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## **The state of Vietnam e-commerce platforms and some marketing strategy related solutions**

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### **Abstract**

E-commerce can be considered one of the fastest-growing sectors now. That also means the level of competition is more complex than ever. Shopee and Lazada can be considered two typical e-commerce platforms of the industry with commensurate competitiveness. Especially, the marketing strategy between these two e-commerce platforms is always a topic of discussion that attracts a lot of attention. Although Lazada launched 3 years ago that has a lower position than the competition now. The article shows the marketing activities of Lazada and Shopee in recent years. Giving comparisons, analysis, and evaluation to have a broader perspective on the role of marketing in e-commerce, thereby proposing marketing strategies for Lazada along with the rest of the e-commerce platforms.

**Keywords:** E-commerce, marketing, online shopping, lazada, shopee

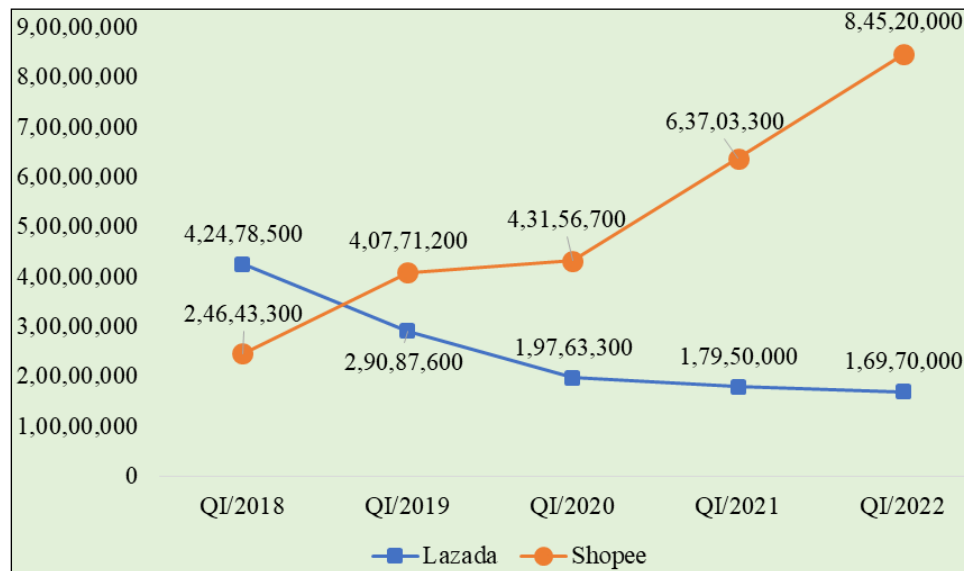
### **1. Introduction**

#### **1.1 Problem statement**

The digital age 4.0, along with the rapid development of the Internet, the trend of online business or online sales has brought economic efficiency to many businesses in Vietnam. The e-commerce market is increasing with many models, participants, and supply chains that are also gradually changing towards more modern with support from digitalization and information technology. Especially, during the Covid-19 pandemic, the e-commerce market is becoming more vibrant and the application of digital technology and building new distribution channels is becoming an effective solution for Vietnamese businesses to overcome difficulties, bringing new opportunities from the market demand side on the basis of changing the buying habits of consumers, switching from traditional buying habits to buying through e-commerce.

In the world, it is impossible not to mention famous e-commerce platforms such as Amazon, Alibaba and eBay... In the Vietnam market, Shopee and Lazada are the two largest e-commerce platforms today. Although Lazada launched 3 years before Shopee, Lazada has a lower position than Shopee now. Figure 1 shows Lazada and Shopee's first-quarter website traffic in the period from 2018 to 2022. Therefore, what is the reason why Lazada has a slower growth rate than competitors in this e-commerce industry?

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Source: Price comparison information page-Iprice (2022)

Fig 1: Lazada and Shopee website traffic in the period of 2018-2022

## 2. Research Methodology

The main focus of the article is to analyze the operation of Shopee and Lazada e-commerce platforms, and proceed to answer the questions:

- What is the marketing strategy of Lazada?
- What is more special about the marketing strategy of Shopee's e-commerce platform compared to e-commerce platforms like Lazada?
- What is the flaw in the marketing strategy of e-commerce platforms like Lazada?

The article will provide answers to these questions by analyzing operational practices and providing qualitative research results based on secondary data sources obtained by systems research methods and the content of scientific literature and using a systems approach.

Terms and documents related to marketing strategy are collected in Scopus academic databases and domestic and foreign scientific information sites. The selection of data sources is based on their high level of reliability and quality of research.

## 3. Lazada's marketing strategy

In the context of e-commerce in Vietnam today, it is necessary to "burn" a lot of money to attract each user, especially investing in marketing campaigns to attract the attention and interest of customers (both existing and potential). Typical strategies that Lazada has implemented are monthly promotions and incentives, combined with KOL (Key Opinion Leader), KOC (Key Opinion Consumer)... and most recently, Lazada also concentrated to develop the affiliate marketing strategy.

### 3.1 Various promotions

Lazada has a lot of special promotions on holidays or 11/11, 12/12, 15<sup>th</sup> and 25<sup>th</sup> of every month... There are many special promo codes that are relatively easy to take it and during checkout, Lazada will apply all existing codes on its own to deduct the total payment amount for the customer's order. For example, technology accessories such as

headphones, Bluetooth speakers, and keyboards... are the products with the highest sales on Lazada. These are also the products that regularly have the biggest promotions. However, for small orders under VND 150,000, there are no free ship codes or discounts.

### 3.2 Celebrity collaborations, KOLs

As Market watch's report (2022) indicates using celebrity marketing that increases sales by 4%. This number came almost immediately. Lazada's strategy of cooperating with celebrities and KOLs is based on criteria such as popularity, positive image, and influence... As brand ambassadors, they appear in media images and platform's entertainment programs and activities. This helps to affirm the brand's reputation and brings the brand image closer to consumers. Lazada's advertising often chooses veteran faces as brand ambassadors for a fixed period, not changing regularly at each stage like Shopee. In 2020, Lazada announced an extremely prestigious name from Korea as a brand ambassador for Southeast Asia. With a positive and optimistic image, familiar to the public and known by many fans in Southeast Asia. By August 2021, Lazada officially announced another Korean movie star who is no less competitive to become the first regional ambassador of Laz Mall-Lazada's largest online shopping center, bringing together more than 40,000 leading domestic and international sellers and brands.

However, Lazada recently has also made changes when announcing "hot" names as brand ambassadors, causing consumers to discuss for a relatively long time, thereby etching the brand name in the hearts of consumers. In early 2022, on the "Birthday of the Century" Shopping Festival, Lazada officially introduced the newest brand ambassador in Vietnam. The strategy of selecting people who are receiving a lot of attention from customers today, is an effective step to increase the promotion of Lazada's 10th birthday event taking place in the last days of March (27 to 29/3), stimulating consumers to participate in shopping. The shopping festival "Birthday of the Century" marking Lazada's 10 years old that has taken place successfully with

many impressive results when LazMall, Lazada's genuine store system, recorded an 8-fold increase in the number of orders and a 16-fold increase in revenue compared to normal days (Industry and Trade, 2022) <sup>[2]</sup>.

### 3.3 Performance marketing development

Lazada's marketing strategy also focuses on Performance Marketing to improve advertising efficiency by using Affiliate Marketing. Participants in affiliate marketing activities will be paid marketing commissions when referring customers to buy products or requesting customers to perform any activities in accordance with the marketing program. A strength of Lazada is the commission is up to 10%, higher than Shopee when the commission is only from 0.8% to 2.3%, thus attracting a lot of people to participate in affiliate marketing activities and customers. Lazada cooperates with influencers. The launch of many promotions in conjunction with famous influencers helps Lazada attract more customers to boost sales and increase brand awareness thanks to positive discussions from consumers. Specifically, in Lazada's 9<sup>th</sup> birthday campaign, the number of KOLs participating reached more than 1,000 people. There have been more than 3,000 posts about the 9<sup>th</sup> birthday program and more than 50,000 beauty products, 2,000 electronic devices and 30,000 pairs of shoes sold in just 3 days (Brands Vietnam, 2021) <sup>[1]</sup>.

### 4. Lazada's marketing flaw

There is not much difference in the marketing strategy of Shopee and Lazada, however, Shopee is more aggressive in investing in Marketing. Besides inviting celebrities to be brand ambassadors, Shopee invests heavily in discounts and gift vouchers. Promotions with huge prices on holidays, the 15<sup>th</sup> and 25<sup>th</sup> of every month... up to 50%. The 0h, 12h and 21h time frames are discount frames so that customers can own products such as clothes, accessories and books... at unprecedentedly cheap prices (orders 0D, 1K VND...); Shopee offers customers free shipping only 13-14 times a month, encouraging them to place more orders; feature development (Shopee Food); associated with e-wallets (VNPay, Internet banking...); boldly experiment with new forms of marketing (Marketing game). These not only attract customers but also maintain the number of loyal customers shopping on e-commerce.

With Shopee, there are many promo codes launched every day. The most popular discount codes Shopee often offers are 5%-50% coin cashback codes (payment units) for each order and direct discounts from 10-50%... Special promo codes are often limited and difficult to hunt. Small orders, sometimes applied discount codes are very beneficial for customers. Shopee has noticed the concern of customers when buying online, which is the shipping fee. Therefore, Shopee has planned a marketing campaign to subsidize shipping, applying a freeship code policy. This is a huge plus point for Shopee to gradually attract several orders as well as customers for itself. More specifically, in Vietnam, Shopee launched a 4-hour delivery feature, which is similar in form to Tiki's 2-hour delivery service. Orders using Shopee's 4-hour service will be delivered immediately after that and time from 2 to 4 hours. For the psychology of customers who always want to receive products as quickly as possible or have the need to use products quickly,

compared to Lazada's average delivery time of 3 to 5 days, it will be difficult to meet the needs of customers compared to Shopee's express delivery service.

In addition, Shopee also regularly gives discount codes and free shipping codes to customers. The strategy works with the market "fascinated" with discount codes and free shipping like in Vietnam. People always tend to prefer what is free. Therefore, free shipping can be an important motivation for customers to quickly complete orders on the e-commerce exchange. The higher the shipping cost, the easier it is for customers to cancel orders or abandon carts which leads to high order drop rates. It is estimated that 50% of orders are canceled due to high shipping costs (Kodali, 2013) <sup>[3]</sup>. Maintaining free shipping codes helps retain loyal customers and encourages them to trust and shop more. Supporting delivery fees is an old Lazada strategy. However, after Alibaba's team took over, Lazada halted these subsidies in many countries in 2018. Meanwhile, Shopee still regularly offers customers free shipping incentives only 13-14 times a month, encouraging them to order goods. By 2018, this number gradually decreases to 10 free shipping orders, then 4 orders to reduce cost pressure but still be enough incentive to increase the value of each order.

Shopee regularly cooperates with young, new and "trending" faces at the time of advertising. In addition, Shopee also spends heavily to invite "huge" stars. Shopee does marketing by creating commercials (TVCs) to promote its brand to many people, building on fun music along with short and catchy slogans such as "Like shopping, surf Shopee". In addition, the spirit of creativity and boldly experimenting with new forms of marketing has helped Shopee seize the pioneering position and attract a lot of attention from customers. The construction of the Shopee Affiliate program (affiliate marketing form) is a form of promoting Shopee's products and services through the websites of promotion partners to end consumers. Each customer can become a partner and will receive a commission from Shopee itself when shoppers click on the links directed to Shopee and complete the order payment.

The development of the Shopee game (game marketing) also achieved significant effects. Shopee games are a category of games that are both highly entertaining and can help customers earn many rewards in exchange for discount codes and receive other valuable rewards. It can be said that the creativity of the marketing team is Shopee's biggest strength when creating impressive communication campaigns in Vietnam. Shopee has successfully grasped and understood the insights of customers when constantly meeting and satisfying the needs of current consumers and that is something that Lazada has not done. This leads to Lazada always being in 2nd place after Shopee in the past 5 years. The e-commerce ecosystem includes: Online intermediary trading portals, electronic payment, electronic logistics, online business services, online advertising media and social networks-online forums (Nguyen Hong Quan, 2019) <sup>[5]</sup>. E-commerce marketing is not merely expressed in the aspect of communication and social networks, but also has an overarching influence on the rest of the aspects. The revenue of an e-commerce platform comes from collecting fees from sellers' orders on the application (fixed fees, services, pickup, commissions...) and advertising. Traffic is

also one of the important factors to generate revenue. And the above factors are more or less implemented and governed by marketing. With a huge level of investment in marketing but Lazada has not had a breakthrough, to solve this problem, Lazada needs to focus on changing its marketing strategy and this is necessary for the current period of changing trends.

### 5. Propose some solutions in the marketing strategy of the e-commerce exchange

*Firstly, expand the reach of customers through the development of the Lazada KOL Affiliate program.* Any online user has the potential to be an impact on certain audiences or markets. Depending on their activity, voice, field of activity, or purpose of using social networks... they will have different levels of broad/narrow impact. Influencers can be ranked according to the number of followers as follows: Nano Influencer (1,000-10,000), Micro Influencer (10,000-50,000), Mid-Tier Influencer (50,000-500,000), Macro Influencer (500,000-1,000,000), Mega Influencer (1,000,000-5,000,000) and Celebrity Influencer (over 5,000,000). Although Nano Influencer is low in popularity, they are considered the most influential influencer group for influencer marketing due to their very high engagement rate with followers (9.2%) compared to Macro Influencer's 1.8% engagement (Tran Minh Khuong, 2021) [7]. Because of its independent operation, Micro Influencer's content creation ability is excellent, their content often integrates the most natural promotional message when conveyed to the fan community, creating more diversity and user-friendliness. Instead of spending a lot of money to invite top celebrities, Lazada can completely cooperate with a lot of micro-influencers to reach customers more easily.

*Secondly, implement a video marketing strategy,* which is an advertisement in the form of short videos. Before the diversion of a series of social networks such as YouTube (with YouTube Shorts), Instagram (with Reels), Snap chat, and Facebook... Lazada can own a separate system for sellers to post linked product advertising content in the form of extremely vivid and interactive short videos. This will create a new, exciting feeling every time consumers search or surf on their shopping homepage.

*Thirdly, apply many promo codes* not only for large categories such as consumer goods and electronics but also for small and medium-sized industries. For example, Lazada should be rolling out more freeship codes every day as today's consumer mentality always prefers convenience shopping and discounts. With multiple freeship codes, consumers can quickly make a purchase decision right away.

*Fourthly, develop the Lazada shopping app combined with pastimes.* Specifically, Lazada should develop a completely new game with attractive gifts or easily receive accumulated points to stimulate consumers to take big gifts without paying.

### 6. Conclusions

There is no denying the current efforts and position of Lazada as well as some other e-commerce platforms (Tiki, Sendo...). However, with the scale of investment and the ability of the industry to grow, Lazada is fully capable of

growing and going further. Although not necessarily completely new strategies, it is the ability to combine and allocate the right level of investment based on the analysis of market trends and consumer behavior from time to time that is an important factor to aim for. The analysis of strategies and solution proposals for Lazada is also aimed at creating a pioneering image for smaller e-commerce platforms for reference based on their own resources and market context.

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