Developing a business plan for a startup e-business

Khanh, Vu

2013 Leppävaara
Developing a business plan for a startup e-business
The purpose of this thesis is to develop an initial business plan for a startup fashion company that operates on the Internet in the Vietnamese market. To reach the target objective, the thesis first examines e-business from a theoretical perspective and considers its advantages and disadvantages. Secondly, the macro environment of the proposed business is analyzed, namely the country of Vietnam and its e-commerce environment. Finally, the outcome of the thesis is presented in the form of a business plan for the business idea. The business idea is to establish an e-retailer that offers young Vietnamese consumers fashionable apparel products imported from Europe. The purpose of the business is to locate a suitable niche market and focus on being the leader of that market and to maintain lasting customer relationships.

The research approach used in this thesis is deductive, in which the theory and hypothesis is developed and a research strategy is designed to test the hypothesis. The main research method carried out is qualitative, in which several interviews were conducted with a marketer/blogger about Internet marketing in Vietnam and also with the owners of existing e-businesses in Vietnam to learn about difficulties when starting a new e-business. The business plan was greatly improved as a result of advice from the interviewees.

The results indicate that the niche market for the business idea is identified and reachable. In order to be the leader in that niche market, the business needs to differentiate itself from the rivals by creating a superior business image focused on customer service values. The company’s vision is to bring the exotic European trend to the Vietnamese fashion market and inspiration to female fashion lovers. Offering customers the best online shopping experience and customer services should be the company’s most important priority.

Key words: business plan, Vietnam, e-business, startup, marketing, e-marketing, e-commerce
# Table of Contents

1 Introduction ......................................................................................... 6  
   1.1 Background ................................................................................. 6  
   1.2 Thesis objectives .......................................................................... 7  
   1.3 Limitations .................................................................................. 7  
   1.4 Research methodology ................................................................. 7  
   1.5 Thesis structure ........................................................................... 9  
2 Introduction to e-business ................................................................. 10  
   2.1 Definitions .................................................................................... 10  
   2.2 Advantages and disadvantages of e-business ................................. 11  
       2.2.1 Advantages of e-business ...................................................... 11  
       2.2.2 Disadvantages of e-business ................................................. 12  
   2.3 E-business models ........................................................................ 13  
3 Vietnam as a proposed business environment .................................... 15  
   3.1 Country review ............................................................................ 15  
       3.1.1 Political factor ................................................................. 16  
       3.1.2 Economical factor ............................................................. 17  
       3.1.3 Socio-Cultural factor ......................................................... 19  
       3.1.4 Technology factor .............................................................. 20  
   3.2 E-commerce in Vietnam ............................................................... 21  
   3.3 Legal issues of e-commerce in Vietnam ....................................... 24  
4 Case: Business plan for X online fashion shop ................................... 25  
   4.1 Gathering information ................................................................. 25  
   4.2 Basic information ......................................................................... 26  
   4.3 Market analysis ........................................................................... 27  
       4.3.1 Porter’s Five Forces Analysis .............................................. 27  
       4.3.2 Competitor analysis ............................................................ 29  
       4.3.3 Differentiation strategy ....................................................... 32  
       4.3.4 SWOT analysis .................................................................... 34  
   4.4 Target customers .......................................................................... 35  
   4.5 Business model ............................................................................ 36  
   4.6 Marketing plan ............................................................................... 37  
       4.6.1 Product .............................................................................. 37  
       4.6.2 Price ............................................................................... 39  
       4.6.3 Place ................................................................................. 42  
       4.6.4 Promotion ......................................................................... 43  
   4.7 Financing the business ................................................................. 48  
   4.8 Risk assessment ........................................................................... 49  
5 Findings ............................................................................................... 50
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>52</td>
</tr>
<tr>
<td>References</td>
<td>53</td>
</tr>
<tr>
<td>Illustrations</td>
<td>56</td>
</tr>
<tr>
<td>Figures</td>
<td>57</td>
</tr>
<tr>
<td>Tables</td>
<td>58</td>
</tr>
</tbody>
</table>
1 Introduction

1.1 Background

Online shopping has become increasingly popular over the last decade. Online shopping describes the process of consumers purchasing goods and services over the Internet (Business Dictionary 2012). With the emergence of e-business, millions of web stores are born and it becomes trendy. In the USA, e-commerce sales grew from 72 billion U.S. dollars in 2002 to 256 billion U.S. dollars in 2011 (The statistics portal 2012). In fact, many people prefer online shopping to actual shopping, as it saves time and the selections are considerably broader. For the author, e-commerce is an exciting area to study and to be involved with because of its relentless evolution and potentials.

The business idea was formed during the author’s visit to her home country, Vietnam in summer 2012. Vietnam is considered to be one of the fastest developing countries in the world. In addition to the growth of the economy, the living standard has also improved significantly. Having been living abroad for several years, each visit is a surprise for the author about how fast the country is developing and modernizing. As a matter of fact, people also have higher demands for their fashion and beauty needs. A month before the author’s trip, a few friends of hers in Vietnam asked her to help them buy some products from European brands such as Zara, H&M, Mango. Friends’ feedbacks were very positive and many people also wanted to buy the same products. The prices are slightly higher than domestic products. However the quality is superior and the style is trendy and exotic and so received attention from people around. Being aware of this potential demand and having a natural passion for fashion, the author formed the idea of creating an online business, which distributes fashion products from average European brands to the Vietnamese market.

This business idea is not new. Indeed, there are a number of existing shops in Vietnam that sell fashion products imported from Europe and America. However, the prices in these shops are considerably too high for normal consumers since they have to cover numerous costs to maintain physical stores, such as rent, wages, utility bills, and stock. Therefore, an online store would have an advantage of low start-up costs. Moreover, the online fashion market in Vietnam is very young and hence promises great potential. The aim of the business is to locate a niche market and focus to become the leader in that market. Majority of Vietnamese consumers might think foreign imported clothes would be too expensive and fancy. However, there is a hierarchy existing in fashion market that divides brands into different classes. The business will concentrate on distributing brands that are trendy, affordable but still expose the exotic and classy appearance for consumers.
“The starting point for any new venture is to create a business plan”, says Tony Cohen, the head of entrepreneurial business at Deloitte. No matter what the business idea is, whether it is for a small or a large scaled company, it is essential to have a thorough business plan. “It is easy to start a project, but without careful planning it is like setting off on a journey to an unknown destination without a roadmap” (Topfer 2011).

1.2 Thesis objectives

The main objective of this thesis is to develop a strategic business plan for a startup web store to test the feasibility of the business idea in the Vietnamese fashion market. To reach this objective, the answers for these questions should be located:

2. What is the situation of e-commerce in the Vietnamese market?
3. Who are the target customers for the business idea?
4. Who are the competitors in the target market?
5. How should marketing be performed to reach the target customers?

1.3 Limitations

The thesis will focus mainly on locating niche market in Vietnam. Therefore, only the target customer segment in defined niche market is studied. There will be only certain brands and products that fit the most to the niche market and target customer segment; therefore, only the chosen products and brands within the niche market are focused.

As the main goal of this thesis is to test the business idea in the form of an initial business plan, only essential subjects are studied: market analysis, customer segmentation, competitor analysis, marketing, finance and risks. More specifically, the business plan will focus mainly on researching the niche market, customer segment, basic e-marketing plan (driving traffic to the web store and encouraging sales) and financial plan. A broader and more detailed business plan that includes approaches of product development, development strategy and personnel plan are not within the scope of this study.

1.4 Research methodology
Research approach

In research, there are two broad concepts of reasoning, which are referred to deductive and inductive approach. With the deductive approach, the theory and hypothesis is developed and a research strategy is designed to test the hypothesis; while with inductive approach, data collection is implemented first and theory is built as a result of the data analysis (Saunders et al. 2009, 35)

Within the context of this thesis, an idea of creating a profitable online business in Vietnam is a general hypothesis and the purpose of this study is to develop a strategic plan to test the feasibility of the business. Therefore, the deductive approach is regarded as the most suitable one for this thesis.

Research method

The next step is to select a suitable research method amongst quantitative, qualitative or the combination of the given methods. Quantitative is used for any data collection technique and data analysis procedure that produce accurate numerical data. In contrast, qualitative method is used to generate non-numerical data. This study uses qualitative method, with interviews and observations.

Data collection

To gain adequate information, research data is collected from both primary and secondary resources in various ways. In the theoretical framework, primary data used can be author’s personal observations while secondary data are published literature such as books, articles, theses and reports. For the empirical part, primary sources are mainly collected by interviews.
and observations. Interviews with the owners of several existing e-businesses in Vietnam are consulted as the information source. Secondary sources, as published electronic sources are used also.

1.5 Thesis structure

The thesis is structured and demonstrated by the following figure:

<table>
<thead>
<tr>
<th>BUSINESS PLAN FOR A START-UP ONLINE BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHAPTER</strong></td>
</tr>
<tr>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>THEORETICAL FRAMEWORK</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>EMPIRICAL PART</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SUMMARY</td>
</tr>
</tbody>
</table>

Table 1: Thesis structure

The thesis is divided into two main parts: theoretical framework and empirical part. The theoretical framework is covered in chapter 2 and 3. Chapter 2 gives a general overview of e-business, its definition, advantages and disadvantages. The e-business models will be also
introduced in this chapter as the framework to determine business model for the case company. In chapter 3, entrepreneurial environment for the proposed business in the Vietnamese market is examined. This theoretical framework part will answer the first and the second research questions.

The empirical part starts from chapter 4, where the feasibility and profitability of the proposed business is testified by an initial business plan. The four last research questions will be discussed and responded in this chapter since it deals with the market analysis, finding niche market and target customers, developing strategic marketing plan and financial plan. Consequently, the findings and decision whether to launch the business is determined in chapter 5.

2 Introduction to e-business

2.1 Definitions

“Business” is a complex meaning word, which can be defined in many different ways, depends on different scopes. In a broad sense, business is understood as all activities related to the trade of goods or services between organizations or between organizations and consumers (O’Sullivan & Sheffrin 2003, 29). E-business, short form for electronic business then can be defined as business activities that are managed through the facilities available on the Internet. IBM, one of the first suppliers to use the term in 1997 to promote its services, defines the concept: “e-business is the transformation of key business processes through the use of Internet technologies”.

Nowadays, when the world of technology is booming, e-business is not only applied to virtual companies (click and mortar model), whose activities are based on the Internet, but also to traditional companies (brick and mortar model). In a particular access to the Internet, the communication between stakeholders of companies and organizations tend to modify thanks to new technologies. For example, besides the traditional customer relationship management tools, companies have also developed the digital marketing strategies, such as through social media to connect with their customers more efficiently. The communication and information sharing between employers and employees can be handled within the intranet. In the same sense, extranet is created to communicate with suppliers, collaborators and customers
Figure 2: The relationship between intranet, extranet and the Internet (Chaffey 2011)

Frequently, the term e-commerce (electronic commerce) is mixed up with the term e-business. E-business refers to all business activities executed and managed on the Internet while e-commerce only refers to the activities involved in buying and selling online. As a matter of fact, e-commerce only covers one aspect of e-business and is considered as a subset of e-business (Chaffey 2011, 14)

Within a company, it is also divided into front office and back office. Front office refers to the front part of the company that is visible to the clients, for example marketing, customer services. In turn, Back office refers to all parts of the information system to which the final user does not have access. The term therefore covers all internal processes within the enterprise (production, logistics, warehousing, accounting and information technology.)

It is important to understand these e-business related concepts within the scope of this thesis.

2.2 Advantages and disadvantages of e-business

E-business has become increasingly popular in the last decade because of its significant advantages and many entrepreneurs decide to adopt online business besides their traditional way of doing business. There are so many examples of successful e-commerce companies in many areas. The relentless evolution of e-commerce and e-business just make it even more exciting to be involved with.

2.2.1 Advantages of e-business

The first impression when it comes to e-business is the electronic part, which can be understood simply as the manual business processes are replaced by automated digital
systems, which is faster and more effective in various aspects. Chaffey classifies benefits of e-business into 2 categories: tangible (for which monetary savings or revenues can be identified) and intangible benefits (for which is more difficult to calculate cost savings) (Chaffey 2011, 32)

Tangible benefits include cost savings and sales improvement. First of all, e-business helps reduce marketing cost significantly. Not only the time that is needed to invest in marketing is saved but also online marketing is considerably less expensive and more effective. It allows you to launch various marketing tactics such as email marketing, article marketing, social media networking and e-newsletters from one central place. Most of these online marketing efforts are very low cost or free and also a much broader customer base is reached. Besides marketing costs, a number of other costs are also reduced, for example: supply-chain costs, labor and overhead costs, administrative costs. Communicating and ordering with suppliers is much faster and hence, cycle time of ordering is shortened and levels of inventory are also reduced. An online store does not require as much labor force and overheads costs to maintain as a physical store. Since everything can be done through the Internet now, the communication costs such as phone, fax, transaction costs are saved. With e-business, reaching new customers in new market, new countries and even globally is possible through the Internet. Therefore, it also helps increasing sales from larger customer base.

Besides tangible benefits that can be monetarily calculated, there are also other intangible benefits that add more value for the business by operating online. First of all, with the innovation of technology, the customer service as well as customer relationship management are supported better, everything can be managed through the Internet, from ordering to payment and tracking then feedback. Reaching customers is also easy and convenient by emails, newsletters or social media networking. All customers’ inquiries, feedbacks reach the company quickly and therefore, better chance for the company to improve its customer service. Better customer services lead to better brand image. The fast business processes of e-business also allow the business to enhance its research and development process. Fast feedbacks and expectations from customers enable faster product development lifecycle to respond the market needs.

2.2.2 Disadvantages of e-business

Technology definitely has some drawbacks that might make it a barrier for the business. One inevitable disadvantage for e-business is lack of physical contacts. All the transactions and business processes are placed online; customer physical visibility is not possible. Additionally, technology also requires constant maintenance because if something goes wrong, the whole system might have to face with the problem too.
Issue of security is also one of the biggest obstacles for e-business. Hackers can penetrate the company system and steal credit card information. In fact, many people are not comfortable with providing their financial information on the Internet.

Another disadvantage of e-business is lack of privacy. Personal information of online consumers can be recorded easily by some sophisticated means, such as cookies. Web stores then can learn online shopping behaviors and purchasing patterns of their customers to customize marketing strategies.

2.3 E-business models

Business plan demonstrate how the business intends to succeed and grow, while business model reflects the structures of the business and the methods by which the company can sustain itself, that is generate revenue (Marshall 2007). A flawed and inappropriate business model could make it much more difficult for the business to run even with great efforts. There are many e-business model taxonomies existing. When examining through a few taxonomies, the author decided to choose the e-commerce business model theory from Professor Michael Rappa, "Business models on the web", Managing the Digital Enterprise (Digital enterprise 2011) which is found the most comprehensive. This taxonomy includes 40 models classified into nine major categories. Every business is unique. To identify the most suitable business model for the business, it is important to define first two components of business model: value proposition and revenue model.

Value proposition is the set of benefits or values a company promises to deliver to consumers to satisfy their needs (Kotler & Armstrong 2012, 33). Value proposition makes the business differentiate from other competitors and focuses on the product’s unique value, for example: unique product, lowest price, and superior customer service or product customization.

Revenue model simply identifies how the business generates revenue. Examples of revenue models include sales, transaction fees, and subscription fees, advertising fees, affiliate fees, and licensing fees.

Nine major e-business categories according to Professor Rappa are listed and described below:

- Brokerage model: Brokers are market creators, which bring buyers and sellers together and facilitate transactions. Their main revenue is from commissions charged
from users. The typical businesses represented this model is eBay (auction broker), PayPal (transaction broker), Amazon (marketplace).

- **Advertising model**: The revenue stream of this model is generated from offering website space for advertising, such as banner ads. Commonly, the more volume of traffic a website has, the better this model works. Popular portals such as Yahoo, Google, Microsoft MSN, generate a big proportion of revenue from advertising model.

- **Infomediary model**: Infomediary is a complex word for information intermediary. This model gathers useful information to assist both buyers and sellers. For example, Nielson-online.com is an agency that provides online audiences, advertising, blogging measurement and analysis tools.

- **Merchant model**: This model is for wholesaling and retailing by listing prices or auctions, such as Amazon, Zalando, and ASOS.

- **Manufacturer (Direct) model**: This model indicates the businesses that manufacture and at the same time sell directly to its end consumers through the web without any middlemen, for example: Dell, Apple.

- **Affiliate model**: This model applies for both websites that offer affiliate programs (websites that provide commissions based on value of purchases that other sites lead consumers to), and websites that do affiliating for other sites to get commissions.

- **Community model**: The most typical examples for this model is social network sites, such as Facebook, Twitter, LinkedIn. These sites generate revenue from advertising or customer loyal programs.

- **Subscription model**: The businesses charge users fixed subscription fees daily, monthly or annually to use their services with or without limitations. For example: Netflix, Spotify.

- **Utility model**: Unlike subscription model, this model only charges users for what they actually use, for example: long distance phone services, Skype, Voip.

Normally, one business can hardly fit all its business activities into one model. A business starts with a principle business model. Gradually, these models may be modified or the new ones are added. Therefore, combination of a few business models is commonly seen.
However, too many models adapted tend to indicate that the business is lack of focusing on core business activities or perhaps it is not doing any of them well (Marshall 2007).

One example of businesses that adapt multiple business models simultaneously is Amazon. Its business activities are classified into major business model categories in the following table:

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Business Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brokerage Model (Virtual Marketplace)</td>
<td>Providing an online platform for users to buy products from Amazon or from third business parties and generate revenue from fixed listing fees, revenue share fees, per-unit activity fees</td>
</tr>
<tr>
<td>Merchant Model (Virtual merchant)</td>
<td>Retailing its own products</td>
</tr>
<tr>
<td>Manufacturer Model (Purchase)</td>
<td>Manufacturing and selling Kindle directly to consumers</td>
</tr>
<tr>
<td>Subscription Model</td>
<td>Offering membership program Amazon Prime that allows users to subscribe annually to receive many benefits, such as unlimited fast shipping, unlimited commercial-free videos through Amazon Instant Video and free books on Kindle Library.</td>
</tr>
<tr>
<td>Affiliate Model</td>
<td>Offering the Amazon Affiliate program that allows users to become its affiliates and advertise any of its products on their own sites</td>
</tr>
</tbody>
</table>

Table 2: Amazon’s business models (Amazon.com 2013)
Vietnam locates in Southeast Asia, on the east of Indochina Peninsula. The country is well known for its long history with two historic wars to achieve its final independence in 1975. Vietnam is perceived as one of the fastest developing countries in the world since 2000. Having advantage of ideal strategic location with a long coastal line, Vietnam is an attractive country for foreign investment. The country also has the highest Global Growth Generators Index among 11 major economies. However, the nation still has to face with a numerous challenges in every aspect.

3.1.1 Political factor

The Communist Party of Vietnam is the one and only party of the Socialist Republic of Vietnam; has centralized control in government and society. After two wars with France and the US, Vietnam was isolated and faced a serious economic crisis during the period of 1980-1995, which almost drove the country to bankruptcy. The situation was not improved until 1986 when Doi Moi (Renovation), a historic reform, was implemented by the government. The key objective of this reform is to create a multi-sector economy and simultaneously renovate government’s structure. The results of the reform were significant and positive, for example, since 1989, about 1-1.5 ton of rice was exported per year, inflation rate gradually decreased (from 67.4% in 1990), living standards were improved, national defense was enhanced and Vietnam started its open policy which helped the country release itself from isolation.

Key facts:

- Official name: Socialist Republic of Vietnam
- Population: 90.38 million (Wikipedia 2012)
- Official language: Vietnamese
- Religion: Predominantly Buddhist (80-85%) and Catholic (10%)
- Capital: Hanoi
- Largest city: Ho Chi Minh City
- Area: 331,210 km2
- Currency: VND (dong)
- Gini (2008): 38
- HDI (2011): 0.593
Currently, Vietnam has formal diplomatic relations with nearly 170 countries, trade relations with 165 countries, and foreign investments from more than 70 countries. After 12 years of negotiation, Vietnam official became a member of WTO in 2006 to join the world market.

The disputes over the East Sea between Vietnam and China inflamed in 2011 and damaged these two countries’ diplomatic relation. During 2011 and 2012, many anti-Chinese protests happened in Hanoi capital and Ho Chi Minh City. Vietnam and China have been trying to negotiate to resolve the dispute peacefully. In fact, the dispute and tension between Vietnam and China has a big effect on consumer reactions towards Chinese imported goods, which is an advantage for the case company.

3.1.2 Economical factor

According to World Bank (2011), “Vietnam has been transforming from a centrally planned economy to a market economy and from an extremely poor country to a lower-middle-income country in less than 20 years”. Between 1990 and 2010, Vietnam’s economy has grown at an annual average rate of 7.3 percent, and the per capita income almost quintupled. Year 2011 marked an important milestone for the country’s economy when the Socio-Economic Development Strategy for 2011-2020 was launched. Vietnam aspires to achieve a per capita income level of US$3,000 (in current U.S. dollars) by 2020 and becomes an industrialized and modern economy.

However, according to the Vietnam Development Report 2012 (VDR) published by World Bank, meeting these aspirations will not be easy. As the matter of fact, the country has been facing plenty challenges in recent years, for example double-digit inflation rate, depreciation of national currency and imbalance of trade.

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (billion USD)</td>
<td>91.09</td>
<td>97.18</td>
<td>106.43</td>
<td>123.6</td>
<td>137.7</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>6.31</td>
<td>5.32</td>
<td>6.78</td>
<td>5.89</td>
<td>6.0</td>
</tr>
<tr>
<td>GDP per capita (USD)</td>
<td>1070</td>
<td>1130</td>
<td>1224</td>
<td>1407</td>
<td>1523</td>
</tr>
<tr>
<td>GDP per sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture (%)</td>
<td>22.21</td>
<td>20.91</td>
<td>20.58</td>
<td>22.02</td>
<td></td>
</tr>
<tr>
<td>Industry (%)</td>
<td>39.84</td>
<td>40.24</td>
<td>41.10</td>
<td>40.79</td>
<td></td>
</tr>
<tr>
<td>Services (%)</td>
<td>37.95</td>
<td>38.85</td>
<td>38.33</td>
<td>37.19</td>
<td></td>
</tr>
<tr>
<td>Trade deficit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (billion USD)</td>
<td>62.5</td>
<td>56.6</td>
<td>71.6</td>
<td>80.2</td>
<td>114.57</td>
</tr>
<tr>
<td>Imports (billion USD)</td>
<td>80.3</td>
<td>68.8</td>
<td>84.0</td>
<td>92.4</td>
<td>113.79</td>
</tr>
<tr>
<td>FDI commitments (billion USD)</td>
<td>66.5</td>
<td>21.5</td>
<td>18.6</td>
<td>15.0</td>
<td>18.0</td>
</tr>
</tbody>
</table>
### Table 3: Vietnam’s key economic indicators 2008-2012 (World Data Bank 2012)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflation rate (%)</strong></td>
<td>23.12</td>
<td>7.05</td>
<td>8.86</td>
<td>18.86</td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment rate (%)</strong></td>
<td></td>
<td>4.3</td>
<td>3.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>USD/VND rate</strong></td>
<td>17,486</td>
<td>18,600</td>
<td>19,500</td>
<td>21,500</td>
<td>22,500</td>
</tr>
</tbody>
</table>

In 2011, the inflation rate of Vietnam is 18.86%, rank 10th within 223 listed countries (CIA Factbook 2012). Double-digit inflation rate has become the biggest headache for the country economy. Start from 2012, the government has put great effort in slowing down the inflation. For example, according to General Statistics Office, the consumer price index (CPI) in September 2012 increased by 2.2% over the previous month, and by 5.13% in December 2012. The CPI index depends vastly on the government’s efforts to control oil and utilities prices, such as electricity and water. “The State Bank of Vietnam has continued its tight monetary policy stance through the end of last year, and this has meant less excess liquidity in the system. Global commodity prices have stabilized and therefore the risk of externally induced inflation has come down”, Deepak Mishra, the World Bank’s lead economist commented (Folkmanis 2012). Most recently, the inflation rate was recorded at 6.81% in December 2012, reported by the General Statistics Office of Vietnam, which promises a better scenario for the economy in 2013.

From 2008-2011, trade deficit is also one of the obstacles for the country. In 2011, the trade deficit is 9.5 billion USD, import-oriented and accounts for 9.9% of the total trades. The reason for the trade deficit is because of the investment enhancement policy to develop manufacturing, with the main imports of industrial machines, raw and semi-raw materials, electronics. In 2012, the situation has been improved significantly since the exports exceeded 100 billion USD with 18.3% growth while imports growth was only 7.1%. The trade equilibrium is balanced again with the big contribution of the FDI enterprises’ surplus. Mr. Vu Thanh Tu Anh, director of research at the Fulbright Economics Teaching Program, said, “Export growth is GDP growth savior. However, it should be noted that while FDI enterprises export growth, domestic enterprises increased only at low levels. Maybe because Vietnam continues to attract foreign investment at all costs, encourage false growth, growth in width, but lack of technology. Increase turnover of more than 18% but quality higher growth when added value is low, the position in the market is still low” (Tinkinhte 2012)

Vietnamese currency, dong (VND) continues to face downward pressure due to a persistent trade imbalance and high inflation rate. This can be a disadvantage for the case company since importing clothes from Europe with high exchange rate might have an effect on company’s profitability. In 2013, the government remains focusing on tightening the fiscal monetary policy, while at the same time, focusing on support the capacity and
competitiveness of the domestic export enterprises. Besides that, connections between local businesses and multinational corporations will also be supported; investment policies should aim at improving the quality and adapting with Vietnam's economic structure.

3.1.3 Socio-Cultural factor

With the population of 91.5 million people, Vietnam is the 13th most populous country in the world and the 8th most populous in Asia (CIA Factbook 2012). There are total 54 ethnic groups in Vietnam, include Kinh - the major ethnic group, which covers approximately 85.8% of the population, and 53 other ethnic minority groups. The official national language of Vietnam is Vietnamese, spoken by the majority of the population. Vietnam has 64 provinces and cities. The biggest city is Ho Chi Minh City with approximately 7.6 million people; and the second one is Hanoi capital, with approximately 6.67 million people. Vietnam has young age structure, in which 69.6% of the population are in the age range of 15-64 years, 24.9% 0-14 years and 5.5% 65 years and over. Vietnam has a long history with a rich and colorful culture that plays an important role in the development of the modern society. More than 1000 years being ruled by Chinese leave the traces of Chinese culture, which still can be seen in Vietnamese behaviors. On the other hand, Vietnam has also been influenced by western cultures after two wars with France and the US, which makes the culture even more unique. The major influence of Chinese culture to Vietnam is the impact of Confucianism. The core of Confucianism is humanism; the focus of spiritual concern is this world and the family, not the gods and not the afterlife. Basically, this philosophy teaches people to appreciate values of relationships, families; responsibilities of members in families and society. Besides that, the concept of saving face in Vietnamese society is another important value. In a cultural context, face represents a person's self-esteem. Vietnamese people will try by all costs to prevent loss of face, for example avoiding confrontation and criticism, telling other people what they want to hear rather than telling the real issues. Vietnam is also a collectivist society in which families play important roles in society. One individual is always taught to put the family's interests beyond his own needs or benefits.

Understanding those main key values of Vietnamese culture will help the case company explain consumer behaviors before starting the business. First of all, similar to other Asian countries, Vietnam society does exist social class hierarchy. People are classified into different classes based on their professors, social status, and wealth. The social class can be somehow recognized by the way they dress and behave. Vietnamese people like dressing up and using luxury products to prove their social class, even when they cannot really afford. In 2008, Grey Group, a global advertising and marketing agency, conducted a research about consumer behaviors “Eye on Asia” in 16 Asian countries. According to this research’s survey, 77% Vietnamese people prefer foreign imported products than domestic products, while the average figure for Asia is only 40%. This unusual preference happens not only because of
people's natural desire to prove social class, but also because of the quality of domestic products. However, this aspect will be analyzed deeper in the market research section. This cultural trait proves that there’s always demand for foreign branded products in Vietnam.

As a cultural custom, people prefer wearing reserved, classy and sophisticated clothes that do not reveal too much skin. Moreover, in Vietnam, people tend to intervene into each other’s daily life and they do judge each other through clothes. Therefore, wearing appropriate clothes are very important. Wearing something unusual might get attention from people around. Keeping this in mind can help the case company choose the right product segments for the chosen market in Vietnam.

3.1.4 Technology factor

Technology and infrastructure in Vietnam has been developing rapidly recent years. In the strategic plan of economic and social development period 2011-2020, the government chose infrastructural building as one of the core targets. Express trains have been building and local transport network has been improved and upgraded to meet the requirements of industrialization and modernization. Additionally, the strategic plan also concerns about a scientific project to narrow the technological gap with the world by 2020.

Besides that, Information technology and communications is also one of the main targets for the country since 2005. There are an increasing number of new mobile networks and Internet providers, which offer consumers faster and more modern technology. Internet has also become an important part in both public and private sectors. The government encourages enterprises to exploit Internet to boost the businesses as well as to save costs and communication time. With more than 30 million Internet users, Vietnam has been ranked 7th in Asia among the countries with high proportional Internet users and also in top 20 of the world since 2010 (Internet world stats 2012). In terms of telecommunication, there are total 135.9 million phone subscribers (both landlines and mobile phones) with more than 120 million mobile subscribers (Vietnam’s ministry of Information and Communications 2012). Until 2011, Vietnam is ranked 53th in the IT Industry Competitiveness Index among 66 countries, which is upgraded 3 levels compared to 2009. According to the table, Vietnam has a low Overall Index Score mainly because of the extremely low investment in R&D, even though the IT infrastructure as well as legal environment and support for IT industry development scores are considerably equal to the countries in the region, such as Malaysia, China, Thailand; however, the rank of Vietnam is a lot lower than these countries.
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Overall Index Score</th>
<th>Business Environment</th>
<th>IT Infrastructure</th>
<th>Human Capital</th>
<th>R&amp;D Environment</th>
<th>Legal Environment</th>
<th>Support for IT Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>USA</td>
<td>80.5</td>
<td>95.3</td>
<td>76.5</td>
<td>74.1</td>
<td>74.3</td>
<td>92.0</td>
<td>87.2</td>
</tr>
<tr>
<td>2</td>
<td>Finland</td>
<td>72.0</td>
<td>98.2</td>
<td>71.0</td>
<td>52.1</td>
<td>67.3</td>
<td>89.5</td>
<td>78.6</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>69.8</td>
<td>91.0</td>
<td>65.2</td>
<td>51.8</td>
<td>67.2</td>
<td>81.5</td>
<td>82.3</td>
</tr>
<tr>
<td>13</td>
<td>Taiwan</td>
<td>64.4</td>
<td>86.5</td>
<td>54.1</td>
<td>53.7</td>
<td>69.9</td>
<td>74.5</td>
<td>61.4</td>
</tr>
<tr>
<td>16</td>
<td>Japan</td>
<td>63.4</td>
<td>82.9</td>
<td>69.9</td>
<td>50.7</td>
<td>56.9</td>
<td>79.0</td>
<td>58.9</td>
</tr>
<tr>
<td>19</td>
<td>S. Korea</td>
<td>60.8</td>
<td>79.7</td>
<td>62.4</td>
<td>58.7</td>
<td>46.4</td>
<td>78.5</td>
<td>61.0</td>
</tr>
<tr>
<td>31</td>
<td>Malaysia</td>
<td>44.1</td>
<td>69.6</td>
<td>27.4</td>
<td>29.9</td>
<td>43.9</td>
<td>59.5</td>
<td>58.2</td>
</tr>
<tr>
<td>38</td>
<td>China</td>
<td>39.8</td>
<td>54.5</td>
<td>18.1</td>
<td>60.4</td>
<td>25.6</td>
<td>59.5</td>
<td>42.2</td>
</tr>
<tr>
<td>50</td>
<td>Thailand</td>
<td>30.5</td>
<td>78.8</td>
<td>16.1</td>
<td>34.0</td>
<td>0.3</td>
<td>43.5</td>
<td>54.2</td>
</tr>
<tr>
<td>52</td>
<td>Philippines</td>
<td>28.4</td>
<td>67.8</td>
<td>9.6</td>
<td>34.9</td>
<td>0.0</td>
<td>50.5</td>
<td>51.0</td>
</tr>
<tr>
<td>53</td>
<td>Vietnam</td>
<td>27.1</td>
<td>60.8</td>
<td>23.5</td>
<td>23.5</td>
<td>0.2</td>
<td>50.0</td>
<td>43.5</td>
</tr>
<tr>
<td>57</td>
<td>Indonesia</td>
<td>24.8</td>
<td>52.7</td>
<td>7.2</td>
<td>30.1</td>
<td>0.1</td>
<td>48.0</td>
<td>48.0</td>
</tr>
<tr>
<td>61</td>
<td>Pakistan</td>
<td>22.3</td>
<td>58.4</td>
<td>2.9</td>
<td>22.8</td>
<td>0.4</td>
<td>41.5</td>
<td>47.5</td>
</tr>
</tbody>
</table>

Table 4: The IT Industry Competitiveness Index 2011 (Economist Intelligence Unit 2011)

3.2 E-commerce in Vietnam

E-commerce in Vietnam is a hot new space that a abundance of startups want to enter and compete. Until November 2012, about 35.58% Vietnamese population (31.3 million people) is Internet users (Internet world stats 2012). According to a research about influence of Internet to the nation’s economy of McKinsey & Company, Internet contributes 1.6% in total 14.4% GDP growth of Vietnam in 2012. This figure is considerably smaller than the other countries in the area, for example Malaysia (4.1%), India (3.2%) and Chia (2.6%). Internet is perceived as a very new resource for Vietnam to exploit, hence promising a big potential growth in the future.
Ministry of Industry and Trade of Vietnam announced that the total revenue from e-commerce is approximately 2 billion USD in 2012, which is accounted for 2.5% GDP and forecasted to grow up to 6 billion USD in 2015. Mr. Nguyen Hoa Binh, head of communications at Vietnam E-commerce Association (VECOM) commented about the development of e-commerce in Vietnam “2012 has marked an important milestone as the infrastructure for e-commerce has been improved and completed, almost as upgraded as the progress of the world. E-commerce models and supporting tools, such as Internet ad, exchange marketplace, online retail websites, group buying and online payment gateways have existed in Vietnam” (Anh Quan 2013).

E-commerce has become more and more popular in Vietnam. In 2006, only 25.4% enterprises had been applying e-commerce into their businesses. After 6 years, this number is 60% (VECOM 2012). Despite of these favorable numbers and comments, development of e-commerce in Vietnam is still facing numerous obstacles. The biggest existing obstacle is the matter of trust about digital content. Since online business is still new in Vietnam, plus a multiple scams happened in the past, Vietnamese consumers are skeptical about online products. They prefer physically observing the products before making purchase decision. Additionally, besides the quality of products, trust of payment, delivery, return and exchange...
are also problems that consumers are concerned and skeptical about. There is a Vietnamese saying “Mot lan mat tin, van lan mat tin”, which means once you lose trust, you lose sincerity. Only one time you lose customer’s trust, they will never come back to you again. In Vietnamese society, since the word-of-mouth is very powerful, this is extremely correct.

The second barrier is the payment method. Vietnam is still a cash economy, 74.1% enterprises offer cash on delivery, 74.8% accept payments by bank transfer and 25% accept payments through post office. Besides that, not all banks are providing online payment services as well as ensuring consumer rights when buying and selling through e-commerce. According to VECOM, in 2012, 90% of non-cash e-commerce payment transactions are completed by bank transferring, 19% by debit/credit cards, 7% by payment gateways and 4% by prepaid cards. Vietnamese consumers have not developed the habits of using credit cards as a payment method. People are also afraid of leaking personal information by providing credit card details online. In fact, bank transferring is not a secure method since there is no insurance that the receiver will deliver products to the sellers. The more secure payment method for online shopping is through online payment gateways. It protects credit card details by encrypting sensitive information, such as credit card numbers, to ensure that information is passed securely between the customer and the merchant and also between merchant and the payment processor. Until now, there are a number of online payment gateway providers in Vietnam; however, not so many websites have connections with these payment gateways. There are three main reasons why this payment method is still not the most popular, even though it is more secure than other existing methods.

• First of all, only about 20% of Vietnamese consumers own credit cards and debit cards, according to PayNet, one of the first payment gateway providers in Vietnam.

• Secondly, from e-commerce enterprises' perspective, creating a website and a basic online shopping interface is simple and cheap, but to make the websites run smoothly with all the features and connections with various online payment methods is very expensive.

• Moreover, not all the banks have connections with each other, which make it inconvenient for customers if they do not have bank accounts of the bank that the websites have connections with.

Despite of obstacles, e-commerce in Vietnam has plenty of growth potentials. The government is enhancing its influence and tightening controls security of this sector by issuing “Decree in e-commerce” (57/2006/ND-CP) in June 2006. The new draft issued in 2012 aims at replacing a shortage of clear regulations and this draft is expected to become law in 2013. On the other hand, the payment system has also been improved. Specifically, in the period of 2006-2012, the number of bank cards issued has increased more than 1,600% with about 470% increase of the card transaction value and an increase of 600% in the number of card
transactions; using rate of bank cards is also tended to increase. By the end of September 2012, the number of cards issued is 60 million cards, with 47 issuers and about 339 card brands. So far, the Vietnam central bank has allowed nine organizations that are not credit institutions to become payment gateway providers. In 2012, approximately 1.1 million e-wallets are opened through payment gateways with about 5 million transactions and a total transaction value of over 122.4 million USD (Vietnam Government Portal News 2012).

According to the State Bank of Vietnam, the development and improvement of online banking services, such as Internet banking and mobile banking are one of the main goals for all banks to help consumers make payment transactions more easily and faster. Besides that, the interconnections between banks are also been enhanced.

One of the biggest e-commerce players in the world, Ebay, has entered the Vietnamese market for a few years. As the consequence, a number of clones have been established. Besides that, big players in the neighborhood Asia, such as Lazada and Zalora from Indonesia, Alibaba from China, have also penetrated this new potential market. 2011 was a boom year of group buying model (Groupon) with the existence of about 97 websites, more than 4.5 million sold vouchers and the total revenue of more than 31 million USD (Web20.vn 2012). As a new model, group buying is getting many attentions and interests from consumers. This information is useful for the start-up company to consider offering vouchers on group buying websites as a part of marketing plan to raise the company awareness and attraction within the chosen market.

### 3.3 Legal issues of e-commerce in Vietnam

Before 2000, e-commerce was a new term in Vietnam. Several provisions had existed in Vietnamese legal system; however, have not shown the nature and emphasized the importance of e-commerce. For example, Trade Act 1997 considers the forms of contract conducted by electronic means such as fax, telex and e-mail as legal documents (Article 49). This provision seems superficial and does not specify the technical aspects sufficiently enough for effective application. A number of e-commerce fraud cases, which relate to the legal value of electronic contracts and transactions, had occurred; nevertheless, the legislation is not strong and strict enough to solve the cases. In the period 2000-2003, various specialized legal documents have been established with specific rules on electronic transactions, for instance, The Criminal Code 2000, the Custom Act 2001, the Ordinance on Advertising 2001, the bylaws of the banking sector.

Generally, the legal framework for the application and development of e-commerce has been improved and completed since 2004. For example, Electronic Transactions Law is established and approved by the National Assembly on November 29th 2005 and entered into force on
June 1st 2006. This law is the foundation for all electronic transactions in general and e-commerce in particular. Sequentially, the new Decree on E-commerce (57/2006/ND-CP) was published on June 9th 2006 with much tighter and stricter regulations on e-commerce violations.

One of the most notorious e-commerce fraud cases in Vietnam is Muaban24 case in 2011. The company was established as an e-commerce marketplace, which offers users platforms for trading goods. After a year of operating, the company had attracted more than 130,000 members from 32 (within 69) provinces and cities with more than 120,000 digital stores. However, there was a suspicious issue that only 5% of these stores had actual products to sell online. In addition, most of these registered members only try to tempt other people to participate to get the “promising” commissions from the company. Muaban24 organized on a regular basis conferences and “classes” with the “special” mission: Online selling training, confidence building for e-commerce. The company immediately attracted attentions by offering surprisingly low prices for registering, free training sessions for running e-business, and especially a very tempting affiliating commission for convincing new members to join. The more new members a person can get, the higher level this person can be promoted in the affiliating system and thus, the bigger the commissions are. The company’s business is an iceberg with the seen part is an online marketplace and sank part is fraud multi-level marketing. Until August 2012, the founders of Muaban24 were arrested for scamming in total 600 billion VND (28.8 million USD).

The Muaban24 case was a serious wake up call for the Government to notice the importance of tightening control over e-commerce, a very new, promising yet also risky area. Most updated, Vietnam E-commerce and Information Technology Agency (VECITA), under Ministry of Industry and Trade, officially declared the release of new Decree 2013 (52/2013/ND-CP) from July 2013. This new Decree has been upgraded and especially concentrates on detecting and extinguishing all potential fraud cases as Muaban24.

4  Case: Business plan for X online fashion shop

4.1  Gathering information

For the information gathering, the author arranged 2 main interviews to get more insights, opinions of people working in the field. Besides these mentioned interviewees, the author also had several conversations with some of her friends who are students at RMIT Hanoi and fit the characteristics of target customer segment (explained in section 4.4) to observe their shopping behaviors.
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Mr. Le Minh Duc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profession</td>
<td>Social media marketer, a popular blogger in Vietnamese Internet community</td>
</tr>
<tr>
<td>Time and location</td>
<td>June 2013 at Vapiano restaurant, Helsinki, Finland</td>
</tr>
<tr>
<td>Interview output</td>
<td>A clearer observation of e-business situation in Vietnam as well as professional opinions about how to adapt e-marketing efficiently in the chosen market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Ms. Vu Phuong Anh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profession</td>
<td>An entrepreneur, owner of an online fashion shop in Vietnam (the interviewee required to hide the name of her online shop)</td>
</tr>
<tr>
<td>Time and location</td>
<td>July 2013 via Facebook Messenger.</td>
</tr>
<tr>
<td>Interview output</td>
<td>An overall picture of the competition within Vietnam online fashion market, opinions of interviewee about the case company’s potential competitors, online customer behaviors and a few lessons she has learnt from doing her e-business</td>
</tr>
</tbody>
</table>

Table 2: Main interviewees’ information

4.2 Basic information

In this section, some basic organizational information of the business, such as company name, business form, vision and mission will be introduced

**Company information**

Name: Company X  
Business form: General partnership  
Business line: Clothing and apparel  
Location: X is a web shop; office is located in Hanoi, Vietnam  
Business area: Shipping nationally in Vietnam  
Mission: We bring the exotic European trend to the Vietnamese fashion market and inspiration to female fashionistas. Giving you the best online shopping experience and customer service is our top prioroties. We promise to sell 100% authentic products, or we give 200% of your money back.

**Owner information**
Name: Khanh Vu
Education: Bachelor of Business Administration
Motivation: When my two passions: fashion and business are combined together, the idea of forming my own company is born and I desire to make it become real.

4.3 Market analysis

4.3.1 Porter’s Five Forces Analysis

Figure 4: Porter’s Five Forces Analysis (Modified from Porter 1998)
The above figure illustrates the adapted version of Porter’s five forces analysis, which helps to give a clearer picture of competition within the chosen market.

First of all, not too heavy startup and investment costs, plus the thin trade barriers make it easy for new entrants to penetrate the market. However, besides the essential entrepreneurial knowledge, some understanding of e-commerce and IT is necessary (even though they can always seek for outsourcing). Additionally, since the chosen supply sources are from Europe, the imported regulations are tighter compared to other sources from Asia and the logistics costs are not cheap either. That can be considered as one of the biggest obstacles for starting this kind of business. For those reasons, the threat of new entrants to the chosen market is assessed as moderate.

Counterfeit, or as known as “fake” products can be the most significant threat of substitutions. Especially for some popular European brands, fake products are reached quite easily and inexpensively in Vietnam. However, it is not difficult to detect the authenticity of the products. It might be a disadvantage for the company at the beginning since potential customers could be suspicious about the origin of products, but once company achieves a considerable prestige, it should not be that problematic anymore. Therefore, threat of substitutions at the beginning is moderate.

In term of bargaining power of customers, it is absolutely high. There are a huge number of customers and normally the size of orders is considerably small. Fashion end-consumers nowadays are extremely price-conscious; they can switch to new buyers once they find better prices. It is still optimistic to say that there are a definite number of loyal customers once they find a good online store.

Since the company chooses only several international brands that have considerable reputation in the market, there are not so many suppliers. Suppliers have different price levels in different European countries; the problem is to choose the most suitable country for suppliers to minimize the costs. Suppliers are aware of their end-consumers’ price sensitivity, thus their prices are also set at moderate level. Accordingly, bargaining power of suppliers is at low level.

Last but not least, the intensity of competitive rivalry in chosen market is substantially high. There are a great number of competitors, both direct and indirect, various sizes of scale and origins of products, which will definitely make it difficult to compete. However, the high profitability nature of the industry makes it attractive for newcomers. The costs for marketing and advertising can be predicted as high to attract customers. In order to exist and compete, it is very important to create brand identity as well as product differentiation from
the beginning. In conclusion, Porter’s five forces analysis helps reveal that Vietnam clothing market is a tough battlefield to enter.

4.3.2 Competitor analysis

Direct competitors for the company can be both wholesalers and retailers that sell online and offer clothing products from the same brands. While doing research, there are two stores that are noticeable because of their business models and their competitive potential for the company: Chanh Shop and EuFashion Shop.

Chanh Shop seems to be the most competitive player in the online market at the moment. This shop is Facebook based only, no separate web store, and they sell only available products, no ordering service (will be explained later). Only after 1 year of operating, their Facebook page has got more than 84,000 likes. They get reputation for having outstanding stock, all selected and trendy products, with very competitive price, only 10-20% more expensive than original price in EUR. For example: 1 H&M top costs 19.95 EUR in Europe, they sell it for 650,000 VND (equivalent to 23.5 EUR), so it is only 17.77% more expensive then original price.

EuFashion Shop is another popular store in the market. The store was founded in June 2012, and this is the only store that uses more social media sites other than just Facebook, like Twitter and Pinterest. Their web store is quite well structured and user-friendly, with clear instructions for customers on how to purchase products, delivery and payment, exchange and return policy. From their web store and other social media sites, it seems like they are the most professional player in the market. However, their prices are relatively high and their selected products are not as trendy as the other stores.

Besides two mentioned stores that are found outstanding within the market, the other stores are seemingly similar to each other. The author divides them into 3 groups with similar characteristics and business model.

**Group A: Shops that offer pre-ordering service**

A vast number of the rivalry shops offer customer the pre-ordering service, with which customers choose the products themselves from the brands’ web stores, then order and deposit 70-80% of the price to the store, the rest will be paid when the products arrive. They have formula to change price from EUR in brands’ webpage to selling price in Vietnam. For example: Original price in EUR x exchange rate + shipping costs + commission costs = Selling price in VND. Commonly it takes most of the shops 5-7 days until the products arrive in
Vietnam. Those shops offer the same service and they compete by delivery time and price differentiation.

**Group B:** Shops that have available stock and sell on marketplace

These are shops that use online marketplace or forums to trade, such as enbac.vn, authentic.vn, and raovat.vn. Some have physical stores; some just sell at home. Customers can book an appointment and come to the seller’s place to see products or use bank transferring if they want home delivery service. It is notable that these marketplace platforms are pretty massive and low in security.

**Group C:** Shops that sell “Made in Vietnam” products

“Made in Vietnam” products are the authentic products of international brands that are manufactured in Vietnam in order to export to other countries (Europe, America...) (Blogthoitrang.com 2013). These products are not allowed for sale in the Vietnamese market, unless they are re-imported from foreign countries. All these products must meet all the requirements given from the brands, so their quality is guaranteed 100% the same with the products sold in the stores abroad. However, there is a small part of the order that is not exported, for example: sample products, products for display (always claimed in the label), or extra backup products in case custom keeps some for inspecting. By some way, they are still supplied to outside for both wholesaling and retailing.

For this kind of business, it is wiser to apply “bricks and clicks” model other than just “brick-and-mortar”. Since the target customers of this business line are young people with higher income, Internet is considered the most powerful weapon to penetrate the market and approach the target audience. Additionally, the prices of these products are obviously higher than domestic clothing products or other common imported products (from China, Thailand, Korea), physical stores would be much more expensive to afford, hence the prices would surplus. Brick to mortar also limits the customer volume since only people in the area are aware of the store and are able to reach.

The only notable “bricks and mortar” indirect competitor is Zara outlet VN. Zara outlet VN is an official outlet store of Zara brand in Vietnam. They do not have online store at all and they have a huge stock available at 2 stores in Hanoi, Vietnam. As the nature of an outlet itself, the products there are mostly old stock, about 2 to 3 year-old design, too massive to choose. However, the “outlet” price is obviously attractive since they cost only half price or less compared to original price. For customers who like updated trends, this is not really the right destination.
<table>
<thead>
<tr>
<th>Who</th>
<th>Zaraoutlet VN</th>
<th>Chanh Shop</th>
<th>EUFashion</th>
<th>Group A</th>
<th>Group B</th>
<th>Group C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>Zara auth., 2-3 years old design, leftover stock from abroad</td>
<td>New updated design, auth. Zara, H&amp;M, Bershka, F21</td>
<td>New updated design, auth. Zara, H&amp;M, Bershka, F21</td>
<td>Almost any brand in Europe</td>
<td>New design auth. Zara, H&amp;M, F21, Topshop</td>
<td>Auth., but have tiny mistakes or in big sizes</td>
</tr>
<tr>
<td><strong>Price range</strong></td>
<td>40-50% cheaper than original price</td>
<td>10% more expensive than original price.</td>
<td>20-30% more expensive than original price.</td>
<td>They have formula to exchange price from brand webpage to price in VND</td>
<td>10-20% more expensive than original price</td>
<td>30-40% cheaper than original prices</td>
</tr>
<tr>
<td><strong>Channel</strong></td>
<td>Store only, Facebook fanpage</td>
<td>Facebook-based store only, no online webstore</td>
<td>Facebook, webstore, Twitter, Pinterest</td>
<td>Facebook pages webstores, forums, marketplace</td>
<td>Forums, marketplace, physical stores</td>
<td>Facebook, webstores, physical stores, forums</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Anyone who likes Zara products</td>
<td>Young women with higher income</td>
<td>Young women with higher income</td>
<td>Anyone who has demand to pre-order</td>
<td>Young people with higher income</td>
<td>Young people with lower income</td>
</tr>
<tr>
<td><strong>Payment method</strong></td>
<td>Cash, card, bank transfer</td>
<td>Cash, bank transfer</td>
<td>Cash, bank transfer</td>
<td>Cash, bank transfer</td>
<td>Cash, bank transfer</td>
<td>Cash, bank transfer</td>
</tr>
<tr>
<td><strong>Strengths</strong></td>
<td>- Huge stock, various selection - Attractive product photos (with real models) - Competitive price - Good communication</td>
<td>- Selected and trendy products - Attractive product photos (with real models)</td>
<td>- The only store that has more social media sites other than FB - Well-organized and professional webstore</td>
<td>- Customers can order exactly what they want - Low capital - Quick capital turnover - No leftover stock</td>
<td>- Physical stores - Also offer ordering service - Some has very good product photos - Low level of trust</td>
<td>- Authentic products, even new design sometimes - Low attractive price</td>
</tr>
</tbody>
</table>
Table 6: Competitor analysis

4.3.3 Differentiation strategy

Figure 5: The product/market expansion grid (Kotler & Armstrong 2011, 68)

“One useful device for identifying growth opportunities is the product/market expansion grid” (Kotler & Armstrong 2011). According to the matrix, the best strategy for the company would be market penetration since the company offers existing products to existing market. Briefly, the purpose of this strategy is to increase the awareness and market share of the company (by getting competitors’ customers or approaching new customers). This can be achieved by focusing on competitive pricing strategies combined with advertising, sales promotion or personal selling (will be explained deeper in marketing plan).
As in such a fierce competition environment, it is obvious that the start up company must invest time and resources in exploring what customers want and like in order to get them from competitors’ hands. In order to do that, the start up company needs to differentiate itself from competitors.

Differentiation is “the process of adding a set of meaningful and valued differences to distinguish the company’s offering from competitors’ offerings” (Kotler & Keller 2006). A firm can differentiate its offering along five dimensions: product, services, personnel, channel and image (Strauss & Frost 2009). Look at the case company, simply identified as a retailer for imported products, products and services are offered similarly to other competitors. Since the company operates solely online and competes directly with other online rivals, personnel and channel differentiation can be ruled out. Therefore, the most suitable strategy is to create an outstanding image differentiation. This can be developed by analyzing what added value case company can offer to customers that competitors do not have. As personal experience when shopping online with Vietnamese web store, customer service is one of the most complained feedback from customers. Vietnam is not a country well known for good customer service. Therefore, the case company decided to make it different by focus on creating a superior customer service.

The following table summarizes 6 differentiation techniques unique to online businesses guided out by Strauss and Frost

<table>
<thead>
<tr>
<th>1. Site environment</th>
<th>2. Trust</th>
<th>3. Efficiency and timeliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Look and feel of site</td>
<td>• Clearly state privacy policy</td>
<td>• Deliver what is promised to customers</td>
</tr>
<tr>
<td>• User friendly</td>
<td>• Use encryption for secure transactions</td>
<td>• Deliver in a timely manner</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Pricing</th>
<th>5. CRM</th>
<th>6. User-generated Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Be aware of competitor pricing</td>
<td>• Customer tracking</td>
<td>• Allow visitor comments</td>
</tr>
<tr>
<td>• Potential customer savings</td>
<td>• Seamless communication</td>
<td>• Provide space for images and videos</td>
</tr>
<tr>
<td></td>
<td>• Greater relationship efficiency</td>
<td>• Trust, listen and learn</td>
</tr>
</tbody>
</table>

Table 7: Differentiation strategies for Internet-based business (Strauss & Frost 2009, 200)

Not all the competitors have their own web stores. They use Facebook as the main platform both to communicate and all the transactions are manually recorded by the owners. It is more
cost-efficient that way but obviously it is not trustful enough for customers, and it is a big disadvantage for the shop. Therefore building trust right from the beginning is a very important factor. The other competitors do have their own websites but mostly very simple with some basic information about the company and instruction how to shop with them.

There are many cases where some online stores claim to sell 100% authentic products but the actual products they sell and deliver to customers are counterfeit or just “Made in Vietnam” kind (explained in section 4.3.2). Some stores also delivers products to customer longer than the time period they promised to customers. Obviously, they cannot build trust and long-term customer relationship that way. They live by first-time and one-time customers only and the business will be soon at risk of collapse.

Pricing is extremely important since customers nowadays are very price-sensitive and with online shopping, prices are comparable easily and quickly. Suitable pricing strategies should be examined carefully and set reasonably compared to competitor’s pricing. The main aim of the company is to be the customer service oriented leader in the market, not the price leader.

In term of CRM, one of the most common mistakes seen in competitors is bad after-sales services as well as after-sales communication. Most of the stores do not allow exchange and return policy. Many customers write feedbacks on those stores’ Facebook pages that they are not satisfied with the products but the stores did not do anything about that.

4.3.4 SWOT analysis

Based on the outcome of market analysis, competitor assessment, the SWOT analysis for the case company is created as below. The SWOT analysis helps give businesses a clear view of their current strategy, which means to understand their internal strengths and weaknesses as well as their external opportunities and threats (Griffin 2007, 88).
<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Selected and trendy collection</td>
<td>• No experience in entrepreneurship</td>
</tr>
<tr>
<td>• Exotic design, good quality and international branded image</td>
<td>• Start from zero, hence no awareness amongst target market</td>
</tr>
<tr>
<td>• Affordable price for imported products</td>
<td>• Heavy costs of logistics and import tax</td>
</tr>
<tr>
<td>• Low overhead and start up costs</td>
<td>• Higher customer expectations for new entrants because of intensive competition in the market</td>
</tr>
<tr>
<td>• High availability level: 24/7</td>
<td>• Vietnamese consumer prejudice of online stores as untrustworthy</td>
</tr>
<tr>
<td>• Ability to approach larger customer base (nationally)</td>
<td></td>
</tr>
<tr>
<td>• Specialization and target market focus</td>
<td></td>
</tr>
<tr>
<td>• Extreme customer service focus</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market expansion, reputation and prestige enhancement</td>
<td>• Higher import tax and tighter trade control from government</td>
</tr>
<tr>
<td>• Business expansion: first B2C model, then expand to also B2B in the future</td>
<td>• Inflation level in Vietnam gets higher, hence lower purchasing power and less demand for imported products</td>
</tr>
<tr>
<td>• Product expansion: from female clothing products to both female and male</td>
<td>• New entrants affects customer bargaining power and price conscious, thus affects price level of company</td>
</tr>
<tr>
<td>• Industry growth: e-business in Vietnam has great potential of growing, thus more online shopping customers</td>
<td>• Existing competitors already have good awareness amongst customers</td>
</tr>
<tr>
<td></td>
<td>• Rivalry is intense and tough</td>
</tr>
</tbody>
</table>

Table 8: SWOT analysis

4.4 Target customers

The target customers’ characteristics are listed as followed:

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Female</td>
</tr>
<tr>
<td>Age</td>
<td>16-24</td>
</tr>
<tr>
<td>Occupation</td>
<td>High-school students, university students, fresh grads, unemployed.</td>
</tr>
</tbody>
</table>
Table 9: Target customer segment

<table>
<thead>
<tr>
<th>Location</th>
<th>Mostly urban area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Income</td>
<td>Higher income</td>
</tr>
<tr>
<td>Family background</td>
<td>Average to rich family</td>
</tr>
<tr>
<td>Social class</td>
<td>Middle class and above</td>
</tr>
<tr>
<td>Loyalty status</td>
<td>Medium to high brand loyalty</td>
</tr>
</tbody>
</table>

At the early stage of business, the company aims at offering only clothing products for females. In a general level, potential customers can be anyone who is interested in higher-class fashion. However, too broad market aim will make it more risky to enter and doing marketing without knowing whom to target is like blindfolding. The company aims to reach for smaller target group but more potential to build long-term relationship.

The reason to target this customer segment is that in Vietnam society, it is very common that families still support for children even when after they are 18 years old, especially in average to rich families. Therefore, even though this segment does not have their own income yet or even if they have, it is not substantial, they still can afford luxury products. Additionally, again it is important to mention that the social status in Vietnam is judged pretty much by clothes and appearance. Hence if they are originated from a rich family, it is common that they use more expensive products since young ages. People in this segment are influenced a lot by their friends. They are highly active on the Internet and social media networks. The easiest ways to reach this segment is through personal connections, by word of mouth and by Internet. Students from private high school, international high school or international universities are mostly from average to rich families, so school forums are also potential places to reach this target. “One common trait of this group is that they are not that highly price-conscious. They do care about price differences between competitors, but they rather choose the one with a bit higher price but better customer service” - Vu Phuong Anh commented in the interview.

4.5 Business model

The business model of the company is shaped up by Osterwalder canvas. “A business model describes the rationale how an organization creates, delivers, and captures value” (Osterwalder 2010, 14). This canvas helps the author visualize the whole picture before setting up the business, what the company does and targets to whom, what value the company brings to the customers by which ways, who are the main partners to help create value for customers, what kinds of costs the company should be aware of during business process and finally how it generates money.
<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Target Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Suppliers</td>
<td>- Importing and selling apparels from trendy,</td>
<td>- Trendy and exotic fashion with affordable price</td>
<td>- Online/phone</td>
<td>- Young people, 16-24 yo, with higher income, rich family background, brand</td>
</tr>
<tr>
<td>- Logistics company</td>
<td>affordable European brands, shipping nationally in</td>
<td>- Superior customer service</td>
<td>24/7 personal</td>
<td>conscious and have sensitive sense to new fashion trend</td>
</tr>
<tr>
<td>- Outsourcing for</td>
<td>Vietnam</td>
<td>- Easy to use web page</td>
<td>- Social media network</td>
<td></td>
</tr>
<tr>
<td>designing</td>
<td>- Getting pre-orders from customers</td>
<td>- Free next-day delivery and return</td>
<td>- After sales service</td>
<td></td>
</tr>
<tr>
<td>and maintaining website</td>
<td>- Blogging about fashion</td>
<td>- 30-day exchange and return policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Payment gateways</td>
<td></td>
<td>- Safe and fast payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bloggers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key Resources**
- Financial resources
- Human resources
- IT infrastructure

**Channels**
- Pick up at the office
- Delivery service nationally
- Social media network
- Home website

**Cost Structure**
- Purchasing costs
- Logistics cost, import tax
- Outsourcing costs
- Marketing costs

**Revenue Stream**
- Revenue from selling
- Revenue from ordering service

Table 10: Business Model Canvas

4.6 Marketing plan

4.6.1 Product
Figure 6: Three levels of product (Modified from Kotler & Armstrong 2011, 250)

Level 1: Core product value

Vietnamese has a saying “Nguoi dep vi lua”, which can be translated into one English proverb “Fine feathers make fine birds”. According to Oxford Dictionaries, the saying means, “beautiful or expensive clothes may make the wearer seem more impressive than is really the case”. It is indeed true in Vietnam that people are judged a lot by their clothes. With X shop, customers are not buying just imported clothes, they are buying inspiration and confidence. That is the core benefit X shop wants to bring to customers.

Level 2: Actual product

Brands: The store aims at offering female customers fashion products from popular European brands, such as Zara, H&M, Topshop, ASOS, River Island... These brands are popular amongst young European consumers with advantage of trendy design, decent quality and affordable price.
Design: The selected products to import must be trendy, exotic and at the same time must be relevant to Vietnamese culture, for example: clothes are not too skin-reveal, not too colorful complicated-looking. At first, the company will choose the products that are trendy and selling well in Europe and see how customer react to that. The purpose is not to follow the trend that already exists in Vietnam, but to bring the new trend from Europe.

Ordering service: Besides importing selected products, the company also carries out the ordering service. Customers can choose products from the brand websites, and send request to the company to get price notification. One advantage of this service is also to understand what kind of products and what trend customers want to purchase.

Label and packaging: The products after arriving in Vietnam from Europe will be kept as original with labels and tags to prove the authenticity. Besides that, for the company’s image awareness, company’s own labels and price tags will also be attached. Packaging (plastic bags and boxes for shipping) will also be designed nicely and catchy-looking, for example with a sentence “Hello fashionista, open me!”

Level 3: Augmented product

X shop is aimed to be a customer service oriented company. Top priority of the company is all about making customers satisfied and delighted.

Shopping assistance: The company wants to offer customers the best online shopping experience with 24/7 online and phone assisting line to answer any questions customers might have about choosing products, processing orders and payment, delivery, exchange and return.

Delivery: There are two delivery methods for customers to choose: home delivery or pick up at the office. Either method is absolutely free and if customers place order within working hours, the products are dispatched the same day and will arrive after 1-2 days.

Payment method: There are 3 options for customers to choose: cash on delivery, bank transferring and online payment gates (Ngan Luong, Bao Kim)

After-sale services: Customers have 14-day exchange and return policy and it is absolutely free. It is understandable that shopping online can be tricky when choosing size and color. It is notable that none of the competitors offer free exchange and return policy.

4.6.2 Price
“Price is the amount of money charged for a product or service, the sum of the values that customers exchange for the benefits of having or using the product or service” (Kotler & Armstrong, 2011). Setting a right price is a challenge for every start up and requires great work and considerations. There are many factors that effect the pricing decisions, both internal and external factors. The figure below illustrates the main considerations when setting prices.

![Diagram of pricing considerations]

Figure 7: Considerations in setting price (Kotler & Armstrong 2011, 315)

Setting prices for online business is even harder since the nature of the Internet that makes it extremely easy for customers to compare prices between competitors with just a few clicks. According to Kotler and Armstrong (2011, 315), there are three main pricing strategies: customer value-based pricing, cost-based pricing and competition-based pricing. For the case company, cost-based pricing strategy is applied. The price method will be explained briefly and still at a gene
Total product costs is broken down to variable costs and fixed costs. Variable costs for one product include purchasing price, transportation to Vietnam, import tax, packaging material and shipping cost to customers. Fixed costs include website outsourcing, salaries, telephone, electricity, printing, marketing and others.

<table>
<thead>
<tr>
<th>Fixed costs</th>
<th>VND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website outsourcing</td>
<td>360K</td>
</tr>
<tr>
<td>Telephone, printing, office…</td>
<td>1000K</td>
</tr>
<tr>
<td>Marketing and other</td>
<td>1500K</td>
</tr>
<tr>
<td>Estimated fixed costs/month</td>
<td>2860K</td>
</tr>
</tbody>
</table>

Table 11: Projected fixed costs

The target sales of 100 products/month are optimistic and reachable according to Ms. Anh (one of the interviewees) and her experience when starting up her business.

The variable costs mostly depend of the purchasing costs. An example for calculating variable costs for one product is illustrated below.

Product: A floral skirt
Purchasing costs: 12.95€ = 360K
Transportation + import tax: 100K
Packaging + domestic shipping: 35K

Variable costs: 495K

Total costs = fixed costs + variable costs
= 28.6K + 495K= 523.6K

Illustration 2: A product sample (Zara 2013)
Suppose that the target profit margin is 20%, then the markup price would be $523.6/(1-20%) = 654.5K$. The prices of competitors for similar products are between 600K and 650K. Therefore, the price can be adjusted at 630K, which is pretty competitive. The same formula can be applied to the other products.

Since the fixed costs do not vary with the sales volume, the more products sold, the lower fixed costs for one product, hence the lower total costs for one product. This pricing strategy is still at a very general and rough and level. For confidential issue, more precise and strategic pricing plan will not be discussed within the scope of this thesis.

4.6.3 Place

The case company aims to be the leader of customer service in the market. Everything must be about customers and their best benefits. Customers will come back because they are served with the best customer service attitude, free and super fast shipping, free exchange and return. And more importantly, to keep them come back for more; the updated merchandise cycle must be quick. The company plans to update its new arrivals every week in the beginning to attract customers. As the start up company pursues the image of selling all updated and latest trend from Europe, all the products will be bought right after they are released. The distribution process is described by following figure, yet still at a general level since transportation and logistics are not within the scope of this study. In term of storage and inventory, at the beginning, the stock will be kept at the owner’s private house/office in Hanoi, Vietnam.
Figure 8: Distribution channels

The only channel that customer can purchase products is company’s web store. Learned from the mistakes of existing competitors in the market, the company sets the objectives when creating the web store:
- Modern, simple and neat design with only 2-3 main theme colors
- Clear and easy to follow, not too much information
- Clear instruction on how to purchase a product
- Clear privacy policy
- Safe and secure payment process
- Professional photos with real models and real products

4.6.4 Promotion

The booming of Internet era opens up new means of promotion strategy. The company can reach the target audience more easily, more effectively and especially more cost efficiently. Better than that, it is also easy to track the results and efficiency of online marketing with a few tracking tools. By this way, the company gets to understand better what it should focus on more and what should not. It also helps company communicate with customers better and react to any customer feedback faster. Within this section, the list of promotion techniques that the company plans to use in the early stage of the business will be discussed. However, everything is still at a general level.
<table>
<thead>
<tr>
<th>Communication type</th>
<th>Audience</th>
<th>Objectives</th>
<th>Tools</th>
</tr>
</thead>
</table>
| **Advertising**    | Mass audience, who are interested in fashion and clothes | To raise the awareness of the website amongst Vietnamese Internet community and to build traffic to the website | - Search engine optimization (general and local)  
- Pay-per-click advertising  
- Facebook ad  
- Mobile marketing  
- Word of mouth |
| **Sales promotion** | Target customers                          | To encourage first purchases                                                                  | - Discount coupon  
- Contests, prizes |
| **Public relations** | Target and potential customers            | To build and maintain relationships with customers as well as potential buyers                  | - Social media marketing: Facebook, Instagram  
- Blogging |
| **Direct marketing** | Target customers                         | To encourage next purchases                                                                    | - Newsletter, SMS marketing, email marketing |

Table 12: Promotion mix

The Internet has a huge potential for growing a business. There are tons of tools for online marketing; the start up company should find the most suitable tools that can help bring the best efficiency with the minimal costs. First thing first, for a start up business, it is important to build traffic to the web store and to let people know about the existence of the company. One powerful tool to help do this is Search engine optimization, which helps improve the visibility of the web site in search engines by getting company’s site to the top of the search engine results (Google 2010). This can be accomplished by creating original and quality content. The author plans on having a blog section on the website as well as other social media sites and writing useful articles about fashion, for example new trend updates or how to mix colors. Frequent updating is crucial to keep repeat visitors; thus, new articles will be written every 3 days. The first goal is to raise people’s awareness of the company and make them interested about the website before they make any purchasing. Simple as it sounds, but SEO needs a big effort to accomplish, writing articles will be done by the company but other SEO technical activities will be outsourced.

Another form of Internet advertising is display ads. These ads contain more graphics and white space than text, and include traditional banners and more additional sizes (Strauss & Frost 2009, 289). There are many different types of display ads, such as banner ads, pop-up ads, wallpaper ads, floating ads. Many Internet users find such kind of advertising irritating
and nowadays there are many softwares or plugins to help block these kinds of ads. This type of advertising is not that effective anymore, hence will not be carried out. Sponsored ads, as known as pay-per-click marketing, is another powerful tool. It helps direct traffic to the website, in which advertisers pay the publisher (Google, Yahoo...) every time the ad is clicked.

According to Duc (the author’s interviewee), Facebook is one the most powerful tools to communicate and to build relationship with Vietnamese young customers. According to a study of Socialbaker "Fastest growing countries on Facebook 2012", Vietnam is ranked the 6th, with more than 7 million users growth within year 2012 (from 3.6 million to 10.7 million) (Socialbaker 2013). This is more than 30% of Internet users in Vietnam (about 30.8 million). Facebook can help reach target audience even faster thanks to target adverts. Facebook guidelines four steps to business success on Facebook as follow:

![Figure 9: Four steps to Business Success on Facebook (Facebook 2013)](image)

**Build Fanpage**: This step should be done carefully; all the basic and necessary information of company should be stated clearly to make it look trustworthy. Like the website, the look of the fan page is also very important to attract visitors.

**Connect with People**: After the Fan page is completed; it is time to reach potential audience, thanks to Facebook advert. This tool allows the company to reach the target audience by limiting age, gender and location, which is much time and cost-efficiency compared to reaching mass audience. Private connections of the owners will be in great use too, since the word of mouth in Vietnam society has a big influence. As mentioned in 4.4 sections, the best ways to reach the target customer group is by Facebook, university forums and other fashion-related forums. The company can also write posts to introduce about the company and new Facebook fan page on these forums to get more attentions. Once they are connected to the company’s Facebook page, it is easier to engage with them to lead to purchasing.

**Engage audience**: The best way to keep them coming back is by generating quality content. One advantage of social media marketing is that the company can have a direct conversation with one or a group of customers. It indeed helps to build customer loyalty and customer
relationship; therefore, everything posted there must be carefully examined. The image and language must be relevant to the target audience. This is also a place to seek for customers’ demand and feedback, what they want to buy and what they want the company to improve.

Influence Friends of Fans: To reach even more potential audience, Facebook has the promotion function for every post. This function helps improve the visibility of the page to the higher position is fans’ Facebook news feed, where they spend 40% of their time on Facebook to follow their friends’ updates and stories (Facebook 2013). Once the fans engage to the posts by liking or commenting, the posts are immediately visible on fans’ friends’ News feed too. According to a survey conducted by Facebook, 80% of consumers say they are more likely to try new things based on a suggestion by a friend in social media (Facebook 2013).

According to Treadaway & Smith (2010, 33), “the more active a consumer is on the Internet, the more likely they participate in multiple social networks. Oftentimes, these people are influencers within a circle of friends and have a tremendous impact on the opinion of others”.

Duc also comments that one great advantage when using Facebook marketing is the Insight feature where the page’s owner can track down how many people the page and each of the post reaches. For even deeper analysis, the audience community is also broken down into segments based on age, gender, location, nationality, and means of connecting.

Another social media platform that company will utilize is Instagram, a photo edit platform and community for smart-phone devices. Mobile Internet is growing significantly in Vietnam. In the study “Guide to social, digital and Mobile in Vietnam” by “We Are Social” organization, it is revealed that 56% of Vietnamese netizens (Internet-users) use mobile to go online (Kemp 2012). Ms. Phuong Anh Vu also shares that 20% of her shop’s Facebook fan page likes is from mobile devices according to Facebook insight tool, and around 50% of her customers’ comments are posted from mobile. Instagram has been insanely popular in Vietnam this recent year and it has significant potential to grow even bigger within Internet community. The most outstanding function of Instagram is hash tagging, which allows users to search for relevant photos and videos. This can be a great tool to do direct marketing. By searching for keywords, the company can find potential customers and follow them. Similarly to Facebook, content quality is extremely important to get them to follow back. Posting good photos of company’s products and inspiring fashion trends will make fashion lovers interested in. Instagram is also linked with Facebook and other social media platform, which helps the information spread even better.

Sales promotion is a must-do to encourage customers to buy at the early stage. Vietnamese consumers are very skeptical, it is not easy to get their trust, but once they trust, they will be loyal. To attract first time customers, discount coupons for grand opening are giving out,
plus free gifts for a specific value or higher purchases, for example: perfume, cosmetics samples and fashion accessories. To keep them coming back, discount code for next purchase will be provided. Some other effective ways to spread the company’s name around Facebook community are contests, survey with prizes and freebies. For example, a chance to get a giveaway product to anyone who likes Facebook fan page and shares the photos of the giveaway products, the winner will be chosen randomly.

Direct marketing methods will be carried out later on to boost sales and to stimulate repeat purchases. The planned methods are newsletter, e-mail marketing and SMS marketing. Compared to some traditional direct marketing method, such as mailing, paper catalog, telephone, online direct marketing are considerably less expensive and more effective. SMS marketing is growing rapidly in Vietnam and is favorable by many brands and organizations as a new form of marketing. However, some companies are using it incorrectly, leading to customers’ bad image of SMS marketing as spamming. Therefore, when doing SMS marketing, the case company should focus on creating clear and important content that can raise interest from readers, such as promotion campaign, discounts or new season arrivals. Besides that, target recipient list should be filtered beforehand to avoid sending SMS to less interested people.

There are numerous tracking tools on the Internet for the company to track its website visitors, so it can learn about visitors’ characteristics and behaviors, for example: locations, what time people visit the most, what people look at the most from the site... Tracking and analyzing these information on a frequent basis helps the start up company to develop better marketing strategy in the future.
4.7 Financing the business

The first thing to note is that all the financing is presented in VND (Vietnam Dong) currency since the business is established and operated in Vietnam. This financing calculation is just an initial plan; more detailed calculations, are not included within the scope of this thesis for confidentiality reasons

**NEED FOR CAPITAL AND FINANCING**

**NEED FOR CAPITAL**

<table>
<thead>
<tr>
<th>Investments</th>
<th>Need for Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment</strong></td>
<td>Investment</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>Working Capital</td>
</tr>
<tr>
<td>Computer &amp; software</td>
<td>0</td>
</tr>
<tr>
<td>Printer</td>
<td>2000</td>
</tr>
<tr>
<td>Total</td>
<td>2000</td>
</tr>
<tr>
<td>Other</td>
<td>500</td>
</tr>
<tr>
<td><strong>Investment total</strong></td>
<td>2500</td>
</tr>
</tbody>
</table>

**FINANCING SOURCES**

<table>
<thead>
<tr>
<th>Working Capital</th>
<th>Financing Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial stock</td>
<td>Own financing</td>
</tr>
<tr>
<td>50000</td>
<td>50000</td>
</tr>
<tr>
<td><strong>Cost before starting business</strong></td>
<td>Loans</td>
</tr>
<tr>
<td>Registering fee</td>
<td>1600</td>
</tr>
<tr>
<td>Commission fee</td>
<td>300</td>
</tr>
<tr>
<td>Website</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td>2200</td>
</tr>
<tr>
<td><strong>FINANCING TOTAL</strong></td>
<td>85000</td>
</tr>
</tbody>
</table>

**Cost during 3 months**

<table>
<thead>
<tr>
<th></th>
<th>6000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td></td>
</tr>
<tr>
<td>Phone, electricity</td>
<td>3000</td>
</tr>
<tr>
<td>Internet</td>
<td>1200</td>
</tr>
<tr>
<td>Website maintaining</td>
<td>1080</td>
</tr>
<tr>
<td>Marketing</td>
<td>3000</td>
</tr>
<tr>
<td>Total</td>
<td>14280</td>
</tr>
<tr>
<td><strong>Needed cash</strong></td>
<td>5000</td>
</tr>
</tbody>
</table>

**Working capital total** 71480
Since the business is set up online, the initial investment cost is almost unnoticeable. The author will utilize her own facilities such as computer and software and furniture. The projected initial stock is 50,000K VND (approximately 2200 EUR). Fixed costs during first 3 months are estimated as rent, utilities (phone, electricity), Internet, website maintaining and marketing. The company needs to rent a room to be both the office and product storage. The author tries to minimize as much as possible all the costs. Therefore, at the beginning of the business, there will be no hired employees at all. The author and her partner (since the company is established as general partnership form) will be responsible for all the tasks. Later on, when the business grows, bigger storage and more workers will be employed. After a basic calculation, the rough needed capital is estimated around 80,000K VND (approximately 3500 EUR). The own financing capital is divided equally by the author and her partner. The loans are acquired from the owners’ families with no interests.

4.8 Risk assessment

<table>
<thead>
<tr>
<th>Risk description</th>
<th>Probability</th>
<th>Impact</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics risk: long distance transportation may face some delays or missings</td>
<td>Moderate</td>
<td>Effect company’s sales</td>
<td>Choose a logistics partner that offers insured delivery</td>
</tr>
<tr>
<td>Computer risks: virus, hackers, system malfunctions...</td>
<td>High</td>
<td>Effect to company’s operating activities and data storage</td>
<td>Equip high quality and strong computer system with high security</td>
</tr>
<tr>
<td>Economic risk: Higher inflation rate in Vietnam</td>
<td>Moderate</td>
<td>Lower purchasing power effects demand of customers</td>
<td>Enhance marketing activities to boost sales</td>
</tr>
<tr>
<td>Exchange rate risk: higher exchange rate due to rising power of euro</td>
<td>Moderate</td>
<td>Higher purchasing costs lead to lower profit</td>
<td>Attempt to cut other costs or raise the price to remain profit margin</td>
</tr>
<tr>
<td>Shipping risk: lost or damages during shipping to customers</td>
<td>Low</td>
<td>Effect to reputation of company and customer relationship</td>
<td>Use insured shipping service</td>
</tr>
<tr>
<td>Hazard risk: natural disaster (storms, floods, fires..)</td>
<td>Low</td>
<td>Effect or delay the transportation</td>
<td>Buy accident insurance</td>
</tr>
</tbody>
</table>

Table 13: Risks, probability, impacts and suggested solutions

Internet is powerful yet also full of threats. Security is the most obvious risk for any online business. All the personal information of customers must be stored carefully and safely. Hackers nowadays can access to the system and steal customers’ credit card numbers.
Besides that, long distance transportation contains various risks, such as delays or lost, product damages or custom clearance problems. Additionally, other economic risks such as inflation, exchange rate and economic recession also can have influences on the company’s activities and profits. The table summarizes the main risks that can happen, their probabilities, impacts and suggested solutions.

5 Findings

This chapter will conclude the thesis with the findings for the research questions in order to reach the given thesis objectives.

How does e-business work? Its advantages and disadvantages?

E-business is the transformation of key business processes through the use of Internet (IBM 1997). E-business has become increasingly popular in the past decade due to its significant advantages and plenty of entrepreneurs decide to adopt online business besides their traditional way of doing business. According to Chaffey (2011, 32), e-business provides entrepreneurs tangible benefits of cost savings, sales improvements and intangible benefits of better customer service supports and innovation of technology. However, doing business on the Internet also contains a few drawbacks such as lack of physical contacts with customers and security issues. The case company must be aware of the potential advantages and disadvantages to maximize the benefits that the Internet brings and also to avoid risks that might be hidden.

What is the situation of e-commerce in the Vietnamese market?

E-commerce in Vietnam is a hot new space that many startups want to enter and compete. The number of Internet users in Vietnam is growing rapidly. Until November 2012, about 35.58% Vietnamese population (31.3 million people) is Internet users (Internet world stats 2012). Internet is perceived as a very new resource for Vietnam to exploit, hence promising great potential growth in the future. E-commerce has become more and more popular in Vietnam. In 2006, only 25.4% enterprises had been applying e-commerce into their businesses. After 6 years, this number is 60% (VECOM 2012). Despite of these favorable numbers and comments, development of e-commerce in Vietnam is still facing numerous obstacles, such as trust of consumers about digital content, confusing and unsafe payment methods. Internet legal issue is also one of the barriers for e-business in Vietnam to develop. The area is considerably new; numerous of fraud cases and scams occurred. However, the government is enhancing its influence and tightening controls security of this sector by issuing a number of Decrees to strictly punish all the illegal Internet business activities.
**Who are the target customers for the business idea?**

The company aims at reaching for smaller target group but more potential to build long-term relationship. The target group contains female consumers, 16-24 years old, who locate in urban areas with higher income or originate from middle class family or above. They are mostly high school students, university students, fresh graduates or new working people. Their main source for shopping is not their own income but from their family supports. The reason to target this customer segment is that in Vietnam society, it is very common that families still support their children even when after they are 18 years old, especially in average to rich families. Consumers within this segment are supposed to be brand conscious, trend sensitive and social media network active.

**Who are the competitors in the target market?**

Direct competitors for the company can be both wholesalers and retailers that sell online and offer clothing products from the same brands. There are two strong competitors that is worth considered is Chanh Shop and EuFashion Shop. Chanh Shop offers the most competitive prices with excellent selected stock, while EuFashion Shop is popular by building up professional image. The other competitors are divided into 3 main groups: Shops that offer pre-ordering service, shops that have available stock and sell on marketplaces; and shops that sell “Made in Vietnam” products. Most of the competitors try to compete by using pricing strategy; the proof is many of them claims to offer the cheapest prices in Vietnam. None of them offers 24/7 customer service or free delivery. Therefore, the strategy that the company chooses to penetrate the market is to target a niche market and concentrate on creating superior customer services compared to competitors.

**How should marketing be performed to reach the target customers?**

Internet marketing is the main chosen means of promoting. Internet marketing is more effective and more cost efficient to reach target customers. The methods used to build traffic to the website is SEO (Search Engine Optimization), blogging, and some forms of Internet advertising, such as pay-per-click ads, Facebook ads. Social media marketing is powerful to reach target customers and engage with them. Facebook and Instagram are chosen to be the main social media platforms because of their increasingly growth in Vietnam as well as their useful functions for promoting businesses. To reach directly the chosen niche market, personal connections, word of mouth, direct marketing (direct emails, forums where target customers often visit, SMS marketing) are chosen methods. To encourage first purchase, sales promotion methods (discounts, contests and prizes) are used. Various tracking tools on the
Internet allow the company to learn the results of its marketing activities and suggestions for future actions.

6 Summary

As a result of the study, the strategy for the proposed business to penetrate the market and earn market share is by outstanding itself from the massive existing competition. Analyzing strengths and weaknesses of potential competitors helps the business’s owner understand factors are missing in the market in order to create better value for customers. The result learnt is that none of the competitors have focused on offering excellent customer services. Most of them try to compete by prices. Consequently, the company will concentrate on building an image of a customer service focused business; by creating a professional yet user-friendly web store, 24/7 customer assistance, free delivery, free exchange and return. The prices are relatively premium compared to competitors; however the main objective is to enhance value for customers. The target niche market for the business is identified as a group of young urban female, 16-24 years old, originated from middle class or above, brand conscious, trend sensitive and they are willing to pay for the premium value they receive.

With the advantage of online business as cost savings and low start-up costs, the safe way to penetrate the market is to start small and grow gradually to earn market share. With the natural passion for fashion, combined with the entrepreneurial spirit from the family, the author believes that the business idea will be carried out successfully. The outcome of this thesis is the initial plan for the business, which helps the author visualize a clearer picture of the business in order to implement further studies and finally make the business idea come true. As Mr. Duc (one of the author’s interviewees) said, “Anyone can come up with business ideas, tons of business ideas. Yet not everyone can actually carry it out and make it a real profitable business”.

References

*Published references*


*Electronic references*


Definition of fine feathers make fine birds in English. Accessed 19 August 2013 http://oxforddictionaries.com/definition/english/fine%2Bfeathers%2Bmake%2Bfine%2BBirds__1

http://pages.ebay.com/help/pay/payment_gateways.html


E-commerce law to stamp out fraud. Accessed 15 March 2013
http://talkvietnam.com/2012/09/e-commerce-law-to-stamp-out-fraud/#!UQ_AynhKVNg

http://globalindex11.bsa.org/

https://www.facebook.com/business/overview


http://www.greyeyeon.asia/

http://wearesocial.net/blog/2012/10/social-digital-mobile-vietnam/

http://wps.prenhall.com/wps/media/objects/5073/5195381/tut_1/BusModel.html


http://www.huffingtonpost.com/lisa-parkin/how-to-use-instagram-for-_b_3491371.html


http://www.blogthoitrang.com/2013/01/nhan-biet-glai-vnxk-xin-original-vn.html


http://www.statista.com/topics/871/online-shopping


http://www.nasdaq.com/article/the-importance-of-business-planning-cm59436#.UOqVhYleuZd


http://www.internetworldstats.com/asia/vn.htm


Illustrations

Illustration 1: Vietnam (CIA Factbook 2012) ................................................................. 16
Illustration 2: A product sample (Zara.com 2013) ......................................................... 41
Figures

Figure 1: Research methodology (Modified from Saunders, Lewis & Thornhill 2009) ........ 8
Figure 2: The relationship between intranet, extranet and the Internet (Chaffey 2011) ...11
Figure 3: Asia Top Internet countries by June 2012 (Internet World Stats 2012) .............22
Figure 4: Porter’s Five Forces Analysis (Modified from Porter 1998) ..........................27
Figure 5: The product/market expansion grid (Kotler & Armstrong 2011, 68) ..............32
Figure 6: Three levels of product (Modified from Kotler & Armstrong 2011, 250) .........38
Figure 7: Considerations in setting price (Kotler & Armstrong 2011, 315) ....................40
Figure 8: Distribution channels .................................................................................43
Figure 9: Four steps to Business Success on Facebook (Facebook 2013) ......................45
Tables

Table 1: Thesis structure ................................................................. 9
Table 2: Amazon’s business models (Amazon.com 2013) ...................................... 15
Table 3: Vietnam’s key economic indicators 2008-2012 (World Data Bank 2012) .... 18
Table 4: The IT Industry Competitiveness Index 2011 (Economist Intelligence Unit 2011) ... 21
Table 5: Main interviewees’ information ...................................................... 26
Table 6: Competitor analysis ..................................................................... 32
Table 7: Differentiation strategies for Internet-based business (Strauss & Frost 2009, 200) 33
Table 8: SWOT analysis ........................................................................... 35
Table 9: Target customer segment ............................................................. 36
Table 10: Business Model Canvas .............................................................. 37
Table 11: Projected fixed costs ................................................................... 41
Table 12: Promotion mix .......................................................................... 44
Table 13: Risks, probability, impacts and suggested solutions ......................... 49