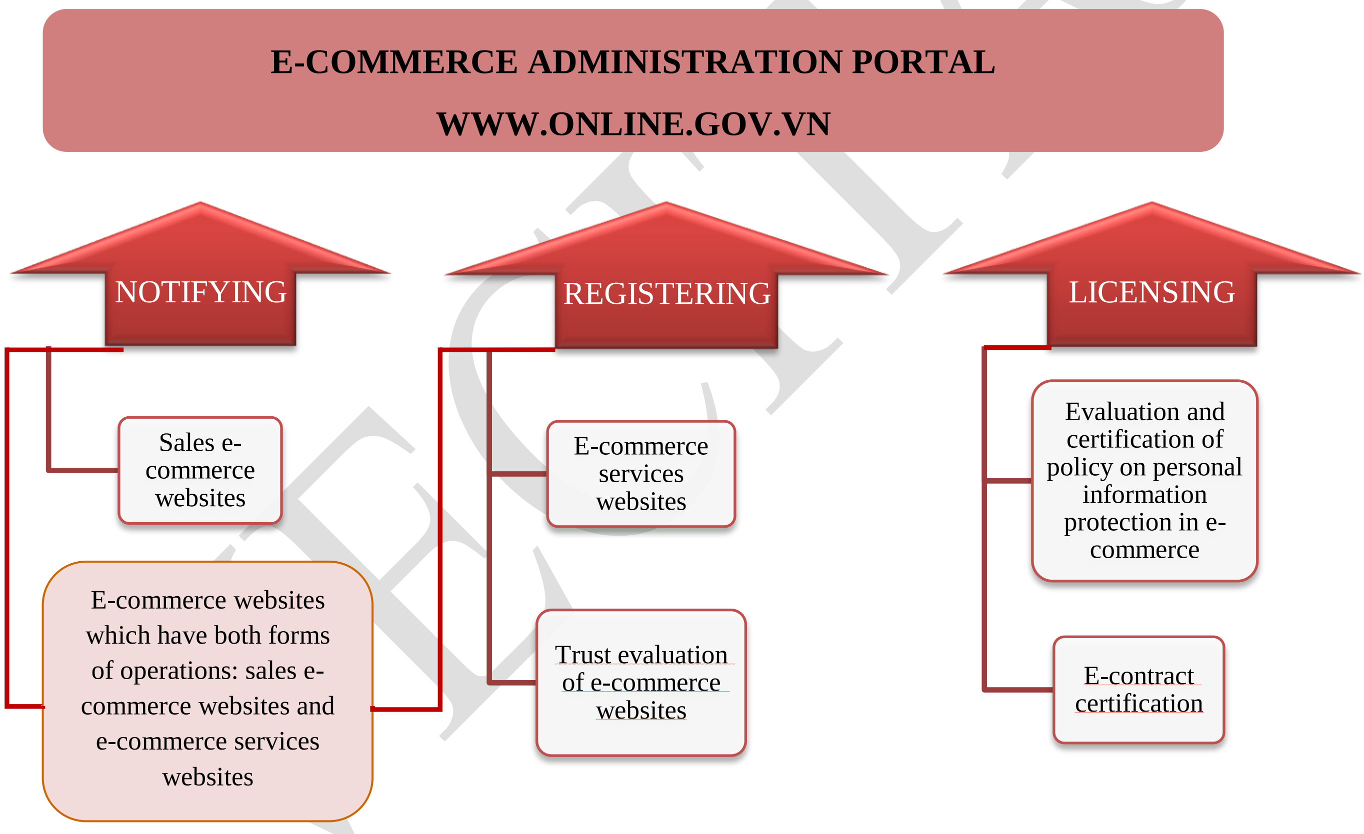


Figure 5: Allocating responsibility for management of specific websites

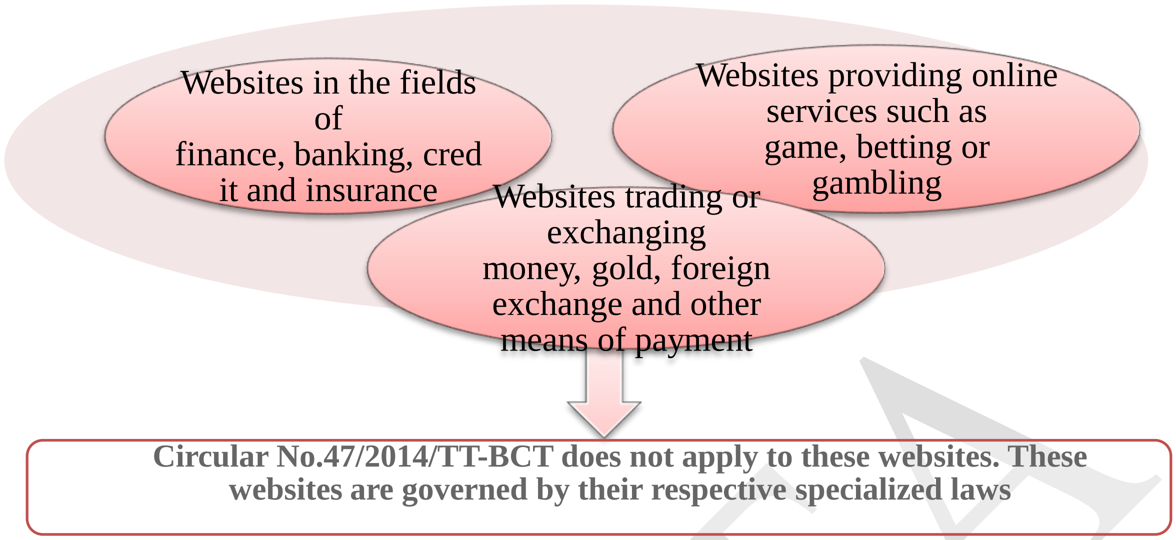


Figure 6: Management of social-commerce websites

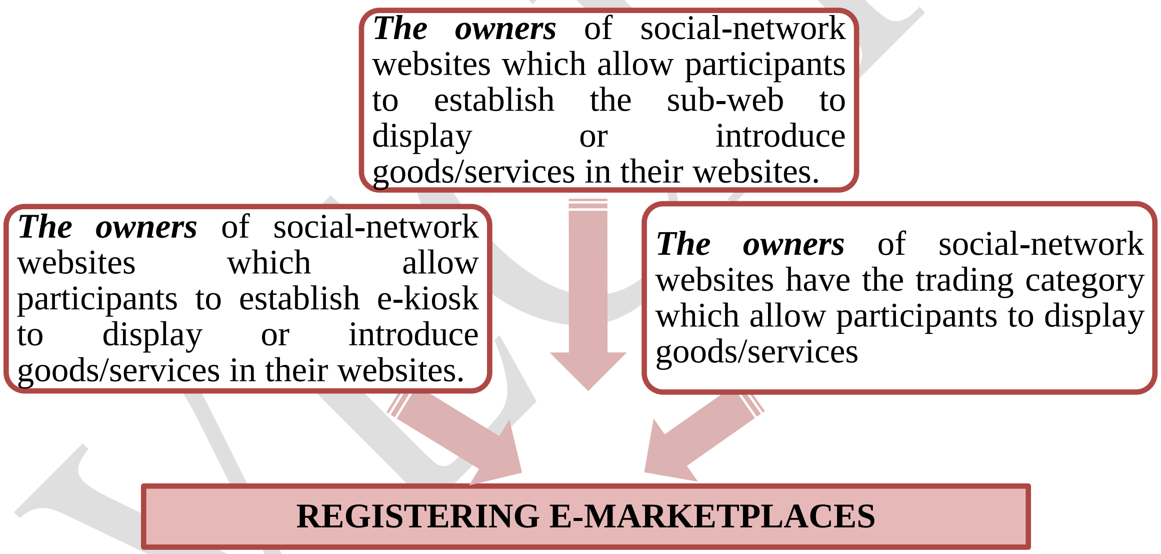


Figure 7: Management of conducting conditional and restricted goods or services on e-commerce websites

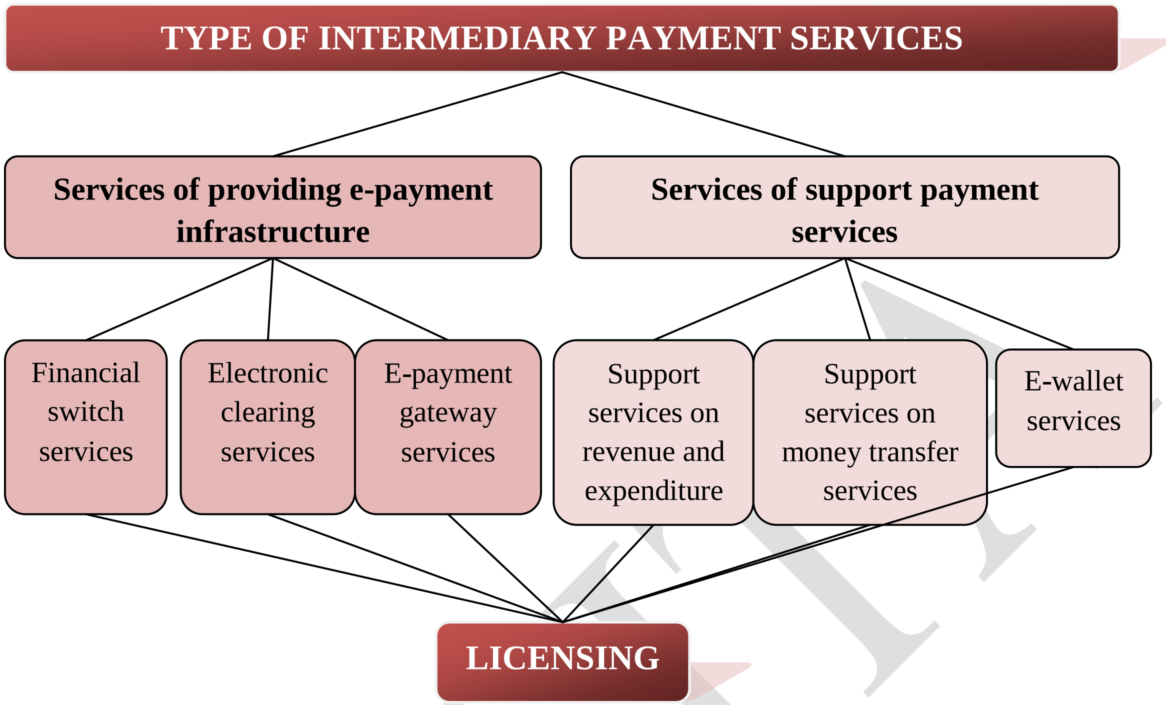
Subjects	Sales e-commerce websites	E-commerce services websites
CONDUCTING RESTRICTED GOODS		
Traders, organizations, individuals	Not allowed	Not allowed
CONDUCTING CONDITIONAL GOODS OR SERVICES		
Individuals	Not allowed	Not allowed
Traders, organizations	Being allowed to set up e-commerce sales websites for conducting the conditional goods and services and publicizing on the websites the number, date and place of issue of business certification of these goods and services as prescribed by law	- Being allowed to use e-commerce services websites for conducting the conditional goods and services -Conforming the condition of the conditional goods and services as prescribed by law.
		The owners of e-commerce services websites in this case have to meet the responsibilities as follows: - Requesting the sellers to provide the certification of eligibility for business when conducting the conditional goods and services as prescribed by law - Removing from the websites, the information of which trading goods or services violated the law when self-detected or received the authentication feedbacks from the customers. (…[4])

3. Circular No.39/2014/TT-NHNN guiding on the intermediary payment services

On 11 December 2014, The State Bank of Vietnam promulgated Circular No.39/2014/TT-NHNN guiding on the intermediary payment services. This Circular takes effect from 01 March 2015, in order to guiding some provisions of the intermediary payment services which governed in Decree No. 101/2012/ND-CP dated 11 December 2012 on non-cash payment.

[4] *Responsibilities of the owners of e-commerce services websites are governed in Article 4 of the Circular No.47/2014/TT-BCT*

Figure 8: The type of intermediary payment services



Circular No.39/TT-NHNN clarifying the type of intermediary payment services and providing specific provisions related to these services, including: the risk management, safety and security; fiscal solvency; e-wallet activities. The intermediary service providers have to comply with the provisions of the risk management, safety, security as follows:

- Developing and implementing the principles of risk management in electronic banking;

- Ensuring safety and security of information technology systems in banking activities; safety and security for providing electronic banking services;

- Compliance with the provisions of banking services on the establishment, use, preservation and storage of electronic communications in the Law on Electronic Transactions.

III. THE MANAGEMENT OF E-COMMERCE WEBSITES

After one year of implementing Decree No. 52/2013/ND-CP, there were 7,814 enterprises' accounts and 3,418 individual's accounts approved via the E-commerce Administration Portal. The data of websites were notified and registered on this Portal in 2014 as follow:

- The numbers of registration e-commerce services websites were 1,112 websites, the numbers which were confirmed till the end of December 2014 reaching 357 websites.

- The numbers of notification sales e-commerce websites were 9,075 websites, the numbers which were confirmed till the end of December 2014 reaching 5,082 websites.

Figure 9: Numbers of notification and registration e-commerce websites via the E-commerce Administration Portal in 2014

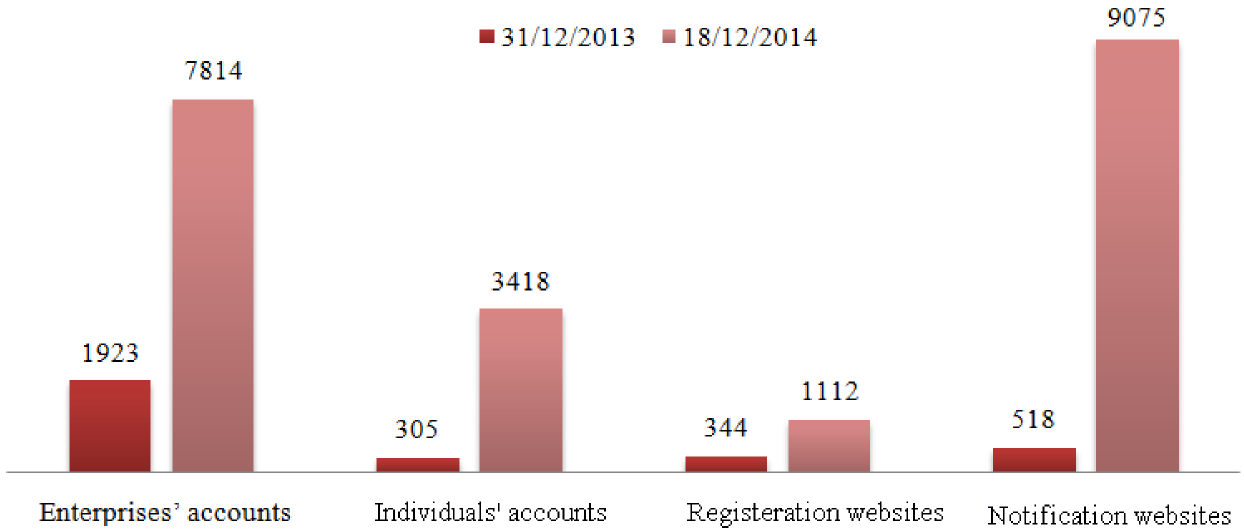


Figure 10: Numbers of registration e-commerce services websites were confirmed

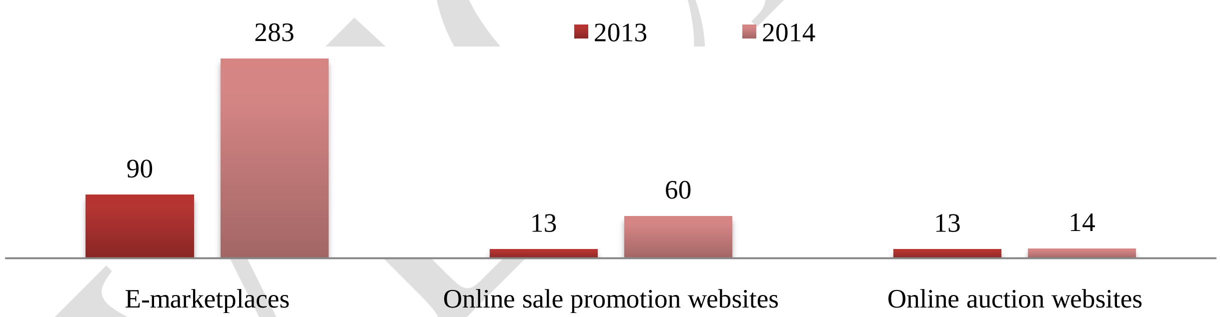


Figure 11: Popular violations according to consumers' feedback on E-commerce Administration Portal

No.	Violations	Percentage rate (%)	
		2013	2014
1	Conducting e-commerce website without any notification or registration	62,3%	87%

2	Organizing marketing and promotion network for e-commerce services in which each participants shall have to pay an initial amount of money to buy services and receive commission, bonus or other economic benefits from mobilizing others join the network	20,3%	1,3%
3	Violation of information on e-commerce websites	7,2%	4,5%
4	Using link website to provide conflicting or incorrect information compared with published information in website areas to which are linked this link	4,3%	2,2%
5	Trading counterfeit or prohibited goods	2,9%	3,5%
6	Violation of transactions on e-commerce websites (eg: payment fraud)	1,6%	1%
7	Making corrupt use of e-commerce websites' operating to raise capital illegally from other traders, organizations and individuals	1,4%	0,5%

In 2014, the complaints via the E-commerce Administration Portal reflected primarily on the operation of e-commerce websites without any notification or registration to the Ministry of Industry and Trade (87%). The rest of complaints (13%) were scattered related on providing violated information (4.5 %) and selling counterfeit or prohibited goods (3.5%) on e-commerce websites…

Figure 12: Implementation of handling administrative violations on e-commerce in Ho Chi Minh City and Hanoi in 2014

No.	City	Number of cases	Fines
1	Ho Chi Minh City	62	VND 1.22 billion
2	Hanoi	39	VND 769 million

In 2014, the inspection, examination and handling of the administrative violations on e-commerce were primarily implemented in Ho Chi Minh City and Hanoi. The total number of examined and processed cases in these two cities was 101, total administrative fines are approximately VND 2 billion. The violation cases were mainly related to the activities of setting up e-commerce websites as prescribed in Article 81 Decree No.185/2013/ND-CP on handling of administrative violations in commercial activities, production and trading counterfeit and prohibited goods and protection of consumers' interests.

CHAPTER II

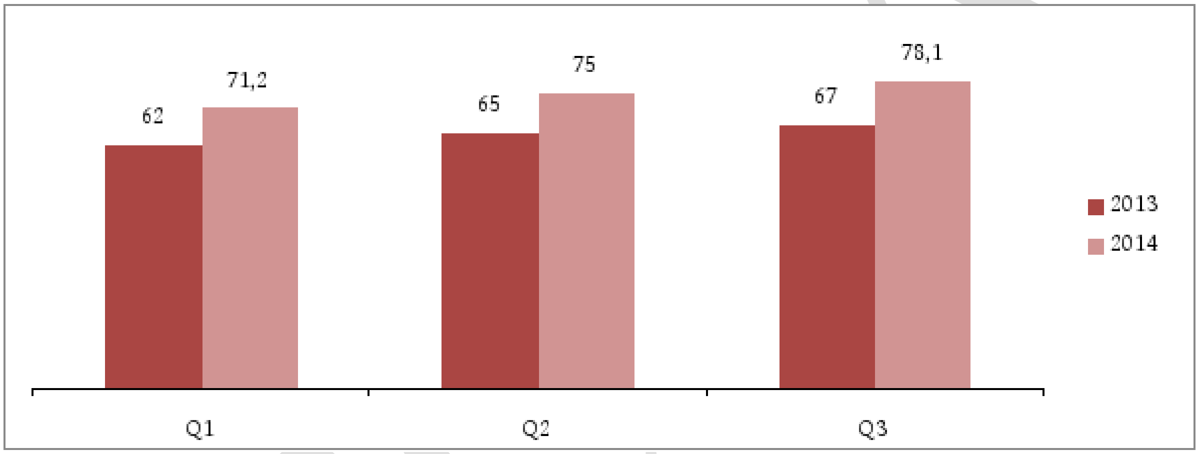
E-COMMERCE APPLICATION IN COMMUNITY

I. VIETNAM'S B2C MARKET SIZE IN COMPARISON WITH THE WORLD

1. United States

The Census Bureau of the Department of Ecommerce announced that the estimate of online retail sales for the first 3 quarters of 2014 was 224.3 billion US dollars, and the total online retail sales of 2014 could reach 305.5 billion dollars. In the third quarter of 2014, the online retail sale was estimated to increase by 4% comparing to the second quarter, and up 16.2% comparing with the same period last year. Online retail sales of this quarter accounted for 6.1% of the total retail sales of US in the third quarter.

Figure 13: The B2C retail sale of United States of Q3 2014



Source: Census Bureau – United States Department of Commerce (billion USD)

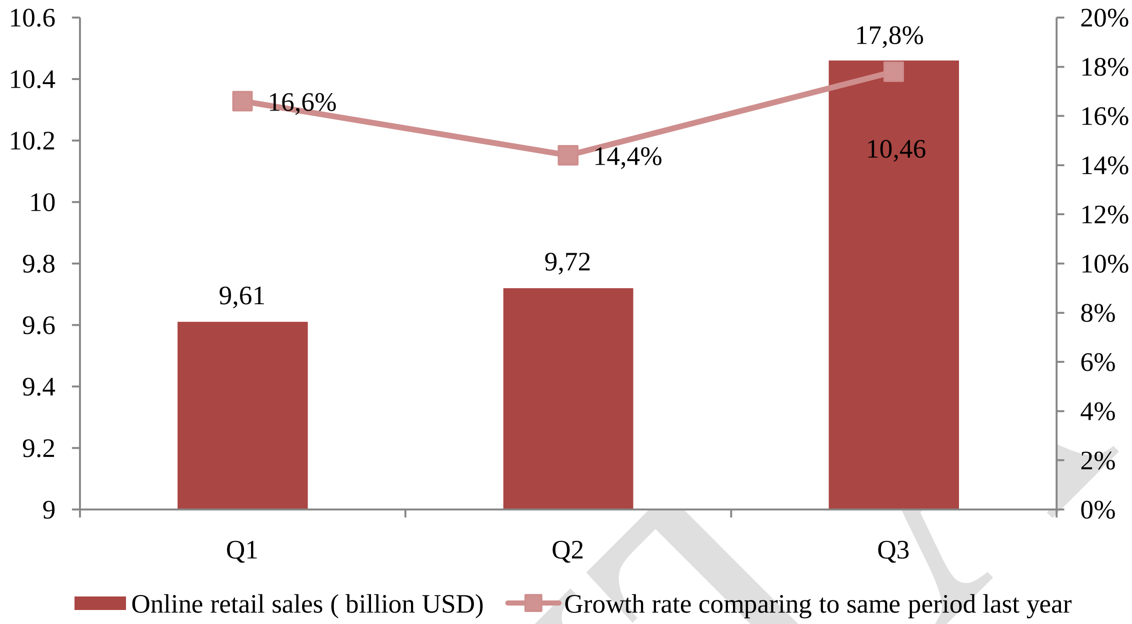
2. Korea

The regular Online Shopping Report by Statistics Korea in quarter 3 2014 announced that the online transaction value increased 17.8% from the third quarter 2013, which recorded 11.4 thousand billion won (equivalent to US $ 10.5 billion)[5]. E-commerce sale accounted for 12.8% of total sale, increased from 10.9% in quarter 3 2013.

Compared to the third quarter 2013, the share of online shopping for "Travel arrangement and reservation services", "Household goods, motor vehicle parts and accessories", and "Home electric appliances, electronic and telecommunication equipment" grew by 2.5%, 0.9%, and 0.5%, respectively. The share for "Food and beverages", "Computer and computer-related appliances", "Agricultural and fishery products" experienced the slight decrease, but still among the most popular group of commodity.

[5] *Converted at the exchange rate of $1 = Won 1088.33*

Figure 14: B2C e-commerce sales in Korea of Q3 2014



Source: GSO Korea

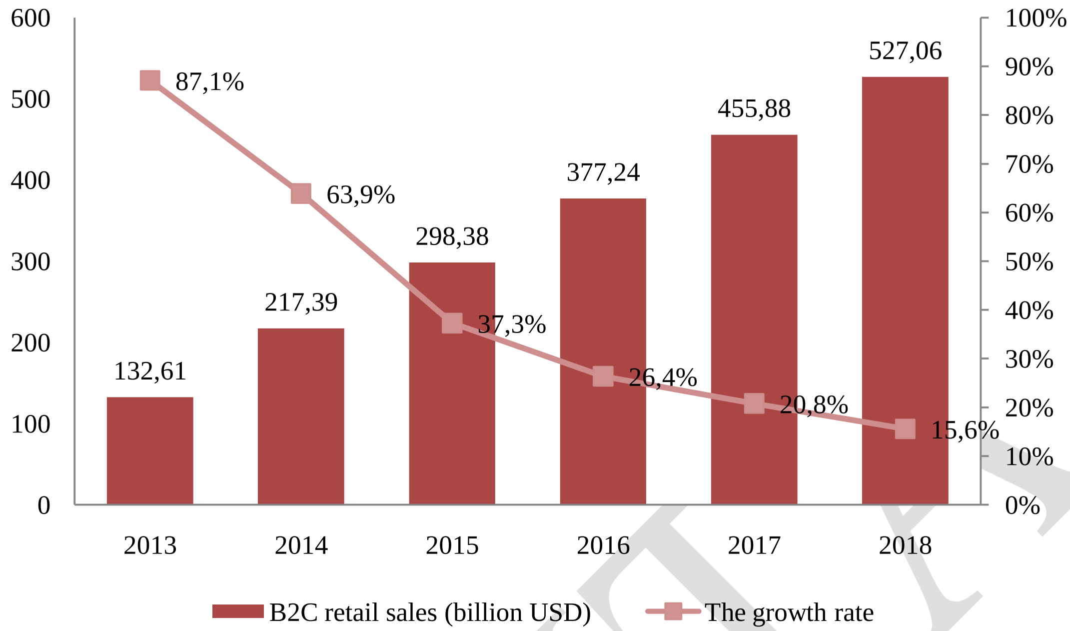
3. China

According to the report on China E-Commerce Market of eMarketer, online retail sales of this country grew 63.9% over the previous year, with the expected sales of 217.39 billion. This growing rate will still be kept until 2018.

According to the report, in 2014, online retail sales in China accounted for more than 50% of the total revenue of the Asia – Pacific. It is expected that in 2018, this figure will reach 70%.

Also as the content of the 33th Report on the development of Internet China data on the development of 33 of the Internet's Network Information Center of China Internet, the number of online shoppers in the country at present is 302 million people. According to a survey of Group M in June 2014, nearly 75% of online shoppers said they prefer buying online in brick-and-mortar stores.

Figure 15: Revenue from online retail sales in China 2013-2018[6]

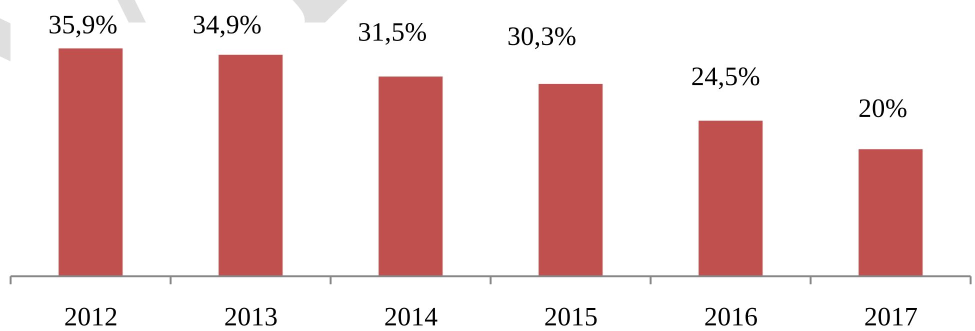


Source: www.eMarketer.com

4. India

According to the statistic of Internetworldstats, in 2014, the number of Internet users in India was at around 195 million people, accounted 15.8% of the population. As eMarketer announced, the number of online shoppers was 30 million people. The growth in e-commerce transactions in 2014 was 31.5%, B2C retail sales reached 20.7 billion USD. eMarketer said that each Indian spent 691 USD for online shopping.

Figure 16: Growth rate of online retail sale in India 2012-2017



Source: www.eMarketer.com

[6] *The data include products and services that were ordered via the Internet using any devices, regardless of payment method or manner of implementation; not include travel; not include Hong Kong.*

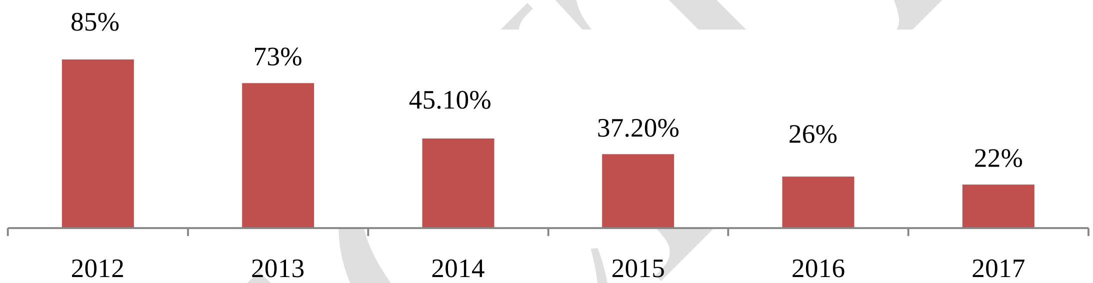
5. Indonesia

Indonesia was the 4th populated country in the world, with an estimated population of 253 million in 2014. Of which, there was 29.8% of the population, equivalent to about 74.6 million people using Internet[7] . According to eMarketer, the number of Internet users in Indonesia was growing at an average rate of 20% a year in the period of 2013-2016. Currently, about 5.9 million people had been shopping online at least once.

As eMarketer predicted, online retail sales in Indonesia in 2014 would reach 2.6 billion USD, accounting for 0.6% of total annual retail sales.

These items were most popular for online shopping in Indonesia including clothing, shoes, handbags, watches, airline tickets, cell phones, gadgets for cars.

Figure 17: Growth in retail sales in Indonesia 2012-2017



Source: www.eMarketer.com

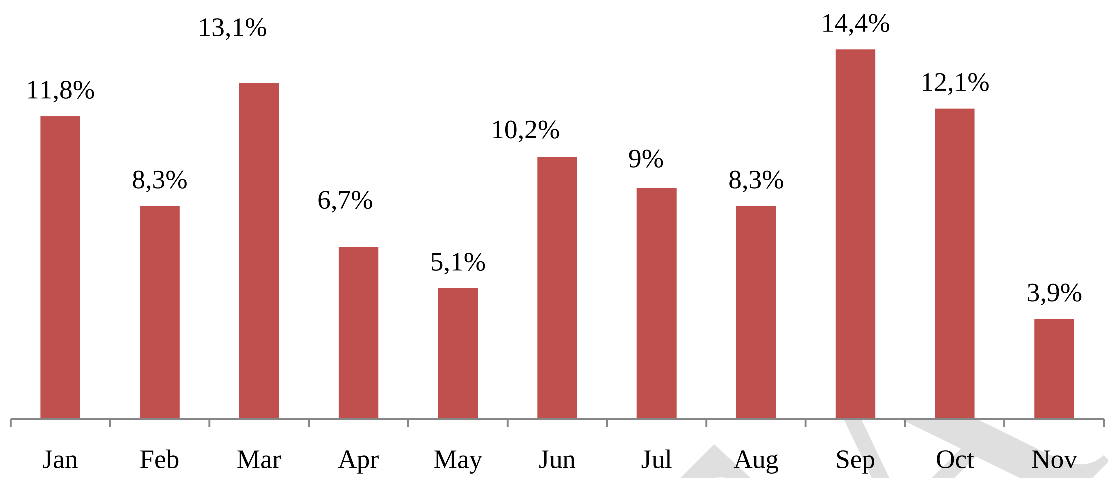
6. Australia

According to Online Retail Sales Index by the National Bank Australia (NAB) announced, the online retail sales in Australia increased from 14.9 billion USD in 2013 to 16.3 billion USD in 2014. Online retail sales were accounted for approximately 6.6% of total retail sales in Australia. According to NAB, products and services such as communications, food, fashion, were shopped the most in this country. The item that currently had the highest growth rate was toys and games, up 39.4% in November, though accounted to only 3% of share of the online retail market.

---

[7] *Data **Miniwatts Marketing Group** in 2014 in www.internetworldstats.com*

Figure 18: Growth of online shopping in Australia 2014



Source: National Bank Australia

7. Vietnam

According to the survey by Vietnam E-commerce and Information Technology Agency (VECITA) in 2014, online purchasing of each person a year was estimated at about 145 USD, and B2C sales revenues reached 2.97 billion USD, accounting for 2, 12% of total retail sales.

Products that were chosen the most are furniture and electronic technology (60%), fashion and cosmetics (60%), appliances (34%), books, stationery (31%) and some other items. In Vietnam, most of online shoppers, after ordering, still chose cash payments (64%), the form of payment via electronic wallet accounts for 37%, and the form of payment via bank accounts for 14%.

Figure 19: Estimated sales of B2C in Vietnam 2014

Population of VN 2014	Population using the Internet	Estimated value of online purchases of each person in 2014	Percentage of Internet access participating in online shopping	Estimated revenues from B2C in 2014
90.73 million [8]	39%	145 USD	58%	2.97 billion

[8] *According to GSO "socio-economic situation in 2014" - www.gso.gov.vn*

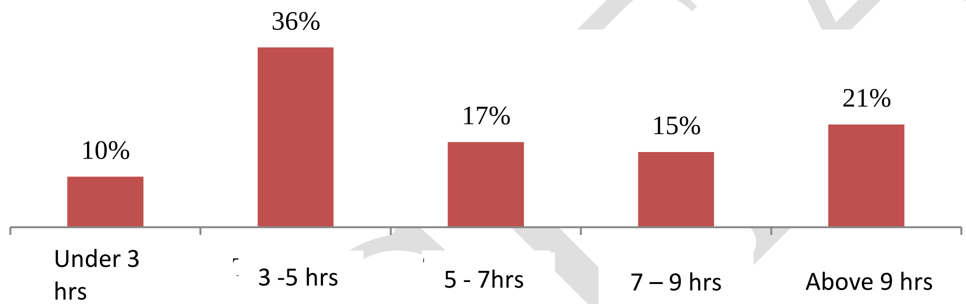
II. THE STATUS OF E-COMMERCE APPLICATION IN THE COMMUNITY

In 2014, VECITA – Ministry of Industry and Trade surveyed the status of e-commerce application with more than 900 Internet users in the country. Most of survey questionnaires were answered online and filled in the form directly. All the data and analysis in this section was drawn from the result of the survey mentioned above.

1. The use of Internet

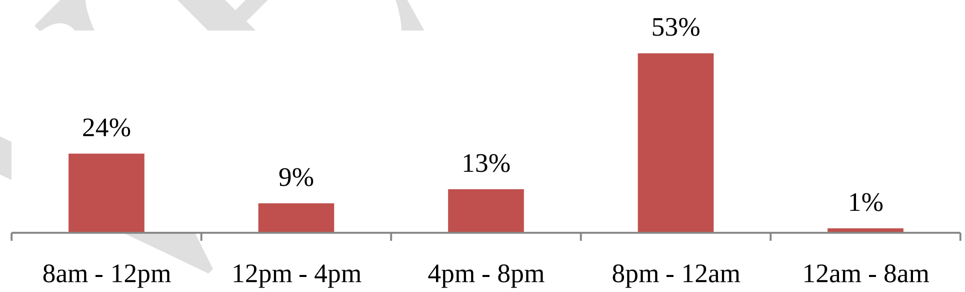
According to a survey of VECITA with more than 900 internet users in the whole country, 10% of correspondents replied that they use Internet less than 3 hours per day. 36% used Internet 3-5 hours per day.

Figure 20: Frequency of Internet using per day



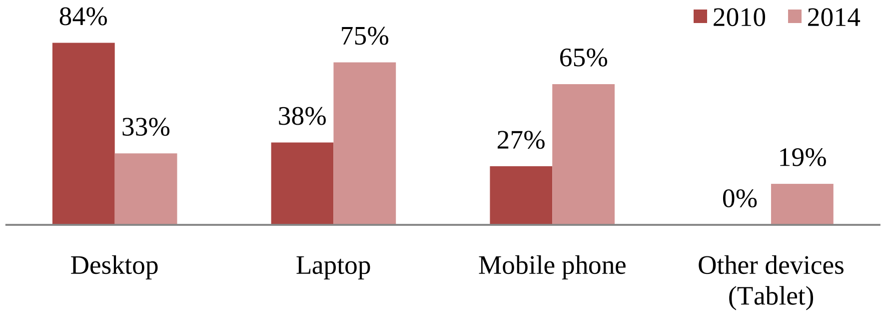
The period that people accessed Internet the most was from 8pm to 12am (53%), followed by the period of 8am to 12am (24%), and 4pm to 8pm (13%).

Figure 21: The most crowed time for accessing Internet



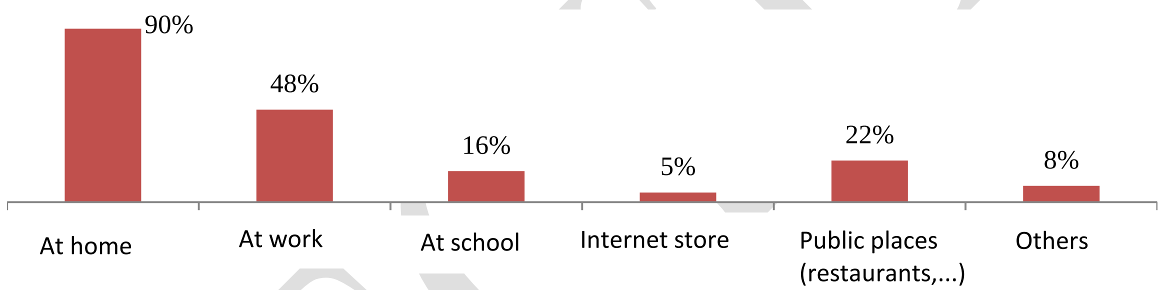
Laptops and mobile phones continued to be the most popular devices to access Internet, the proportion was 75% and 65% respectively. The number of people accessing Internet via other devices, such as tablets, also increased by 19% from 2010 to 2014. Desktops were used to be the most popular device in 2010, accounting for 84% of users; in 2014, only 33% of respondents accessed Internet via this device.

Figure 22: The device for Internet access



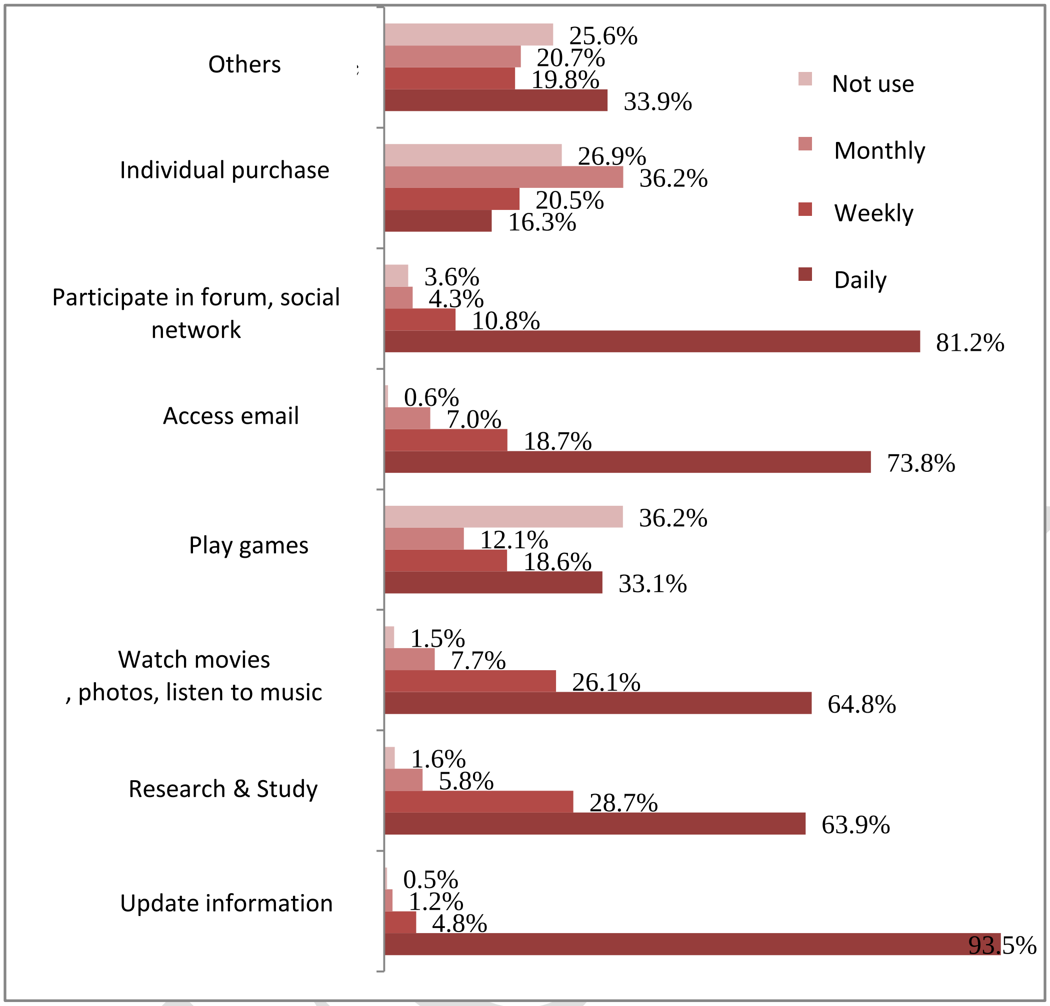
90% of respondents said that their most frequent location for Internet access was at home. The second most frequent one was workplace (48%). The public place, school, and Internet store took the corresponding proportion as 22%, 16% and 5%.

Figure 23: Location of Internet access



Update information continued to be the major purpose of using Internet daily, up from 87% in 2013 to 93% in 2014. The majority of respondents used Internet to participate in forums, social network (81%), to access email (73%), to watch movies, listen to music (64%), and to research (63%). For activities such as personal purchases, most of respondents operated monthly (36%).

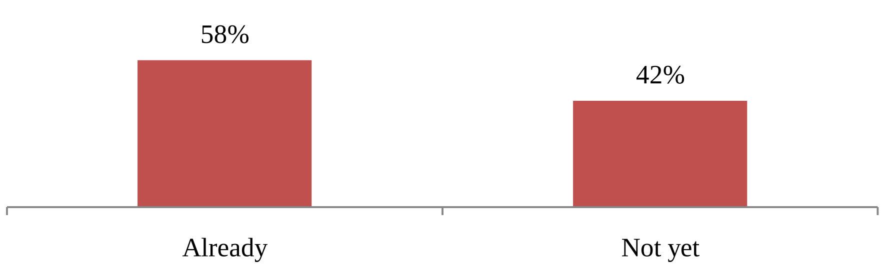
Figure 24: Frequency of using Internet for activities



2. The use of e-commerce in community

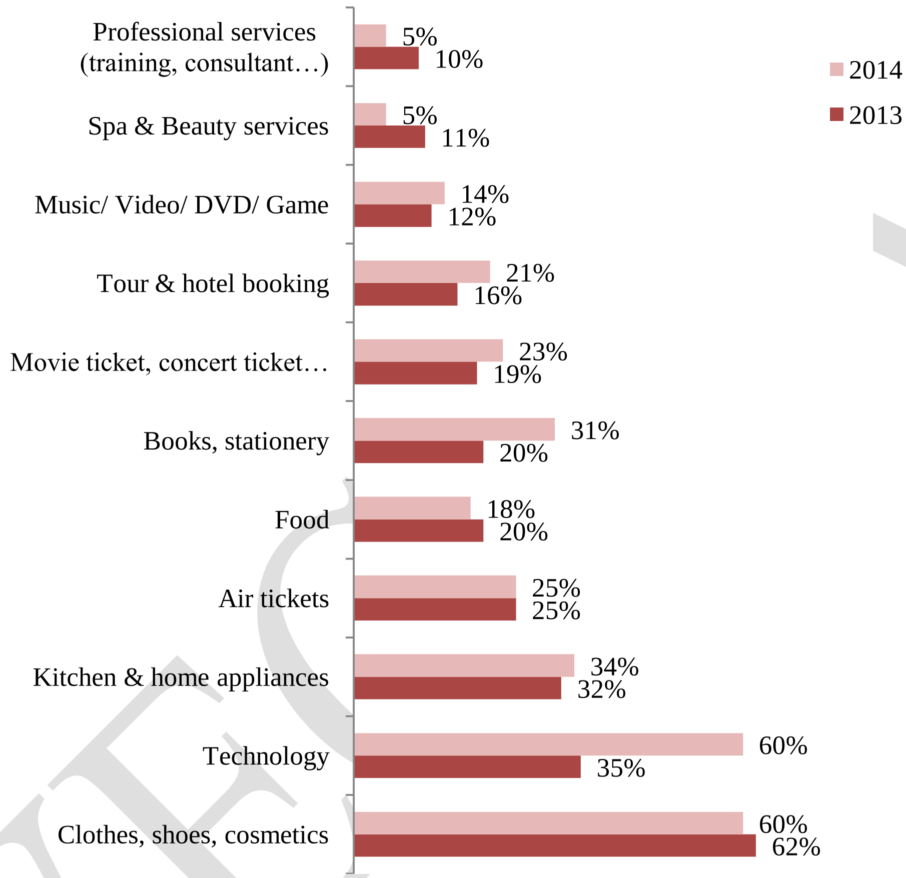
Results of the survey of VECITA with people shopping online in 2014 showed that 58% of Internet users purchased online.

Figure 25: People participating in online shopping



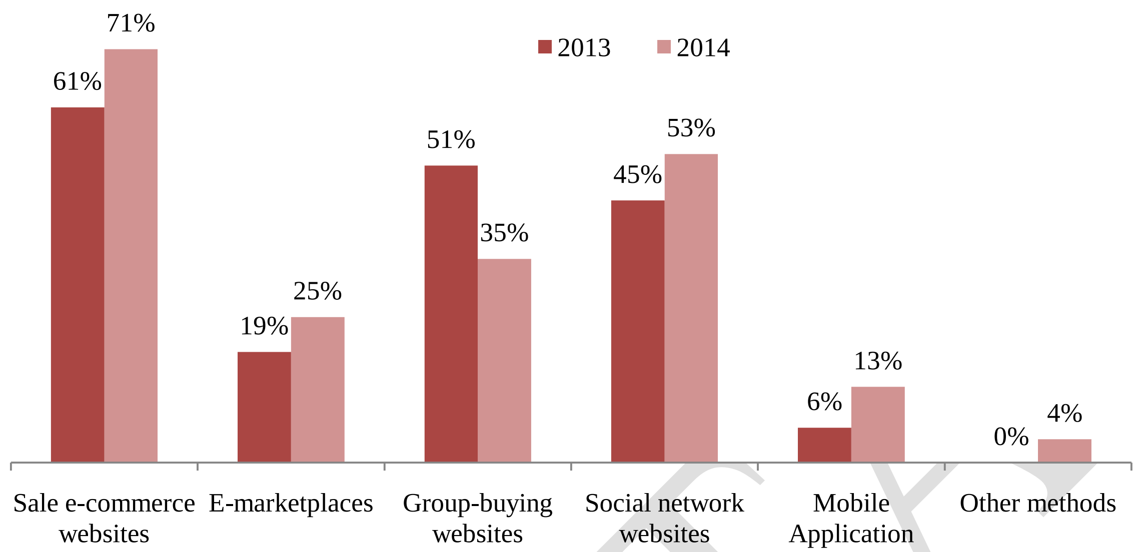
The type of goods which were purchased online the most, was toys and electronics technology, accounted for 60%, increased 25% comparing with 2013. The items which were popular with online shoppers were clothing, shoes, cosmetics (60%), household appliances (34%), books and stationery (31%)...

Figure 26: Popular online products on e-commerce websites



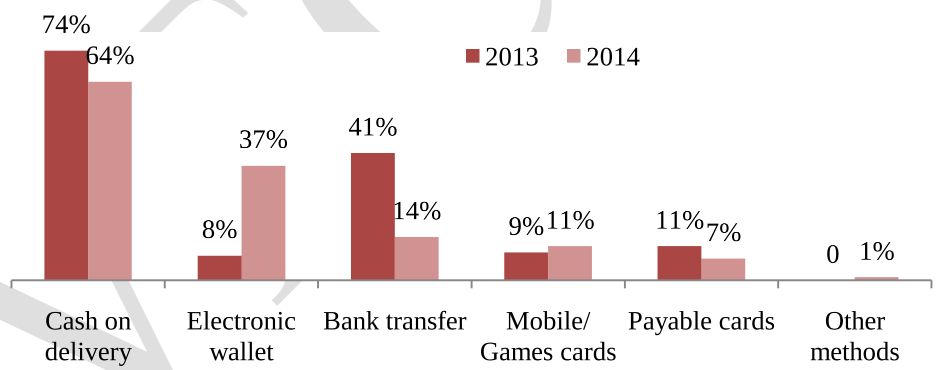
The survey results also indicated that 71% of respondents purchasing online through websites that sold goods / services, up 10% compared to 2013. The number of people using the social network websites for online shopping purpose increased from 45% in 2013 to 53% in 2014. The number of people that purchased items via group buying websites, fell sharply from 51% in 2013 to 35% in 2014. 25% of respondents said that they purchased via e-marketplace and 13% via applications on mobile.

Figure 27: Online purchase methods



Cash was a major payment method in online transaction (64% of respondents), though decreased 10% comparing with 2013. Bank transfer also fell from 41% in 2013 to 14% in 2014. Instead of that, the number of people using electronic wallet increased from 8% in 2013 to 37% in 2014.

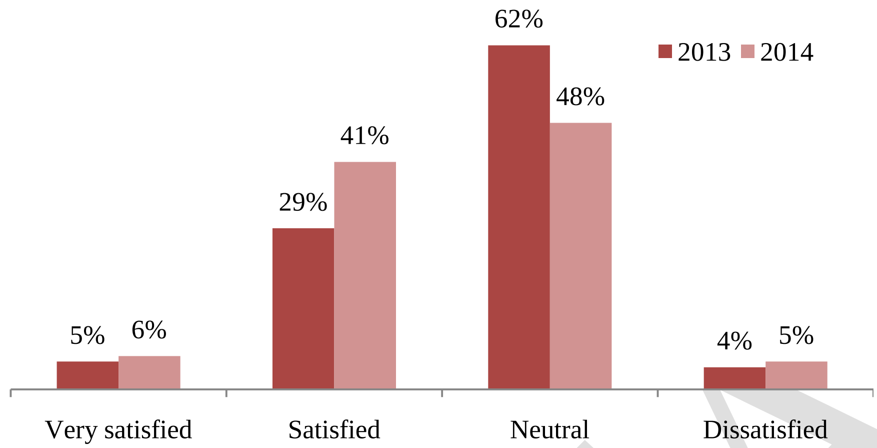
Figure 28: Payment methods in online shopping



3. The efficiency of applying e-commerce in community

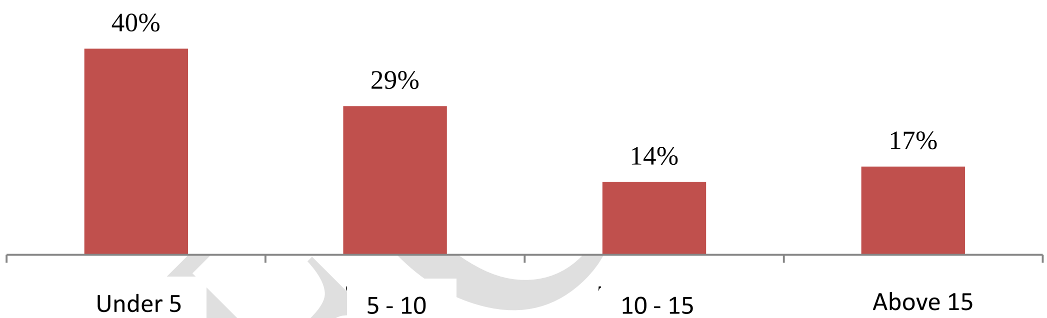
The survey's result showed that 6% of online purchasers were very satisfied. 41% were satisfied, which increased significantly from 29% in 2013. 48% felt neutral and only 5% were dissatisfied.

Figure 29: Satisfaction of online purchasers



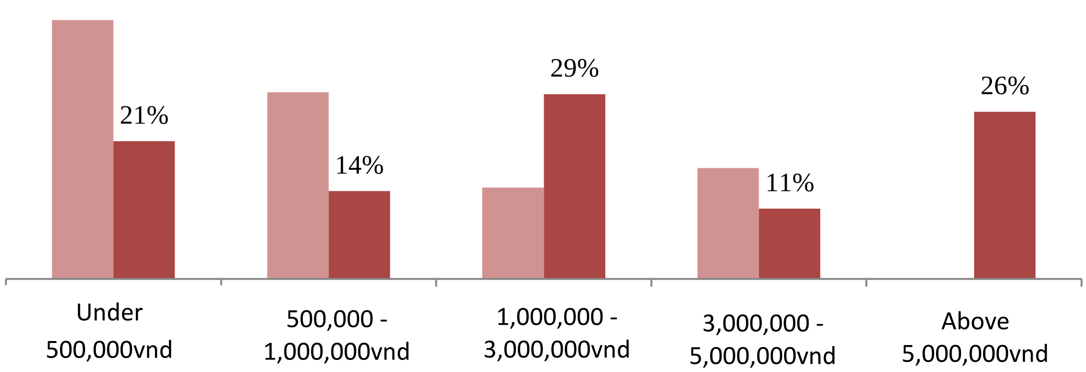
According to the survey's results, 40% of online shoppers bought less than 5 products in 2014, 29% purchased from 5 to 10 products and 17% purchased above 15 products.

Figure 30: Estimated number of products/services each individual shopping online in 2014



29% of buyers chose to purchase item with price from 1 to 3 million. Following was the price above 5 million with 26% of people chose to buy, and the least was from 3 to 5 million (11%).

Figure 31: Estimated value of each individual online shopping in 2014

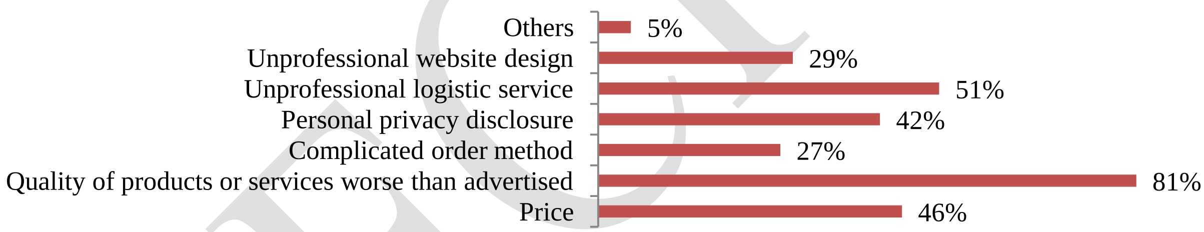


The survey also indicated that the reputation of the seller or the website was the most important factor with online shoppers, 740 respondents selected this factor, corresponding to the ratio of 81%. 80% of shoppers concerned about price, followed by order, payment and delivery methods (68%), and the brand of products and services (64%).

Figure 32: The consideration factors of online shopping

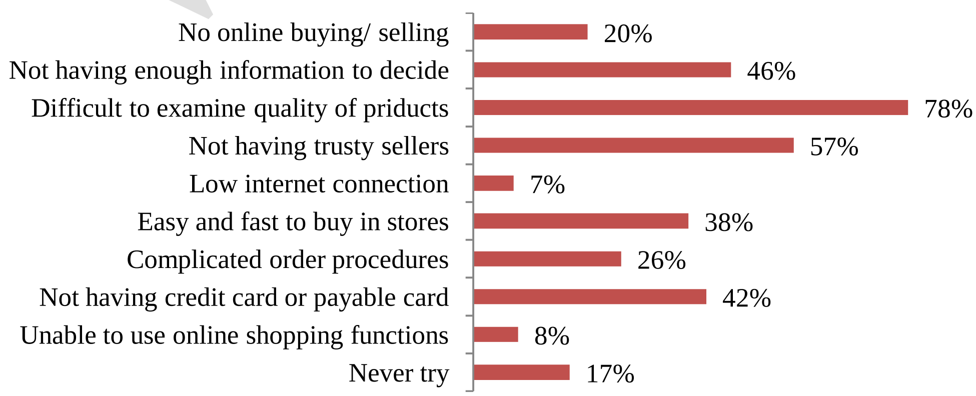
According to respondents, the greatest obstacle of online shopping was the quality of products or services worse than being advertised (81%). Next was unprofessional logistic services (51%), price not lower than buying in traditional shops or not clear (46%), personal privacy disclosure (42%), and unprofessional website design (29%).

Figure 33: Obstacles of online shopping



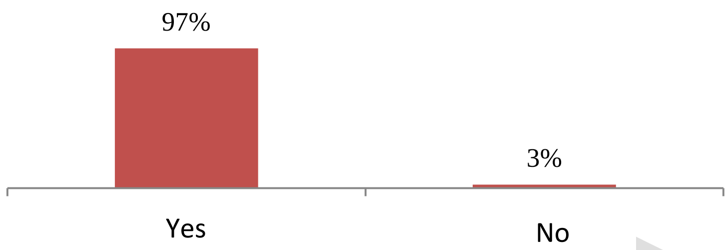
The reasons why people did not purchase online including: the difficulty in examining quality of products (78%), not having trusty sellers (57%), not have enough information to make purchase decisions (46%), not having credit cards or other payable cards (42%), buying in store faster and easier (38%), complicated online order procedures (26%).

Figure 34: Reasons for people not shopping online



However, 97% of respondents would continue to purchase items online in the future, this ratio was significantly increased comparing with 88% in 2013.

Figure 35: Continue to purchase items online or not



CHAPTER III

E-COMMERCE APPLICATION IN ENTERPRISES

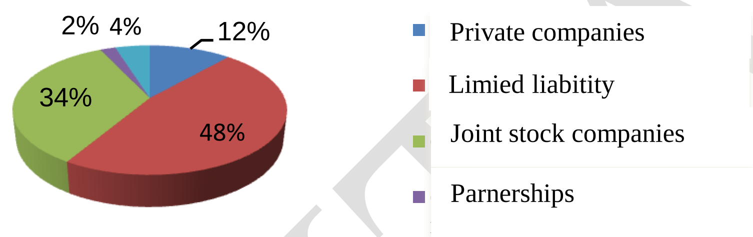
I. GENERAL INFORMATION

In 2014, VECITA – Ministry of Trade and Industry sent the survey questionnaires on the e-commerce application to 3.538 enterprises nationwide. All figures and analysis in this chapter reflected the results of this survey.

1. Types of enterprises

Differing from 2013, the limited liability companies accounted for the highest figures (48%), followed by the joint stock companies (34%). The private companies, companies with foreign capital and other types of enterprises accounted for 19% of the total surveyed enterprises.

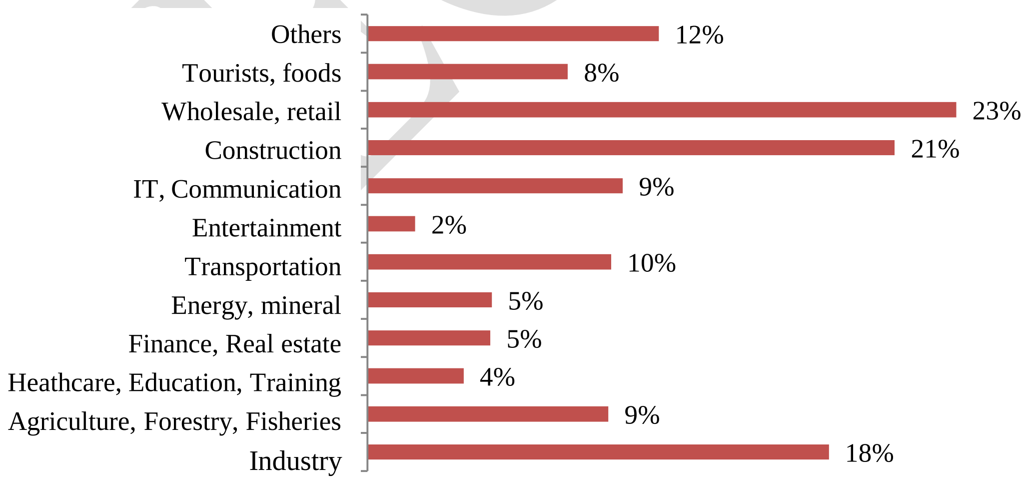
Figure 1: Types of enterprises surveyed in 2014



2. The business sector of enterprises

The three sectors having high number of enterprises participating in the survey were wholesale and retail (23%), construction (21%) and industry (18%). In 2013, the industry sector accounted for the highest figure (23%), the wholesale and retail took the second place (21%), followed by construction (17%).

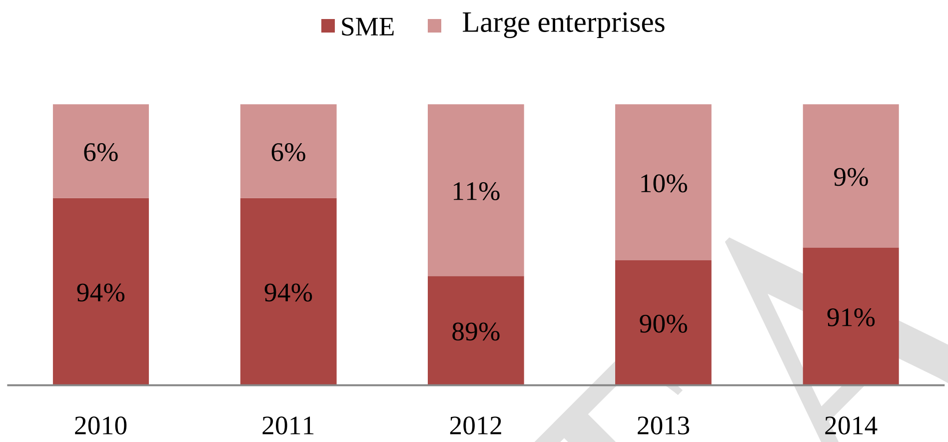
Figure 2: Business sectors of enterprises surveyed in 2014



3. The scale of enterprises

Similar to the previous years, the scale of enterprises participating in the survey classified into the number of employees. The large enterprises had more than 300 employees, in contrast with the small and medium enterprises (SMEs). According to the scale of enterprises, 9% of respondents in the survey were large enterprises; the rest of respondents were SMEs (91%).

Figure 3: The scale of enterprises over years



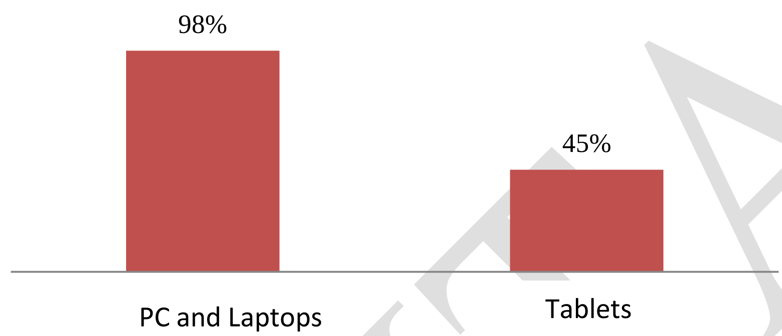
II. INFORMATION TECHNOLOGY AND HUMAN RESOURCES INFRASTRUCTURE

1. Hardware

a. Computer

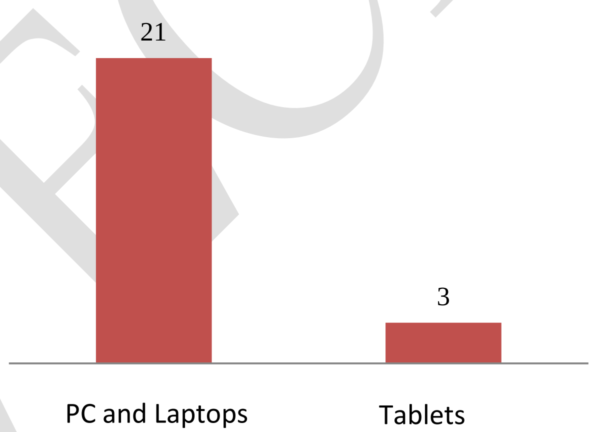
According to the survey result in 2014, 98% of enterprises participating in the survey equipped with private computers (PC) and laptop, 45% of them equipped with tablets.

Figure 4: The number of computers in enterprises in 2014



In conformity with the findings, each enterprise had 21 PC/ laptop and 3 tablets on average.

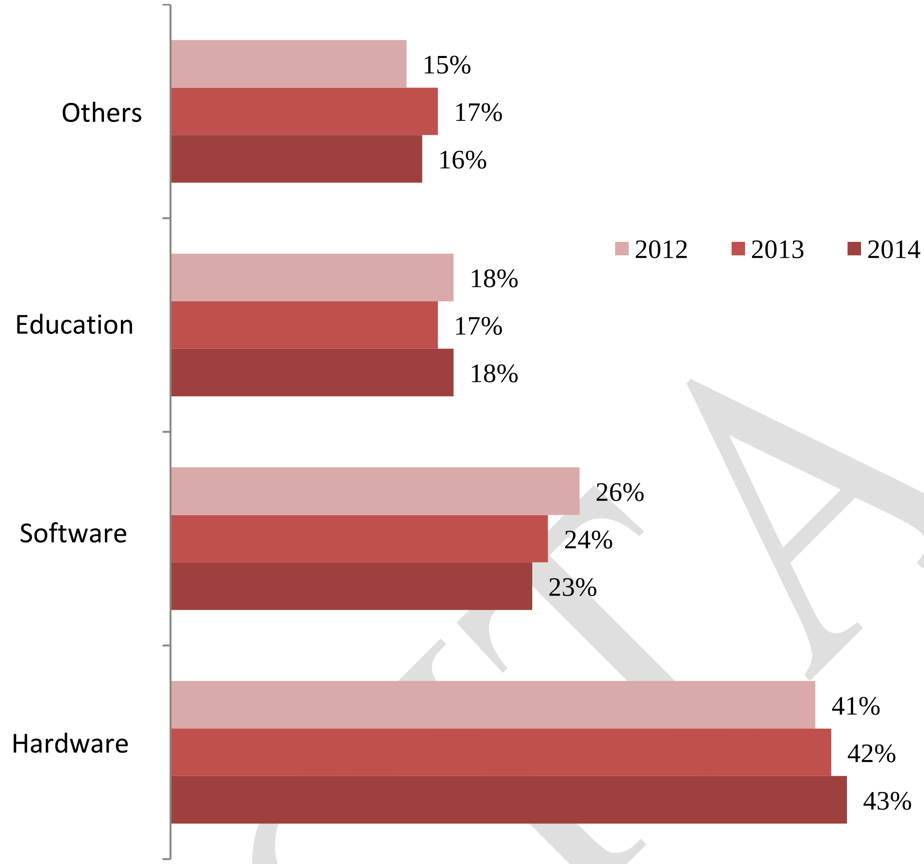
Figure 5: The average of computers in enterprises in 2014



b. The expense structure for IT and E-commerce

The investment rate of enterprises for IT and E-commerce did not have much difference compared to the previous years. In 2014, the investment rates were 43% for hardware, 23% for software and 18% for human resources and training.

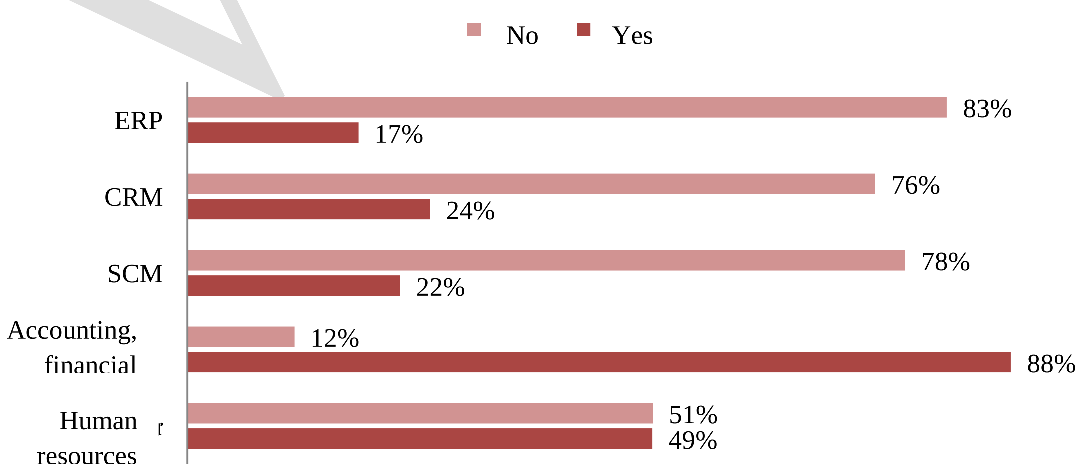
Figure 6: Cost structure for IT and E-commerce in enterprises over years



2. Software

According to the survey results, two groups of software were most commonly used in business included accounting, financial software (88%) and human resources management (49%). Some complicated software required high-level structure of enterprises as Customer Relationship Management software (CRM), Supply Chain Management software (SCM), Enterprise Resource Planning software (ERP), were used less commonly with 24%, 22% and 17% respectively.

Figure 7: Rate of enterprises applying software in 2014



The e-signature was established in the form of words, letters, numerals, symbols, sounds or other forms by electronic means, logically attached or associated with a data message and capable of certifying the person who has signed it as well as the approval of such person to the content of the signed data message[9]. According to the findings, the number of enterprises increased over years from 23% in 2012 to 45% in 2014. The rate of large enterprises using e-signatures was higher than the rate of SMEs (with 60% and 44% respectively).

Figure 8: The rate of enterprises using e-signature over years

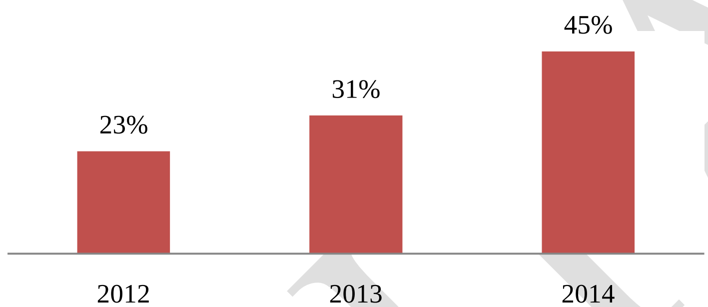
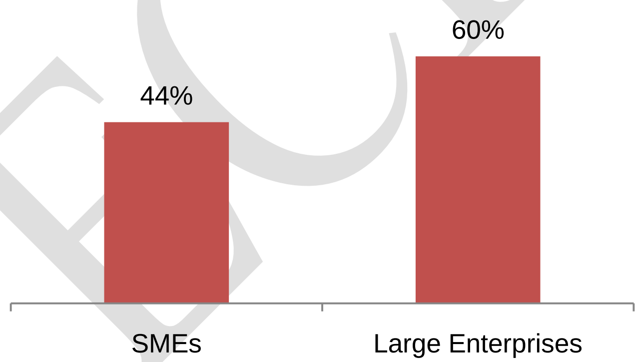


Figure 9: The rate of enterprises using e-signature by scale

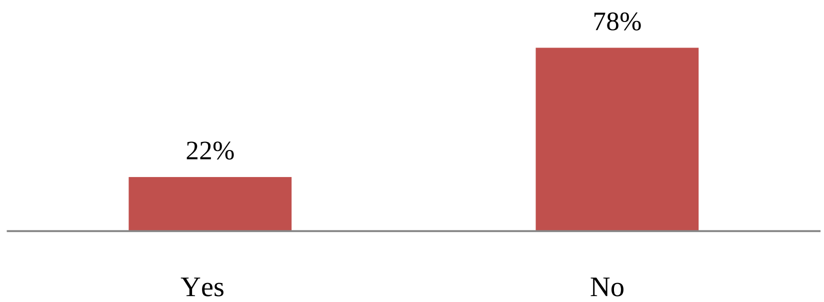


3. Online Monitoring System

Enterprises began to approach the automatic system and online monitoring system to check orders and delivery items. According to the survey results, 22% of enterprises used the system on business activities.

[9] *Law on E-transactions 2005*

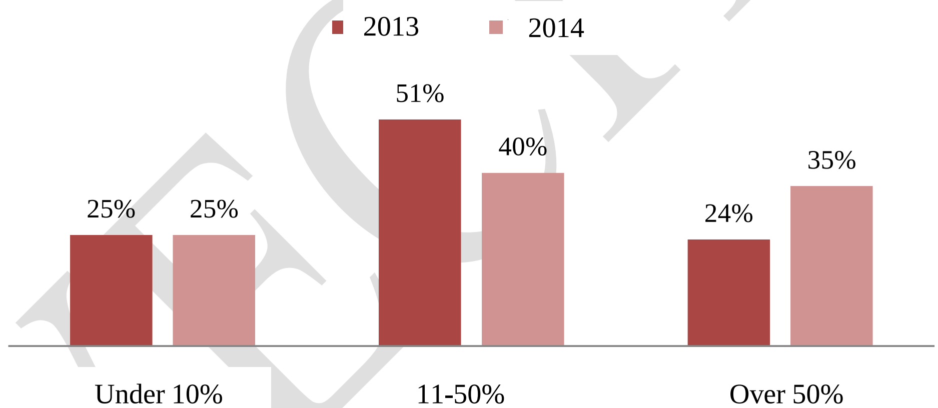
Figure 10: The use of online monitoring system



4. Email

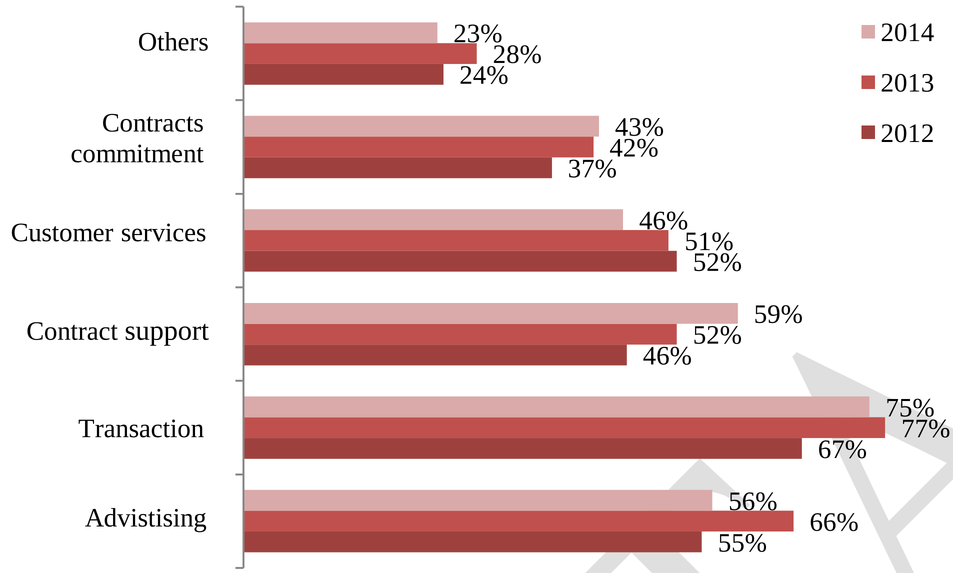
Outstanding advantages such as high speed, cheap price and no geographical distance, email was the most commonly mean for enterprises on business strategy and daily activities. According to the survey results in 2014, the number of enterprises having more than 50% employees and using email on daily activities increased comparing with the last year (24% in 2013 and 35% in 2014).

Figure 11: The use of email in enterprises



In general, the rate of enterprises using email for doing business with customers and suppliers accounted for the highest figure (67% in 2012, 77% in 2013 and 75% in 2014)

Figure 12: Email usage for business purpose in enterprises



5. Staffing for e-commerce

The proportion of enterprises having IT and e-commerce specialized staffs slightly decreased comparing with the previous year (62% in 2014 and 65% in 2013). The number of IT and E-commerce specialized staffs of each enterprise was 3 people on average.

Figure 13: The proportion of IT and E-commerce specialized staffs over years

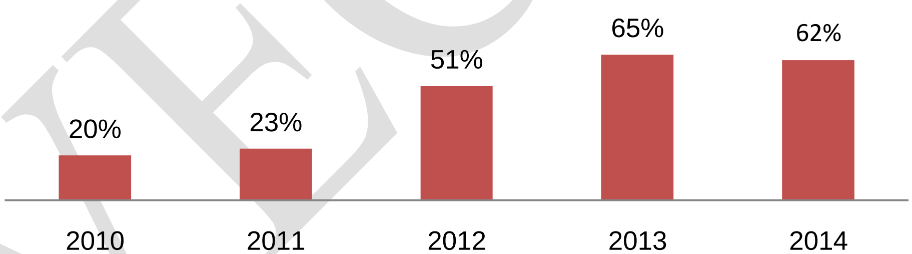
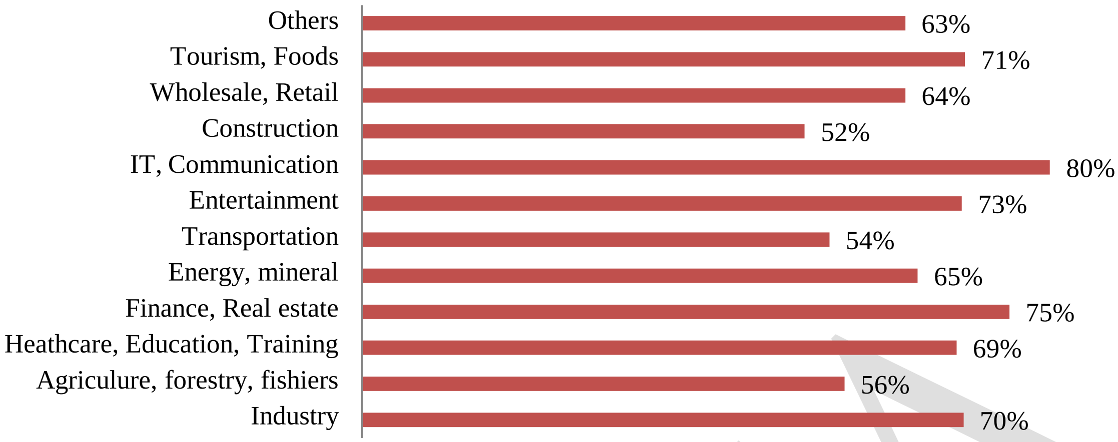


Figure 14: The proportion of IT and E-commerce specialized by business sectors



Regarding the difficulties on IT and E-commerce specialized staff recruitment, 27% of respondents said yes, 73% of respondent said no.

Figure 15: The difficulty on IT and E-commerce specialized staff recruitment

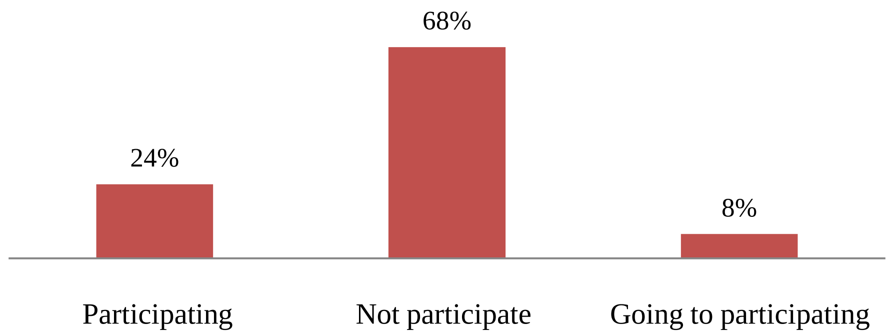
III. THE TYPES OF TRANSACTIONS AND PAYMENT ON E-COMMENCE

1. The types of sale

a. Social networks

Regarding the findings, 24% of respondents had already participated in the social networks and 8% of respondents will participate in 2015.

Figure 16: The rate of enterprises selling on social networking



b. Enterprises' websites

The number of website owners in 2014 was 45%. Of which, the enterprises on IT and communication had the highest rate (69%).

Figure 17: The rate of enterprises owning websites over years

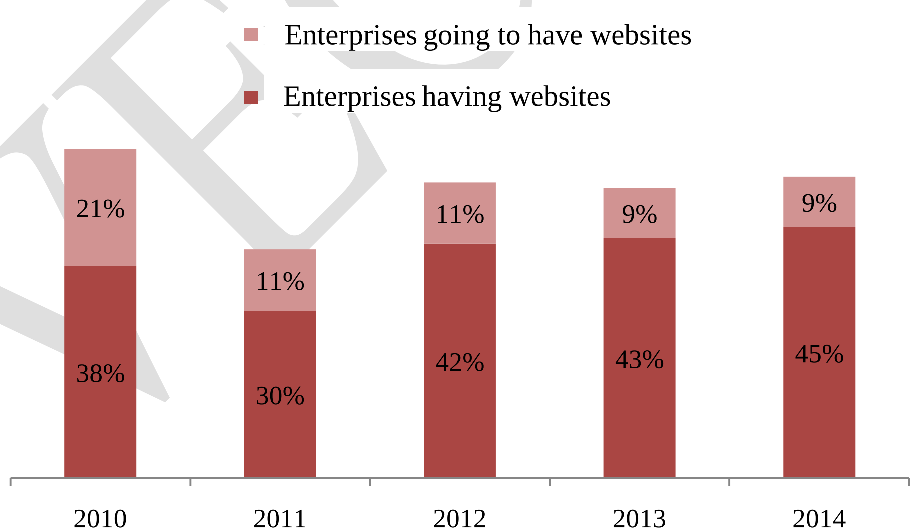
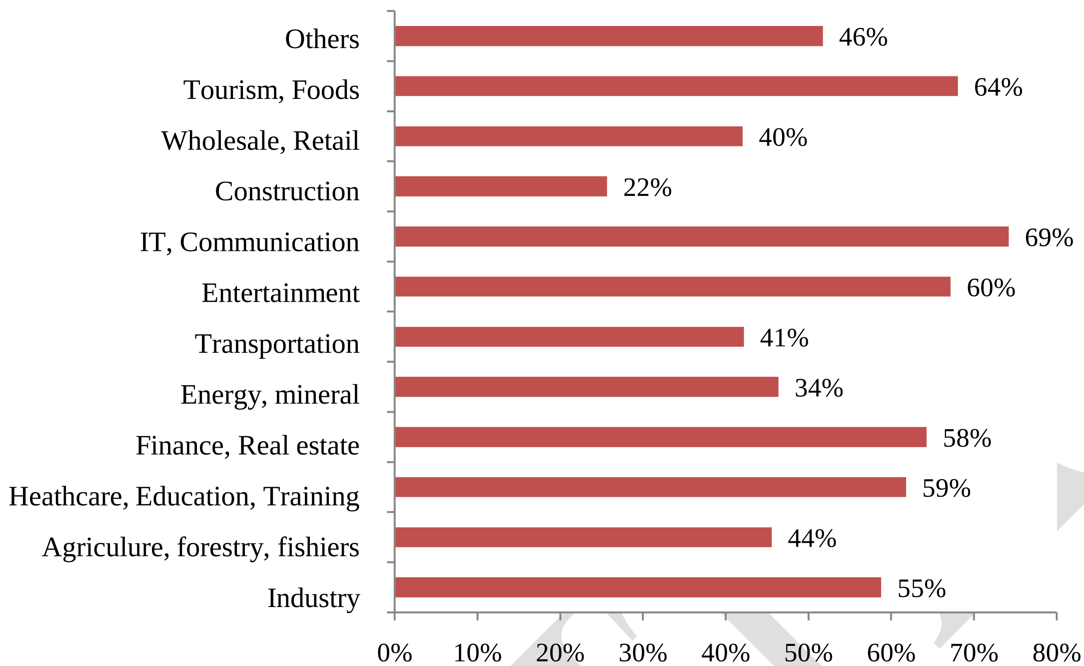


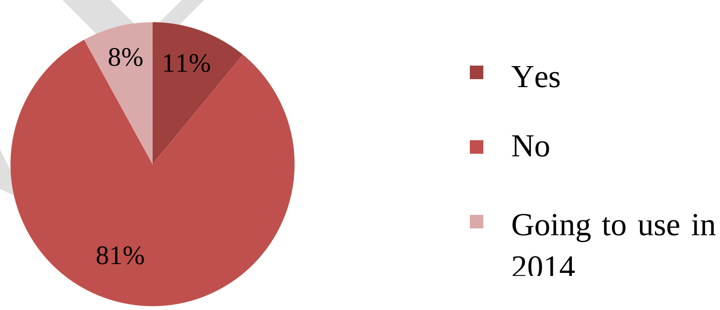
Figure 18: Enterprises owning websites by business sectors



c. Mobile platform

E-commerce in mobile platform kept approaching retail sector, changing role as communication channels to interaction channels between retailers and customers. The survey on the usage of apps on mobile platform for trading purpose, 11% of respondents had already used apps on mobile platform for trading.

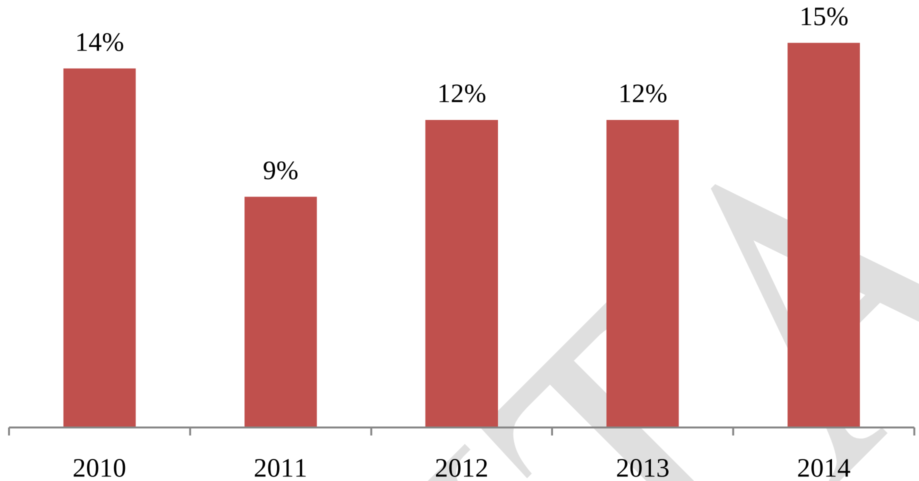
Figure 19: The usage of apps on mobile flat forms for trading purpose



d. E-marketplace

The rate of enterprises participated e-marketplaces in 2014, slightly increased comparing with the previous years.

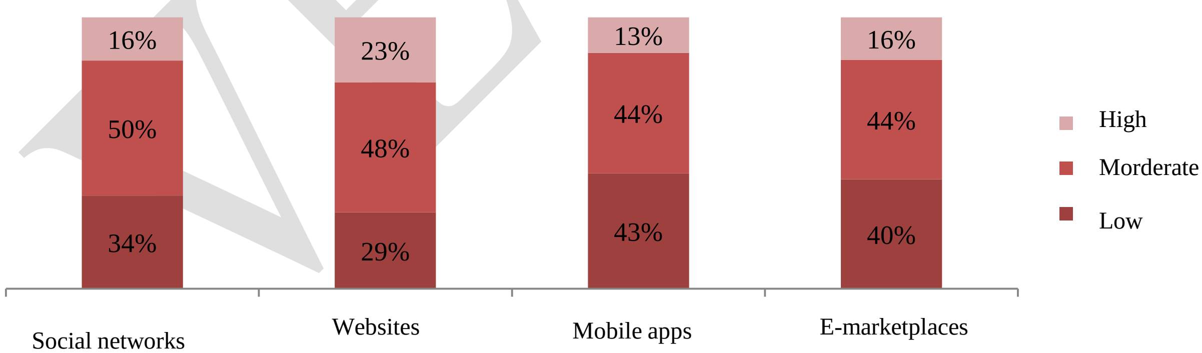
Figure 20: The percentage of enterprises participating E-marketplaces over years



e. The efficiency of the sales channels

Regarding the efficiency of the sales channels including social networks, websites, mobile platform and e-marketplaces, enterprises highly evaluated the effectiveness of social networking and websites (66% and 71% of respondents gave high or moderate marks for two channels).

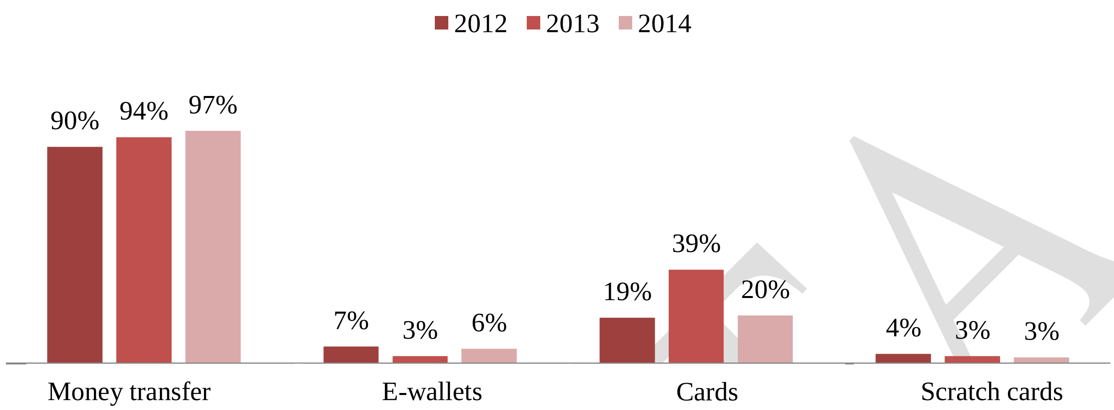
Figure 21: The effectiveness of sales channels



2. The payment method

The main payment method in enterprises was money transfer (90% over recent years). The second common payment method was cards (20% in 2014), e-wallets (6% in 2014) and scratch cards (3% in 2014).

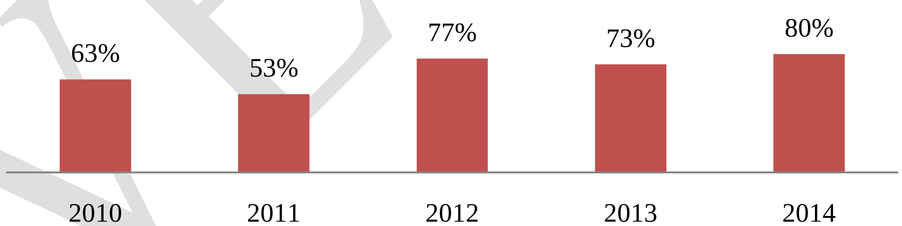
Figure 22: The payment method



3. Privacy policy

Most of enterprises had the privacy policy. In 2014, 80% of enterprises adopted privacy policy comparing with 73% of 2013.

Figure 23: The privacy policy



IV. THE STATUS OF E-COMMERCE WEBSITES OPERATION

1. The information update on e-commerce websites

52% of respondents updated information daily on their websites. Hanoi got the highest number of enterprises which daily updated on their websites (52%).

Figure 24: Frequency of information updates on websites in 2014

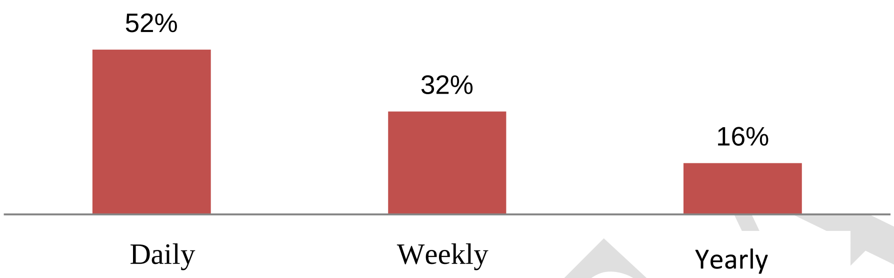


Figure 25: Frequency of information updates on websites over the years

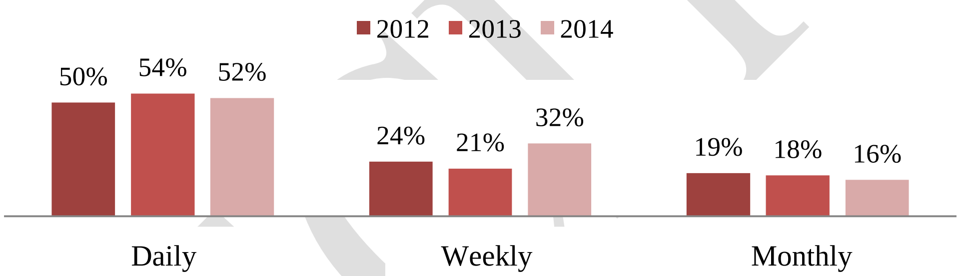
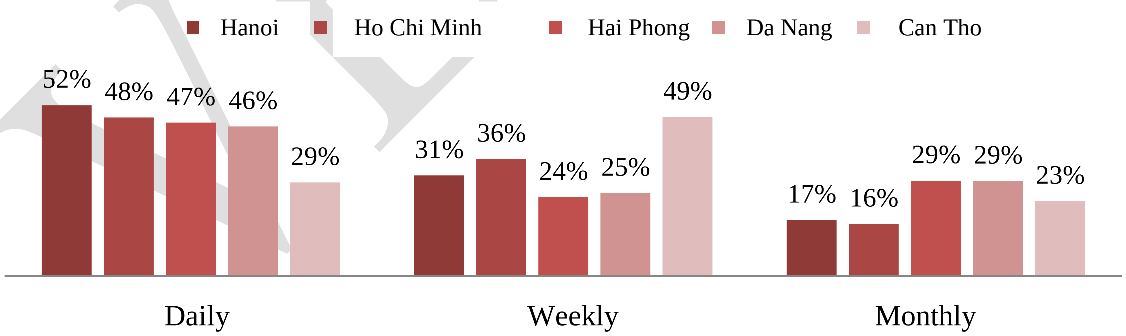


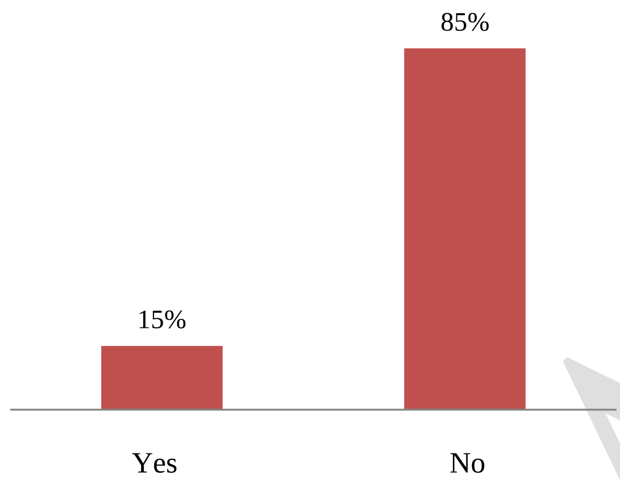
Figure 26: Frequency of information updates on E-commerce websites in 2014 by regions



2. Mobile version of websites

According to the survey results, 15% of enterprises had mobile version of their websites.

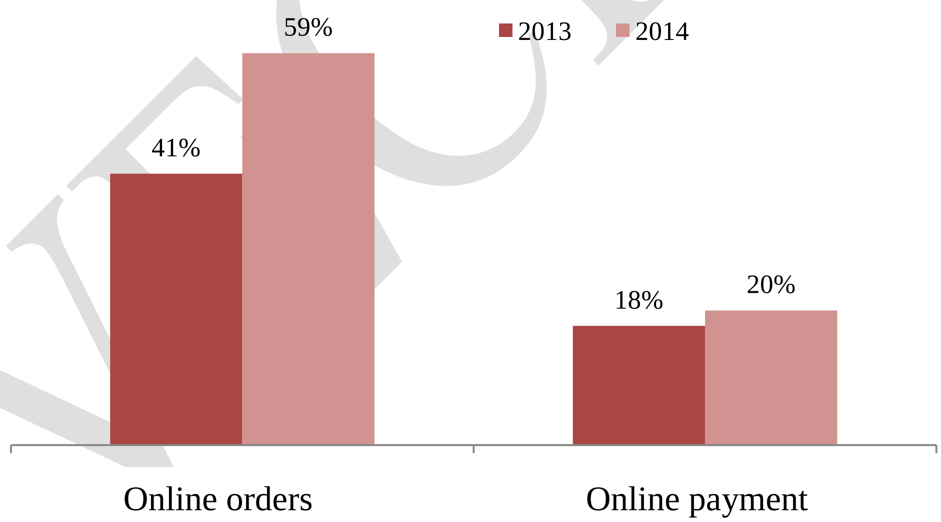
Figure 27: The rate of owning mobile version of websites



3. Website functions

In 2014, the number of websites having online orders increased comparing to the previous years (41% in 2013 and 59% in 2014). The rate of websites having online payment in 2014 was 20%, slightly increased 2% compared to 2013 (18%).

Figure 28: The rate of enterprises' website functions



4. The advertising methods of e-commerce websites

Social networks with some advantages such as high users, low prices become to be effective methods for enterprises advertise E-commerce websites (50%). The following methods were search engines (47%) and electronic journal (35%). However, when enterprises were asked to evaluate the advertising methods of e-commerce websites, 39% of respondents gave high scores for search engines, followed by social networks (28%).

Figure 29: The advertising methods of e-commerce websites in 2014

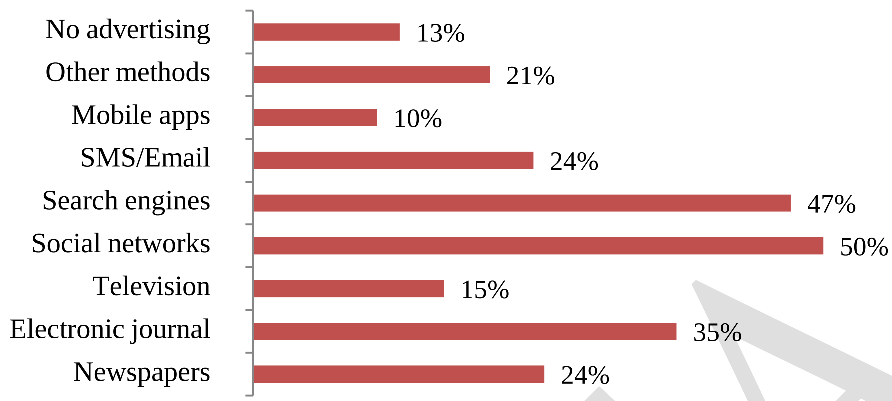


Figure 30: The advertising methods over years

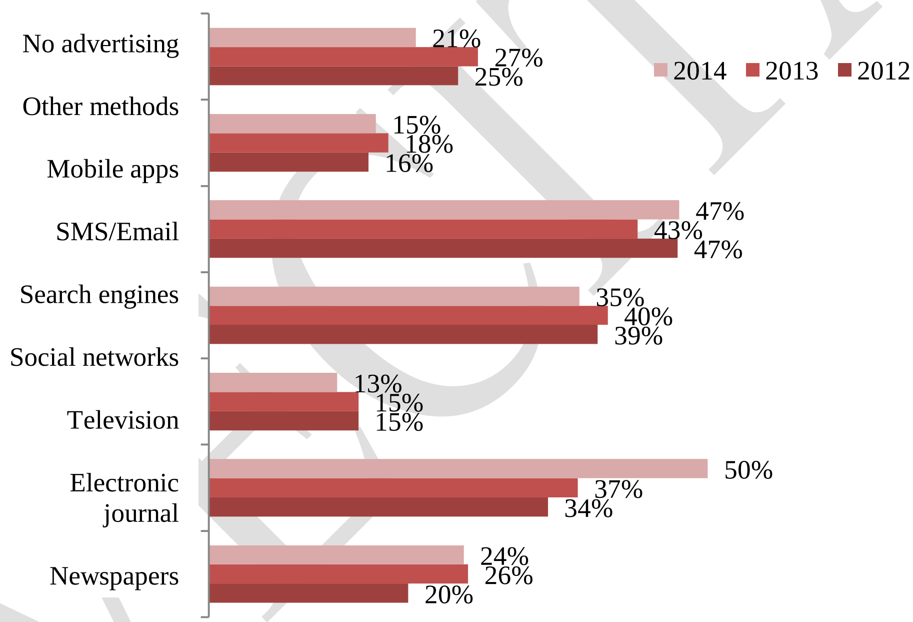


Figure 31: The effectiveness of E-commerce websites advisement in 2014

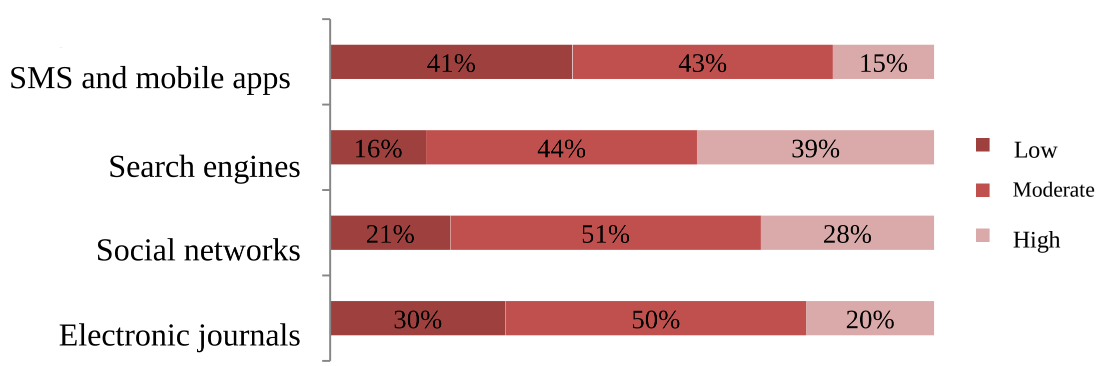
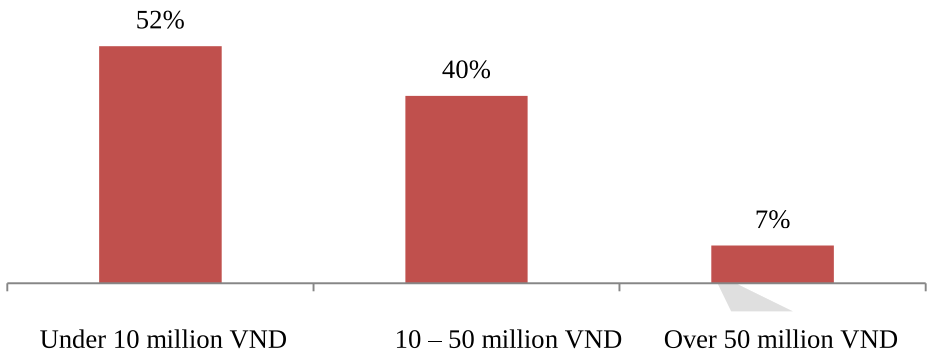


Figure 32: The cost of enterprises' website advertisement in 2014



V. THE EFFICIENCY OF E-COMMERCE APPLICATION IN ENTERPRISES

1. Receiving and placing orders via electronic means

In 2014, the rate of enterprises receiving orders via email was double the rate of enterprises receiving via website, with 78% and 36% respectively. Similarly, the rate of enterprises placing orders via email had twice the rate of enterprises placing via websites (75% and 41% respectively).

Figure 33: Receiving and placing orders in enterprises in 2014

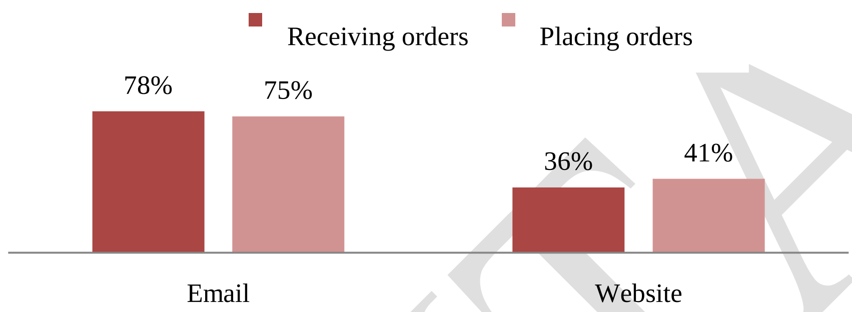


Figure 34: Receiving orders via electronic means in enterprises over years

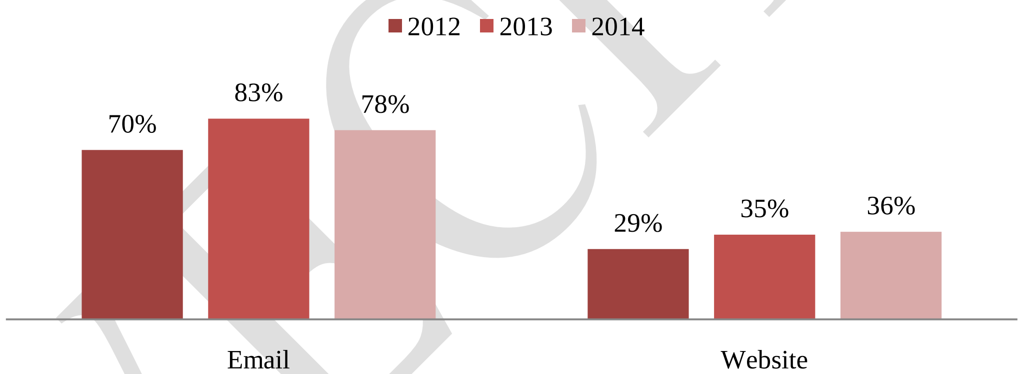
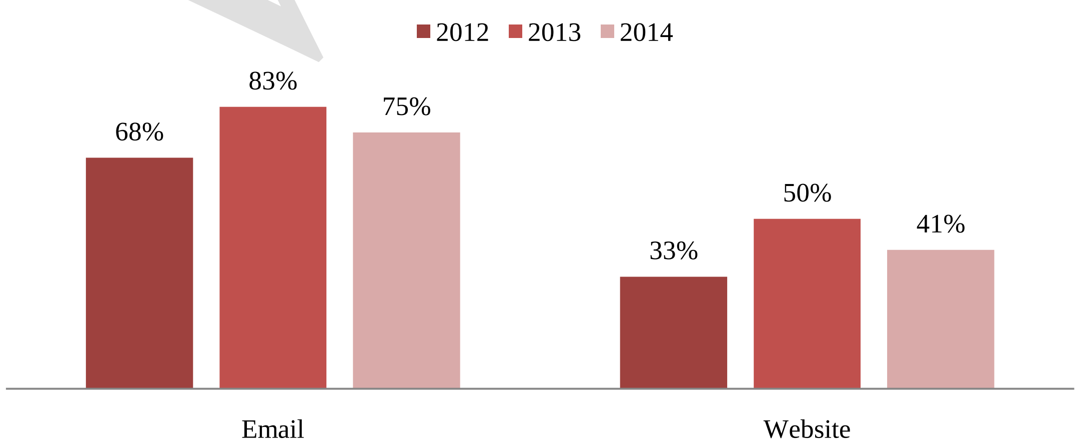
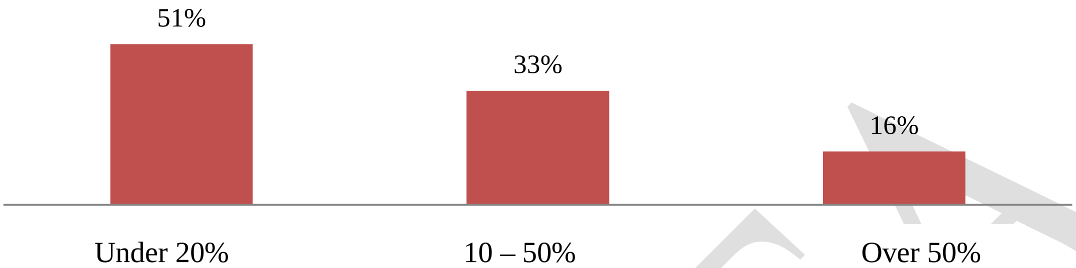


Figure 35: Placing orders via electronics means in enterprises over years



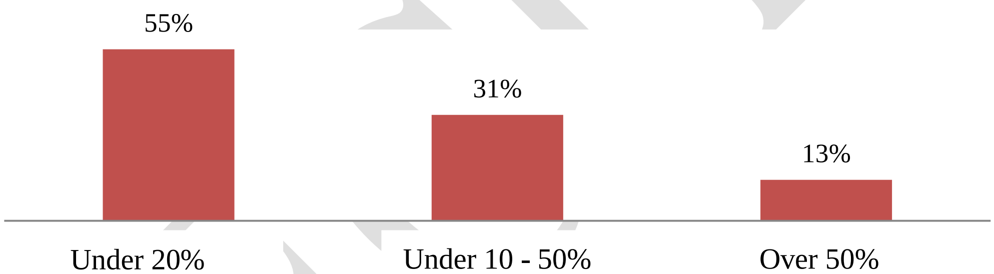
According to the survey results, 16% of enterprises said the value of their receiving orders via electronic means (email, website) passing 50% the total revenue. Meanwhile, 33% of enterprises said that the value of their receiving orders via these electronic means ranged from 21% - 50% of their total revenue in 2014.

Figure 36: The total value of orders enterprises receiving compared the total revenue in 2014



Regarding the findings, 13% of enterprises said that the value of orders placed via electronic means accounted for over 50% of the total expenses.

Figure 37: The value of orders enterprises placing compared to the total expenses in 2014



70% of enterprises receiving under 400 online orders in 2014. 43% of enterprises said that the value of placing orders in 2014 was 5 million VND on average.

Figure 38: The number of online orders enterprises received in 2014

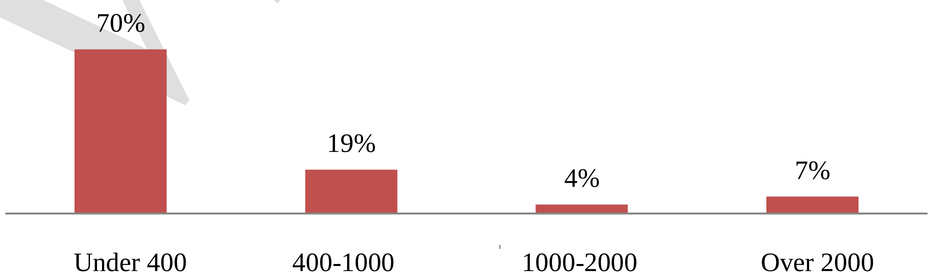
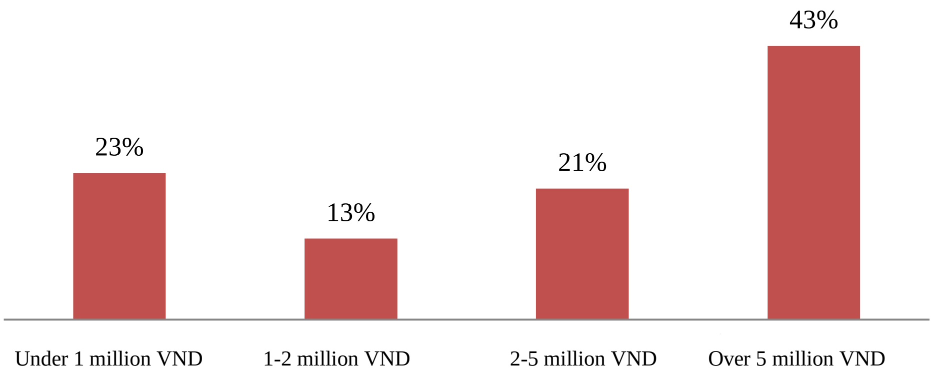


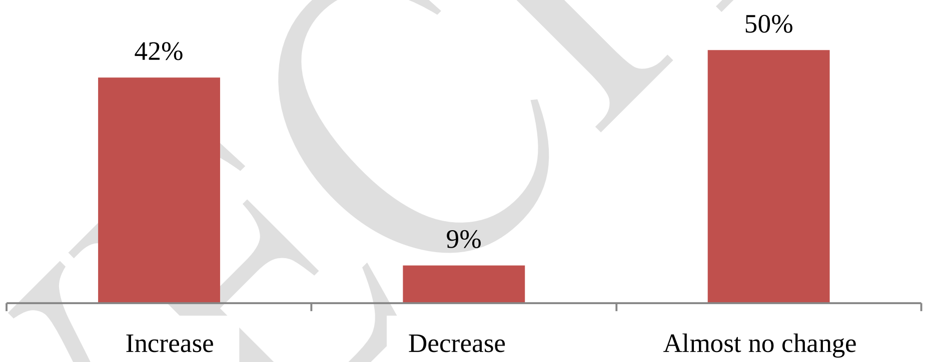
Figure 39: The average value of order enterprises receiving in 2014



2. The revenue of e-commerce enterprises in 2014

44% of surveyed enterprises having revenue of goods, services via e-commerce channels in 2014 increased, comparing with 2013, 50% of respondents said this revenue experienced almost no change. Only 9% of respondents had decreased revenue.

Figure 40: The revenue of goods, services via e-commerce channel

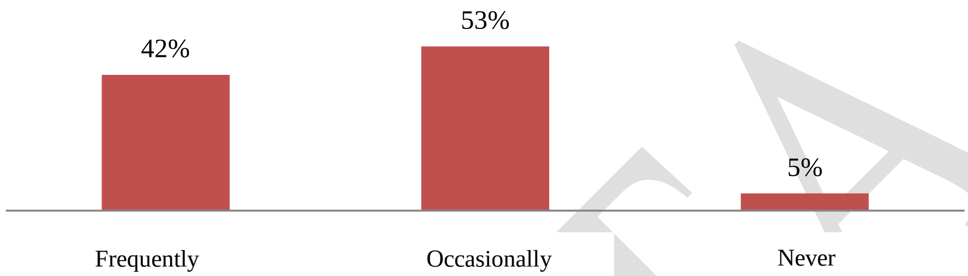


VI. THE USE OF ONLINE PUBLIC SERVIC

1. The status of online public services usage

With more than 4.000 online public services provided by management agencies, enterprises had opportunities to approach the information on the websites of management agencies. According to the survey results in 2014, 43% of respondents frequently searched information on these websites.

Figure 41: Frequency of searching information on the websites of management agencies



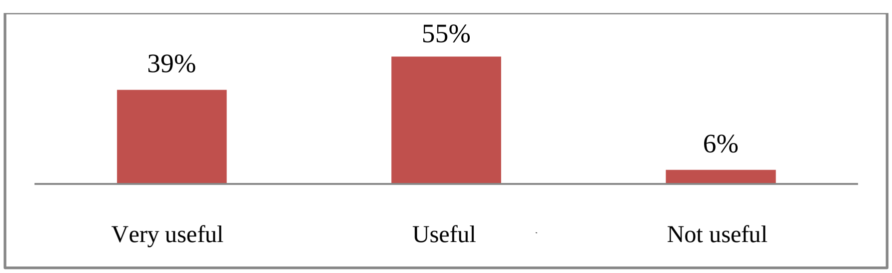
57% of enterprises had already used online public services related to registration, licensing, notification…provided on local websites.

Figure 42: The use of online public services in 2014

2. The evaluation of online public services usage

Regarding the findings, 39% of enterprises said that the online public services on local websites were very useful. 55% of enterprises evaluated them as useful and 6% of enterprises thought they were not useful.

Figure 43: The evaluation of online public services on local websites



CHAPTER IV

THE OPERATION STATUS OF E-COMMERCE SERVICE WEBSITES

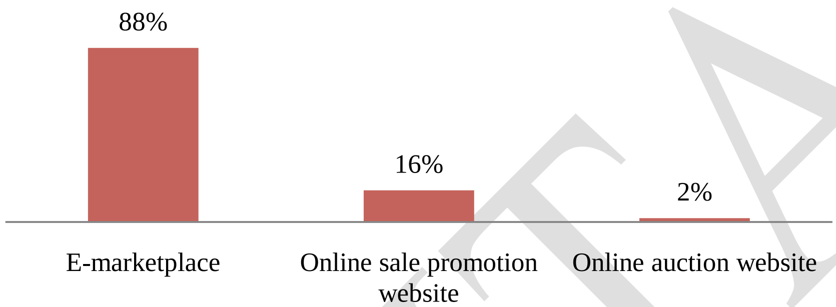
I. GENERAL INFORMATION

In 2014, VECITA conducted surveys on 247 traders and organizations owning e-commerce service websites.

1. Model and scope of operations

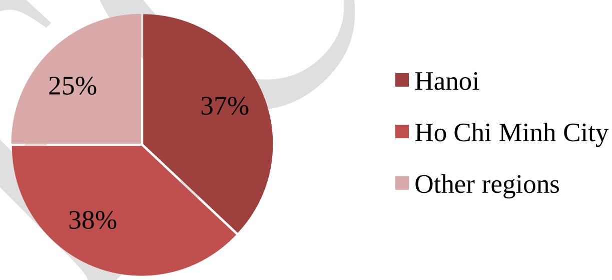
The e-commerce service websites in the survey included three types: 88% of e-marketplaces; 16% of online sale promotion websites and 2% of online auction websites.

Figure 79: The models of e-commerce websites in the survey



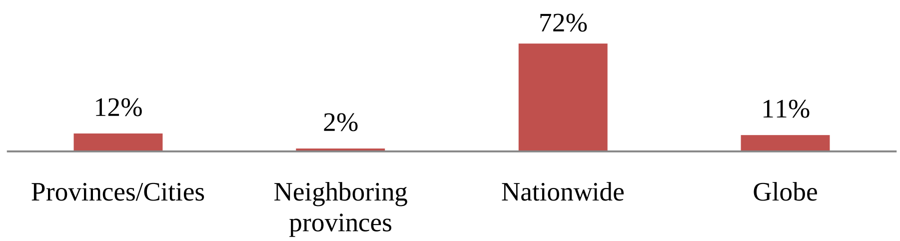
The surveyed websites were mostly located in two big cities named Ho Chi Minh City and Hanoi with the proportion of 38% and 37%. The rest of 25% websites were provided by other regions.

Figure 80: The surveyed e-commerce websites in different regions



According to the survey, 72% of websites had business over the country. The rest of 12% websites operated in provinces and cities where traders and organizations had place of business or representative office placed in.

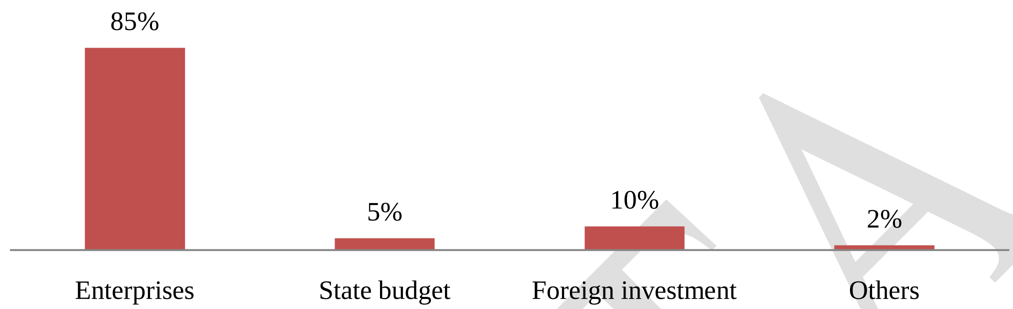
Figure 81: Business range



2. Investment capital

85% of e-commerce service websites in the survey had their own budgets. Websites from foreign investment accounted for 10%, the remained websites were invested from the state budget or others with small proportions of 5% and 2% respectively.

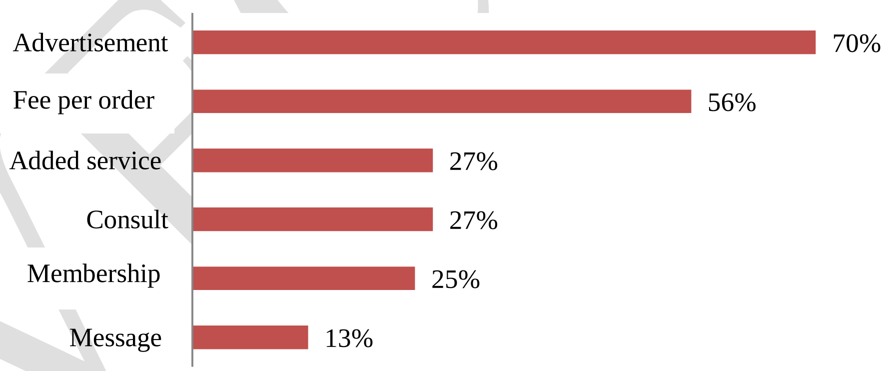
Figure 82: Investment capital for websites



3. Main income of the websites

Advertisement fees were the main income source of e-commerce service websites (70%). 56% websites charged fee per order. Other fees such as message fee, membership fee, consult fee and added service fee accounted for small proportions from 13-27%.

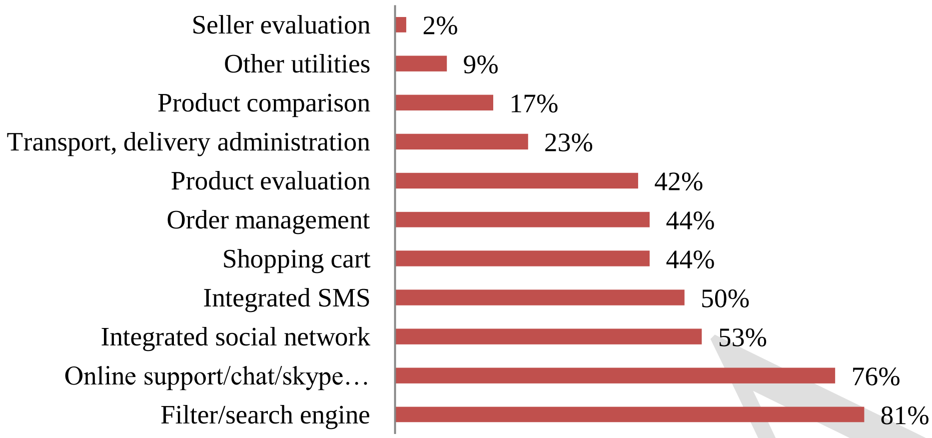
Figure 83: Main income of the websites



4. The supporting utilities and tools

81% of surveyed websites provided filter tools and search engines on websites. 76% integrated Yahoo messenger and Skype to give online support for customers. The integration of social networking and short message services (SMS) was recently concerned by enterprises with the rate of use of 53% and 50%, respectively.

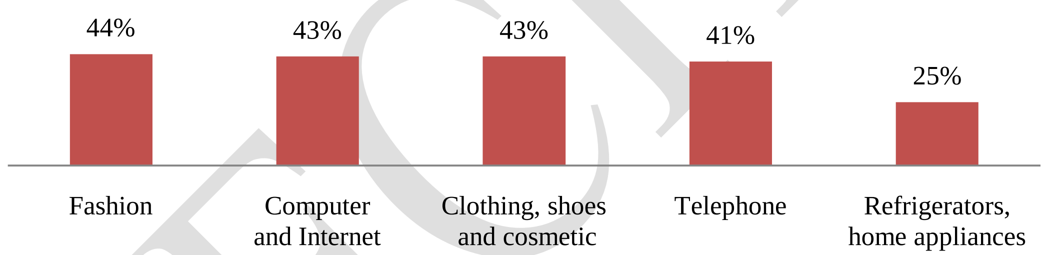
Figure 84: The supporting utilities and tools on websites



5. Products and services providing on e-commerce websites

Five categories got the most transactions on e-commerce service websites including: fashion (44%); computers and internet (43%); clothes, shoes, cosmetics (43%); telephone (41%); home appliances (25%).

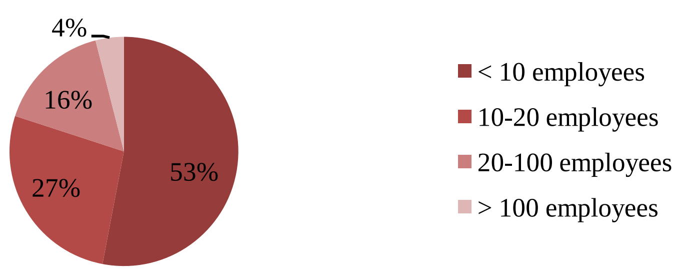
Figure 85: Top 5 categories having the most purchase on websites



6. Human resources

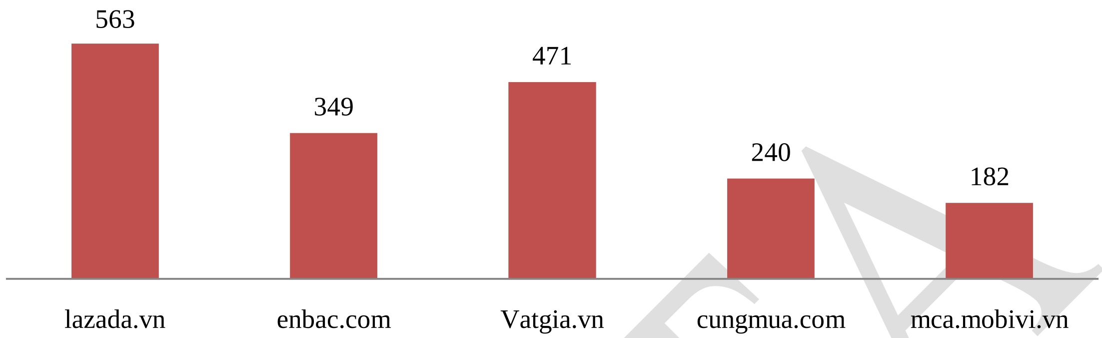
The percentage of enterprises that had less than 10 employees was 53% of total surveyed enterprises. Enterprises had from 10-20 employees and from 20-100 employees took the proportion of 27% and 16% respectively. And enterprises had more than 100 employees accounting for 4%.

Figure 86: The percentage of employees in the enterprises



Top 5 websites had the greatest number of staffs in 2014: cungmua.com, enbac.com, hotdeal.vn, vatgia.vn and lazada.vn. The number of staffs was from 240 to 563 people.

Figure 87: Top 5 websites having the greatest number of staffs



Regarding the personnel structure, e-commerce service websites had more staffs working on sales than staffs working on other activities.

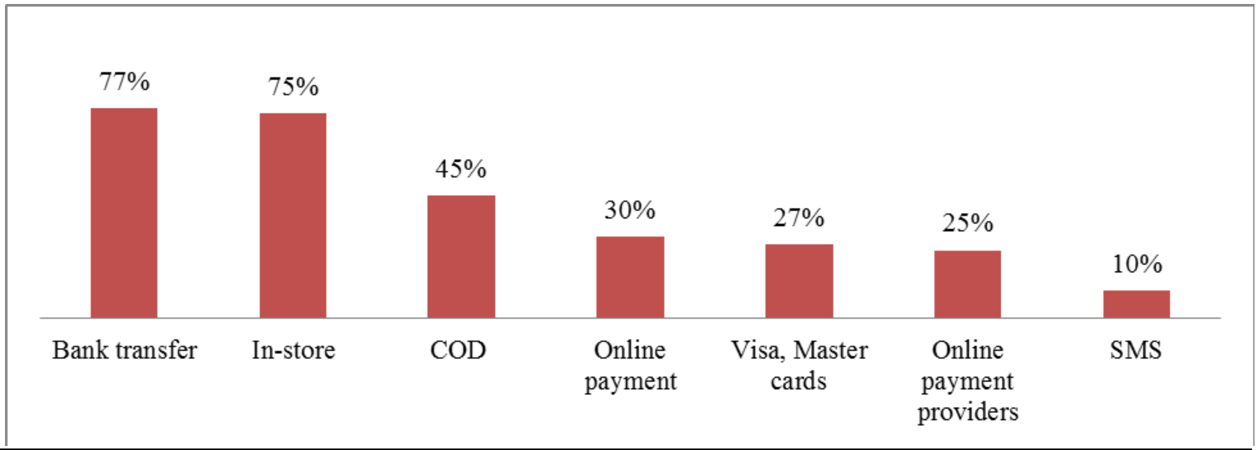
Figure 88: The average number of staffs by structure

7. Payment infrastructure

30% enterprises that owning e-marketplaces, had supported and integrated online payment functions. 27% accepted card payment such as Visa, Master Card, 25% accepted intermediate payment and 10% accepted SMS. 45% websites supported delivery service and cash on delivery (COD).

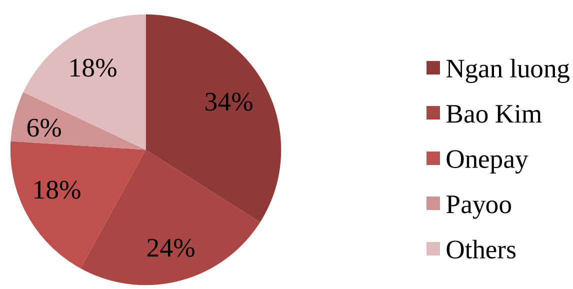
The method of making payment at store was popular and accounted for 75%. Meanwhile, the payment method by bank transfer was still used at the rate of 77%.

Figure 89: The payment methods on website



Online payment methods were chosen to use: Ngan Luong (34%), Bao Kim (24%), One Pay (18%) and Payoo (18%). The intermediate payment portals accounted for 18%, including: Paypal, Smartlink, Fibo, VNPT ePay, Banknet…

Figure 90: The chosen payment methods



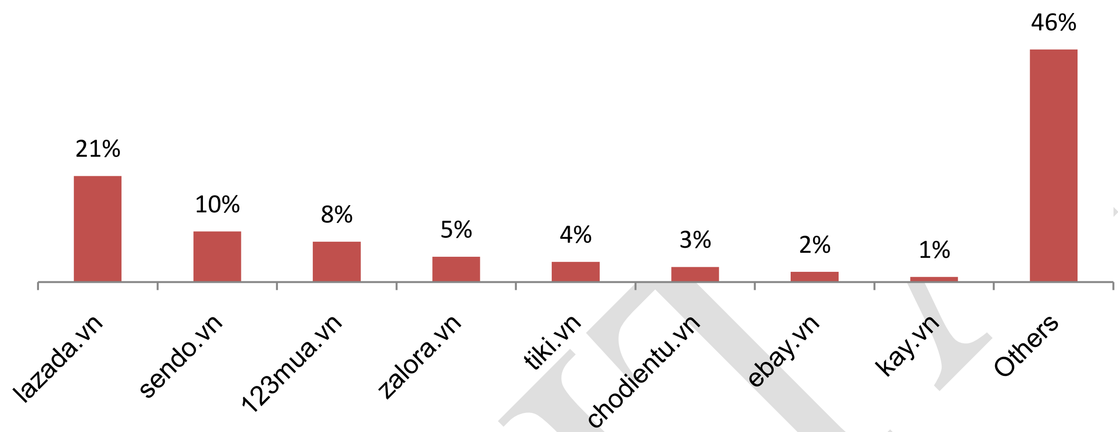
II. THE OPERATION STATUS OF E-COMMERCE WEBSITESIN DIFFERENT TYPES

1. E-marketplace

a. The sales operation and e-commerce service providing activities in e-marketplaces

Total transaction value in 2014 of 85 surveyed e-marketplaces reached 2,500 billion. The two leading e-marketplaces were lazada.vn (21%) and sendo.vn (10%).

Figure 44: The share of sales in e-marketplaces



The survey results also showed that, the 3 leading e-marketplaces on revenue from e-commerce service providing activities were: lazada.vn (26%), ebay.vn (19%), and vatgia.vn (18%).

Figure 45: The share of revenue from e-commerce service providing activities in e-marketplaces

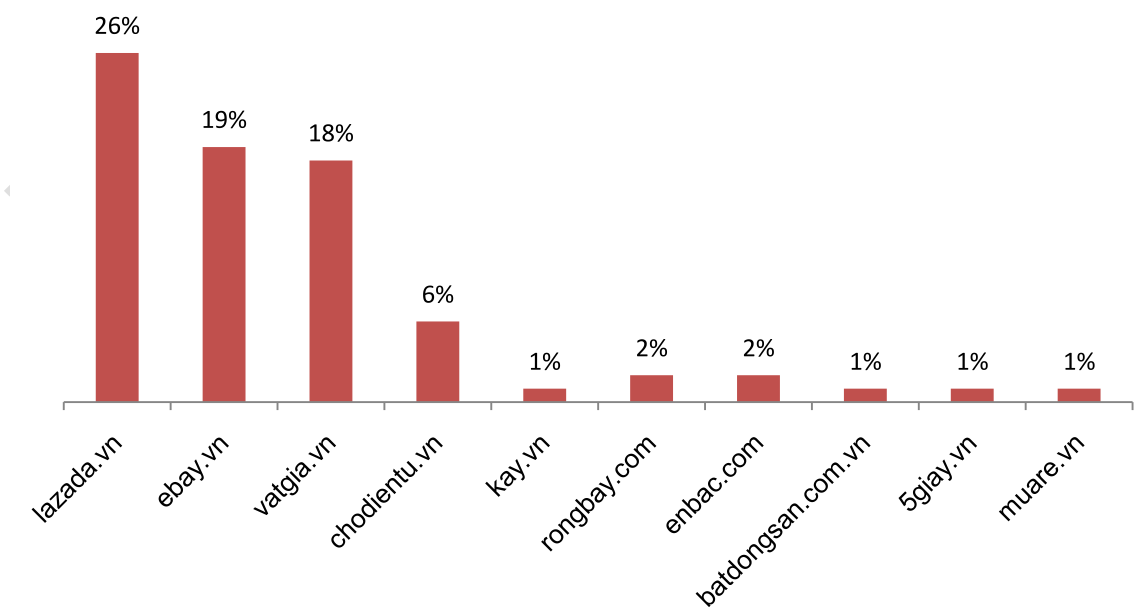


Figure 46: The top websites by revenue

1. Lazada.vn

Lazada.vn was established in the mid 2013 with the investment from Rocket Internet Corporation. This e-marketplace was quickly trusted as a leading brand name. Compared with 2013, lazada.vn developed in both transaction volume and transaction value and doubled the growth rate of revenue.

The growth rate of leading e-marketplace compared with 2013

Enterprises	Website	Transaction volume	Total transaction value	Total revenue
Recess Market Co.,Ltd	lazada.vn	+133%	+160%	+200%
Sendo Jsc	sendo.vn	+100%	+45%	+45%

2. Sendo.vn

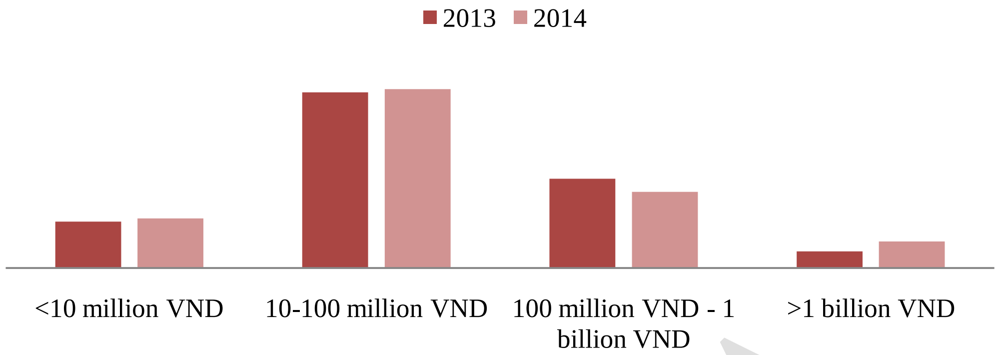
With 5,300 suppliers of goods and services, hundred thousands of diverse products were available in sendo.vn, this e-marketplace had achieved a 45% growth in revenue, 100% successful transaction volume and a 45% growth in total transaction value. Sendo.vn had advantages of new customers after buying the famous website 123mua.vn from VNG. Recently, Sendo JSC announced an investment strategy in cooperation with three leading Japanese conglomerates on internet: SBI Holdings, Econtext ASIA, BEENOS[10].

b. Investment and technology innovation

The investment in technology of e-marketplaces in 2014 ranged from 10 to 100 million VND (54% of websites). Most of these websites were in the form of classified ad, forums, so their scale of investment was relatively small. The e-marketplaces which had the investment from 100 million to 1 billion VND, accounted for 23%. The number of e-marketplaces with large-scale investment (over 1 billion VND) accounted for 8%, rising slightly compared to 2013.

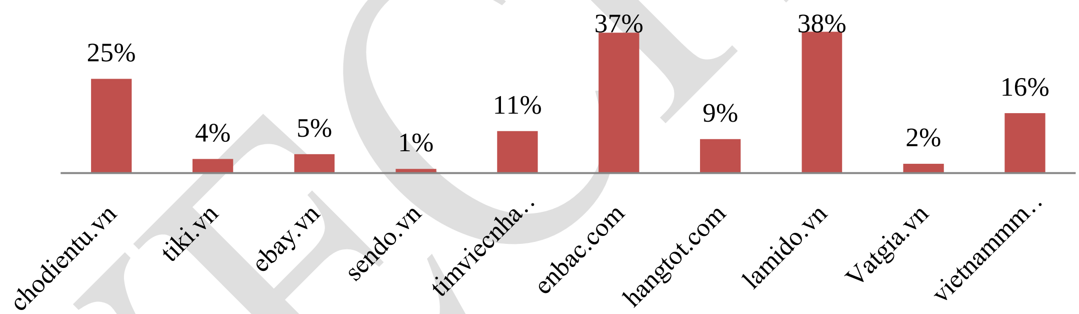
[10] *Information cited from website www.sendo.vn, dated 5/12/2014*

Figure 94: Investment on technology innovation



The highest level of investment on technology innovation was seen in chodientu.vn with the investment accounting for 25% of the total revenue. Other websites such as tiki.vn, ebay.vn, sendo.vn , vatgia.vn were in the top 10 websites invested the most in technology;
If comparing with total revenue, this investment only accounted for a small proportion from 1-5%.

Figure 95: The proportion of investment with total revenue



2. Online sale promotion websites

In 2014, 16% of websites participated in the survey were online sale promotion websites.

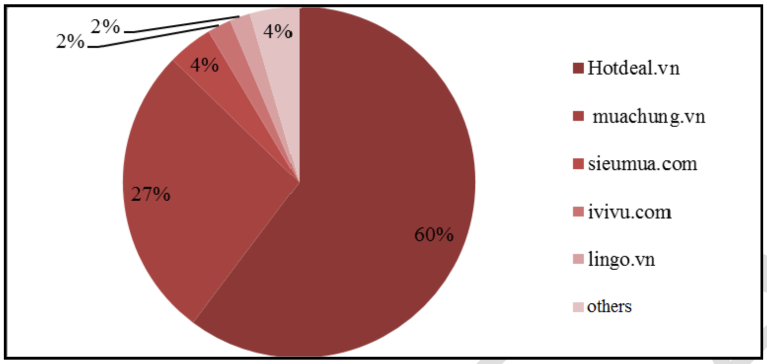
a. Revenue

Total revenue of online sale promotion websites in 2014 was estimated to be over 960 billion VND, up 18% comparing with 2013.

Figure 96: Total revenue of online promotion websites (billion VND)

The leading website was hotdeal.vn, accounting for 60% of market share. The following was muachung.vn with 27% of market share. The other websites such as sieumua.com, ivivu.com and lingo.vn were in the top 5 online promotion websites that got small revenue comparing to total revenue of these websites (2 – 4%).

Figure 97: The market share of revenue from online promotion websites



b. Promotion value

The saving amount of 40 online promotion websites for consumers in 2014 was estimated at 276 billion VND, up 53% compared to 2013. In particular, hotdeal.vn was leading the saving rate (35% of the whole market). Muachung.vn followed at the rate of 23%. The other websites such as cungmua.com, nhommua.com and sieumua.com took the relatively small proportion (4%).

Figure 98: The amount of savings (billion VND)

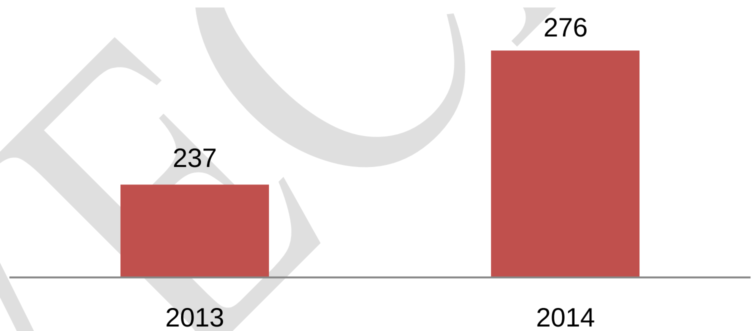
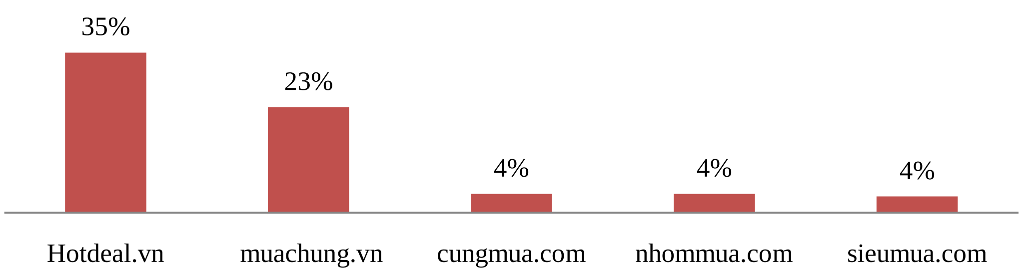


Figure 99: Top 5 online promotion websites having greatest amount of savings



c. The development of top revenue websites

In 2014, muachung.vn experienced a slight increase in revenue (+4%). Lingo.vn also strongly developed in the terms of revenue, the number of suppliers for websites and the amount of saving for consumers with the growth rate of 14 % and 38 %. The online reservation system for hotel in Ivivu.com was growing slowly (+1%).

Though sieumua.com got the third highest of revenue but its revenue declined comparing with 2013. For example, 11% of orders and 13% of savings reduced and led to a significant decrease in revenue (-20%).

Figure 100: The development of top 5 revenue online promotion websites in comparison with 2013

No.	Website	Revenue	Suppliers	Orders	Saving amount
1	hotdeal.vn	+29%	+9%	+8%	+30%
2	muachung.vn	+4%	+27%	+6%	-3%
3	sieumua.com	-20%	-	-11%	-13%
4	ivivu.com	+1%	-9%	+20%	+50%
5	lingo.vn	+14%	+50%	-	+38%

Figure 47: Online Shopping Day in 2014([11])

A. ACCESS STATISTICS

Online shopping day was implemented under the direction of the Prime Minister's Decision No. 689/QD - TTg approving National E-commerce Development Program in the period of 2014 - 2020. The program took place on the first Friday of December, dated 05/12/2014. On that day, the incentive was applied from 0h00 to 24h00, to all transactions on websites within Vietnam that joining the program. Promotion was only applied for customers ordering online.

Online shopping day attracted over 1,000 participating enterprises – 3,226 promotional products. Statistics was collected via the official website of the program (www.onlinefriday.vn), and was compiled by the organizers as follows:

- Total number of access on the information system in NMSTT: **1.993.000** visit

[11] *Statistics from Online Shopping Day in 2014 at Appendix 1*

- Total views: **10.684.904** page views
- Views/visit rate: **7.09** views/visit
- The number of participants in the program awards: **13.604** unique users
- Total number of clients email subscribed to regular promotions: **11,301** email

B. TRANSACTION STATISTICS

Online shopping day in 2014 was chosen by many enterprises as the beginning of the year-end sale. During the day 05/12/2014, the aggregated data from these enterprises were recorded as:

- The total value of goods traded in the day estimated **154** billion VND, an increase of **2.48** times the average day in the year.

The proportion of orders compared to the average of the business day

3. Online auction websites

From 2010, Vietnam Internet users were able to access many online auction models. In that time, there were new rules on auctions as: ceiling price, price steps, time requirements, type of auctions (forward auction, reverse auctions, etc…). With the rapid development of e-commerce, many websites changed their operation models due to the lack of efficiency. In 2010, Vietnam had 100 online auction websites, with 10 professional ones. However, the survey data in 2014 showed that only a few website still maintained this operation model as ebay.vn, kiemthem.vn, sohot.vn… Moreover, some other websites were providing auction service as an added activity.

Figure 102: Business performance of online auction websites

No.	Website	The number of participants in the auction	The number of successful auctions	Total value of successful bid (million VND)
1	ebay.vn	30,000	15,000	30,000
2	kiemthem.vn	80,000	7,000	14,000
3	sohot.vn	14,000	4,000	400

Figure 103: Introduction to some online auction websites

1. eBay.vn

In 2009, the online auction website eBay.vn was established. After 5 years, the number of participants and transactions is increasing. In 2014, eBay.vn held for approximately 30,000 members in the auction, successful auctions 15,000 worth successful bid to reach 30 billion.

2. Kiemthem.vn

Kiemthem.vn is the auction system of working, services with specified time. In 2014, the website had 80,000 members in 7,000 jobs auction, worth approximately 14 billion.

3. sohot.vn

From starting at a website classifieds, sohot.vn developed features to become the online auction website. In 2014, the website had attracted 14,000 members in the auction, successful bid of 4,000 auctions totaling up to 400 million.

III. SETTLEMENT OF DISPUTES AND COMPLAINTS ON THE E-COMMERCE WEBSITES

1. Policies and settlement for disputes

In order to support consumers purchasing on e-commerce service websites, these websites have announced their dispute settlements. 85% of websites had policies and dispute settlement to resolve the issues as sellers and buyers reach an agreement with each other. 15% of websites had supporting policies for cases that parties decided to bring disputes to law authorities. Supporting policies included the supplement of information and evidences that relating to transactions on website.

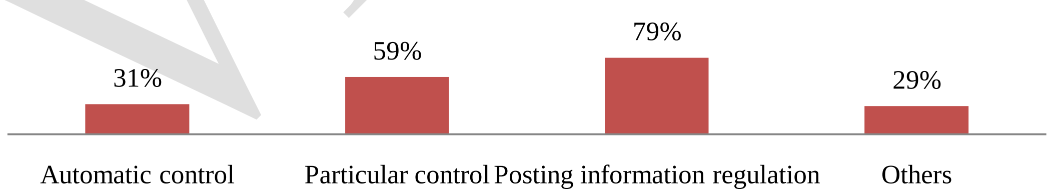
Figure 104: Settlement of disputes on e-commerce websites

2. Control mechanism and content management on the website

According to the survey, most of the websites had specific rules for posting product information on the website (79%). Most of these regulations related to the posting method, formality, the list of goods and services banned on the website, dealing with posts that in contravention of regulations, etc…

59% websites performed their own control mechanisms, mainly through the review and periodic inspections of the site administrators or users' complaint on improper news. 31% of websites performed automatic control mechanism by filter systems, the website will detect improper posts to website administrators.

Figure 105: Control mechanism and content management on the websites

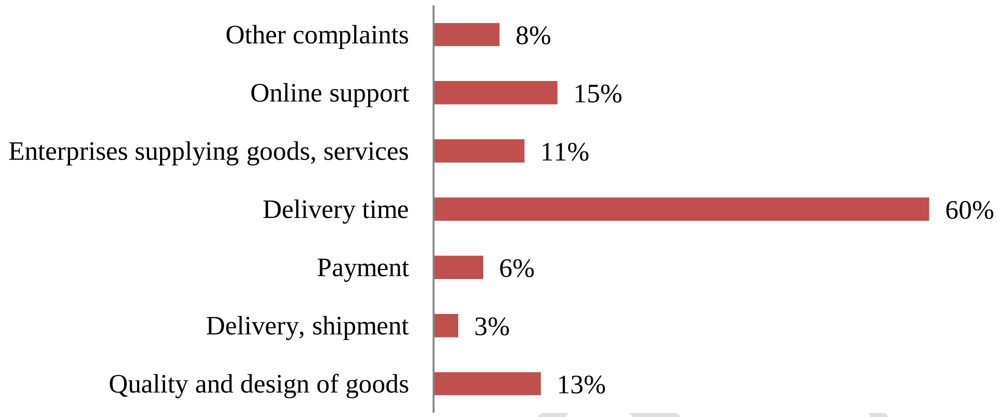


3. Mechanisms on receiving complaints

In 2014, the e-commerce service websites had received more than 6,600 reports and complaints about the service. The more transactions websites had, the more complaints they received from customers.

Most complaints concerned about the delivery time (60%). 15% of sites were complained about supporting services in the e-marketplace and 13% were about the quality and design of goods. Only 6% websites were complained about the payment services.

Figure 106: Complaints on the e-commerce website



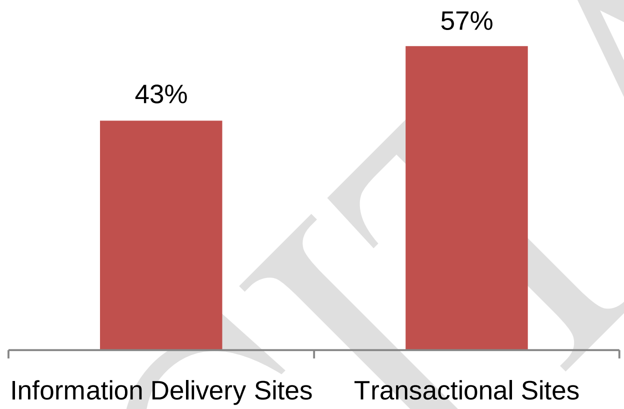
CHAPTER V

THE STATUS OF E-COMMERCE SALE WEBSITES

I. GENERAL OVERVIEW

In 2014, VECITA surveyed 1.350 e-commerce sale websites. Of which, 765 websites or approximately 57% provided online stores with tools like shopping carts, which allowed customers to make online orders, to use online payment functions as payment gateway, electronic wallet, online transfer, etc. 585 websites (43%) of those surveyed were built to provide information about the products or services, or belonged to distributors or manufacturers that not trading products or services directly.

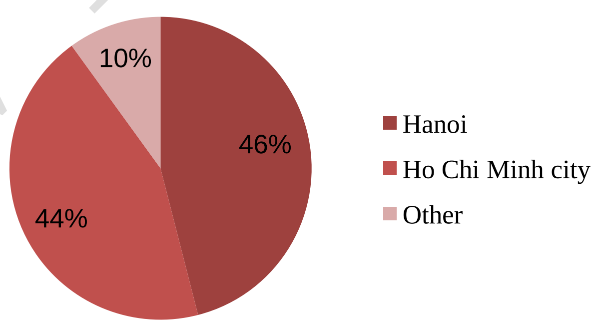
Figure 107: Business model of surveyed e-commerce sale websites



1. Websites by geography

According to the survey, websites were mostly located in the two big cities named Hanoi and Ho Chi Minh city. 46% of websites were set in Hanoi, 44% of websites in Ho Chi Minh city, while 10% were in other cities/provinces.

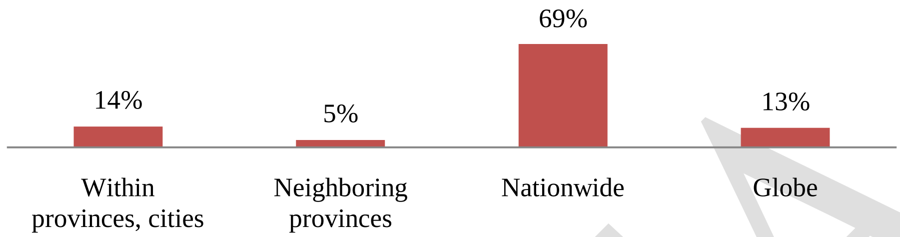
Figure 108: Websites by geography



2. Business range

About 69% of websites provided products and services nation-wide, while 14% of websites operated within the cities/provinces where they located. 13% of websites expanded their businesses to international markets.

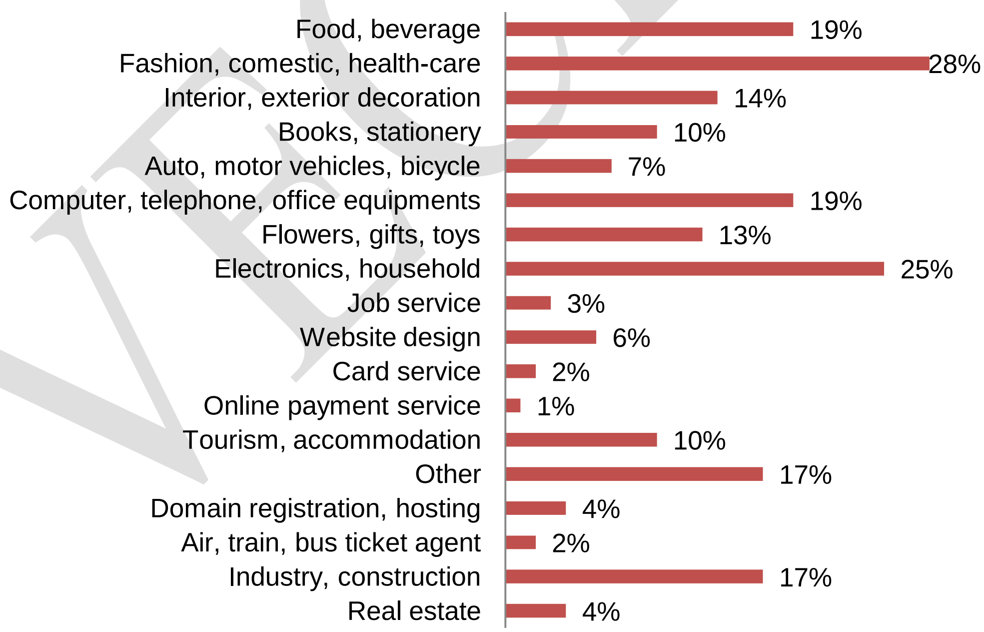
Figure 109: Business location of e-commerce sale websites



3. Business sectors

The survey showed changes in size and number of categories of products/services provided on websites. Apart from the traditional online sectors such as food, beverage, books and stationery, etc., new sectors including auto, bike, and construction industry were also developing.

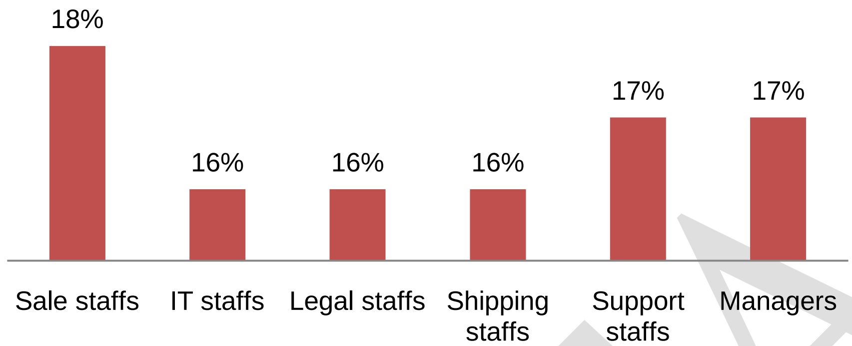
Figure 110: Business line



4. Human Resource structure

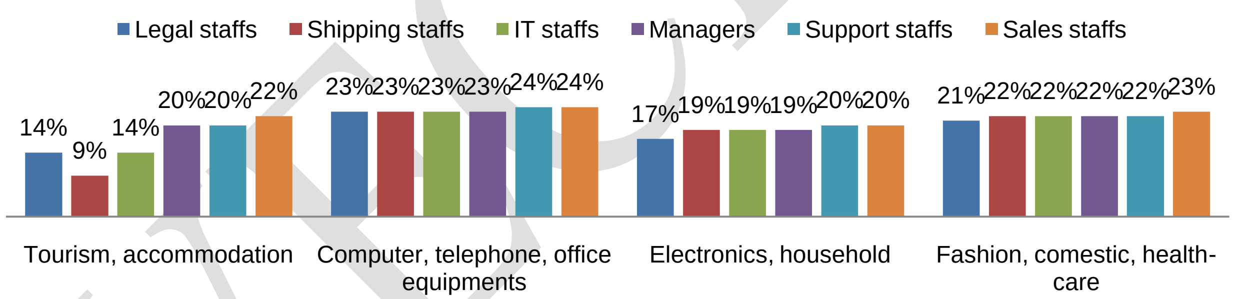
According to the survey, 17% staffs of e-commerce sale websites worked for IT departments and most of Information delivery sites had to outsource IT staffs. In general, e-commerce sale websites had more sales staffs than technical support staffs. Sales support staffs including sales staffs, legal staffs, online support staffs, etc., represented for 51% of employees. However, only 16% websites had specialized legal staffs.

Figure 111: Human resource structure



In order to support customers promptly, several websites adopted supporting tools such as Skype, Yahoo Messenger or online chatting software, etc. Two categories, that had the largest number of supporting staffs, were computers, phones and office equipments, and fashion, cosmetic and health-care products (making up about 22% of employees).

Figure 112: Human resource structure by business lines

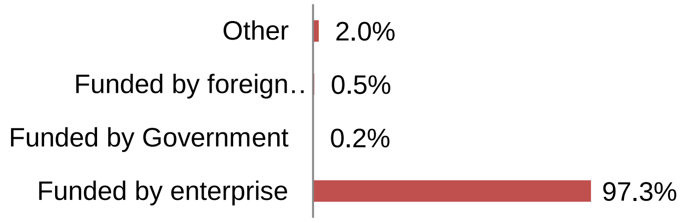


82% of surveyed websites had staffs to support customers via telephone, Yahoo Messenger, Skype or email. Shipping staffs accounted for 16% of total staffs. 42% of websites recruited staffs for shipping purpose.

5. Investment Source

In 1,350 surveyed websites, over 97% were fully funded by domestic enterprises, while only 0.5% websites received funds from foreign enterprises.

Figure 113: Websites by investment source

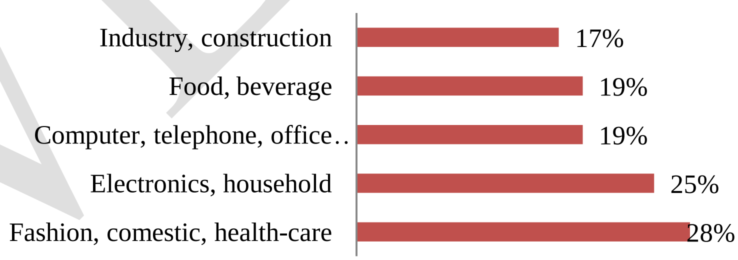


As for enterprises owning information delivery websites, their websites only provided information on company's capacity and the main product. Therefore, their technical infrastructure and human resources were not invested as much as online store websites did. Those websites cost a small and medium enterprise an average of 5 billion VND for website design and domain maintenance, and a large enterprise an average of 10 - 30 billion VND. The responsibility of website admin was often carried out by staffs, who holding multiple positions in the enterprise, but basically were not IT staffs.

6. Products and services on e-commerce sale websites

The survey's results indicated the change in scale, number and categories of products and services provided on e-commerce sale websites. Fashion, cosmetic and health-care ranked the first with 28%, followed by household and electronic products at 25%. The high-end technology products such as computer, telephone and office equipments were the third popular products targeted by online consumers (19%).

Figure 114: Top 5 products most purchased on websites



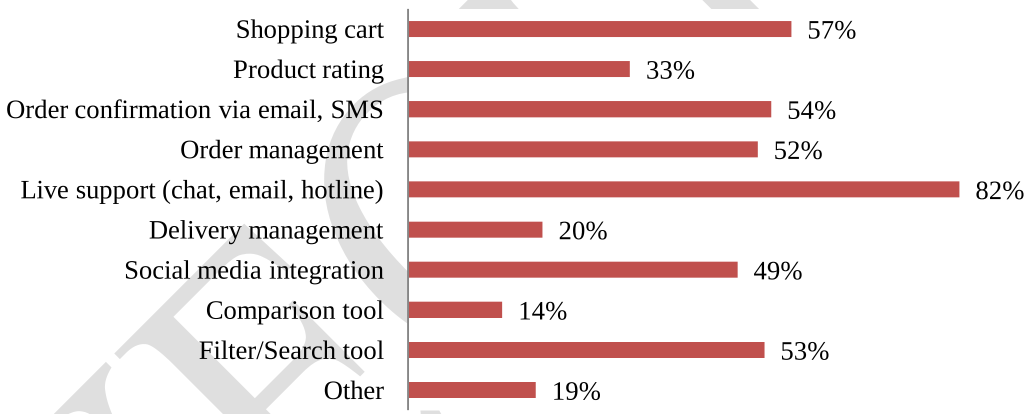
II. THE STATUS OF E-COMMERCE SALE WEBSITES

1. Supporting tools

a. Supporting tools on e-commerce sale websites

82% of e-commerce sale websites which allowing customers to order online, provided online supporting tools for customers to raise questions via live chat, email or hotline. 57% of these websites have shopping carts for customers shopping easier. However, several websites required users to login account before ordering. 52% of e-commerce sale websites adopted the management utility for orders, 54% adopted the utility to confirm orders automatically via email and SMS. 53% of websites that provided search tools, were able to manage and confirm orders via email. Only 14% of websites helped customers compare products, while 33% allowed them to rate products.

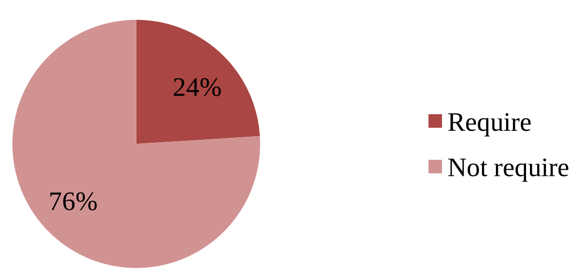
Figure 115: Tools and utilities provided on online stores



b. Membership registration

Most of websites did not require customers register before ordering products/ services (76%). Instead, those websites asked customers to fill order forms or provided phone number.

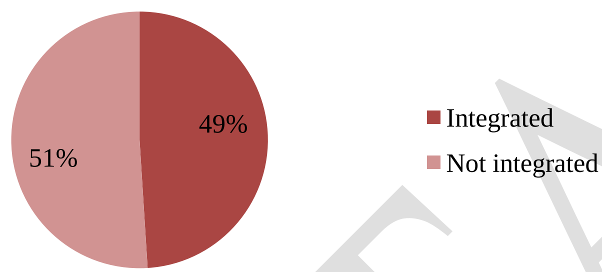
Figure 116: The proportion of websites requiring user accounts before placing online order



c. Integration of social networks

Almost 50% of surveyed websites enabled customers to login social network accounts to place an order, instead of creating a new account on the site. Accordingly, websites automatically received customer's information without requiring them to provide any information.

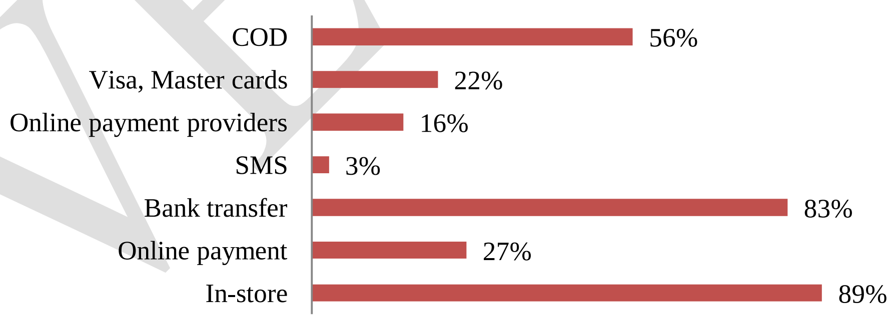
Figure 117: The proportion of websites with social network integration



d. Adoption of online payment function

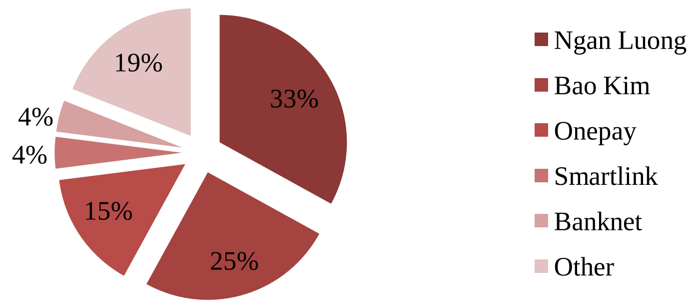
In 1,350 surveyed enterprises owning e-commerce sale websites, 56% of these websites provided delivery service and COD payment method. In fact, data showed that the transaction by cash was most preferred in online purchases. In-store payment was the most popular payment method and was applied in 90% of surveyed websites. At the same time, cash transfer was used by 83% of surveyed websites.

Figure 118: Payment methods applied on e-commerce sale websites



Among online payment providers, Ngan Luong took the lead with 33% of websites applied, followed by Bao Kim with 25%. Onepay was used by 15%, Banknet and Smartlink both by 4%, and other providers by 19%.

Figure 119: Top 5 of online payment providers

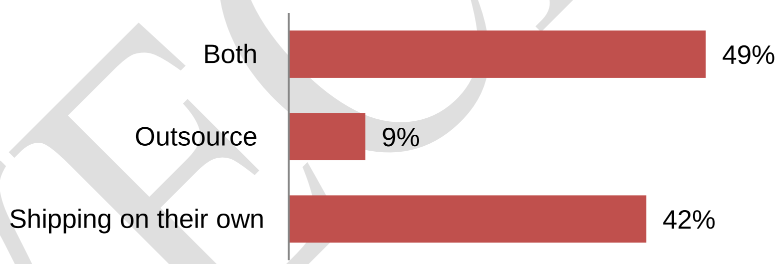


2. Website policies and support services

a. Delivery policy

Delivery service played an important role in online business due to its relation to cost and services provided by enterprises. Most of SMEs outsourced delivery service by hiring third parties to ship products and collect money (COD). 42% of enterprises shipped products directly to consumers. 49% of enterprises used both methods.

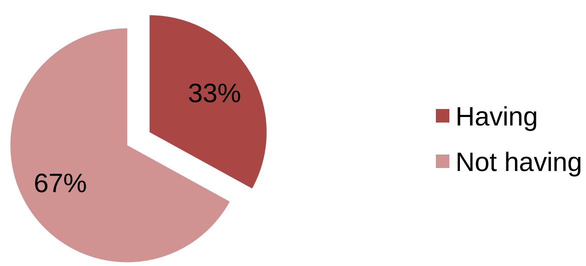
Figure 120: Shipping methods



b. Dispute Settlement

Only 33% of surveyed websites published dispute settlement policy on their pages.

Figure 121: Websites having dispute settlement



c. Advertising methods

According to the survey's results, Facebook fanpage was ranked first in online advertising methods (making up 48%), closely followed by Google's SEO (47%). Advertising via blog and forum which offered the advantages of low cost, were also optimized by 41% of enterprises. Total spending on advertising in 2014 was 1.5 times as much as that in 2013. However, online advertising was still inadequate with the potential of 33 billion Vietnamese Internet users.

Figure 122: Share of online advertising methods

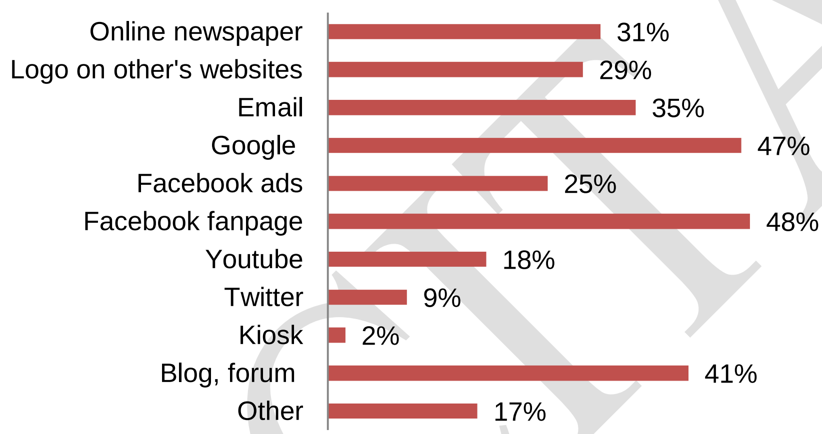
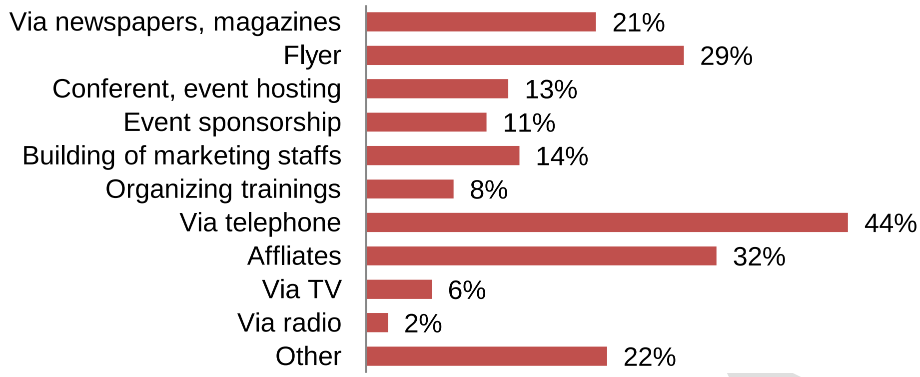


Figure 123: Top 5 enterprises with large spending on online advertising

Company	Domain
FPT Digital Retail Joint Stock Company	Fptshop.com.vn
Hansaeyes24 Vina Company Limited	Yes24.vn
Nguyen Kim Trading Joint Stock Company	Nguyenkim.com
HC Trading Company Limited	Hc.com.vn
Knic Company Limited	Shoptretho.com.vn

Figure 124: Offline advertising methods



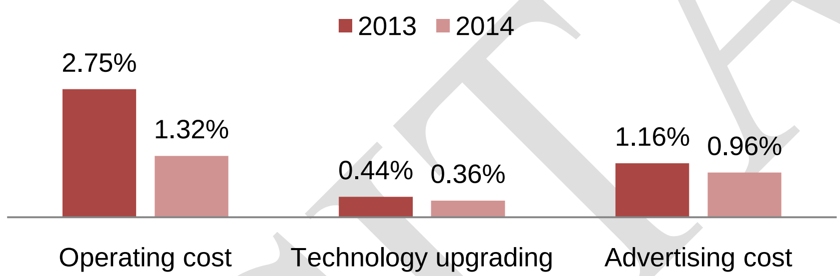
In offline advertising methods, mobile advertising was applied the most by enterprises (44%). The category of service that had the highest level of applying mobile advertising was beauty, tourism and banking account providers. Advertising via agencies and distribution channels was the second leading method in terms of usage by enterprises (32%). Main customers of this offline advertising method were websites that selling functional food, which aimed to optimize the advantage of agencies and distribution channels to be more affordable with customers as most of the functional food was imported.

III. EXPENSE AND REVENUE OF E-COMMERCE SALE WEBSITE

1. Expense

According to the survey result, in 2014, operating expense for e-commerce sale website represented 1.32% of total revenue while advertising cost accounted for 0.96%. Besides, expense for technology upgrade witnessed significant change, down to 0.36% of total revenue in 2014 from 0.44% in 2013. The decrease was explained by the cutting down on operating expense by enterprises for after 2 years of operation, the procedure and management of websites had gradually been stable.

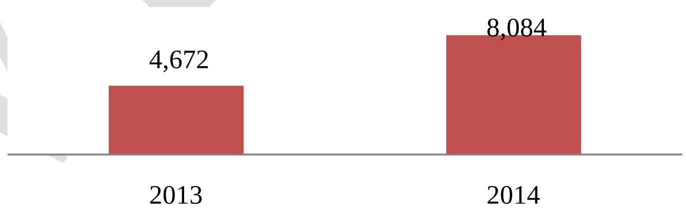
Figure 125: Ratio of cost to revenue for e-commerce sale websites



2. Revenue

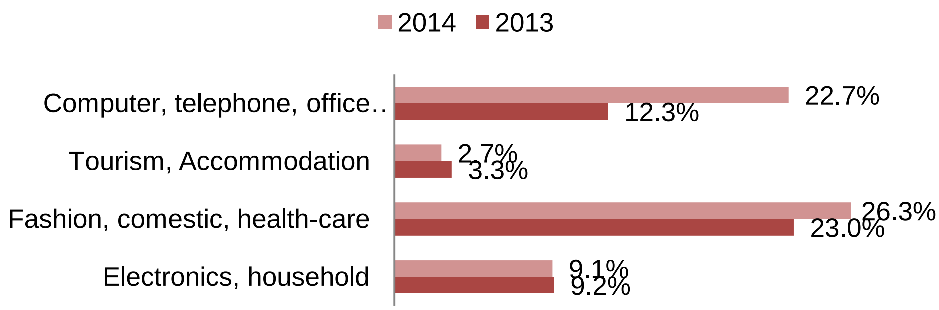
Based on the survey results, only 875 out of 1,350 websites (64.8%) earned revenue, with the total of 8.084 billion VND (or equivalent to 4 million US dollars). According to enterprises that owning these websites, this amount in 2014 increased 1.7 times as much as that in 2013.

Figure 126: Total revenue of surveyed e-commerce sale websites (billion VND)



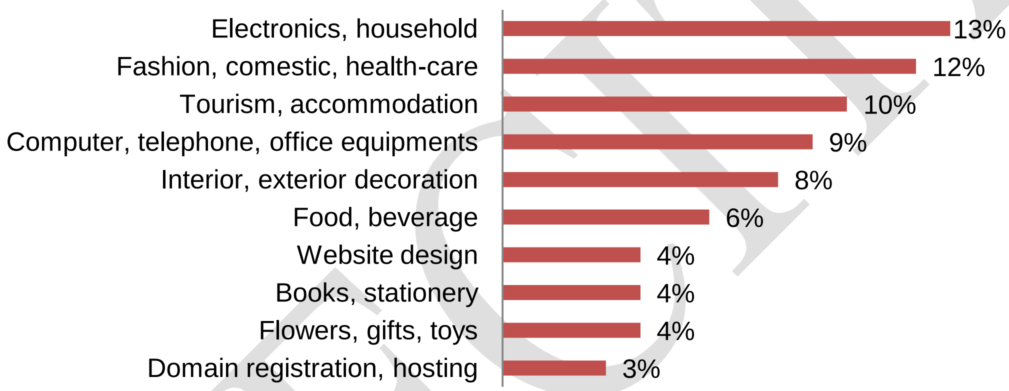
The largest revenue came from group of websites which sold fashion, cosmetic and health-care products and services, accounting for 23% of the total revenue in 2013 and reaching 26% in 2014. Group of websites selling computer, mobile and office equipment witnessed a dramatic rise in revenue in 2014 which is 1.8 times as much as in 2013. In this group, the biggest enterprises in terms of revenue included thegioidiVND.com, nguyenkim.com and fptshop.com.vn. As for electronic and household products, their revenue decreased by 0.1% in 2014. Websites providing tourism service came next in the ranking with a decline of 0.5% to 2.7% in 2014.

Figure 127: Products/Services with largest revenue in total revenue



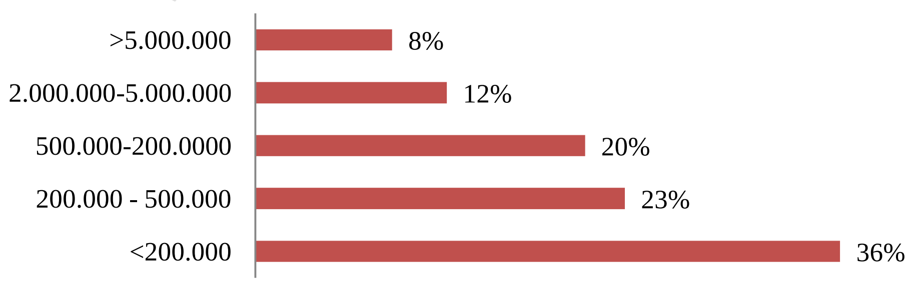
In 2014, consumers were also affected by financial crisis. Products were most purchased including electronics and household items. Products with high value were less acquired. Consumers only visited websites in order to compare prices of same products selling by different stores.

Figure 128: Most purchased products and services



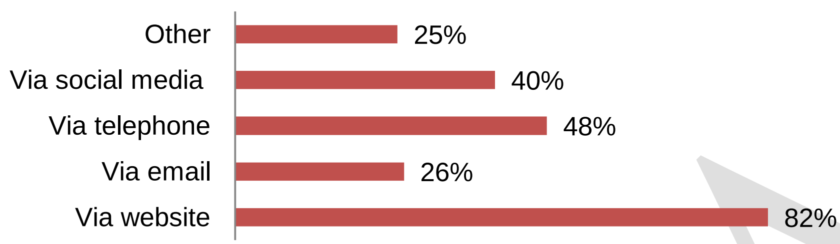
ccording to the survey, the popular price for products purchased on e-commerce websites was less than 200.000 VND, accounting for 36% of surveyed websites.

Figure 129: Price range of purchased items



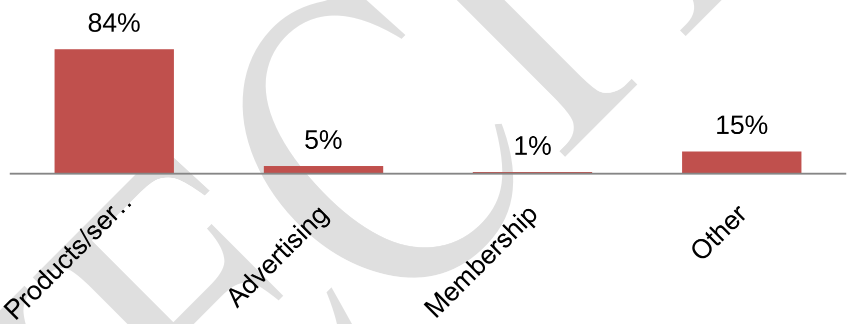
Out of 23% of surveyed websites whose prices ranged from 200,000 to 500,000 VND, had fashion, domestic and health-care as the most purchased products. Nevertheless, popular price paid for electronic and technology products were higher, ranging from 500,000 to 2,000,000 VND.

Figure 130: The main customer resources of websites



Based on the survey, 82% of websites contacted with their customers via their pages, 48% via phones and 40% via social media. The statistics indicated that getting access to enterprise's websites is the best among various ways to purchase a product.

Figure 131: Main sources of websites' revenue



Revenue for e-commerce websites came mainly from the sale of products and services provided on the websites, accounting for 84% of total revenue, while revenue occurring from advertising and membership made up small amount which were 5% and 1%, respectively.

Figure 132: Successful application of e-commerce in enterprise's business [12]

1. Dacsankiengiang.vn

The business establishment Thanh Hang was established in August 2013 in Kien Giang. In August 2014, Thanh Hang built website at www.dacsankiengiang.vn through solutions provided at www.eKip.vn with objectives:

"To collect and introduce special products from Kien Giang".

Website www.dacsankiengiang.vn provides a variety of products including:

- Special products from Kien Giang: Sang Loi white pepper, Khai Hoan fish sauce, Bay Gao myrtle wine, Hong Tieu Salt, Can ham, KIFOCAN Oil soaked tuna, KIFOCAN Sardine in tomato sauce; Cajeput peel paintings, etc…

- Fresh and raw seafoods; Dried jelly fish, dried shrimps; Processed food; Handmade products, etc.

After 5 months of operation, the website attracted over ***56,000 pageviews*** and received a lot of orders via websites and phones. Popular products purchased were fresh and raw seafood, fish sauce, dried food, pepper, myrtle wine, etc. Apart from infrequent retailed orders, frequent orders in wholesale and of high value ranging from 2 billion to 10 billion VND were placed by customers from provinces like Can Tho, Vinh Long, HCM City, Binh Phuoc, etc. Thanh Hang's average revenue reached ***100 million VND per month*** after the application of e-commerce.

2. Cakhotranluan.com – amthuccotruyen.com

The business establishment Ca Kho Tran Luan operated as a household business since 1998 in Ha Nam. In 2009, Ca Kho Tran Luan started introducing their products on website at cakhotranluan.com.

Main business lines of Ca Kho Tran Luan include the process and distribution of main product: Stew fish originated from Vu Dai village. The product was known in both domestic and international market as Vu Dai village's stew fish. Since 2009, Ca Kho Tran Luan was one of the first business establishments introducing rural special food to market. Applied Internet successfully in the business operation, Ca Kho Tran Luan boosted production and business activities of Vu Dai villagers, and obtained the following achievements:

- 5 consecutive years in top of provider of Vu Dai stew fish with an annual growth rate of ***150%.***

- In 2013, Ca Kho Tran Luan provided to the market over ***10,000 clay pots,*** with the value of each pot ranging from 400,000 to 1,200,000 VND (for 1 to 5 kg).

[12] *Data provided by enterprises*

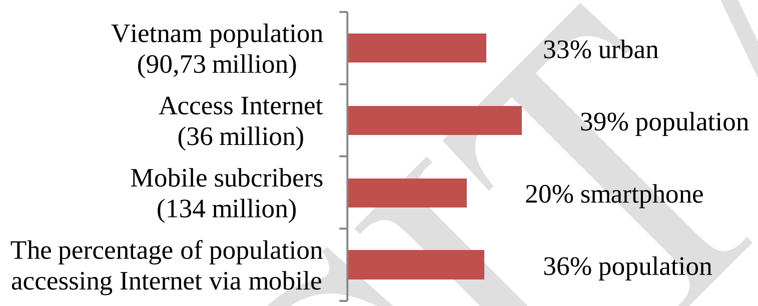
CHAPTER VI

E-COMMERCE IN MOBILE PLATFORM

I. E-COMMERCE ON MOBILE PLATFORM

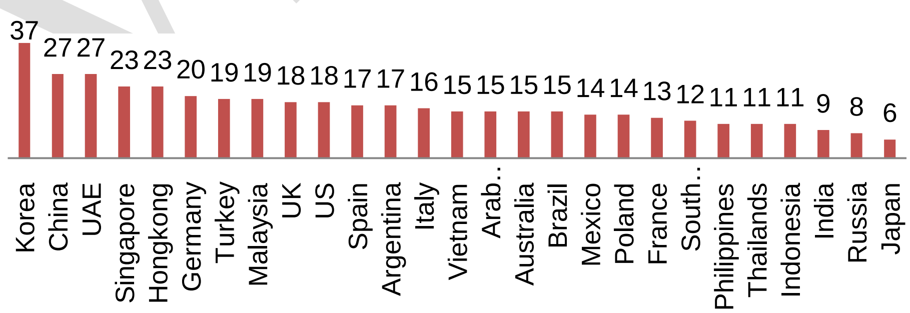
With a population of 90.73 million people in 2014, Vietnam was the 14th most populous country in the world, the 8th in Asia and 3rd in Southeast Asia. Vietnam's population increased by 1.08% compared with 2013, including urban population of 30 million, accounting for 33%; rural population of 61 million, accounting for 67%. In particular, the percentage of the population that used Internet was 39%, the number of mobile subscribers were more than 130 million (1 Vietnamese on 1.45 SIM card phone in average), 36% of the population used internet via mobile platforms.

Figure 133: The figure on the use of Internet through mobile in Vietnam



In January 2015, WeAreSocial announced survey results on the proportion of people purchasing online via mobile devices by 27 countries. Accordingly, the dominant demographic structure of the population with 40% aged from 10 to 24, put Vietnam in the group of countries having high rate of people purchasing online via mobile devices. This rate could up to 15%; the same as Australia, Brazil, Saudi Arabia, and surpass countries that technologies developed such as Japan, France ...

Figure 134: Percentage of people purchases online via mobile devices (%)



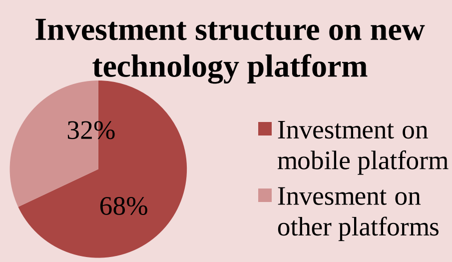
1. Model B2C

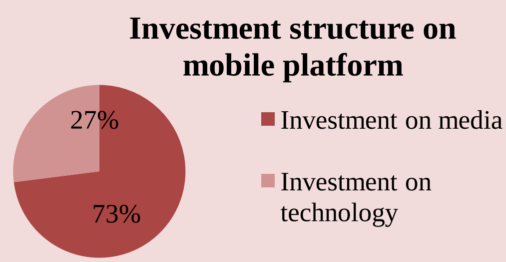
In the context of the economy with many difficulties, e-commerce with revolution in mobile technology, that leading by smart-phones and software applications, were contributing to the retail operations, and creating a basic change in interactive relationship between consumers, retailers and trademark.

When consumers used mobile devices with software applications on devices to search, access, compare and buy goods, mobile solutions are becoming an important sales channel for retail sector. Statistics from the leading retailers in Vietnam showed that retailers were trying to adapt to the tendency of e-commerce on mobile platforms. The retail businesses not only introduced actively their products, brands and promotions on mobile commerce platform, but also invested on designing mobile applications for their own brands.

Figure 135: Tiki JSC with e-commerce on mobile platforms

Tiki Joint Stock Company, a Vietnam enterprise working in the field of e-commerce, announced the investment structure on new technology platform and investment rates on mobile platforms in 2014 as follows:

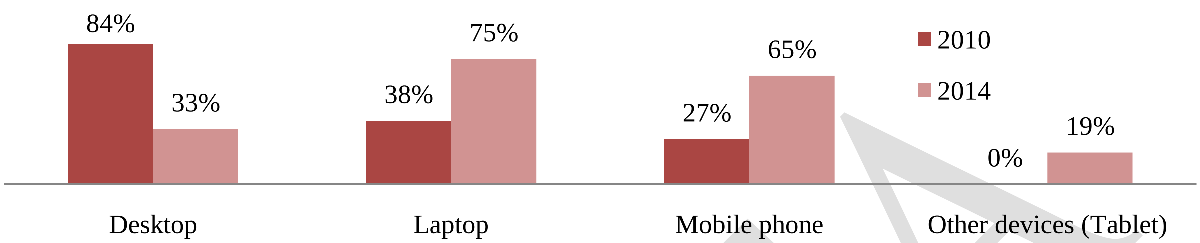




Tiki identified that the investment in mobile platform for B2C transactions was one strategic investment direction in future. The percentage of investment in mobile platform accounted for 68% of the investment structure for new technology platform researching activities. In the investment in mobile platforms, investment structure remained focused primarily on communication activities (73%), investment in technology accounts for 27%.

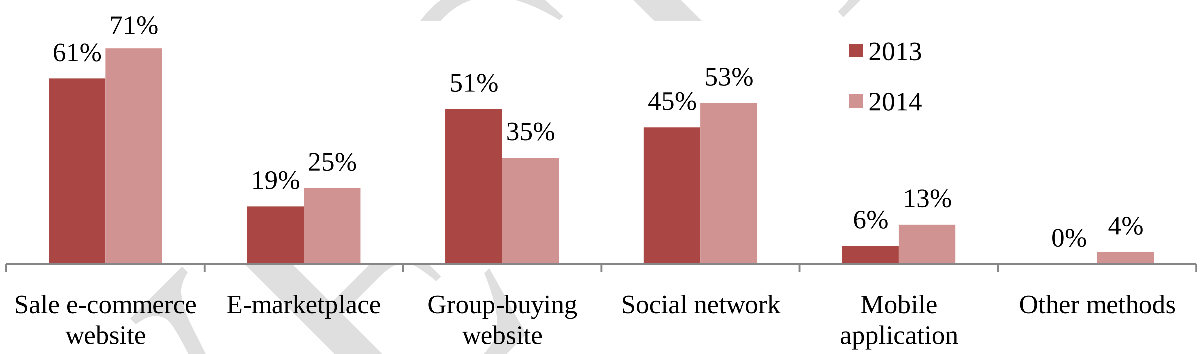
According to a survey of VECITA in 2014 with more than 900 consumers using Internet, Vietnamese consumers accessed Internet not only via laptop, but also via mobile devices. Specifically, although in 2010, the number of people accessing Internet via mobile phones was at only 27%, after 4 years, the rate has increased by 38% and reached 65% in 2014; besides, the use of mobile devices to access the Internet also experienced a sharp rise, due to the appearing of new technology mobile devices such as tablet, etc... This ratio increased by 19% in 2014, comparing with 0% in 2010.

Figure 136: Devices for Internet access



The statistic also showed the method of online shopping via mobile applications was doubled from 6% in 2013 to 13% in 2014.

Figure 137: Methods of online shopping



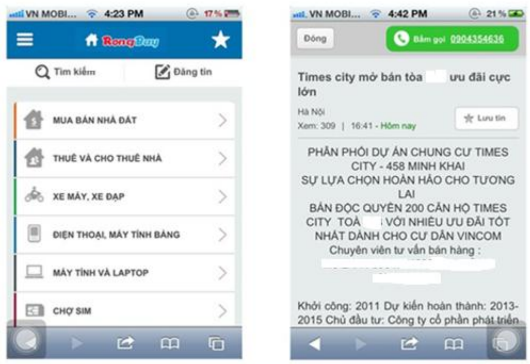
The survey results revealed that, e-commerce on mobile platform was gradually growing in the retail sector as a transition from a communication channel to an interactive channel between retailers and consumers. The acceptance level of consumers was very positive, so the problem that retailers must solve was how to ensuring technology and their core business services.

2. Model C2C

Another e-commerce model was also popular in Vietnam is e-market place. They were having movements to direct investment in mobile platforms. The applications for Model C2C could be divided into two main groups, including:

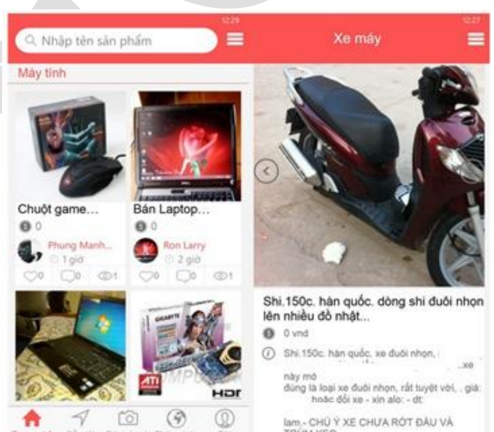
Group 1 including enterprises developing mobile solutions based on consumer community that already available on the web platform; representatives of this group were enterprises that had prestigious website, having large number of users so when they expanded to mobile applications market, they would have the advantage of users. The application of Group 1 was also designed to take advantage of the basic features of mobile devices such as calling, messages...

Figure 138: Application of Rongbay in IOS



Group 2 including enterprises that had no customer yet so they had to take advantage of the rapid spread of mobile platforms to promote their applications and build the community of buyer and seller; representatives of this group were enterprises that were trying to solve the problem of technology to create a good application platform, then focus on building the community of seller and buyer. This group had advantage of orienting on the mobile platform from the beginning. Therefore, it was appropriate with mobile users for rich features, and good technology platform.

Figure 139: Application mRaovat only works on mobile platforms

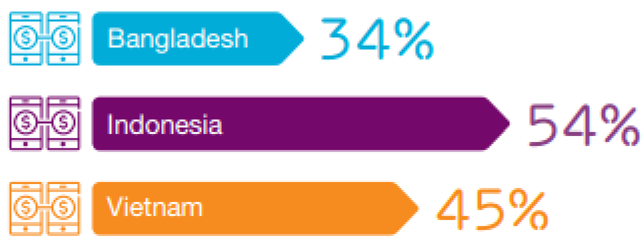


II. BANKING SERVICES - MOBILE PAYMENT

1. Electronic payment services on mobile

According to the report "Mobile Commerce in emerging Asia" in 2014 by Sony Ericsson Telecom Group that studying on market-based mobile commerce in developing countries in Asia, the research results showed that the demand of transferring - receiving money of consumers in Vietnam accounted for 45% of the population, which was also the basis for the development of application for money transfer via mobile devices in future.

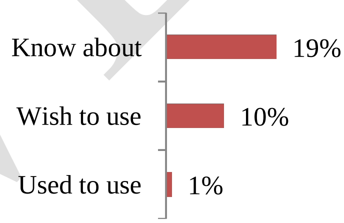
Figure 140: Demand of transferring - receiving money of consumers in 2014



Source: Report "Mobile Commerce in Emerging Asia" - Ericson 2014

Ericsson's research also showed that although the proportion of consumers using mobile payments were limited to 1% in 2014, but this number would change due to the growing interest of consumers for this type of payment. Ericsson announced that 19% of respondents acknowledged the payment services on mobile and 10% expressed their interest, and desire to learn and use the payment services on this platform.

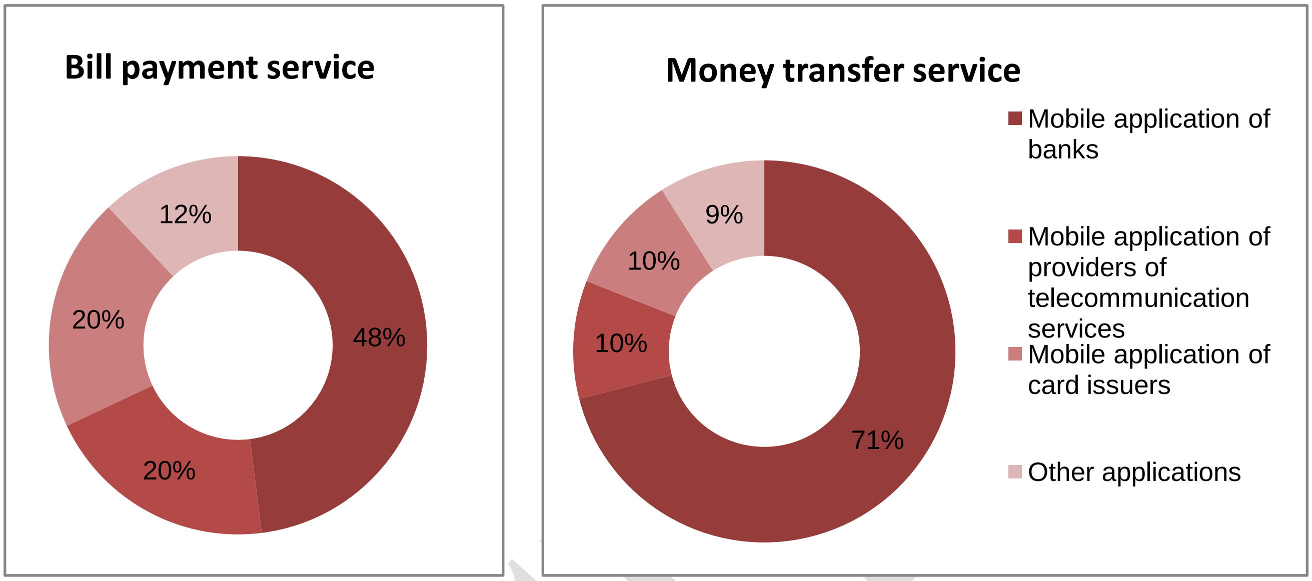
Figure 141: Awareness of consumers about mobile payments in 2014



Source: Report "Mobile Commerce in Emerging Asia" - Ericson 2014

Vietnam consumer using payment services via mobile for two main purposes: to pay bills and transfer money. Results of the research showed that when paying bills, 48% of consumers in Vietnam preferred the payment application on mobile devices of bank to the application of telecommunications unit. For the transfer, the majority of consumers trusted mobile applications of banks (71%) than other applications provided by the telecommunications unit (10%) or the card issuers (10%).

Figure 142: Type of payment applications via mobile that consumers preferred

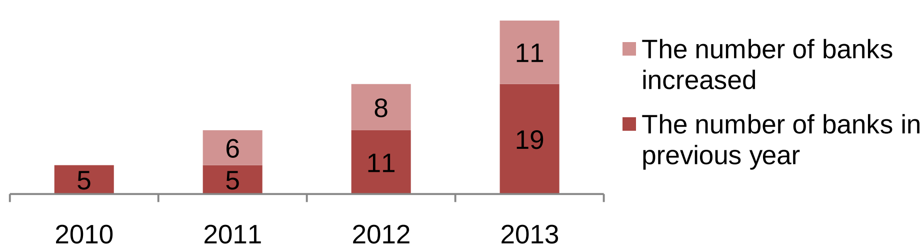


Source: Report "Mobile Commerce in Emerging Asia" - Ericson 2014

2. E-banking services based on mobile devices

As reported at the conference "ASEAN Bank Forum" in 2013, there was a growing number of banks in Vietnam implementing e-banking services based on mobile devices. In 2013, there were 30 banks participating in this market, up 58% comparing with 2012 (an increase of 11 banks comparing to 19 banks that had e-banking services based on mobile devices in 2012).

Figure 143: The number of banks implementing e-banking services on mobile devices in Vietnam 2013



Source: ASEAN Bank Forum 2013

E-Banking services on mobile allowed customers to use services from simple as lookup account balances, pay bills, purchase prepaid cards such as mobile phone cards, to complex transactions such as transfers within the same banking system.

Along with the conveniences mentioned above, e-banking services on mobile devices ensured the security and safety for information because a successful transaction via mobile banking needs three factors:

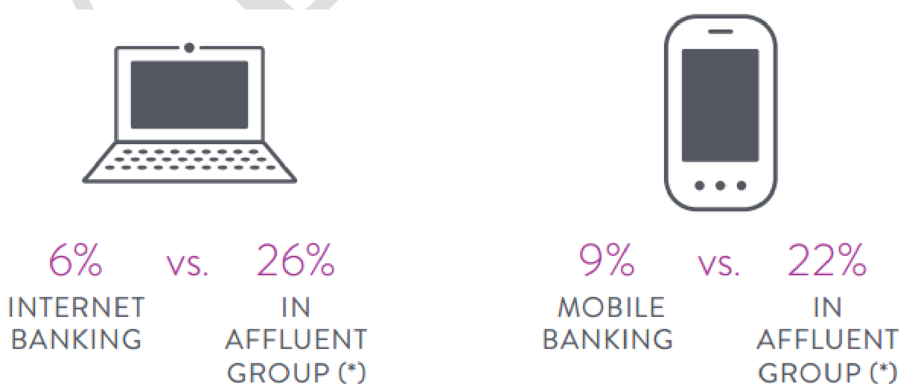
1) SIM card - as customer identification

2) Password provided by bank that customers have to remember

3) Authenticity containing random information will be provided by bank (via SMS, email or Token) when transfers incurred and costumers have to enter the correct required information.

With the advantages of convenient and safe, the e-banking service on mobile platform was an important trend of payment, that contributing for the payment infrastructure for e-commerce in Vietnam. In 2014, Nielsen announced the report "Driving smarter business Decisions in Vietnam". The report said that e-banking service on mobile platforms would be the trend growth of Vietnam and will pass on traditional e-banking equipment such as computers (laptop, desktop) in the next few years. Particularly in 2014, 6% of 26% computer owners that having high incomes, used e-banking via computer; however, survey data showed that 9% of 22% smart-phone owners that had high income, used e-banking services on mobile devices.

Figure 144: Percentage of e-banking via computer comparing to via mobile in Vietnam



Source: Driving smarter business Decisions in Vietnam 2014 - Nielsen

(*) Group having income from 30 million VND / month

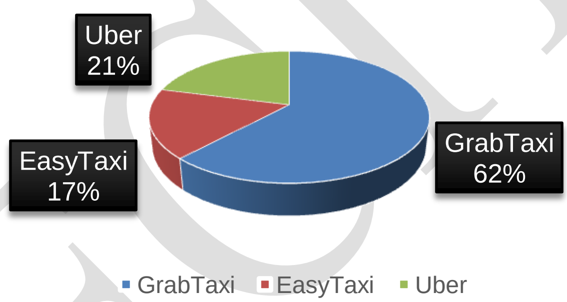
III. INTERACTIVE SERVICES IN MOBILE

1. Taxi booking service

Taxi booking via mobile was still a new service in Vietnam, with the major participation of foreign enterprises as Uber, Grabtaxi and Easytaxi. The service was divided into two distinct groups: Easytaxi and Grabtaxi helped connecting the traditional taxi operators with customers via mobile devices, while Uber connected the driver and passengers together, in general.

Although this service was still very new in Vietnam, but it already had a regular customer base to compete with traditional taxi services. However, there was a disparity in market share among the brands. According to an independent survey carried out by YounetCo about the distribution of taxi booking applications in Vietnam[13], Grabtaxi accounted for 62% while the number of EasyTaxi and Uber is 17% and 21%, respectively. The cause of the difference mentioned above was that their marketing strategies, promotions are quite different.

Figure 145: Percentage of the distribution of taxi booking application market



Source: SocialHeat, YouNetMedia.com

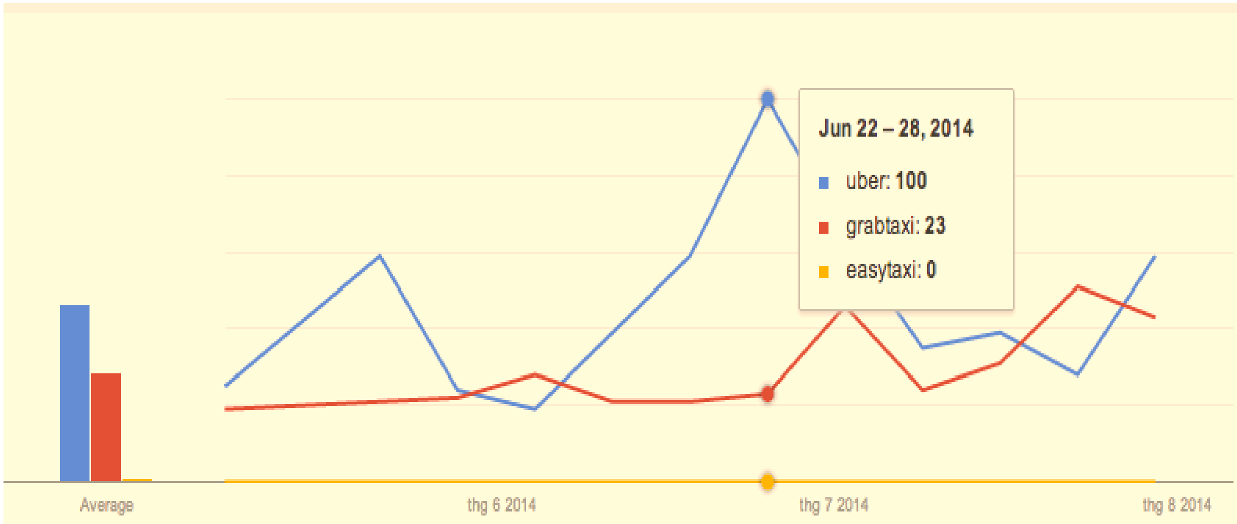
Google Trends showed the search trends of Vietnam online community, which also leaning towards GrabTaxi and Uber.

As taxi booking service via mobile was developing, in 2015, it was predicted to be an exciting year for taxi services market and the customer would be able to use the services which becoming better. The market would also experience the participation of Vietnam enterprises.

[13] *The data were published in http://www.younetmedia.com/blogs/dich-vu-dat-cho-taxi-suc-manh-se-vao-tay-ga-khong-lo.html*

Figure 146: Search Trends on taxi booking services

of online community from June-August, 2014



Source: Google Trends

2. Services providing vouchers, coupons, membership cards

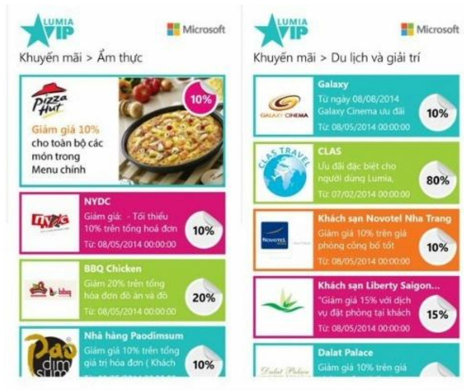
Services that provided vouchers, coupons, membership cards to consumers via mobile apps was not a new field in Vietnam. Large enterprises which have group purchasing services (Hotdeal, Muachung, ...) were building mobile applications for their own. Survey of VECITA with 900 consumers showed that, compared with 2014, the percentage of users using mobile apps for online shopping doubled the previous year and reached 13% .

Not only local enterprises, but also big manufacturers of mobile devices were also implementing the investment in this segment with the aim of adding value to the customer when buying their products.

Figure 147: The interface of mobile application Muachung

Galaxy Gift and Lumia Vip were the first attempt by Samsung and Microsoft in order to hit the market of providing voucher, and coupon via mobile devices in Vietnam. When users installed these applications, they would receive the discount code to save money when using the catering services, spa services or other services in promotional system. Especially, these applications integrated with the utility navigation to help users identify the promotion in areas surrounding their positions.

Figure 148: Lumia VIP app allows users to search promotions in areas surrounding them



In order to use one promotion, users only needed to do a few simple steps to create a discount code. When they gave that code to the store employee, the price would be reduced respectively. If the shop had signed with My Points of Microsoft (Lumia Vip Application), the user would receive accumulated points, for example , for each 100,000 vnd paying, they would receive 100 points; then they could use that point to reduce the payment for other services.

The solution of the smart card member providing through mobile devices was also developed by some enterprises. The application helped users get incentives in the form of accumulated points, or promotions when they use the provided service. Users could use the application in the list of preferential locations and to receive special form of service. As accessed the location, users simply need to open the application, click on the location and display E-Card on the screen. Then, they show that phone screen to the staff.

Figure 149: Application Foody with feature e-Card

IV. DIGITAL CONTENT SERVICES

1. Digital content business on mobile devices

Digital content services on mobile devices are deployed in Vietnam was very diverse way with many groups, but if divining by the payment method, there should be two main groups:

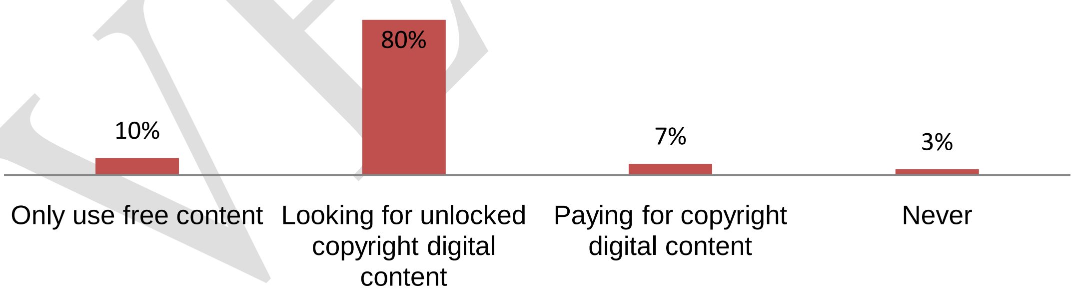
- Users pay directly and use the digital content

- Users subscribe to use digital content online services

The form of providing the first service had been developed for a long time, from the early days of digital content services based on mobile platform. Users could download ringtones, ringback tones, wallpapers ... to their phones via SMS, or download it directly via the Internet. Payment fee could be paid via SMS that charging directly to users' accounts, or charging to postpaid account, or by scratching cards, online payments via bank cards ...

VECITA had done a quick interview about consumer attitudes on the issue of payment for digital content on mobile for 30 random people who own smart phones in Hanoi. The results showed a fact that consumers were not psychologically ready to pay for digital content. Instead of that, most of consumers were still looking for free content (10%) , or copyrighted content but had been unlocked (80%) and only a few people were willing to pay for copyrighted content (7%).

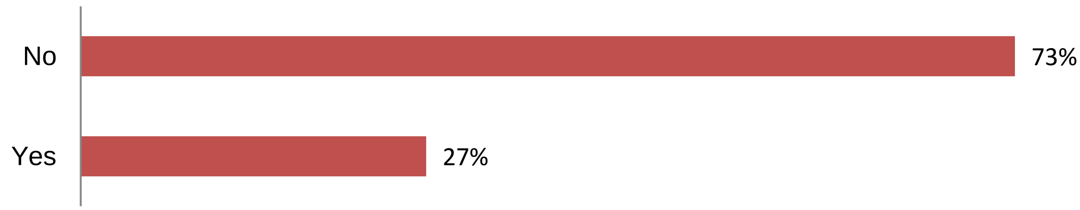
Figure 150: The use of digital content on mobile of consumers



The second form allowed users to choose the periodic payment with a subscription fee to use the service. The mobile application allowed users to watch TV programs, or some applications would allow users to watch high-resolution movies after paying a certain fee.

In fact, consumers in Vietnam had started to change habits for paying costs to be able to use the online services such as watching movies on mobile. Results of a quick interview with 30 consumers showed that nearly 30% of them were willing to pay for online movie on mobile.

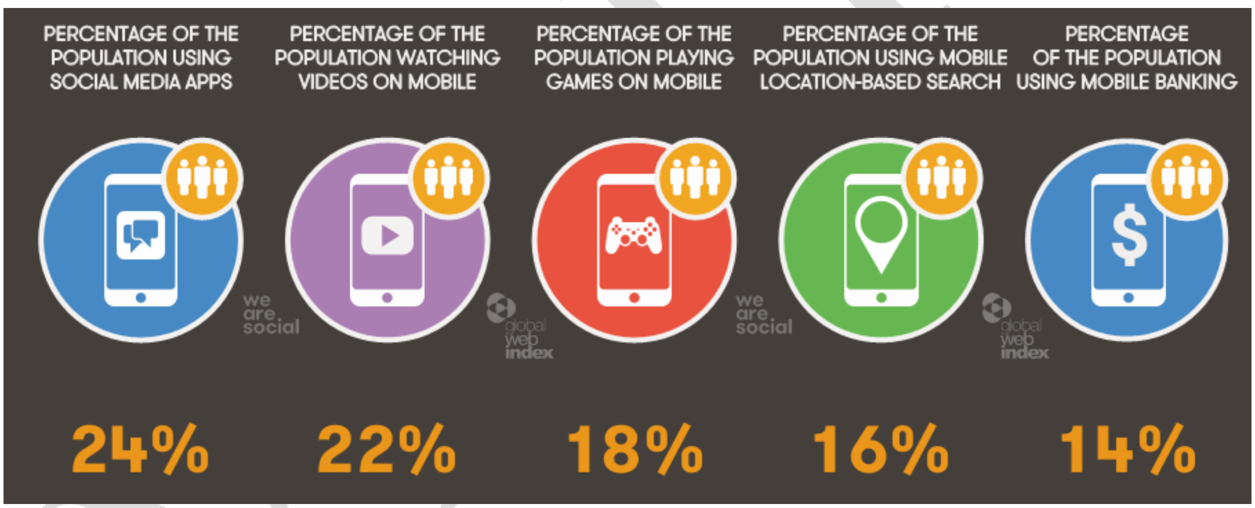
Figure 151: The willingness to pay for online movie on mobile of consumers



2. Digital map on mobile devices

According to statistic of GlobalWebIndex coordinated with WeAreSocial to announce in January 2015, 16% of Vietnam's population used location search service on mobile devices.

Figure 152: The mobile application that people using



Source: WeAreSocial

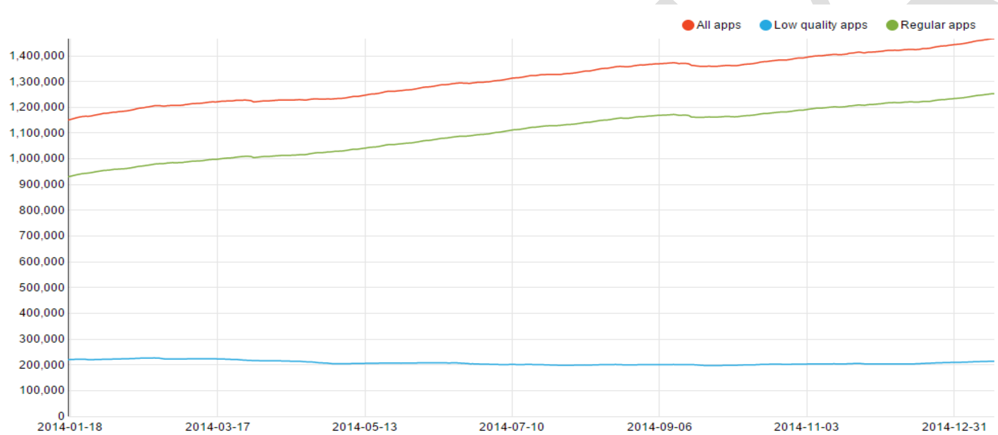
The application of searching content and location information on a map was very diverse with platforms of foreign enterprises such as Google Maps, Nokia (Here Map), Apple Map ... or of local enterprises as Diadiem.com, Thodia.vn ... The common thing of these solutions was the base on geographical maps to provide information about landmarks, entertainment, business address, ... to help users access easier to information of places around their positions. However, in this segment of foreign enterprises were many advantages with technological resources and a large number of users.

V.APPLICATIONS AND GAMES ON MOBILE

1. Mobile application

Mobile application market (App Store) was a distribution platform for mobile applications. Normally, the applications operated on certain platform and equipment, such as the application of the operating system iOS was only available on Apple App Store. Calculated separately on Google Android Market, the number of mobile applications had reached approximately 1.5 million, however, the number of applications has "low quality"[14] accounted for 15% - according to statistics collected on the website www.AppBrain.com.

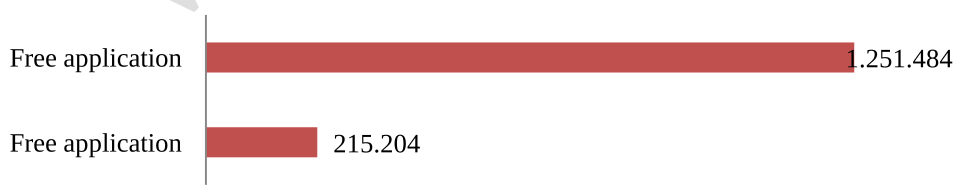
Figure 153: Evaluating the quality of applications on Android



Source: www.appbrain.com

There was still a large gap between the number of free applications and applications with fee in the market: The number of free application in Google's Android market was approximately 1,251,484, accounted 85.33% of the total number of applications offered on the market.

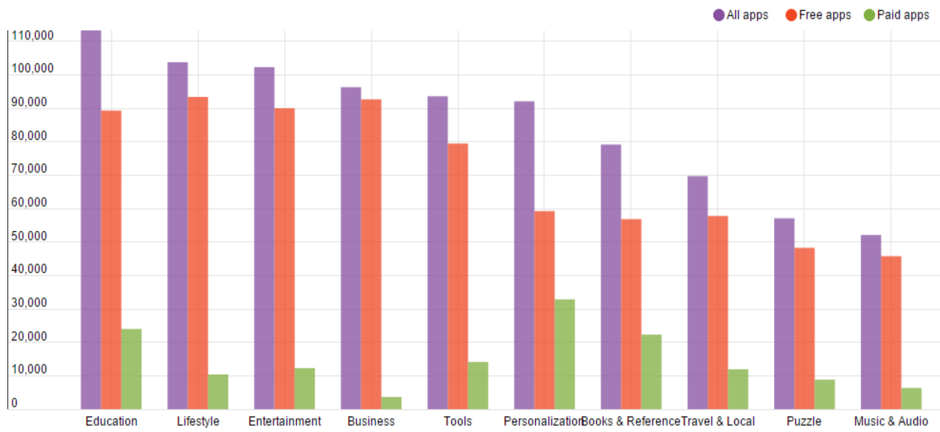
Figure 154: The number of mobile applications for free and with fee of Android



The most popular applications of Android were in the field of Education - 113.342 downloads; Lifestyle - 103.818 downloads; and Entertainment - 102.345 downloads.

[14] *The application of low quality as evaluated by Google would be removed from the market quarterly*

Figure 155: The application forms available on Android

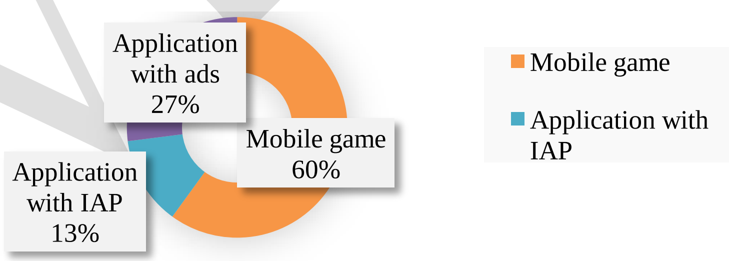


Although the number was still limited, however, the applications developed by local developers were also received by the community with high-rate and great downloads on the Apple iOS app market, Google Android and Microsoft Windows Phone.

2. Games on mobile devices

According to Vietnam Application Market Report 2014, by Appota.com in the second quarter 2014, in the form of business applications on mobile devices, mobile game applications bring the most profitable business, revenue up to 60% of the total revenue of applications in Vietnam. Ads in applications brought the revenue up to 27%, while the revenue from the payment of download applications (IAP - InApp Purchase) was 13%.

Figure 156: Percentage of revenue from the type of applications on mobile

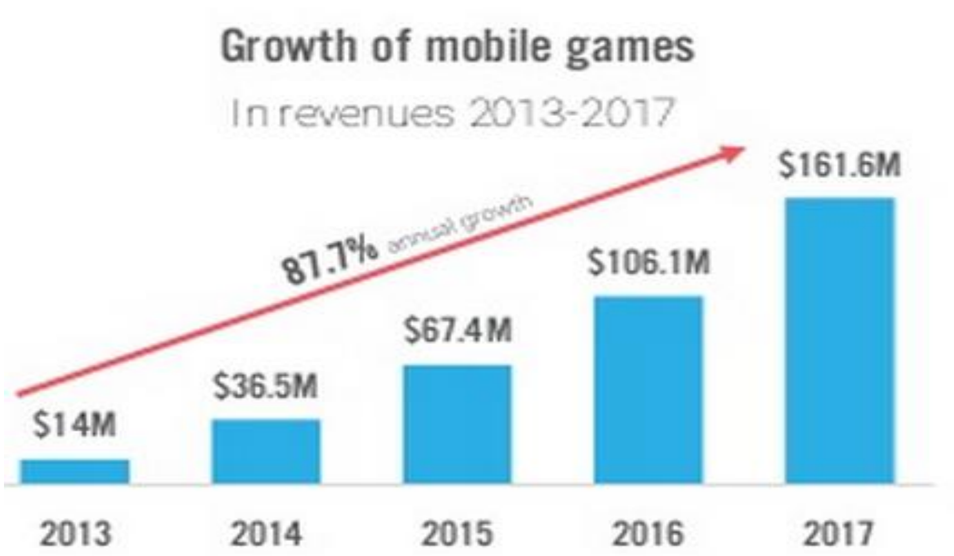


Source: Appota 2014

2014, Newzoo associated with Facebook, Microsoft, EA and Baidu to conduct market research on mobile games in all Southern Asia countries. The results showed that, with the growth at 87.7% per year, the revenue of mobile game application market in Vietnam could reach 36.5

million USD, an increase of 22.5 million USD compared with 2013 and was estimated to reach 161.6 million USD in 2017.

Figure 157: The growth of the mobile game application market in Vietnam



Source: Newzoo 2014

Responsible publisher
NGUYEN HOANG CAM

Chief author
TRAN HUU LINH
Director General of Vietnam E-commerce and Information Technology Agency

Content editor
LE DUC ANH – LE THI HA – LE THI THU HANG
NGUYEN DIEU HUONG – NGUYEN HUU TUAN

Cooperation unit providing information and data
VIETNAM E-COMMERCE ASSOCIATION