



# **Development of logistics services in Vietnam since becoming the World Trade Organization's member (WTO)**

**Factors affecting supply chain activities at retail business enterprises in Vietnam**

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**Factors Affecting Supply Chain Activities at Retail Business Enterprises in Vietnam**

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### **Abstract**

Logistics Services in Vietnam have been rapidly changing after accession to the World Trade Organization (WTO) in 2007, is marked a significant turning point in international integration. The entry into the world has extended a range of opportunities for import and export operations, which has supported the expansion and consolidation of logistics services. The thesis illustrates an overview of the Logistics Service and Supply Chain activities at Retail Businesses in Vietnam.

The goals of this thesis were to offer the solutions to effectively develop the logistics service industry that can be proposed, positively impact the chain of production and business activities, and improve the competitiveness of Vietnamese enterprises. The study aimed at effectively assisting in improving the competitiveness of Vietnamese companies, actively contributing to the management of the product lifecycle and supply chain.

The thesis was implemented by applying the qualitative research approach to collect the data from reliable sources such as academic books, sciences journal articles, literature views, sciences research by experts, etc. The data was evaluated and recognized the answer the research questions and substantiate the study's conclusion. In the thesis, to acquire a better understanding of Logistics Services in practice in Vietnam, the author did a SWOT analysis, which was used to evaluate the situations then recommend the best solutions to the obstacles and challenges.

Consequently, the author identified 15 critical factors impacting the performance of Vietnam's retail firms' supply chain operations and proposed a feasible solution for the future growth of Logistics Services Enterprises in Vietnam. The solution was based on the key success of 15 aspects and a long-term economic strategy for the expansion of Logistics Services. Comprehensive connectivity and coordination throughout the supply chain will enable supply chain development and growth.

### **Keywords/tags (subjects)**

Logistics Services, Influence Factors, Supply Chain Activities, Retail Business.

### **Miscellaneous (Confidential information)**

For example, the confidentiality marking of the thesis appendix, see Project Reporting Instructions, section 4.1.2

## Table of Contents

<b>Table of Contents</b> .....	<b>1</b>
<b>1 Introduction</b> .....	<b>4</b>
<b>2 Research purposes and missions</b> .....	<b>6</b>
2.1 Research purpose .....	6
2.2 Research mission .....	6
<b>3 Research questions</b> .....	<b>7</b>
3.1 Research subjects .....	8
3.2 Research scope .....	8
<b>4 Research methodology</b> .....	<b>9</b>
4.1 Qualitative research methods .....	9
4.2 Quantitative research methods .....	10
4.3 Research methodology selection .....	10
<b>5 Literature review</b> .....	<b>11</b>
5.1 Logistics Services .....	11
5.1.1 Logistics process.....	11
5.1.2 Functions and tasks of logistics services in the market .....	13
5.1.3 Targets.....	15
5.2 Retail overview .....	18
5.2.1 The concept and characteristics of retail.....	18
5.2.2 The role of retail in the economy .....	19
5.2.3 Retail category .....	20
5.3 Overview of the supply chain .....	22
5.3.1 The concept of the supply chain .....	22
5.3.2 Supply chain activities.....	26

5.3.3	Stages of supply chain development .....	34
<b>6</b>	<b>Data collection and result .....</b>	<b>35</b>
6.1	Factors affecting the development of logistics services .....	35
6.2	The logistics services industries growth process in Vietnam .....	39
6.3	SWOT analysis of logistics services estate development in Vietnam .....	40
6.4	Success in Vietnam in logistics services after becoming WTO's member .....	42
6.5	Factors affecting to the performance of the supply chain.....	44
6.6	Critical success factors influencing retail supply chain performance .....	53
<b>7</b>	<b>Discussion and solutions to enhance Vietnam's logistics services .....</b>	<b>53</b>
7.1	Limitation of restrictions and Reasons .....	53
7.2	Development trend of logistics services of countries around the world.....	56
7.3	Orientation and development goals of logistics services to 2020 and the following years .....	58
7.4	Development solutions, proposed solutions .....	60
7.5	Answer for the research question .....	62
<b>8</b>	<b>Conclusion.....</b>	<b>63</b>
<b>9</b>	<b>Reference .....</b>	<b>65</b>
	<b>Appendices .....</b>	<b>80</b>
	Appendix 1. SCOR is a hierarchical process model .....	80

## Figures

Figure 1	Core activities of logistics .....	12
Figure 2	Vietnam Logistics Report 2020.....	17
Figure 3	Frequency of SCM definition.....	28
Figure 4	Four Categories of Supply Chain Operations .....	29

Figure 5 SCOR is organized around five major management processes.....	30
Figure 6 Vietnam GDP Annual Growth Rate Science and Technology elements.....	37
Figure 7 The ratio of logistics costs to GDP of some countries.....	56

## **Tables**

Table 1 LPI Rank and Score of the country in ASEAN area 2007.....	42
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## 1 Introduction

In 2007, Vietnam became an official member of the World Trade Organization (WTO) and marked a significant turning point in international integration. The entry into the world has provided companies with an extensive range of options for import and export operations and has supported their manufacture and company as logistics services expand and assert their position.

However, the term Logistics appeared in the market a few hundred years ago in Vietnam only after altering the name of "Transporting Logistics," an important milestone for this service business. The share of logistical services represents about 15% of export sales. The next ten years are anticipated at USD 200 billion in Vietnam's export turnover per year, and the potential for logistics service expansion is consequently enormous in Vietnam.

With its development prospects, this Vietnamese services industry is confronted with many problems and obstacles due to its small size, inadequate financial potential, insufficient human resources in many aspects, and numerous hurdles—market experience in especially. In Vietnam, logistics service suppliers serve primarily as agents or undertake each stage, thereby contributing to the value chain, as a sub-contractor of the logistics chain for international logistics providers, not high worth. In addition, approximately 25 global logistics companies operate in Vietnam, accounting for 70-80% of our country's logistics services market share. At the same time, enterprises with 100% foreign capital could operate in Vietnam under the WTO membership pledge. The logistics services business in our country thus promises intense rivalry in the coming period (Cafef, 2020)

With the vital importance and promise for significant development in the logistics sector in Vietnam in 2007, this problem has altered the national economy. The author has selected the research topic "Development Logistics Services Development in Vietnam After WTO Accession."

The retail market in Vietnam is quite varied and is concentrated in areas with many young people and about 90 million people. In 2013, Vietnam's commerce and the retail sector provided approximately 6 million jobs to its yearly GDP, while the industry employed 6 million people (Nghiem, 2012). Supermarkets began appearing in Vietnam in May when the first one opened.

Vietnam's contemporary retail sector quickly grew in October 1993 (Hiep, 2011). Vietnam has emerged rapidly as the world's most appealing retail industry in 15 years. Numerous people thus hoped that many international investors would come to Vietnam to invest. Despite this, Vietnam slipped out of the top 30 3 years ago due to the worldwide economic crisis. Even though Vietnam returned in 2017, it was not until 2017 that this list was included.

While many people are expecting great things for the retail market in Vietnam, it can be observed that despite these hopes, the country's retail industry lacks critical elements that prevent this market from having long-term stability and growth. Vietnam's percentage of people living in rural regions is still substantial, accounting for 66.9 percent (Office, 2014). Current retail systems are found in urban and suburban areas (Promocene, 2015). Although retail spaces are limited, new ideas may flourish in these environments. In addition, the lengthy administrative processes that govern businesses in Vietnam dissuade investors from joining the retail sector of Vietnam. Vietnam is ranked 121st out of 148 countries for "Transparency of government policy," and 116th out of 148 countries for "Ability of the prime minister to act as a business catalyst" by the World Economic Forum (Schwab, 2014-2015). Vietnamese individuals constantly have access to new technologies; however, recent technology adoption in businesses is sluggish.

There are also additional reasons: Vietnamese retail companies are poorly managed regarding supply chain management, proximity, and location (Phan Thuy Giang & Nguyen Thuy Duong, 2014). When strong suppliers sell, influential retailers will likely sell as well. So, because of the regulation and the competition, it's tough for suppliers to access supermarkets, but for retailers, it's frustrating because the products they

provide are harmful. The pricing of the product is not reliable. In the absence of a "conductor" to coordinate the actions of members in the supply chain, the chain is thrown into disarray, and no interdepartmental communication occurs. As a result, effective supply chain strategies cannot be implemented.

## **2 Research purposes and missions**

### **2.1 Research purpose**

A solution to develop this service industry may be provided hypotheses were developed of logistics, logistics services, and data synthesis on the development of logistics services in Vietnam since accession to the WTO. To assist effectively in improving Vietnamese companies' competitiveness, contribute positively to the product lifecycle and supply chain management.

Foreign companies are now permitted to have 100% capital investment in Vietnam from January 11, 2015, (Emerhub, 2020). Local retailers and global retail behemoths have been engaged in a virtual brawl for the potential Vietnamese retail market.

However, Vietnamese retail distributors have many shortcomings, such as insufficient capital, lack of training for human resources, and poor logistical infrastructure. Vietnamese merchants focus their distribution network on metropolitan areas and cities, where many longstanding and traditional suppliers operate (Trade, 2010). Systematically investing in research to enhance supply chain operations for retail companies is an intelligent business decision when working with this kind of company. With Vietnam's assistance, these companies must remain viable and grow sustainably.

### **2.2 Research mission**

- Systematize theoretical issues about logistics and logistics services.
- Analysis and evaluation of the existing condition for the growth of logistics service in Vietnam on WTO membership.
- Proposing solutions to develop logistics services.



Despite the many supply chain studies conducted throughout the globe, there is no well-defined model that accurately describes how the various variables affect supply chain operations. Additionally, there is a shortage of studies on the many influences on the supply chain since the business that runs the supply chain is the company that does the job.

Provision of a supply of commercial chains to the consumer (Wesley S. Randall et al., 2009). At the same time, when the retail company takes control of the entire supply chain, a significant deal of value will be accrued for the supply chain (Sisodia, 2014).

Considering the theories and practices outlined above, the author aims to research supply chains to investigate chain development and building and then provide feasible solutions. Thus, to contribute theoretically and as a reference for Vietnamese retail businesses, the author chose "Research on factors affecting supply chain operations in Vietnamese retail businesses" as the research topic for the thesis.

### **3 Research questions**

Supply networks in various industries were analyzed throughout the theoretical study. Too far, there have only been a few studies examining the influence of these variables on the functioning of the retail supply chain. Because of this, the question investigated in this thesis will be characterized as:

- When thinking about the functioning of the retail supply chain, what are the critical elements?
- How are the variables that influence the functioning of the retail supply chain interconnected?

### **3.1 Research subjects**

The primary focus of this thesis is to figure out the primary variables that influence the retail supply chain's operation in Vietnam to provide solutions for companies in the future. Many Vietnamese retailers have shown they can flourish in the face of international competition. And The logistics service industry in Vietnam.

In the study questions above, the following research goals need to be completed:

- Given the unique characteristics of Vietnam's supply network, identify the essential variables that influence the functioning of the supply chain.
- To determine how closely these variables are to the strength of the impacts you examined, investigate their interconnections.
- Examining potential supply chain governance implications for retail businesses in Vietnam.

### **3.2 Research scope**

They were developing logistics services in Vietnam from 2007 to present an orientation to 2030. This dissertation research addresses the following topics: supply chain, supply chain operations, influencing variables, and their interrelationships in retail supply chain operations. Vietnamese retail companies are an essential component of the supply chain since they run it.

Survey respondents include executives of Vietnamese retail companies, workers of major Vietnamese retail businesses, and members of the Vietnamese retail sector. Due to being the home of Vietnam's top retail companies and being the hub of Vietnam's rapidly expanding retail supply chain, Ho Chi Minh City was selected as the test site. Secondary data came from all reports from the Ministry of Industry and Trade, the General Statistics Office, the press, and other words gathered from Saigon Co-op, SATRA, and other sources from 1993 until the time of the research. To collect

primary data, which will include interviews with senior and mid-level executives of Vietnamese retail companies and a survey of workers working in retail-related activities, researchers must talk to old and mid-level leaders from Vietnamese retail enterprises about 300 Vietnam supply chain surveys will have been conducted in 2016-2017.

## **4 Research methodology**

### **4.1 Qualitative research methods**

They are comparing, evaluating, and analyzing secondary material to concentrate on for study using synthesis and statistical techniques (Patton, 2014) and conducting a supply chain operations research study using a systematic method to identify influential variables and using deductive reasoning and explanation to explore the impact of several elements in the business environment on the retail supply chain in Vietnam. An excellent way to discover what variables influence retail supply chain performance in Vietnam is to utilize qualitative techniques. This will serve as preliminary research, laying the groundwork for a new quantitative study (University, 2021).

Qualitative research is conducted via identifying issues, the comprehension of phenomena, the analysis of human behavior and ideas, and answering questions. When defining problems or issues, it is researched by Merriam (1998) (Merriam, 1998). On the other hand, qualitative research focuses on gaining a more profound knowledge of a phenomenon via participant observation. It's a study of "why" questions.

It is also necessary for qualitative research to use induction logic rather than romantic logic (Bernard, 2013). Qualitative research often begins with collecting, sorting, and interpreting a large amount of data. Most often, data is gathered via in-depth interviews, participant observation, or a procedure known as connotation analysis.

## **4.2 Quantitative research methods**

The implementation of this methodology is meant to combine the many variables and derive values, dependability, and relevance of the model so that the quantitative research may validate the qualitative analysis (Bhandari, 2020).

According to Bernard (2013), the search for practical and universal knowledge is the goal of the quantitative approach. The quantitative analysis of the data collection method emphasized the objectivity of its results and the lack of influence of researchers' views. The formalization and operationalization qualities of quantitative research allow it to be used in various contexts. Quantitative analysis involves comparing the quantities of study objects to establish the features of a goal value or to discover certain variables affecting the degree of variation (Bernard, 2013).

Attempt to answer questions from a prescriptive viewpoint, quantitatively conduct scientific research, and test the findings to better understand the research techniques and process. Digital symbols are the foundation of quantitative research. Quantitative research is often characterized by rigorous standard measurement, precise circumstances, and complex statistical analysis (Bernard, 2013). For "logical positivism" quantitative research, data must be generated that stresses the use of deductive reasoning to conclude. New information may be discovered with the help of quantitative research methodologies.

## **4.3 Research methodology selection**

While qualitative research examines data that has already been gathered, quantitative research collects data via direct interaction with the subject matter. In addition to this, Qualitative research is subjective, but Quantitative research can be objectively measured. Quantitative studies are concerned with forecasting, whereas qualitative studies seek to comprehend the subject. Qualitative research relies on inductive thinking, while quantitative research relies on deductive reasoning. Furthermore, Qualitative research does not have a hypothesis, but quantitative research does (Bernard, 2013; Merriam, 1998).

The author decided to use qualitative research because of the research topics and attitudes. As Vietnam has become a member of the WTO, the author focuses on the phenomena and growth of Logistics Services in Vietnam and then researches the factors affecting supply chain operations at a Vietnamese retail business. The author could have used quantitative data, but since it didn't have a hypothesis for the thesis and didn't have access to extensive quantitative data, the author decided to use qualitative data instead.

## **5 Literature review**

### **5.1 Logistics Services**

#### **5.1.1 Logistics process**

Logistics alluded to the strategic planning involved in those battles fought between the Greeks and the Romans in antiquity. "Logistics" fighters served in the role of supplying, distributing, and maintaining circumstances for safe troop movement between headquarters and a place elsewhere. To secure their supply lines and ensure that those who cannot guarantee the enemy's supply lines, both sides will be faced with the challenge of finding innovative methods to keep their supply lines safe and devising new tactics to attack the enemy's supply lines. Following this procedure, a system known as logistics management was eventually developed (Jenkins, 2020).

Many ideas exist for logistics and logistics services, and it is the responsibility of individuals and organizations doing this study to uncover them. The CSCMP definition of logistics management is "The process of efficiently planning, executing, and managing the costs of circulation, storage of raw materials, and stocks in the manufacturing process for the goal of meeting customer needs (CSCMP, 2013).

The logistics process, which comprises optimizing the placement, storage, and circulation of resources/inputs from the supplier to the consumer, is called supply chain management, various actions related to the end consumer (Shuo, 199). Logistics services are commercial activities organized by traders to provide one or more jobs, including

customs clearance, transportation, storage, paperwork, customer consultation, packaging, and marking (Jason Fincher, 2021)

Due to Figure 1, the layout to the right reveals that businesses use logistics services at every step of the manufacturing process to provide product consumption to customers. Logistics services may be defined in two ways:

Firstly, logistics is nearly like freight forwarding in a limited sense. Though more services may be added in the future, there is an openness to incorporate other services linked to commodities. This organization claims that the primary function of logistics is to facilitate the transportation of goods from their source to their destination. As such, logistics services tend to include a lot of transportation components. Like other multimodal transport service providers, logistics service providers aren't that different (Bhasin, 2021).

Secondly, there is an effect from the pre-production stage until the products are delivered to the end-user. This set of definitions associates logistics services with importing raw materials and materials (sourcing) as inputs for manufacturing products and delivery to customers through circulation and distribution channels (Bhasin, 2021).

Finally, to separate the services provided by providers such as transportation services, forwarding, customs clearance, distribution, production assistance, and management consulting, the group of definitions has established a clear boundary between them. Undertakes all steps (see figure 1) in providing products to the customer, from formulating and producing through delivery (Bhasin, 2021).

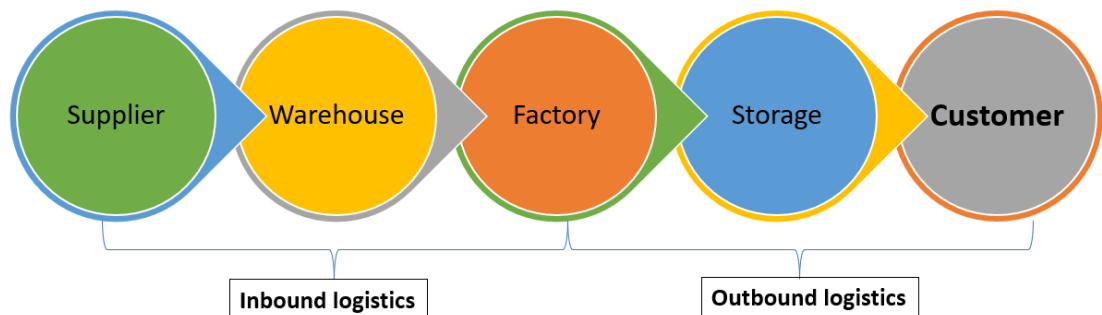


Figure 1 Core activities of logistics (Bhasin, 2021)

### 5.1.2 Functions and tasks of logistics services in the market

In terms of market economics, logistics services providers fulfill the following functions: Without inputs, such as raw materials, machinery, equipment, and labor, smartphones could not be produced. The source of supply of these variables is almost endless currently. However, to ensure the specified inputs at the appropriate amount, quality, type, and standards, how can we afford to purchase them?

Companies can get logistics services in one of two ways: buy these services from suppliers who can supply all the logistical elements they need or identify reliable products sources and recommend them to their clients. How much should be paid to both guaranteed productivity and minimize needless expenses? The logistics service provider oversees advising companies on the manufacturing process, the number of products to be produced, and the quantity of stock held throughout the production process. Logistics service providers may also provide businesses with distribution networks, marketing strategies, and sales promotion advice. For this specific application, logistics service providers (such as logistics carriers, warehousing, and logistics supply) oversee the transportation of goods. They must also make sure that the goods are delivered to customers at the correct time and place, for the best possible price, and that businesses maintain good reputations. to make your company more competitive (Antikainen, 2018).

Logistics services are present throughout the manufacturing, distribution, and circulation process. This, together with keeping costs as low as possible, ensures that good business outcomes are obtained. Logistics services provide the role of connecting production to the market and linking the local economy to the global economy—the execution of the government policy of allowing the economy to open. Logistics service providers must utilize research and knowledge to assist companies with inputs, outputs, consulting services, etc. Assets provided market-demand goods for the manufacturing and trade sectors. World trade connections are established through logistics services, which discover low-cost international inputs and deliver products to distant

nations. In this way, the economy becomes a connection between the global and local economies, implementing the economic strategy of openness.

Logistics service systems may be classified based on various characteristics since many distinct procedures within the sector, which was classified into four types according to the method of operation (Logistics, 2019):

- First Party Logistics (1PL):

Throughout logistics, activity is often carried out by private corporations. It owns all the cars, transportation, facilities, and resources required for logistics, such as personnel. Typically, these are the world's most prominent logistical organizations, each having a global network and a different approach for each region.

- Second Party Logistics (2PL):

Improve overall operational logistics, including transportation and supply. To reduce costs or make it easier to invest in capital, logistics companies out-source buildings, equipment, or essential services to companies that don't have adequate infrastructure on their own.

- Third-Party Logistics (3PL):

The utilization of an outside logistics service provider may include logistics as a whole or just certain operations. Another meaning of 3PL is that logistics service providers use their services, such as transportation and logistics, for their clients, including managing and performing this service for one year. While performing their logistical operations, companies exchange information, risks, and rewards under a long-term contract.

- Fourth Party Logistics (4PL):

The 4PL was developed following the 3PL to build customer-oriented, responsive service and more adaptable businesses. Resource management, control of



the entire operation, and logistics operations architecture and integration activities are the primary responsibilities of the 4PL. In addition, information technology and business process management fall within the vast field of 4PL.

### **5.1.3 Targets**

The manufacturing process will provide complete, timely, and positive results to help businesses improve efficiency and efficiently satisfy all input and output variables. When companies need to meet the criteria of convenience, logistics service providers must guarantee that they offer sufficient, convenient, and quality goods to suit their needs.

The successful operation of all logistical processes—from manufacturing to distribution and storage to circulation—is crucial to profitability. The achievement of socioeconomic goals and tasks essential to the country's overall well-being through implementing capital, employment, technology, and resource use efficiency in the national economy. Through management consulting, production, and business consulting operations, we contribute to the overall growth and well-being of the company. Developing international commerce by conducting trade transportation operations, trade consultancy activities, and so on to connect nations around the globe in a business partnership.

The effectiveness of the logistics process is critical to industry and trade competitiveness for any nation. Logistics services development is established to guarantee that other manufacturers and commercial operations are handled with absolute precision and quality. Well-developed logistics can help customers save money while improving product and service quality 15-20% of Vietnam's GDP comprises logistics services (Bhatla, 2020). Logistics service has recently been introduced in Vietnam, yet it is essential for its economy and companies alike.

Logistics is essential to the overall economy since it serves as production, circulation, and distribution. Also, this means that if improved logistical efficiency leads to socioeconomic progress, then it is good for the nation. The transportation of products from

the production site to the consumption location happens globally due to logistics. The development of the international economy towards globalization is accompanied by improvements in Logistics services, which brings about the following advantages (Pearson, 2017):

Logistics service plays an essential part in the process of manufacturing and business. From raw materials, accessories, and equipment to the finished product, everything in between flows via the logistic service (Faris, 2018). Consecutive energy crises since the 1970s (Thompson, 2021) have driven companies to be more concerned with expenses, particularly in the realm of transportation. In many times, interest rates on loans from banks are also high, which gives companies greater awareness of the need for capital since cash is frozen owing to holding on to excess inventory. As a result, the manufacturing, storage, and transportation of products are optimized at this stage. Information technology is also an essential element in this process (Mukit, 2017).

Assuring the appropriate factors in the suitable locations at the correct times is critical to the successful performance of logistics services (just in time): this is about delivering products to customers at the proper time and place while also assuring enough input availability for companies (Barbour Lacey, 2015). Sorting out when and where to produce, store, and distribute to customers helps companies avoid needless expenses in the process of production, storage, and distribution. Moreover, in the present method of globalization, commodities and their transportation are becoming more prosperous and more complicated, and there are rising demands for consumer goods.

In manufacturing and commercial operations, logistics services assist managers in making correct choices: many complex problems must be addressed during the production and business stages when sourcing raw materials (how much, what quality, what kind, where the source comes from). Managers must judge how many natural materials and finished products should be held and how to deliver these to customers at the lowest possible cost for the highest potential profit. Even though these costs can't be eliminated, these issues can be helped by using logistical services (Li, 2014). It

illustrated how logistics services are essential to the whole production, business, circulation, distribution process, and each commercial organization and the economy by demonstrating the many logistics functions. When utilized as a bridge, logistics services are increasingly important to driving the manufacturing process and moving products to customers (Logistics, 2020)

According to Figure 2, for Vietnamese businesses, logistics costs account for approximately 17% of overall income. Though the price has dropped, it remains among the most expensive worldwide. A study published by the Vietnamese Ministry of Industry and Trade (VIETNAM, 2020) reveals that logistical expenses have been reduced in manufacturing and company operations. Especially, about 70.8% of survey respondents said that the total income coming from logistics expenses was 10% or less. Moreover, almost 20.1% of respondents stated that the cost of logistics expenses accounted for 11-20% of their entire revenue. This percentage is much lower than in 2019 when logistics expenses' average total revenue contribution was 21.9 percent (VietnamCredit, 2020).

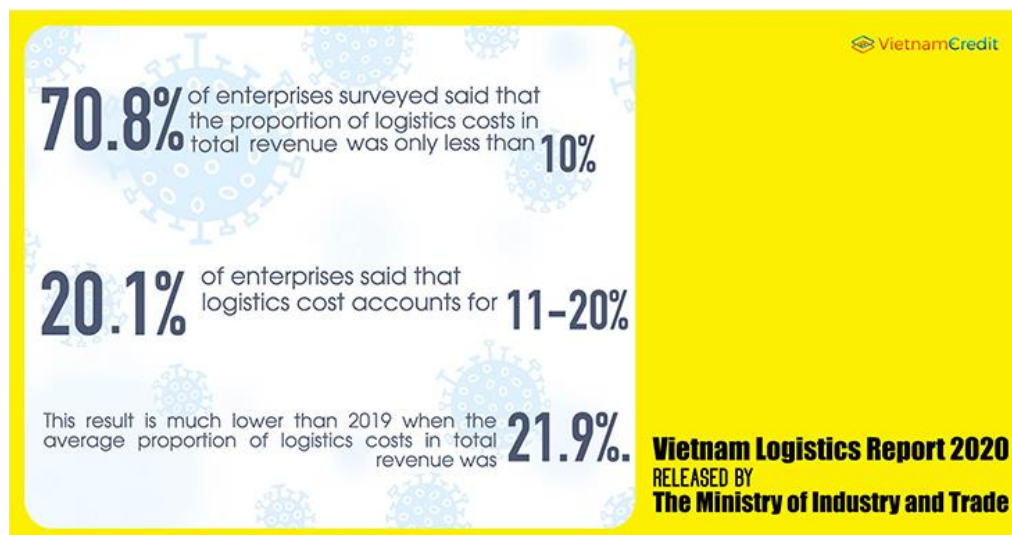


Figure 2 Vietnam Logistics Report 2020 (VietnamCredit, 2020)

## **5.2 Retail overview**

### **5.2.1 The concept and characteristics of retail**

The article analyzes the elements that impact the retail supply chain in Vietnam (NGUYEN, 2021). It is thus essential that we first define retail and the ideas that are having a substantial impact on Vietnamese retail firms right in their backyard.

According to (Keller, 1994), retail is defined as "includes all actions related in the sale of products or services to the ultimate consumer for direct personal use and is not of a Commerce." Using a value chain viewpoint, (Weitz, 2011) describes retail as "a collection of commercial operations that add value to items and services provided to customers for personal use, or their families." "Enterprises that aim all their promotional efforts toward meeting the demands of the end consumer depending on the organization of the distribution of products and services" is how (Gilbert, 2003) defines retail businesses.

**Some of the following features of retail are shared by all these concepts:**

As well as selling products, you should also provide services. When most people think about retail, they picture shops full of various products. However, retail also includes home delivery, hotel room service, gift wrapping, etc. Retail transactions aren't always conducted in brick-and-mortar establishments (Weitz, 2011).

The end customer purchases products or services for personal or family use. - Catering to end customers: Regardless of whether it's a manufacturer, wholesaler, or retail firm that sells products and services directly to clients, it's a retail business. According to Burns (1993), A retail firm generates more than half of its income from sales in the retail sector (J.Burns, 1993).

To achieve the, a set of activities are required. Retailers play a crucial role in the supply chain because they assist producers in interacting with the final customer. Regardless of how or where it delivers products or services (in person, through the mail, phone,

vending machine...), every retail firm may be classified as such (in-store, street, or at home).

### 5.2.2 The role of retail in the economy

Retail distribution serves as a connection between manufacturers and consumers. The retail business shows the following qualities since it is the stage of direct engagement with customers:

- There is a correlation between the number of goods produced and the number of people that shop. A hypermarket or commercial center should be built for every 100,000 people, as well as a medium-sized supermarket for every 10,000 people, according to (Ha, 2013)
- Involve the community in a significant number of jobs, help maintain order, and give social security.
- Other business groupings rely mainly on supplying raw materials and tools for their trade. When it comes to providing chain cooperation, retail enterprises are uniquely positioned to connect supply chain partners and help them work together more effectively. When it comes to developing trust among the system's participants, this is a challenging endeavor. (Marketing, 2021)Consequently, supply chain leaders are needed to provide support and help Saigon Cooperative, Phu Thai, Hapro, and Satra indicate categorically that cooperation in the supply chain cannot be achieved without senior executives (NGUYEN, 2021).
- Connecting the discrepancies in production and consumption owing to location, time, and diversity of products
- The country's production is reflected in this index. When a retail distribution system has a high percentage of household items, it speaks volumes about the

abilities and credentials of domestic producers in that industry. These purchases allow for introducing foreign and Vietnamese objects to the Vietnamese market when international firms buy local retail enterprises. Fewer items are sold to the public. When local retail markets are lost, its whole manufacturing chain is weakened, increasing its dependence on international suppliers.

### **5.2.3 Retail category**

A wide range of businesses operates in the retail industry, making it a broad economic sector. Retail is a multifaceted industry, and new ways will continue to develop as science and technology progress. It may, however, be categorized according to the following factors: ownership type and communication manner with customers.

#### **By type of ownership**

Retail may be separated into individual retail shops, retail chains, franchises, and co-operatives based on the company's ownership structure. Inside:

- **Independent Business:** An independent business where the proprietor owns just one shop. Only 1-2 people may work in the shop, but the owner keeps all the profits. There are many supermarkets in this category. As of 2014, brick and mortar shops account for more than half of overall retail value and are the leading distribution channel in Asia, according to Nielsen data (Nu, 2017)
- **Chain Shops:** This refers to a group of establishments owned by the same person in the context of chain shops. Vinmart, Lottemart, Big C, etc., are examples of this ownership style.
- **Franchise:** The franchisor and the franchisee are contractually bound. For the franchisor, this means that they may swiftly extend and enhance their system without spending much money. On the other hand, the franchisor does not have to establish a brand and is assisted by expertise and management systems. According to the pre-signed contract, the franchisor will get a monthly

fee from the earnings of the receiver. Co.op Food, Vinmart+,... are some of the retail distribution systems in Vietnam that now execute franchising.

- Cooperatives have many owners and are governed by the Law on Cooperatives. Various retail distribution organizations in cooperatives are still operating in Vietnam, such as an award, district, district cooperatives, the Co.op Store system, etc.

### **Communication manner with customers**

Both in-store and off-store retail interaction methods are used to connect with customers.

- ❖ Shops of the following kinds are available:
  - Products are restricted, and the shop occupies a small area. There are just a few persons employed here, and they have received little training. Generally, these businesses are in areas with a high population density.
  - In self-service venues like supermarkets and convenience stores, customers may choose from a wide variety of products. In contrast, the business section has a smaller footprint. Cities and towns with a large population tend to have a higher concentration of these businesses. These are only a few examples of the many
  - Many hypermarkets are in heavily populated areas with good public transportation and various products. Hypermarkets are not yet subject to any regulations in Vietnam. Hypermarkets like Co.op Extra, AEON Mall, and MM Mega market may be found in Vietnam.
  - Several businesses rent out space in the shopping mall. The retail mall must have a minimum area of 10,000 m<sup>2</sup> and accompanying entertainment services, according to the Ministry of Trade regulation 1371/2004/QĐ-BTM (TRADE, 2004).

- Traditional market: Mostly offers food; prices vary depending on the quality of the goods. There is a lot of bidding on commodities.
- ❖ There are no businesses or enterprises at this location:
- A vending machine is a machine that dispenses soft drinks, chocolates, and cigarettes, as well as bank-owned currency. Devices that can work 24 hours a day are costly to purchase, need regular maintenance, and require substantial human resources to collect money.
- In direct selling, a personal relationship between the consumer and the seller is essential. A good illustration of this is multi-level marketing.
- There is no intermediary involved in direct marketing: Customers are contacted directly. Send orders through mail, fax, or phone to the supplier. These businesses have low operating costs, comprehensive coverage, and the ability to enter new markets.

### **5.3 Overview of the supply chain**

#### **5.3.1 The concept of the supply chain**

The supply chain concept has been intensively studied since the 1980s and 1990s of the previous centuries (Michael, 2003). In this phase, companies begin to understand the need to expand their markets to increase profitability. Because of the rapid growth of science and technology and new modes of transportation, large corporations have grown swiftly outside of their home countries. Because of the rapid growth of the firm, logistical, administrative, and strategic challenges occurred, and scientists began to investigate the supply chain.

In the past, scientists have treated the supply chain in one of two ways: a collection of enterprises, a complex process, or a mix of both. One way of looking at it is that it is a group of firms that work together to produce and provide products and services. "Supply chain management is the coordination of production, storage, placement, and



transportation activities among enterprises in the supply chain to bring to market a combination of conveniences and the greatest effect" (Michael, 2003). Here, we're talking about a typical multi-national company with subsidiaries worldwide, which together form a vast organization.

According to (Douglas, 1998), a "supply chain" is a group of businesses that work together to put a product or service into the market.

"The supply chain comprises all stakeholders' actions, from obtaining raw materials to creating and transporting items to the final consumer."

Three or more companies are involved in the supply chain "directly engaged in the reciprocal flow of commodities, services, funding, and information, from raw materials to incoming raw materials to the end customer," as defined by Mentzer and colleagues in 2001. (Mentzer, 2001)

There are always more than two people involved in supply chains. On the other hand, supply chain stakeholders work together to give value-added products and services to customers. While Douglas, Hugos, and Suong all agree that the supply chain links member organizations, it is unclear how closely the parties collaborate. The final concept suggests a more complex collaboration. (Suong, 2012)

A second method to comprehend the supply chain concept is to learn about the operational procedures involved. Instead of focusing on the relationships between chain members, researchers employ this method to characterize the chain's operation and optimize it. When it comes to serving customers, they prioritize the procedures that produce value because of the interaction between member enterprises.

The term "supply chain" comprises everything from suppliers to customers regarding the manufacturing process. As a result of the integration of the four key strategies of product design, raw material, and component sourcing, production, and assembling,

inventory management and distribution, the supply chain functions (Lummus, Vokurka, & Krumwiede, 1999)

For example, "a supply chain may include all parties engaged in adding value, such as the supply of raw materials and intermediate components" (Dawande, 2006) write. "A supply chain can also include all parties involved in adding value," they add. As a result, supply chain activities comprise more than simply the essential functions outlined in the Hugos model. (Michael, 2003)

On the other hand, Berry believes that the most crucial aspect to consider when evaluating the supply chain is contact between the various actors. Supply chains are designed to promote trust, deliver continuing market information, produce new items, and construct a product distribution basis amenable to close cooperation" (Berry L. L. Parasuraman A., 1988) writes:" If supply chain actors cooperate, it will be good."

A methodology to the supply chain concept is being pursued by some scientists, which combines the two trends mentioned above. According to their definition of the supply chain, many processes and activities contribute to the creation of value in a product or service. The service is delivered to the consumer (Christopher, 2011). As a result, several companies (suppliers, for example) coordinate their efforts to meet the needs of both internal operations (such as procurement) and external activities (such as distribution) throughout the chain.

The approaches are based on procedures that go beyond the boundaries of a single company, much as the previous trend. Researchers' differing approaches to the issue are to blame for the divisions in their thinking. The most common reasons are a supply chain that responds to client needs, several interactions operations, and value-creating processes. Consumers who buy goods for personal or family use are the end customers of retail supply chains (James B. Ayers, 2007). Firms must take advantage of them to reflect the market's ultimate desires (Roorda, 2010). The retail supply chain differs from other types in that it places a greater emphasis on the quality and quantity of the products supplied by vendors (for example, inputs). We need to keep a close

eye on the movement of resources as production-oriented supply networks. Quality control of goods at the point of manufacturing is a novel concept for Vietnamese retail supply chains, and as such, little attention has been paid to it.

It is possible to note that retail supply chains are like supply chains in that they are a collection of actions conducted by many people in the supply chain. Compared to other supply chains, the retail supply chain doesn't focus on the manufacturing processes needed to turn raw materials into finished goods. It serves the needs of individual customers and families. Because of this, the thesis proposes a retail sector definition of a supply chain (Derek H.T.Walker, Lynda Bourne and Steve Rowlinson, 2007), as follows:

As a whole, "the supply chain" incorporates all stakeholders' activities from the point of input through the end of delivery to the final client.

As seen above, the retail supply chain is distinct from other supply networks. As a result of this:

For retail businesses, raw materials do not necessarily have to be transformed into completed goods. Establishing standards for product quality and appearance is their primary goal. Retailers can acquire manufacturing enterprises, such as SATRA and Saigon Co-op (Garavaglia, 2019), to proactively source items in particular key product lines; however, the percentage of goods in this category often only accounts for a tiny fraction of their product range.

Consumed retail goods cannot be resold once they have been purchased. As a result, the retail supply chain is more concerned with delivering finished goods than raw materials.

Retailers are a vital component in distributing necessary goods across the market. Because the end-user is the primary focus of the retail supply chain, the retailer is obligated to set up a distribution network at their residence to meet their needs

(Stănciulescu, 2011). It's a terrific experience for the customers. To help their customers purchase consumer goods, successful retail businesses frequently have many stores, supermarkets, etc.

### **5.3.2 Supply chain activities**

As seen in the preceding section, three immediate actions typically emerge in supply chain concepts:

- A cohesive whole to manage the complete product flow from supplier to client.
- Coordination of the chain's strategy across all activities and initiatives.
- Keep a client-centric perspective while developing unique products or services that result in consumer pleasure.

More precisely, Beamon (1999) defines the following as the primary core operations of a typical supply chain (Beamon B. M, 1999):

- Planning of production and distribution.
- Measure inventory levels (size of raw materials, semi-finished products, and inventory location).
- Determine the supply chain's length (number of members): eliminate individuals who are no longer necessary and allow new ones.
- Customer service delivery to distribution centers: which consumers should be serviced by which distribution facilities.
- Deliver goods to factories: specify which goods will be manufactured at which factories.
- Management of relationships between suppliers and customers.
- Differentiate products throughout the manufacturing process.

- Determine the duration of the product's stock.

According to Beamon (2005), supply chain management functions are categorized into four major categories (Beamon B. M., 2005):

- The layout of the building.
- Set up and keep track of a material flow.
- Establish and manage a mechanism for the flow of information.
- Customer services.

Many misunderstandings exist about supply chain management, which is why (Rhonda R. Lummus & Robert J. Vokurka, 1999) stress that supply chain management is a complex operational system. These are not the only domains of supply chain management, according to their research:

- Warehouse Management.
- Logistics Management – Logistics System.
- Relationship management with suppliers and procurement.
- Information technology and distribution management systems.

According to J.R. et al. (2010), which study on supply chain management, definitions are grouped around three key elements: supply chain management's activities, interests, and members (J. R. et al., 2010). The authors (See Figure 3) outlined the components (James R. Stock et al., 2010). When it comes to most definitions, flows, connections, and memberships are stated most often 69-78% and 28-48%.

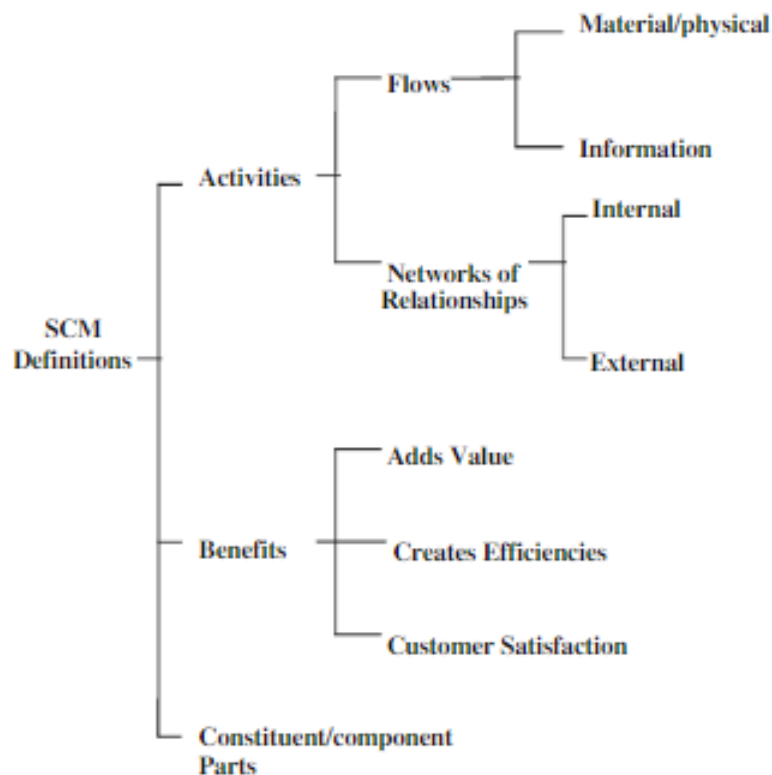


Figure 3 Frequency of SCM definition (James R. Stock et al., 2010)

As a result, scientists have conducted several research to comprehend better and categorize supply chain operations. SCOR is the most often used model to represent supply chain activities, even though several analyses and concepts have been provided by researchers (Liu, Peng et al., 2014). Since its inception, SCOR has been used in a wide range of businesses (Stephens S. , 2001) and many different parts of the globe (Huo, H., & Zhang, J., 2011).

Systems of SCOR (Supply Chain Operations Reference-model), which describe supply chain operations, are created, and maintained by the Supply Chain Council (SCC) (Council, 2008). Standardized words and processes are included in the SCOR model (Meyr, H., Rohde, J., & Stadtler, H. , 2002). The SCOR model is a valuable tool for evaluating supply chain operations, essential before building an efficient supply chain (Blanchard, 2011). Using SCOR, supply chain activities and processes may be assessed for utility, efficacy, and efficiency in performance, quantification, testing, and long-term strategy development. Competitive advantage is gained by coordinating supply

chain operations throughout the complete spectrum of suppliers and consumers in the chain.

To begin with, SCOR (see Figure 4) was conceived as a standard reference for the four primary supply chain activities: *Plan, Source, Make, Deliver* (Hugos, 2003). From version 4.0 forward, the supply chain consists of five primary activities: *planning, sourcing, distribution, production, and return* (Agami et al., 2012). The supply chain will be run based on the above-mentioned essential operations (Hugos, 2003). SCOR has steadily acquired prominence and has become a tool for enterprises to analyze and better understand supply chain operations during its development. For supply chains, SCOR is the only model that connects performance assessment, business processes, and technology in a thorough business process (Klapper et al., 1999). Using SCOR to examine and evaluate the performance of a single company is a constraint (Stephens S. , 2001).

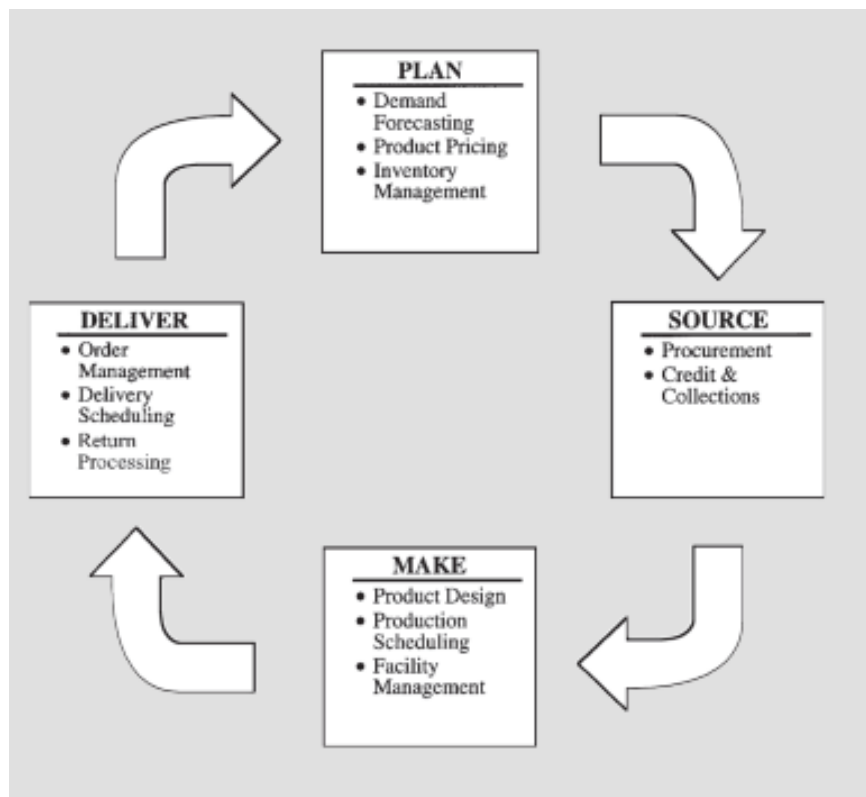


Figure 4 Four Categories of Supply Chain Operations (Hugos, 2003)

SCOR's building block technique (See Figure 5) is modeled from operations inside a company to relationships with other companies in the supply chain and across industries and regions (Council, 2008). SCOR connects with five supply chain partners depicted in the figure above. Using this technique, SCOR includes outsourcing performance analysis and more quickly uncovering the strategic/financial advantages of outsourcing operations in the supply chain. Participants, physical transactions, and market interactions are all covered under the SCOR model. Figure 6 illustrates SCOR's supply chain operations groups, including:

### SCOR Process

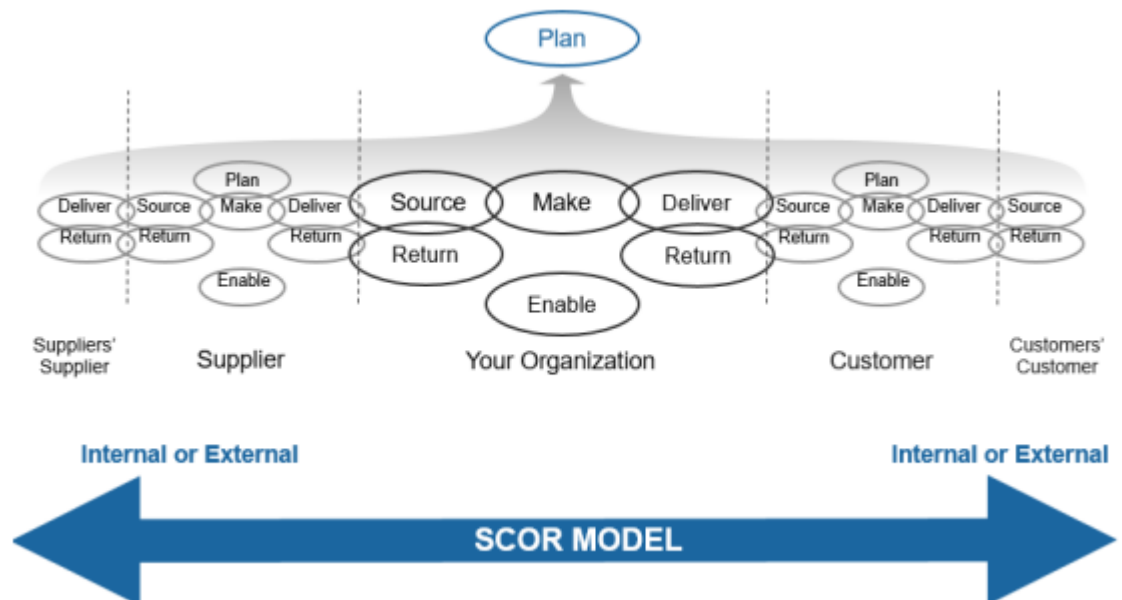


Figure 5 SCOR is organized around five major management processes (Council, 2008)

### Plan

An essential supply chain operation is managing resources to meet customer needs and developing communication strategies across supply chain partners, not just from the top down. However, the SCOR model will also handle sourcing, manufacturing, and distribution. Supply chain risk management is also included, as are rules and metrics to evaluate supply chain performance, collect data on inventories, and fulfill legal limits, such as those imposed by legislation.



Supply chain planning relies heavily on the sharing of information. In addition, real-time data transfer can boost operational efficiency (Fawcett et al., 2011). Chain connection is essential to achieving the long-term strategic goals of the whole chain, as stated by the Supply Chain Council in their report from 2008 (Council, 2008). The supply chain has been established. According to several studies, supply chain performance may be improved by making the proper strategic adjustments (Hill, 2000) (Hausman et al., 2002).

### **Source**

Product flow into the supply chain is at the heart of this activity. "Made-to-Order" product supply or "Engineer to Order" product manufacture are two options for inventory management. "Supplying" refers to acquiring raw materials and linking supply chain participants to their suppliers.

This activity also demands receiving, inbound quality evaluation, total input transfer, and payment management and authorization. It is critical to the provisioning process to pick suppliers, set criteria for establishing and interacting with suppliers, evaluate supply performance, and gather relevant data and capabilities from suppliers, In the form of inputs, capital, and output goods.

Retail supply networks, notably in Vietnam's retail supply chains, tend to focus on finding a reliable supplier of goods consistent in quality, stable, and aligned with the company's long-term goals. Retail businesses' growth. Developing long-term connections with suppliers and limiting the number of middlemen is "excellent" practice in "Sourcing" (Prahinski, C. et al., 2005). According to Benton (2010), long-term partnerships with essential suppliers in the supply chain are required to ensure that the whole supply chain is always operational (Benton, 2010).

## **Make**

Turning raw resources into finished items on time is known as value addition. The "Manufacturing" activity oversees the internal processes to carry out the specified plan.

- Produce for storage - "Make-to-Stock."
- Made-to-order - "Make-to-Order."
- Manufacturing by order – "Engineer-to-Order."

Quality, flexibility, and productivity are three of the most important aspects of any production system, and these processes encompass all internal operations that turn inputs into desired outputs. Most businesses have procedures for turning raw materials into final products, but this is not always the case for companies that engage in retail distribution. The development of "Manufacturing" operations by retail firms through the creation, joint venture, or partnership with manufacturing enterprises would allow them to assure quality and timing of products delivery. A more adaptable retail supply chain will boost the chain's overall competitiveness and better respond to market fluctuations.

## **Deliver**

This process group is primarily responsible for managing the company's "flows," or the operations involved in processing orders and delivering finished products. According to Ha et al., (2003), 'Distribution' is essential for the supply chain management (Ha et al., 2003).

The term "Delivery" encompasses various actions and procedures, including transportation planning, shipping, quality evaluation, total output delivery, and payment management. Delivery also includes the selection of service providers, the formulation of

rules for communicating with customers, the assessment of delivery performance, and data gathering and storage.

"Distribution" activity could operate more smoothly when supply chain participants can share information in real-time, according to (Goldsby, T. J., & Stank, T. P. , 2000). SCOR has decided that consolidating orders to a single address is the best delivery method. Internet-based distribution systems and barcode technology have substantially improved the supply chain's distribution process (Zhou, H. et al., 2011).

## **Return**

This is mostly about managing operations during extraordinary events like product recalls in response to customer complaints, material returns to suppliers, and return shipment (as an extension of customer service) (Bolstorff, P., & Rosenbaum, R. G. , 2007). SCOR models 4.0 and later introduced the "Return" operation. These procedures include product identification, return authorization, scheduling and receiving special shipments, and quality assurance. Each of the preceding processes, such as planning, supply, delivery, and manufacturing, might result in this predicament, which is why it is beneficial to design a strategy for each category independently separate.

All businesses participating in the supply chain engage in "Planning," "Sourcing," and "Delivery" operations. The activities classified as "Production" and "Return" are found in just a few companies or under unique situations. In Figure 6, the complete operating process into four degrees of detail (See appendices 1).

SCOR defines the four primary supply chain activities: planning, sourcing, production, and distribution. Thus, an organization establishes the supply chain's competitive objectives. The reference model's fundamental structure is organized on the chain's four primary activities: planning, sourcing, manufacturing, and distribution.

SCOR defines process categories as possible supply chain components at level 2 (Stephens S. , 2001). These techniques enable organizations to configure their ideal or actual operations.

Level 3: This level contains the data necessary to plan and define supply chain performance improvement objectives. It entails defining process aspects, setting standards for specified purposes, deciding best practices for implementation, and enhancing the capabilities of the system's software to ensure chain activities run as efficiently as possible.

Level 4: Put into effect the methods outlined at the previous levels. SCOR does not cover this level.

On the other hand, SCOR does not cover every business process or activity. To be precise, the model excludes sales and marketing, product development, research and development, human resources, and some post-distribution customer service elements (Millet et al., 2009).

### **5.3.3 Stages of supply chain development**

Supply chain phases are described in almost identical terms by several writers. Within an organization is where supply chain development begins; then, the emphasis shifts to cross-enterprise operations and relationship-building as the focus shifts to higher levels of supply chain development. According to Stephens (2000), the phases of an integrated supply chain's growth are (Stephens, 2000):

- Be as distinct as the roles of internal processes.
- Consolidating functions within the same area.
- Integration of different parts of the organization.
- Integration with the outside world.

At each step of development, the issue that must be addressed is also defined. It was initially aimed at improving operational efficiency, reducing time spent on functional operations, and enhancing productivity. Problems relating to diverse objectives must be addressed in the later phases. In the final step, external parties' actions must be synchronized with those handled by the firm.

Comparing supply and logistics management is necessary to identify supply chain growth phases. Scientists are debating this question to death. Several systems of thought argue the distinction between supply management and supply-chain management in this context. When it comes to the first school of thought, supply and logistics are equal, according to (Brand, 1996). According (Fearon & Leenders, 1997), supply encompasses more than just the flow of goods. When it comes to logistics, (Le May, 1999) acknowledges that supply is only one aspect of the larger picture. There are four schools of thought on supply chain management, each of which has a distinct take on the notion of supply chain management (Croom, 2000).

The most common issue in supply chains is coping with integration challenges. It will be difficult for companies to deal with issues like the number of members in the chain, openness, the capacity to regulate supply chain times, etc., when they travel outside the enterprise's limits. To increase the efficiency of the supply chain (Xiaohu Qian et al., 2018), these problems must be addressed.

## **6 Data collection and result**

### **6.1 Factors affecting the development of logistics services**

Various internal and external factors affect service companies' supply of logistical services. A supply-chain service Logistics service companies are affected by multiple economic and other variables. Logistics services can be described as influenced by two kinds of influences: external influences and internal influences (Fechner, 2010).

### ❖ **Group of external factors**

These are factors beyond the control of logistics service providers, and therefore have a significant influence on the development of logistics services. These factors include *political and legal factors; economic, scientific, and technological factors; and other factors such as infrastructure and natural conditions; competition in the logistics service business; customer factors* (enterprises hiring logistics service).

#### **Political and legal elements**

This has a significant impact on the overall operation of the company. The global market economy that is controlled by the state is currently an appealing market. To be successful in the market, businesses must understand and follow the laws that apply within their own country and the laws of the regions in which they do business (Savy, 2016). On top of that, companies must pay attention to the political environment because they must be proactive in their business activities. The political and legal environment is composed of the following essential parts:

- Political stability and foreign policy.
- The balance of State policies.
- Perspectives, goals, and orientations for socio-economic development.
- The legal system and the degree of perfection of the legal system...

#### **Economic elements**

We have a significant impact on overall company performance and supply chain activities. A wide variety of economic variables impact the need for logistics services, including those that influence the demand for logistics services and those that affect the availability and use of resources. Which factors are most basic? Several variables influence how and how business is done. Our country's (See Figure 6) yearly growth rate has just topped 6.34% from 2000 to 2021 on average (Economics, 2021). Because of this, they are encouraging investment, and growing the size of companies is a way to guarantee continuous demand for logistics services. Additionally, successful logistic

products and services, and the industry itself, may be helpful to new companies looking to join the market.



Figure 6 Vietnam GDP Annual Growth Rate Science and Technology elements  
(Economics, 2021)

### Scientific and technological factors

Scientific and technological advancements are used in manufacturing and business, resulting in greater and higher levels of efficiency. Most logistics service providers now conduct scientific and technical research and consulting services on their behalf, providing their services to other companies and manufacturing concerns. E-commerce has helped logistics companies function more effectively, providing a better level of service while also helping to boost the company's competitive position in the market (C.S. Lu, 2012).

### The other elements

Infrastructure comprises road, vehicle, wharf, warehouse, port systems, information systems, power systems, and water systems. An adequate infrastructure system is a helpful state. For the growth of logistics services, mainly transportation services, a robust infrastructure system is critical (Nguyen Anh Thu, 2018).

In the logistics services sector, competition is intense, with many service kinds, all of which are upgraded and enhanced. Businesses should keep tabs on their rivals and identify how many they are and how competitive they are. As more and more international logistics companies enter the indoor playground, firms need to be more aggressive in their company to stand out.

#### ❖ **Group of internal factors**

This is objective, which means that companies may exercise control over things like the likelihood of success, the capability of an information system, research, and development

#### **Enterprise potential**

It is shown in many areas, such as the company's size, the availability of technical resources, the overall organizational structure of the leadership apparatus, and the abilities, credentials, and management experience of the business's top executives. (Yevhen Krykavskyy, 2020). Entrepreneurs with a financial incentive can grow their size, offer many kinds of services, guarantee the quality of their services, and have a significant market share, at the same time service many consumers

The technological facilities in the business are adequate and guaranteed to meet client needs (Fechner, 2010). In terms of logistics service companies, there should be a statement of the kind of transportation, warehouses, machinery, and equipment for packing and preserving products, and everything else that's needed for that service. If one considers the company leaders and expert staff members who will be assisting, it will be a considerable endeavor for all companies and logistics service providers.

#### **Information system**

The ability to gather and analyses data on macro-environmental variables, consumers, rivals, and suppliers is necessary for companies to succeed (**Philip, 2019**). Logistics service businesses place a high value on data in their information requirements. Receiving information and processing it quickly enables companies to take advantage of many



good business possibilities. There, in turn, are many business choices, policies, and proper tactics.

### **Research and Development**

Research & development expenses are considerable yet often yield unexpected benefits. (OECD, 2014) It is helpful to companies because it encourages them to innovate, diversify, and expand their logistics services, helps them update their technology chains and delivery methods for consumers, and equips their workers with the appropriate skills. Entrepreneurs must comprehend the role these variables play in using their resources wisely and achieving success in their company endeavors.

According to Vu (2019), observe the various variables' impact on the growth of logistics services. As the logistics service business industry grows, so does the logistics service industry (Vu, 2019).

## **6.2 The logistics services industries growth process in Vietnam**

As a result of the activities of multinational transport companies and some individuals with foreign training, logistics expertise, and innovative logistical operations have expanded across Vietnam in recent years (Hiep Cong Pham et al., 2019). There are two steps to creating a logistics company in Vietnam:

When it comes to international freight forwarding, state-owned companies dominated the market before 2007. Now, colossal freight forwarding firms rely almost entirely on these companies as agents. Internationally and globally, only around 25% of the total volume is outsourced; the rest of the time, product owners arrange their automobile purchases or execute themselves (Đặng Đình Đào & Nguyễn Minh Sơn, 2011). The logistics industry is one of the areas that the government supports and encourages since it is difficult for a new firm to compete on an equal basis with multinational corporations.

CIF and FOB trading practices require Vietnamese businesses to focus only on transportation and insurance, resulting in a skewed international trade transport system

that is badly imbalanced. Between 10% to 18% of all items imported and exported (Ánh, 2021). With more than 1,200 companies providing logistics services for little money and limited skills since 2007, the industry has continued developing and evolving fast 2007 (Hung, 2021). There hasn't been a consistent supply of logistics services in Vietnam since the country's logistics businesses haven't been able to build an efficient chain (Hung, 2021). As a result, Vietnam's service industry lacks a real logistics sector and is still developing. International enterprises with centuries of experience, competence, technology, and a strong reputation are also counterweights. To put it another way, international businesses have a 70% stake in Vietnam's logistics service industry (VILAS, 2021).

### **6.3 SWOT analysis of logistics services estate development in Vietnam**

#### **Strengths:**

According to a 2009 World Bank assessment, Vietnam has an LPI score of medium-good, placing first among low-income nations, despite ranking 53/155 economies specialized in logistics (Hồng, 2019).

Surpassing Thailand and Singapore in terms of several founded and running firms, Vietnam has over 1,200 (including the top 25 or 30 global logistics companies). Despite Vietnam's WTO commitments on logistics services until 2014, foreign firms have broadened their activities, notably in offering contemporary 3PL services (Vãn, 2019).

#### **Weaknesses:**

Despite the large number, Vietnamese logistics service businesses are still fragmented, inexperienced, and professional, delivering only essential services and contributing nothing to the value chain. Only international 3PL and 4PL enterprises should reprocess additional value (Quan, 2020).

Vietnam's logistics costs are relatively high, accounting for 25% of GDP (compared to developed countries around 9-15%), and transportation costs account for 30-40% of

product costs (this rate is 15% in other countries) (Quan, 2020). Vietnamese logistics businesses lack capital, human resources, global network organization, information systems, and connection.

### **Opportunities:**

Logistics services have a tiny market share (between 2% and 4% of GDP), but their growth rate is quite fast (20-25 percent per year). A high increase in retail business and import-export turnover may be seen. In the future, the seaport's cargo volume will rise as follows: 500-600 million tons in 2015; 900 to 1,100 million tons in 2020; 1,600 to 2,100 million tons in 2030 (Quan, 2020).

Cai Mep deep-water port and Van Phong international transshipment port, Long Thanh international airport, East-West Road corridor (EWEC), Hanoi – Hai Phong – Ha Khau – Con Minh corridor, high-speed road system, and the Trans-Asian railway are all being developed by the State with a variety of capital sources (Quan, 2020). Institutions such as customs processes, administrative reform, and regional and global integration are strengthened and facilitated.

### **Threats:**

While the need for high-quality cross-modal freight transportation is rising, the current transportation infrastructure cannot soon provide a multimodal transportation corridor. An insufficient and unproductive information system has been implemented. Weak and unsatisfactory human resources are still missing in the logistics industry, particularly in logistics professionals capable of applying and deploying in the workplace (Quan, 2020). The lack of clear, asynchronous, insufficient, and yet numerous state institutions and rules for the logistics business has hindered the development of the embryonic logistics industry.

## 6.4 Success in Vietnam in logistics services after becoming WTO's member

The World Bank (WB) (see Table 1) (WB, 2007) has ranked Vietnam 53/155 in the LPI index and 5th in ASEAN, overtaking Indonesia in the LPI index (Indonesia 59<sup>th</sup>) (Hồng, 2019). This criterion ranks the best options for international commerce based on six elements: customs clearance procedures and processes, trade facilitation logistics, freight prices, service providers' capacity and ability to process, search and retrieve items, and delivery time. The logistics sector in Vietnam is rapidly growing in importance to the ASEAN corporate community. When Vietnam was elected president of the ASEAN Federation of Freight Forwarders Associations in 2012 for the first time, this was a highly regarded event for our country's freight forwarding and logistics operations in the international community's eyes.

Table 1 LPI Rank and Score of the country in ASEAN area 2007 (WB, 2007)

Country	2007		2009		2011	
	LPI Rank	LPI Score	LPI Rank	LPI Score	LPI Rank	LPI Score
<b>Singapore</b>	1	4.1	2	4.09	1	4.13
<b>Malaysia</b>	27	3.48	29	3.44	29	3.49
<b>Thailand</b>	31	3.31	35	3.29	28	3.18
<b>Indonesia</b>	43	3.01	75	2.75	59	2.94

<b>Vietnam</b>	<b>53</b>	<b>2.89</b>	<b>53</b>	<b>2.96</b>	<b>53</b>	<b>3</b>
<b>Philippines</b>	65	2.69	44	3.14	52	3.02
<b>Cambodia</b>	81	2.5	129	2.37	101	2.56
<b>Lao</b>	117	2.25	118	2.48	109	2.5
<b>Myanmar</b>	147	1.86	133	2.33	129	2.37

From infrastructure (sea harbors, waterways, land, aviation...) to superstructure (the legal system on logistics...), Vietnam's logistics sector has grown significantly over the last two decades, creating ideal circumstances for growth in the short, medium, and long term. Both the number and quality of companies offering logistics services have increased.

According to anecdotal data, over 1200 logistics companies are now operating in Vietnam (CESTI, 2016). Distribution warehouses, inland ports (ICDs), container consolidation systems (CFS), and sophisticated cargo terminals at airports such as TCS, SCSC (Tan Son Nhat Airport), and NTSC, ACS have also been implemented in Vietnamese and foreign-invested firms (Noi Bai Airport). Many Vietnamese logistics businesses can compete on an equal footing with their global counterparts. Importers and exporters, manufacturers, suppliers, consignees, agents, etc., who use logistics services, are now better serviced than in the past (CESTI, 2016).

This includes cargo insurance, payment, and home delivery, and step-by-step application services for customers. Creating an electronic manifest (E-manifest) or implementing E-Freight service in the future are examples of electronic customs declarations. Using a network of more than 30 seaports, products handled via ports climbed from 181 to 286 million tons in 2011 and 300 to more than 300 million tons in 2012, respectively. As container transportation rose at an average of 10% every year, so did the number of containers ship. In 2012, the fishing production in Vietnam's shipping system exceeded 8 million TEUs, with a fleet of more than 60 cargo ships (Lam Tran Tan Si & Phan Nguyen Trung Hung, 2015). In 2012, Vietnam's air cargo output (Air-cargo) topped 290,000 tons, an increase of 10% every year, owing to the country's 51 airlines (CESTI, 2016).

## **6.5 Factors affecting to the performance of the supply chain**

To compete in today's global market, organizations must focus on crucial supply chain challenges and distribute attention to diverse supply chain components. As a result, organizations may more effectively allocate their limited resources to the areas where they are most required. This thesis will use the success of a supply chain as a metric to assess supply network performance. According to the results of qualitative research, and research into the impact of 15 factors on a supply chain's success will be conducted: *Inventory; Manufacturing; Location; Transportation; Information; Environmental Uncertainty; Information Technology; Supply chain Relationships; Strategy; Performance Measurement; Collaboration; Business Management; Top Management Support; Human Resource, and Customer Satisfaction.*

### **Manufacturing**

Businesses have been obliged to construct supply chains that efficiently handle product and market characteristics, such as product diversity, because of increasing competition and a worldwide market. Supply chain expenses and customer service minimize the costs spent by manufacturing and storage (Olhager, 2015). Accurate predictions of the active market in terms of items, supply quantity and time to the

market, operational productivity, and permitted quality requirements must be made by enterprises in supply chains.

To efficiently divide labor, minimize overlapping or redundancy/shortage, it is vital to establish whether the production aim of each firm in the chain is to focus on goods or focus on functions. Any need is possible. Because each company has its unique capabilities, it makes sense to divide specific production tasks so that each company may take advantage of those strengths and adapt to changing market conditions.

### **Inventory**

Warehousing happens across the supply chain cycle, from raw materials to completed goods, kept by manufacturers, distributors, and retailers—Items for sale on the market. Increased stock lowers profit margins considerably (Koumanakos, 2008; W. Min & L. S. Pheng, 2005). The inventory function must thus be improved to increase the efficiency of the distribution network (V. Tummala et al., 2006). Satisfying customer service expectations while keeping inventory levels is a huge problem since they frequently contradict (Edward, 2002).

An organization's storage strategy is critical throughout this phase. For instance, at what points in the cycle are different commodities stored? Are there any guidelines for storing raw materials and intermediate and finished products to prevent having too much or too little? How much inventory should be kept on hand to react quickly to variations in the supply chain's operational cycle? The bullwhip effect may be minimized in many ways. It is advantageous to manage inventory scientifically since the total cost of merchandise throughout the whole supply chain may be up to 40 percent (Ganeshan, 1999). Businesses must decide whether to employ seasonal, cyclical, or safety storage to keep storage costs low while minimizing the impact on the activities of other companies in that supply chain.

## **Location**

Supply chain performance must be assessed based on whether it is possible to deliver on time, accurately, and reasonable cost to customers. Customer satisfaction and cost containment are at the top of the list of supply chain professionals' priorities (Perry, 2005). Where to locate manufacturing facilities and warehouses to maximize efficiency for enterprises and other businesses in the supply chain is a question that must be answered. Factors such as manufacturing expenses, labor, human resources, and infrastructural status must be considered by managers to make strategic judgments on the site, defining the distribution channels to reach the end customer.

## **Transport**

The transportation of raw materials, semi-finished products, and completed goods between enterprises and warehouses is difficult in the supply chain. This is critical since the more quickly the items are transferred, the more efficient the overall supply chain. In contrast, the faster the items are moved, the more expensive it is to convey them (Blanchard, 2011). This fundamental of transportation is "*Delivering commodities where and when they are needed*," said David (2011, p.133) (Blanchard, 2011). Flexible transportation, on the other hand, is expensive. Transportation expenses may make up a third of the total operating costs of the supply chain (Hugos, 2003). Thus, it's critical to find a reasonable balance.

## **Information**

This is the cornerstone for deciding on the four factors above. A supply chain is the interconnection of all the many operations and phases. Several elements determine physical flow, shared standards, and many other aspects of supply chain operations that are influenced by information sharing and interdependence (Simatupang et al 2002; Lummus R. R., 2008; Léger et al., 2006). The effectiveness of a supply chain's operational integration depends on the ability of the supply chain members to share



information effectively (Sisodia, 2014; Cheryl L. M. Phillips et al., 2006), which may be done by enhancing the flexibility and multi-functionality of information (Lee H. L., 2000; Lee C. W., 2007).

The information must be disseminated throughout to help supply chain firms make the right operational choices, coordinate their operations and handle issues that arise in the supply chain (Prajogo, D. & Olhager, J. , 2012). Typically, supply chain information is utilized for the following purposes: daily operations, forecasting, and planning.

### **Environmental uncertainty**

In today's turbulent business climate, organizations have numerous possibilities and hazards to take advantage of. In the retail supply chain, a lot of things are moving. Due to this, the retail supply chain is very exposed to environmental uncertainties (Huo, H. & Zhang, J., 2011). The three primary causes of delay are suppliers' uncertainty, manufacturers' uncertainty, and consumers' doubt about market demand (Davis, 1993). The supply chain's performance is impacted by environmental unpredictability (Ambrose E., Marshall D. & Lynch D. , 2010).

Unpredictability in delivery dates, product categories, and product quality owing to profit-driven producers or insufficient technology are only a few of the elements of the uncertain environment. Sudden orders or misjudgment of market demand might result in unsafety. These affect the suppliers' reputations, retail distributors' brands, and the supply chain.

### **Information technology**

It is now feasible for businesses to construct and grow supply chains due to the fast advancement of information technology. Integration of cross-businesses and inter-enterprise activities via information technology is the current trend in supply chain management. Data-sharing in a supply chain can be improved using information

technology (SCOTT M. STALEY & JOHN N. WARFIELD, 2007; Thomas Gullledge & Tamer Chavusholu, 2008), the use of ERP systems for quality assurance (Issa et al., 2009; Millet et al., 2009), and internet technologies to operate the adoption model (Kirchmer, 2004). Each decision-making area in the supply chain may benefit from the effective use of information technology.

Due to contemporary technology, supply chain partners may benefit from increased information exchange, real-time management of the supply chain, and improved communication. They were streamlining the chain of command's forecasting and planning processes (Prajogo, D. & Olhager, J. , 2012). Using information technology to oversee inventories, orders, shipping status, and product needs (Radstaak et al., 1998). Information technology has helped supply chain participants assure supply progress, decrease wasteful paperwork, and build interactions among chain members. According to the research reported above, data accuracy, information exchange, and timely communication using information technology may enhance quality standards and assure process standards.

### **Supply chain relationship**

Relationships are essential for a supply chain to flourish. In economic unions, this is regarded as the starting point. Trust, loyalty, commercial objectives, and mutual benefit are the building blocks of a strong relationship (C. Chandra & S. Kumar, 2000). Relationships between customers and suppliers are part of a supply chain's interaction, according to Henry and colleagues (2012) (Henry et al., 2012). The greater a company has a connection with a supplier, the more likely it is that the provider will become an integral part of the supply chain (Kotabe et al., 2003).

On the other hand, businesses seeking long-term success must concentrate on their customers and demands. By adequately managing supply chain connections and customer and market-oriented development, a company may establish a long-term competitive advantage at a cheap cost or with significant distinctiveness (Schnetzler et al., 2007).

## **Strategy in supply chain**

Much research has taken place globally to find the right strategy for supply chain operations in specific business environments (Christopher et al., 2006; Hilletofth et al., 2008; Stratton et al., 2002; Stratton et al., 2003), and shows the importance of proper strategic planning in the supply chain. According to Pekka (2009), A supply chain strategy incorporates the business strategies of the member enterprises, the logistics strategy, and other strategies pursued by the chain members (Pekka, 2009).

Supply chain management is no longer vertically integrated; instead, companies concentrate on their "core business" – or, in other words, on what they do well, such as the Nike operation, where they may generate a distinct edge (Differential advantage) (Christopher, 2011), (Christopher, 2011, p17), (Christopher, M. & Juttner, U., 2000). Because there are so many suppliers and intermediates in between, it is tough to manage the movement of raw materials and completed goods through the supply chain.

On the other hand, conventional supply networks revolve around a single central member company, which is in charge of and represents the whole supply chain (e.g., Saigon Co.op, Vietnam Textile Corporation, etc.). As a result, the supply chain members involved must have appropriate methods in place throughout to bring the chain's operations together as a whole.

## **Performance measurement**

In recent years, many scientists have been interested in measuring the success of an organization or a company. Studies by Gunasekaran et al. (2001), Gunasekaran et al. (2004), Beamon (1999b), Chan (2003) (Gunasekaran et al., 2001; Gunasekaran et al., 2004; Beamon B. M., 1999b; Chan, 2003), and others have given an overview of the performance measuring work, particularly in supply chain management. In Chan's

(2003) definition of performance measurement, actions connected to satisfying customer expectations and strategic objectives defined by the organization are referred to as performance feedback (Chan, 2003).

Performance assessment plays a crucial role in setting goals, assessing performance, and determining the following steps (Gunasekaran et al., 2004). It is tough to monitor performance in the supply chain since there are so many different parties involved: suppliers, manufactures, distributors, and so on. With Vietnam's geographical location extending vertically and the retail supply chain's various partners, measuring supply chain performance becomes even more complex. Businesses and their supply chains will grow and compete better if these hurdles are eliminated.

### **Collaboration in the supply chain**

Conflicts of aims match in areas and disputes due to differing perceptions develop within the supply chain because of the imbalance between supply and demand between enterprises. Inefficient supply chain performance is caused by members of the supply chain operating independently. Establishing mutually beneficial cooperative connections with your supply chain partners is critical to your company's success in today's competitive marketplace (Stock et al., 2010).

Because of this, according to Suong (2012) (Suong, 2012), it is critical to build cooperation within the supply chain not only to address the fact that members share responsibilities and benefits from improving common interests but also to solve the problem of inflexibility management throughout the supply chain. As Suong (2012, pp. 28-29) noted, collaboration in supply chains is more about the culture and strategy of chain members (software) than the actual structure of the network (Suong, 2012).

Supply chain cooperation has been demonstrated to improve a company's performance, according to a study by Adams et al. (2014) (Adams et al., 2014). There are

several advantages to solving the supply chain collaboration challenge: boosting revenue, decreasing expenses, and adapting to changes in client needs, the availability of products, and the market's supply and demand. In addition, it helps chain partners increase their competitiveness, boosting their position in negotiations and seeking partners., external service. This is critical to the supply chain's long-term viability and profitability (Lee H. L., 2000).

If supply chain members work together successfully throughout the supply chain development, they will also handle supply chain difficulties. As collaboration grows, the supply chain becomes more integrated (Dag Naslund & Steven Williamson, 2010). The capacity to communicate information amongst supply chain members would improve operational efficiency if the supply chain were well integrated, according to (Huỳnh Thị Phương Lan et al., 2013) (Lan et al., 2013).

### **Business management**

It's no longer enough to compete against each other as individual enterprises but rather as part of a larger supply chain. Thus, company management paradigms will be fundamentally reshaped (Douglas M. Lambert & Martha C. Cooper, 2000). According to Henry et al. (2012), A company's actions revolve around managing and controlling all its stakeholders and activities to accomplish its goals (Henry et al., 2012). Business Management is responsible for achieving all these results. This research found that corporate management consists of four primary components: strategy, process performance, marketing strategy, and innovation.

### **Top management support**

Good leadership is part of the company's culture. Senior Management Support may be either strong or weak, depending on the company's structure and culture. However, according to Loforte (1991), senior management's lack of support for supply chain management hurts the chain's overall performance (Loforte, 1991). New supply chains need a new level of support from senior management, which may be

achieved via employee empowerment, developing a corporate culture, and more (Zhu, 2008). According to the findings of Handfield et al. (2005) (Handfield et al., 2005). Senior management's involvement also helps build confidence amongst supply chain partners, resulting in more collaboration between supply chain members (Hoejmose et al., 2012).

### **Human resource**

Human resources are valuable assets for every business. The supply chain's strategic structure is driven by human contact (Sweeney, 2013). Gowen and Tallon (2003) studied 358 large-scale manufacturing and service firms in the United States. They concluded that human resources have a significant role in supply chain performance (Gowen III, C. R. & Tallon, W. J. , 2003). In addition, Human Resources offers a more powerful competitive edge even if rivals have effectively implemented supply chains of their own. This is because the supply chain is made up of individuals. The supply chain will benefit substantially from well-executed human resources activity (Ellinger, A. E. & Ellinger, A. D., 2013).

### **Customer satisfaction**

In recent years, companies and academics have paid a lot of attention to customer satisfaction. Studies by Lin et al. (2013) and Pettit and Beresford (2009) (Pettit, S. & Beresford, A. , 2009) (Lin, 2013), it has been shown that if the supply chain can meet the needs of customers, it will be a success for that supply chain. Customers nowadays prefer to change their focus from purchasing items to purchasing services (Flint D. J. et al., 2011).

As a result, supply chains now must evaluate customer satisfaction on a wide range of factors, rather than simply product quality, as previously (Kristianto, 2012). As a result, chains of service providers must adapt and learn to meet their consumers' changing needs and remain competitive via the provision of high-quality auxiliary services.

## **6.6 Critical success factors influencing retail supply chain performance**

It is essential to watch a wide range of factors to meet its objectives when running a business. It's important to remember that each sector and industry has unique characteristics. These components are critical to its success and must be given the attention they deserve. There have been numerous studies on these factors. Still, it was Rockart (1979) who demonstrated the necessity of these specific aspects for developing an information system; the "Critical Success Factor" is what he defines them (Rockart, 1979).

The ability of companies and managers to concentrate limited resources on a few significant aspects of success is the most important of the vital success determinants. Rockart and Christine (1981) have proposed a limited number of crucial success characteristics that must be met for a project to be successful (Rockart, J. & Christine V. B. , 1981). According to Rockart (1979), The "essential success element" is: *"The limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization"* (Rockart, 1979). They utilize the Critical Success Factor method to comprehend its significance and repercussions. To increase supply chain efficiency and competitiveness, managers need to understand the relationship between supply chain participants.

## **7 Discussion and solutions to enhance Vietnam's logistics services**

### **7.1 Limitation of restrictions and Reasons**

After over 25 years of growth, Vietnam's logistics sector barely accounts for more than 20 percent of the domestic market share (VINAMARINE, 2018). Because of the many restrictions:

- ❖ Freight forwarding and logistics services were the foundation of Vietnam's logistics services in the 1990s. Currently, the nation has over 1,200 logistics companies. Most of these businesses are small and medium-sized, with an average charter capital of around VND 4-6 billion, and well-trained human resources specializing in logistics are relatively low (about 5-7 percent) (Hải, 2019).
- ❖ According to a spokesman of VLA (VLA, 2018), logistics service providers in Vietnam typically work as agents or subcontractors for foreign logistics service providers. Even though there are just a handful of global logistics companies operating in Vietnam, they account for 70 to 80 percent of its logistics market share (Hải, 2019). According to Globe Bank research quoted by VLA (VLA, 2018), logistics operations in Vietnam are inefficient due to a lack of trust in the supply chain that connects the country to the rest of the world. Technical issues, logistics activity organization, logistics legislation confusion, and transportation "lubrication" expenses account for the remainder of the root causes (Tikoo, 2021).
- ❖ According to M. Hong (2019), It's also lacking in multimodal corridors; road transport hasn't fulfilled shippers' expectations; seaports haven't been used to their total capacity, and 90% of Vietnam's import and export commodities are moved by sea (Hồng, 2019). Except for transportation infrastructure and associated concerns such as traffic safety, load control for highways and bridges, etc... administrative processes are the main impediment to the growth of logistics in Vietnam today, even more so, customs clearance.

There have been just a few decades of development in Vietnam's logistics business compared to other nations' extensive logistics infrastructure. In Singapore, for example, automation and electronics have reached a very high degree. There is a long way to go before Vietnam's logistics business is ready to compete globally. Developing a national logistics system, particularly logistical infrastructure, and connections, cannot be made overnight.



It is difficult for local logistics service providers to compete since their capacity is far lower than overseas. The logistics firms in Vietnam do not meet international standards. There has been a shortage of investment in transportation and storage due to a lack of and lack of managerial professionals in the logistics sector. Vietnam is expected to open its logistics market in 2014, by WTO agreements. If Vietnamese businesses aren't strong enough to compete on an equal footing with global rivals, they risk losing the market share they've worked so hard to get.

To make things even better for companies, legal and institutional aspects of logistics have not been updated to keep pace with the rapid growth of the national system, and customs processes are still lengthy. The practice of "selling FOB and purchasing CIF" is a significant disadvantage for Vietnamese importers and exporters. In 2012, Vietnam's exports were 115 billion USD, but only 20 to 25 percent of that total was made up of commodities that needed to be delivered and employed logistical services (Hải, 2019).

What's the deal with that? A more robust overseas fleet and more orders result from our country's exporting FOB pricing habit. The government has implemented regulations to alter the system above, including rewarding exporters at CIF prices, but thus far, nothing has changed. Foreign operations handle most of our country's import and export freight volume, even when merely looking at 80 percent of export orders at FOB price and 20 percent at CIF pricing. Transportation and logistics play a critical part in each country's economy. The growth of the logistics sector will lead to more competition for commodities and for operations that import and export them. Logistics is thus seen to help the economy grow. Our country's logistics expenses, on the other hand, are much greater than those of other countries in our area (Hải, 2019).

Modern industrialized countries (see figure 7) spend between 10-15 percent and 25-27 percent of GDP/year on logistics (Phol, 2010). As the world's logistics powerhouse, Singapore, spends roughly 8% of GDP on logistics each year, the EU nations consume 10% of GDP, Japan consumes 11% of GDP, and China pays 18% of GDP on logistics. Vietnam, which has imported logistics for the last 25 years, spends approximately a quarter of its GDP on logistics each year. Logistics expenses accounted for 23.6 billion

USD of Vietnam's GDP in 2009. This statistic is simply unacceptable for a developing nation that has just slipped out of the world's lowest-income countries and is on the verge of sliding into the middle-income trap. If we don't adequately promote logistics' benefits, particularly for newly joined nations with insufficient transportation and economic infrastructure, it may burden the national economy (VLR, 2020).

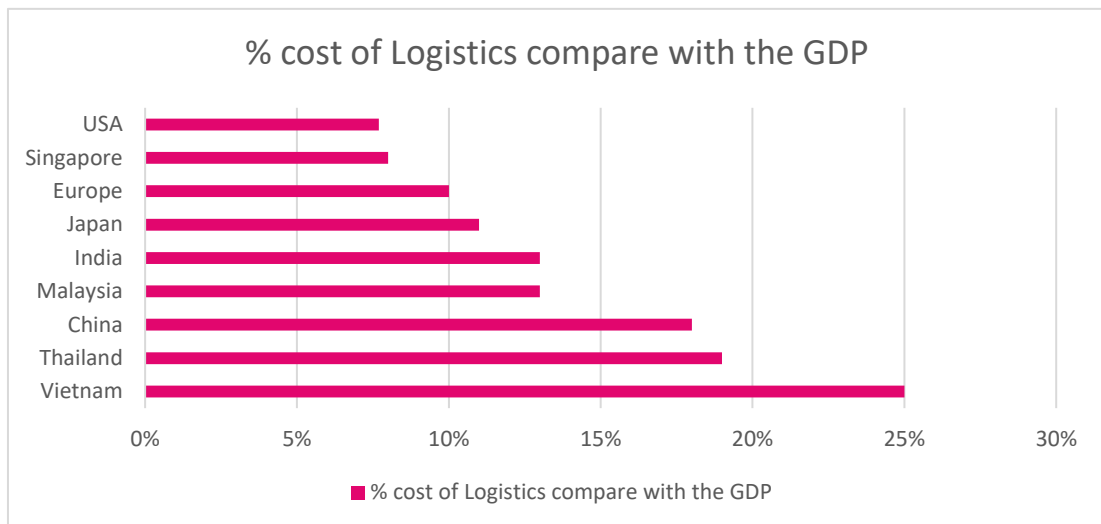


Figure 7 The ratio of logistics costs to GDP of some countries (Phol, 2010)

## 7.2 Development trend of logistics services of countries around the world

Today, logistics service providers are becoming more popular since they are transportation providers and organizers of other services such as warehouse management. Products, storage of goods, fulfillment of orders, value addition to interests by the assembly, quality control before shipping packaging marking, labeling, distribution to locations of consumption, import and export processes... Furthermore, they are reputable experts who can help optimize the supply chain, remove intermediaries, and simplify the process in general. The new distribution network design and mixed-packing centers/station administration are effective. Logistics companies now meet customers' needs by implementing a worldwide logistics system (Global Logistics). Regional and national logistical systems may not be identical. It's a brilliant, scientific, and professional combination of operations like buying, stocking, and distribution to maximize customer service at the lowest possible cost. Global logistics is expected to evolve in the first few decades of the 21st century by three primary trends:

**Firstly, the use of information technology and e-commerce in the logistics industry is becoming more and more commonplace** (Zuopeng Xiao,Quan Yuan, Yonghai Sun,Xixiong Sun, 2021):

There has been a considerable impact on the global economy from the global information network, and it will continue to do so. A company's success in online retailing is primarily determined by its ability to handle logistics, which is a challenging and expensive field. In an e-commerce setting, logistics includes order processing, fulfillment, delivery, payment, and removal of things that buyers hate. In today's e-commerce and information technology world, a well-developed logistics system is essential to a company's success. It's becoming increasingly commonplace in business to use information technology, and e-commerce technologies such as global supply chain management information systems and radio frequency identification (RFID) systems (Pejvak Oghazi, Fakhreddin Fakhrai Rad, Stefan Karlsson, Darek Haftor , 2018), as faster and more accurate information transmission means better decisions for the logistics system.

**Secondly, the Pull Logistics management approach (Pull) is on the growth and is increasingly taking over the conventional Push Logistics management method** (Shumail Mazahir, Marc Lassagne, Laoucine Kerbache, 2011):

To cut costs, logistics management is necessary, whether it is based on pull logistics or push logistics. These cost reductions were accomplished in the past by merging and acquisitions of enterprises, reorganizing factories based on raw materials and labor costs, and restructuring technology and procedures in factories in earlier push-logistics-based economies. Companies have seen increased productivity and decreased logistical expenses because of these changes. Most industrial industries are reaping the benefits of this update and development today.

Compared to the prior typical push logistics mechanism controlled by supply (supply-driven) and led and directed according to a predefined production plan, the production based on pull logistics stands apart. Pre-arranged, when using supply-driven manufacturing, products are "pushed" into production or stored in warehouses based on

available machine capacity. Consumer demand necessitates using a manufacturing method that relies on push logistics, which leads to waste. As opposed to forecasting demand, pull logistics is based on actual purchases and sales. In the case of "pull logistics," only things that have been purchased or requested are produced. Production planning and design are linked to product delivery in a pull logistics supply chain. An end-consumer demand-driven approach is the primary purpose of this concept. It has been shown that "pull" logistics is more successful and efficient than "push" logistics when bringing together the various parties involved in the process of joining. There are several ways this information sharing will assist bring about a convergence between producer supply and consumer demand.

### **7.3 Orientation and development goals of logistics services to 2020 and the following years**

Article 133 of the Commercial Law 2005 (An, 2005) defines logistics services as a high-level evolution of logistics services that use information technology to coordinate products and services efficiently and effectively from pre-production to the ultimate consumer. According to Nomura Research Institute (Japan,2003), when it comes to international commerce and local market expansions in recent years, the logistics service sector (also known as the 3PL service market) has seen a significant increase in growth, providing a substantial contribution to the country's economic development with an average yearly growth rate of 20-25 percent (Institute, 2003).

The growth of transportation infrastructure, seaports, modes of transportation, and other logistics services are closely linked. Vietnam's shipping and the Sustainable Development Project in Vietnam's carrier (VITRANSS2) to 2020, with a long-term goal of 2030, consider logistics as a critical component of economic growth in their port's development strategy (GOV, 2009). A logistics service development plan for 2020 and beyond is essential to align logistics and logistics services with the development goals, particularly for macro-management levels. Fulfilling socio-economic objectives in other areas. Objectives and orientations that are part of the approach include:

## Orientation

- Economic and social development, internal commerce, notably import and export, the supply and distribution of products and services to meet and fulfill consumer demand are all driven by logistics. "
- Logistics and supply management abilities may significantly impact the present economy if they are developed at all levels of management, in all sectors, and all organizations.
- Reducing Vietnam's GDP structure's logistics expenses (which presently account for around 25% of GDP) is critical to its ability to carry out its socioeconomic priorities and objectives.
- To fulfill local demand and increase international competitiveness, logistics plays an essential role in the development of a sustainable transportation system that emphasizes high-quality multimodal transportation globalization of the economy
- The development of the country's logistics service sector on a regional and worldwide scale needs government guidance and assistance in logistics services geared toward 3PL, a wide range of businesses connected to the government.
- E-logistics, e-commerce, and secure supply chain management are all on the rise, and they all go hand in hand with each other.

## Target

- Logistics expenses should be reduced to 20% of GDP.
- This market is predicted to account for 10% of GDP by 2020 if it continues to expand at its current 20% to 25% growth rate.
- By 2020, 40 percent of logistical services will be outsourced.
- Logistics service providers should be restructured to serve customers. better to achieve the same level of productivity and quality as other nations within the area by 2020 (Thailand, Singapore)

- Aspiring to be among the world's top 35 or 40 economies by 2015, according to the World Bank's LPI rating for Vietnam.
- The following necessary logistics programmed (2011-2020) are essentially the same as the primary objectives:
- To meet the demands of transshipment and export processing and manufacturing industrial parks, build a logistics industrial park (logistics park) in the north.
- Logistics industrial zones in the South should be developed (serving international container transport through international container seaports and international airports).
- Development of the logistics zone and refurbishing the Lao Cai border crossing encourages commerce with China (followed by Lang Son, Moc Bai, Lao Bao... for 2030).
- The retail market should be served by distribution centers in key cities and towns around the nation. At the same time, logistics facilities near manufacturing and processing industrial parks should be established to export.

## **7.4 Development solutions, proposed solutions**

### **Solutions for investment in transportation infrastructure as the foundation for logistics activities**

A comprehensive research project on sustainable transportation system development (VITRANSS2) was launched and handed over by the Ministry of Transportation to meet the ports planning process from 2020 to 2030, as well as the road transport development plan for 2020 and 2030 (VITRANSS, 2010). Investment in important logistics initiatives should be prioritized in the same way as those listed above. The planning and construction of logistics infrastructure must be based on scientific grounds, carefully considered for the benefit of the country and industry. They must invest synchronously to use sufficient investment capital, exploiting the best facilities in today's challenging economic environment.

Economic and national security considerations must be included in logistics infrastructure development plans. In addition, sustainable development, logistics, and efforts to combat global climate change must all be considered.

### **Information technology infrastructure solutions**

The use of information technology in a logistics company differs significantly from that of a conventional forwarding company, however different attempts have been made to enhance equipment and processes. However, most Vietnamese logistics companies stop creating a website and using it to sell themselves and their services and provide information infrastructure. Order tracking tools (track & trace) and train schedules are not available on the websites of Vietnamese logistics companies. e-booking or document tracking is also not known.

Priority one for clients looking to work with a logistics service provider is the company's capacity to track and manage orders (visibility). Global logistics companies rely on modern information technology to run more smoothly and compete effectively worldwide. Information technology infrastructure should be the first step in expanding logistics services. This activity needs a national-to-corporate level synchronized solution system with a strategic goal to be effective.

### **Solutions for training, human resources**

Instead of offering courses directly related to logistics, most of Vietnam's domestic universities teach subjects with just a tenuous connection to the industry. Logistics human resources are almost non-existent since they have been retrained from the beginning by the companies.

It takes time, advocacy, and career guidance to raise awareness, build management skills, and practice logistics. With the government's help, firms may benefit from flexible training and offer the workforce they need. Finance and training coordination between multinational businesses is essential.

### **Solutions on the part of industry associations**

Provide practical advice and support for businesses to improve their professionalism and ethical conduct in the marketplace by building relationships with the organization's members. A one-stop-shop for domestic and worldwide services may be provided using each member company's capabilities (facilities, equipment, information systems, etc.). To aid in expanding the logistics service business merger and acquisition (M&A) industry, there is a program to speed up the connection process. For regional and worldwide integration, the Association should focus on research and development (R&D) and the maintenance of industry standards, forms, data, and assessment criteria.

### **7.5 Answer for the research question**

Supply networks in various industries were analyzed throughout the theoretical study. Too far, there have only been a few studies examining the influence of these variables on the functioning of the retail supply chain. Because of this, the question investigated in this thesis will be characterized as:

- When thinking about the functioning of the retail supply chain, what are the critical elements?

According to the theoretical analysis, most of the prior research merely considered whether a factor had an influence or not. The evaluation of the link between these components in the overall performance of the whole supply chain is left open. To create and transport goods to consumers, a supply chain connects several stakeholders (**Douglas, 1998; Suong, 2012**). Retail supply chains are particularly complicated and demanding to operate due to the many commodities and players in the chain (**Agrawal, N. & Smith, S. A., 2009**). Managers will make fast and correct management choices if they understand the link between supply chain elements.

- How are the variables that influence the functioning of the retail supply chain interconnected?



Vietnamese supply networks, particularly retail supply chains, have been the subject of several research in Vietnam. According to a new report, retail chain managers in Vietnam are still unsure about their own identity and direction for their supply networks. Modern Vietnamese shops have not actively engaged in the production orientation process to showcase their uniqueness and meet the market's demands, as is obvious (Nam, 2010). For this, Vietnamese merchants must promote Vietnamese identity and have long-term growth plans, notably focused on producing Vietnamese products (Hanh, 2012). In addition, Vietnamese enterprises are still unfamiliar with the notion of a supply chain. If retail organizations want to develop a competent and competitive supply chain, they need to implement specific tactics.

## **8 Conclusion**

In summary, this service business in Vietnam has several obstacles and challenges because of the vast number of small, prospective logistics businesses. Financial resources are insufficient, human resources are few, and market experience is particularly scarce. Vietnam's logistics service providers mostly work as agents for foreign logistics service providers or perform each step of the logistics chain as subcontractors, therefore contributing to the value chain. The price is not excessive. Additionally, the thesis researches the elements impacting the supply chain operations of retail firms and agents in the Vietnamese supply market. The study uses a mix of qualitative and quantitative approaches to do this. The thesis's research was conducted in Ho Chi Minh City. Because retail systems in Vietnam are focused mainly on the country's two major cities, Hanoi, and Ho Chi Minh City, which serve as the country's economic core. Vietnam also has a high concentration of retail enterprises, making Ho Chi Minh City an excellent and representative location for conducting the study.

The author also discusses the critical elements impacting supply chain operations in the business market to enhance the supply chain's performance, based on the hypotheses and theories presented in the article Vietnam's retail application. Additionally, the thesis discusses the constraints and possibilities for future study to improve this

research path. This thesis' theoretical contributions, research models, and interpretations will assist Vietnamese retail enterprises in creating suitable measures and policies to enhance the chain's competitiveness. The retail supply chain must pursue an alliance and collaboration approach to grow its company. Vietnam's retail supply chains are having difficulty growing their businesses in the current environment. After acceding to the World Trade Organization (WTO), the Vietnamese market will grab several possibilities to improve domestic and international economy and logistics services. Cooperation will enable the retail supply chain to diversify its product offerings and increase the variety of items available to the end customer. By collaborating with third parties, retail supply chains may lower their transportation costs and utilize their knowledge and contacts to expand into new areas. Comprehensive connection and collaboration will allow supply chain expansion and growth across the supply chain.

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# Appendices

## Appendix 1. SCOR is a hierarchical process model

	Level		Schematic	Comments
	#	Description		
Supply-Chain Operations Reference Model	1	Top Level (Process Types)		Level 1 defines the scope and content for the Supply-Chain Operations Reference Model. Here the basis of competition performance targets are set.
	2	Configuration Level (Process Categories)		A company's supply-chain can be "configured-to-order" at Level 2 from core "process categories." Companies implement their operations strategy through the configuration they choose for their supply-chain.
	3	Process Element Level (Decompose Processes)		Level 3 defines a company's ability to compete successfully in its chosen markets, and consists of: <ul style="list-style-type: none"> <li>• Process element definitions</li> <li>• Process element information inputs, and outputs</li> <li>• Process performance metrics</li> <li>• Best practices, where applicable</li> <li>• System capabilities required to support best practices</li> <li>• Systems/tools</li> </ul>
	4	Implementation Level (Decompose Process Elements)		Companies implement specific supply-chain management practices at this level. Level 4 defines practices to achieve competitive advantage and to adapt to changing business conditions.

Not in Scope