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## **E-BUSINESS IN VIET NAM: BENEFITS AND RISKS DURING COVID-19**

Vietnam is a land of opportunity for foreign E-commerce companies because of its young population, high Internet penetration rate and climbing smartphone penetration rates. Internet services made their first appearance in Vietnam in 1997. Vietnam's economy involves a number of different benefits and risks that international investors should carefully consider. While the country's rapid growth rates may attract investors, they should carefully consider the higher risk profile, government controls, and reliance on key industries to support that growth over the long-term. These factors may make the country too risky for some portfolios.

The Lunar New Year, 'Tet' in Vietnamese, is the most important celebration in the country. This year's festival on 12 February was accompanied by much uncertainty as Vietnam was hit by a third COVID-19 outbreak just days prior.

The sensitive timing of the outbreak elevated health and safety concerns as many Vietnamese had travel plans for reunions and family festivities. The government issued several social isolation orders in major cities, limiting inbound and outbound travel. The Ministry of Health and the World Health Organization's office in Vietnam recommended people celebrate Tet safely with the message that 'health is the most precious gift we can give each other this Tetholiday'.

Amid this looming crisis, more and more Vietnamese turned to e-commerce platforms and digital financial services for Tet preparation. Tiki, one of the four largest online shopping platforms in Vietnam, reported that its transaction volume in January surged 50 % compared to the same period last year. Due to the new outbreak leading up to Tet, it is likely that all e-commerce platforms experienced a massive surge in activity. Many Vietnamese businesses and services have also taken measures such as speeding up digital transformation projects and offering new services to meet this new demand. ZaloPay, one of Vietnam's largest electronic wallets, strongly promoted its 'li

xi' service, a new digital approach to the tradition of elderly people giving lucky money to children. These campaigns are gaining traction and could potentially help companies expand their customer bases as they address health and safety concerns. Such concerns have been an important driver of the surge in usage of e-commerce and digital financial services, especially among elderly consumers, during the last two waves of COVID-19 in Vietnam.

The COVID-19 pandemic, for all its negative impacts on health, society and economy, is expediting the growth of Vietnamese e-commerce and digital finance, paving the way for the country to fulfill its digital potential. Traffic on e-commerce platforms in 2020 was 150 % higher than the previous year, with approximately 3.5 million visitors per day on various platforms.

Usage of digital financial services, including internet banking, e-wallets and mobile money, have also risen significantly, placing Vietnam among the top three countries in Southeast Asia for e-commerce growth. Revenue in the sector is projected to reach US\$7 billion in 2021, an increase of 16.2 % year-on-year.

Digital health is another area the healthcare industry should pay attention to going forward. Demand for consumer health electronics and telemedicine are rising strongly in Vietnam amid growing challenges from infectious diseases such as COVID-19 as well as from non-communicable diseases.

What has been seen in both consumers' behavioural changes and in business' strategies strongly points towards faster digital transformation in businesses and services due to the COVID-19 pandemic. It is also encouraging that businesses in Vietnam have transformed in a way that better supports equal access to healthcare, enhanced safety measures and stronger collaboration across industries. This spurs the digital transformation that is essential for emerging economies like Vietnam.

## References

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