

NARUMON SRIRATANAVIRIYAKUL, MATHEWS NKHOMA, HIEP PHAM

## Tiki.VN: E-commerce & Entrepreneurship in Vietnam<sup>1</sup>

*Although introducing a new product line could be a big risk, it is vital for the growth of Tiki.VN... But what product should I choose?*

Son Ngoc Thai Tran, founder and CEO of Tiki.VN, the number one online bookstore in Vietnam, wondered as he looked at different ideas suggested during the brainstorming meeting this morning. Even if each option had different costs and benefits, they all seemed viable based on the favorable trends of the market. The company planned to add many types of new products in the long run with the vision of offering one-stop online shopping experience for Vietnamese consumers, as well as to stay ahead of the fierce competition. The management team all agreed, however, that one product line should be introduced at a time. Therefore, he had to decide which product was the best option.

Choosing the right product was a challenge. Four product lines were considered. The options included apparel, electronic goods & accessories, consumer goods, and mother & baby products. Since Tiki.VN's focus was on customer satisfaction, Son did not consider only the sales process but also after-sale services such as return and refund policies, procedures in maintaining and fixing malfunctioned products, and product warranty. Moreover, Son had to decide whether Tiki.VN should try to put more priority in attracting new markets or to concentrate in maintaining its existing customers.

In the past, Son had been using a trial-and-error method in figuring out what would be best for his customers. The company started out with selling solely English books to Vietnamese consumers and later expanded to Vietnamese book titles, Amazon Kindle e-readers, gifts, and souvenirs. At the startup of the company, his initial target had been educated men in their thirties. However, it turned out that most of his customers were young women. In addition, Son had thought that since Tiki.VN offered English books, the interface of Tiki.VN website should also be bi-lingual, offering both Vietnamese and English language. However, there were almost no customers accessing the English language interface. At that time, the customer base had been much smaller than it was at present. Therefore, he could no longer risk purely trial-and-error methods any more since they could lead to losing customers' trust and positioning of Tiki.VN in their mind.

The question of deciding which product to introduce as part of Tiki.VN would not only affect existing customers' perceptions of company image—it would also determine the customers of the future and, in doing so, the company's strategies. Son had to finalize his decision by the end of February 2012 even if he wished he could have more time to consider.

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## The Market

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### Global Book Industry

According to a 2011 article in *The Economist*, with respect to the digitalizing process, books were far behind other media—such as music and newspapers—but had been catching up rapidly. The arrival of e-books had changed the book business worldwide.

The *Association of American Publishers* stated that e-books were typically priced three times lower than normal books. However, *Amazon* sales of e-books were now bigger than hardcovers. Starting in winter 2009, the very first time that e-books had found a position on the Christmas list, *Amazon* e-books had outsold hardcover books because they offered customers the ability to buy and immediately download their purchase directly from their web store. This had led to the high closing rate of bookstores in the US including *Borders*, once the leading book retailer, now closing all its stores.

Moreover, bookstores all over the world were suffering from declining sales owing to the global economic crisis (see Exhibit 1). In order to survive, the publishers recognized that they needed to change and apply new strategies to enter the digital market. The upsurge of globally distributed e-book publishing platforms, along with the speed and low cost of digital publishing in developing countries, had created an even bigger market for e-books. According to Robinson (2012), some publishers were even experimenting with bringing books directly to the readers instead of going through the retailers.

### Regulatory Issues

In Europe, books sales were subjected to reduced value-added tax (VAT) however, in some cases these reductions were not automatically applied to e-books. The publishers in various countries were still negotiating with the government for new fixed prices for both books and e-books. According to the European Commission, the problem resulted from the fact that books were considered a product and e-books as a license. Complex and lengthy negotiation between the trade associations and federations of European publishers over the surcharges differences ensured. The goal was to ensure that book and e-books publishers were both treated fairly for their contributions across social, cultural, and economic boundaries.

In parallel with these regulatory debates, authors and publishing associations in Germany and France were fighting Google's digitization of books, claiming that Google's attempt to monopolize the e-book market was not fair to authors and publishers. Google had responded by blacklisting some publishers, which meant *refusing* to digitize their works. As a result, by late 2011 the major French publishing houses—including *Hacette*, *La Martiniere*, *Albin Michel*, *Flammarion* and *Gallimard*—had dropped the case in order to ensure that Google *would* digitize their catalogs. The value of being visible to search appeared to outweigh the small loss of sales that could potentially result from text being available online.

From a strategic point of view, the movement and legal action were largely initiated as a defense against the expected incoming flood of American e-books that would hit all over Europe. As *Amazon* opened a German *Kindle* shop in April 2011, and European retailers focused more on digitized books, the defensive movement abated and retailers started to consider how they might embrace the changes that the new digital world brings. The question of how to price digitized works remained an area of dispute, however, and was expected to be the next frontline of this war of change in Europe.

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## E-Commerce in Vietnam

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According to the *Vietnam National Administration of Tourism*, the Socialist Republic of Vietnam—a communist state located in Southeast Asia—had an area of roughly 330 thousand square kilometers and a population just over 90 million. This made it the most populous of the mainland Southeast Asian countries, as well as being the eighth-most-populous country in Asia and the world's 13th-most-populous country. Based upon World Development Indicators statistics, Vietnam was experiencing steady and rapid GDP growth—from USD 71 million in 2007 to 124 million in 2012—making it the second-fastest growing economy in the world.

Kim (2012) stated that E-commerce was established in Vietnam between 2001 and 2005. Vietnam's Ministry of Industry and Trade indicated that due to Vietnam's global economic integration, it had become much more dynamic and had developed a favorable environment for e-commerce. Legal texts under the Law on Electronic Transactions and Law on Information Technology were released to support the operations of E-Commerce in Vietnam. The authors Nguyen and Nguyen (2012) also mentioned that this commitment was driven by Vietnam and other ASEAN countries as part of an initiative to develop a holistic approach to legal infrastructure for e-commerce in the ASEAN Economic Community by 2015.

Based on the 2010 figures from Vietnam's Department of Information Technology E-Commerce, Hanh (2011) estimated that more than 30 million people were accessing the Internet in Vietnam every day, which meant the penetration rate was nearly 35 percent of the country's total population. However, 60 percent of Vietnamese businesses still did not have e-commerce websites. At that time, there were only 22 million bank accounts, which accounted for 20 percent of the total population. As a consequence, lacking either debit or credit cards, most Vietnamese people did not engage in online money transactions.

A survey reported by VBN in 2012, revealed that popular products bought online by Vietnamese consumers included air tickets, electronics devices, cell phones, computers, books, travel tours, hotels, perfumes, and flowers. When looking further into the Vietnamese consumer behavior from both the offline and online perspectives, during the last decade the Vietnamese consumer was spending much more than ever on entertainment, high-tech consumer goods, and health and beauty products. This followed the major societal and economic transformation in Vietnam that had occurred over the previous 10 years. Among the top 10 trends noted by the study, the Vietnamese were paying a lot more attention to their health and well-being. Their purchases increasingly emphasized comfort and quality of life for all family members; this drove the demand towards a healthier diet and new product choices. Vietnam Net Bridge found that in 2012 nearly 80 percent of all Vietnamese women wore make-up regularly—a number that had skyrocketed from fewer than 10 percent in 2002. As a result, personal hygiene and care had become one of the largest industries in Vietnam and still expanding. This was part of a broader trend in which consumer growth was being driven mainly by females, who made the major consumption decisions in family households.

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### TIKI.VN

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Tiki.VN was founded by Son Tran in March 2010, at a time when the Vietnamese market was still new to E-Commerce. Inspired by the real life example of the founder of Zappos.com, Tony Hsieh, through his book called “*Tỷ Phú Bán Giày (Delivering Happiness)*,” Son had picked the easy-to-remember name, Tiki.VN, derived from the abbreviation of the words “*tiet kiem*” (save) and “*tim kiem*” (seek) in Vietnamese. The website Tiki.VN went live on March 19, 2010.

## Company Background and History

After graduating from the *University of New South Wales*, Australia, Son Tran had been Marketing Director at Vinabook, General Manager at Vega (Clip.vn), and Web designer at Impaq Interactive (Thailand). These positions had provided him with extensive experience in marketing, web design, and, of course, books. When he had returned to Vietnam he had capital of USD 5,000. He had taken two months to develop Tiki.VN with the vision to provide customers with a trusted online shopping experience by lowering their risks and providing the best customer service possible.

Son decided to begin by selling English books online. This choice was driven by both his interests and personal experience. Son had loved to read since he was young. He had found that buying English books in Vietnam was frustrating—both difficult and very expensive. Famous book stores in Vietnam provided very little variety. When he tried ordering books from foreign countries, he also faced other problems such as shipping fees, loss of packages during delivery, as well as long delays.

In March 2012, Soichi Tajima, President and CEO of a Japanese-based venture capital fund CyberAgent Ventures, Inc., a subsidiary of CyberAgent, Inc., announced a decision to invest in Tiki Corporation following its acquisition of a 20% stake in the local business. Son's mission would be to further improve customer relationship management and enterprise resource planning systems, in addition to expanding delivery and warehouse systems, and launch personnel recruitment and training programs (Nghia, 2012).

As of August 2012, Tiki.VN had approximately 80 staff in both the office and warehouse to handle the whole E-commerce operations.

## Company Products

Tiki.VN started by launching a website offering English books to Vietnamese people. As the company grew, more related products were introduced including *Amazon's* Kindle, Vietnamese books, gifts, and souvenirs.

Son foresaw the potential of E-Commerce in Vietnam and believed that online transactions would grow as a new distribution channel of products based on trust, convenience, customer service, price, and variety of selections. Therefore, in order to gain the trust of its customers, Tiki.VN strictly followed a number of policies to improve customer service and provide attractive pricing. The company sold its books at a price that was 10% – 20% lower than the prices printed on book covers. It also spent 1% of its operating budget on ensuring good customer service. It provided 7 days Return/Refund policy with 15 hours a day Hotline & Support (7.00-22.00hrs), 7 days a week. Its unique selling points included free fast shipping nationwide, Tiki plastic covers, Tiki book marks, “Tiki Xu”, and acceptance of various payment methods, i.e., credit cards, debit cards, bank transfer, e-banking, and Cash on Delivery (COD), to respond to the specific needs of the Vietnamese market—where the number of credit cards circulation was still low.

Tiki.VN conducted research to determine the level of customer satisfaction. It found that 89 percent of its customers were satisfied while 46 percent of the group would be recommending Tiki.VN to others. (Exhibit 2)

After two years of operations, Tiki.VN won two awards from the Ho Chi Minh City Department of Industry and Trade: “Favorite E-Commerce Service” for “Favorite Delivery”, and “Favorite Online Bookstore”.

As of August 2012, Tiki.VN was the Number 1 online bookstore in Vietnam.

## The Business Model

Tiki.VN applied a Business-to-Consumers (B2C) model emphasizing making online shopping easier for customers. In order to achieve this, the company acted as a mediator in the value chain between various suppliers (for books, Kindles, gifts, and souvenirs) and Vietnamese consumers. Customers could use a meta-search engine or browse products by types and brands. As shown in Exhibit 3, the core components of the Tiki.VN business model included customer segments, customer relationship, channels, value propositions, key activities, key resources, key partners, cost structure, and revenue stream.

Son believed in learning from others' successes and failures. As a result, he adopted many techniques from other famous e-tailers such as *Amazon.com*. At the same time, he was cautious about not adopting everything; he was well aware of differences in economic systems, laws, and consumers and their cultures.

The website featured a "review" function where customers could share their product perceptions and experiences. Upon sharing their comments, customers received "Tiki Xu" credits that they could redeem later for discounts and other incentives (Exhibit 4).

Tiki.VN's revenue was earned purely through sales transactions.

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## Marketing Activities

Son Tran focused on increasing the reach of customers through search engine marketing, increasing the visibility of the website through search engines such as Google. Tiki.VN used organic search strategy, which depends on meta-keywords of the website, which include Sách (book), tiếng Anh (English), tiếng Việt (Vietnamese), quà tặng (Gifts) - Tiki.VN

The company had also experienced the effectiveness of word-of-mouth. Customer reviews and promotional materials, such as plastic covers, book marks, and incentives such as "Tiki Xu", had proved to be very successful in customer acquisition, customer retention, and customer extension. Tiki.VN also utilized Facebook, the world's most famous social media website, to reach its potential customers in addition to the use of direct emails.

## Site Traffic, Reach, and Target Market Profile

Tiki.VN performance could be measured through website analytical tools such as Alexa, which provided traffic rankings—a figure is based on three months of aggregated historical traffic data that combined measure of page views and users (reach). Specifically:

- Page views measured the number of pages viewed by site visitors. Multiple page views of the same page made by the same user on the same day were counted only once. The page views per user numbers represented the average numbers of unique pages viewed by each user per day for all visitors to the site.
- Reach measured the number of users. It was typically expressed as the percentage of all Internet users who visit a given site.

According to the Alexa analytical tool (as of November 29, 2012), Tiki.VN had a three-month Alexa traffic rank of 72,842, which was up from 118,560 in August 2012. As illustrated in Exhibit 5, compared with the overall Internet population, the site's audience tended to be active and educated young women within the age of 18-34; it also appealed more to less affluent women browsing from school and work. Tiki.VN visitors viewed an average of 4.3 unique pages per day. Approximately 8% of visits to Tiki.VN were referred by search engines. Roughly 42% of visits to it were bounces (one pageview only). Visitors

to the site spent approximately four minutes per visit to the site and 42 seconds per page view, and Tiki.VN had a relatively good traffic rank in the city of Cho Ha.

Unique visitors reaching Tiki.VN through search engines typically used the key words “Tiki.VN”, which accounted for 94.27% of Search Traffic to the website. This indicated that visitors were aware of the Tiki brand based on past experience, word of mouth from other satisfied customers, or other marketing activities.

Tiki.VN received an average of 500,000 hits per month with 300 percent growth in both revenue and product quantity. Revenue had grown by a factor of 20 since its first year of operation.

## Promotional Programs

In conjunction with its website, Tiki.VN offered a number of promotional programs. The two most important of these were Tiki Xu and Tiki Icon.

- *Tiki Xu* was the point system whereby Tiki.VN customers could earn points through the purchase of any products or writing reviews or comments. Customers could redeem Tiki Xu for discounts or making further purchases for all the products in the stores.
- Tiki.VN regularly planned activities to encourage customers’ participation and generate more awareness. The latest activity was called *Tiki Fashion Icon*, where the company looked for a brand ambassador and offered the prizes to the winners in terms of cash, modelling contract, scholarship, and Tiki.VN vouchers.

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## Competition

Tiki.VN had two major competitors in selling books online: Vinabook and Nha Sach Phuong Nam, the latter of which had evolved from a traditional bookseller.

### Mekong Corp. (Vinabook)

Founded in December 2004, Vinabook.com was operated by Mekongcom Corp. with over 30,000 titles, making it the leading online bookstore in Vietnam. According to IDG Ventures, Vinabook also offered other retail products such as software, music, and movies.

Vinabook’s ordering and fulfillment process was quick, easy, and convenient. Orders were shipped domestically and internationally, and there were multiple payment options to address Vietnam’s developing e-commerce marketplace, including credit cards, Cash on Delivery (COD), bank transfer, and e-wallet services such as Vinapay. The company aimed to become the biggest e-commerce portal in Vietnam, similar to an Amazon model for the local market.

### Nha Sach Phuong Nam

Nha Sach Phuong Nam was part of Phuong Name Corporation (PNC), the long established books and stationary stores with over 30 branches of retail bookstores in the major provinces of Vietnam. Inheriting the core values of its parent company, NhaSachPhuongNam.com continued to provide various kinds of books, stationary, music, movies, and gifts online with free delivery of orders of more than USD 5. The company accepted payment by credit cards, Cash on Delivery (COD), bank transfer, debit cards, and e-wallet services. NhaSachphuongNam provided customer support from 8.00-21.00 hrs through phone, email, and online chat from Monday to Friday.

The website featured their online value proposition which included free delivery, money back guarantee, 7-day return and replacement policy, guaranteed 24-hour response. and safe and secured online transaction.

## New Product Opportunities

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In order to expand and meet the mission of being the one stop shop to respond to ever increasing demand from customers, Son had a vision to increase its product lines. However, in order to reduce risks, Tiki.VN felt that it was prudent to experiment with one new product at a time before going full speed on launching that particular product line. Aiming at satisfying the group of current customers while attracting new markets, he considered several options, compared in detail in Exhibit 6. The major challenge for Son was selling intangible products to a market where consumers demanded to see and touch objects. Confirming this concern was a 2012 study of the Vietnamese market conducted by Acorn (n.d.) that stated that Vietnamese consumers were worried that without seeing and touching the products, they would be unable to check for their quality and appropriateness. They would also be unsure if the products they bought would fit their purposes.

### Apparel

Goto (2012) stated that Vietnam was one of the top 10 garment exporters in the world. Based on the figures from Euromonitor International, the export volume of garments in Vietnam was approximately USD 8.5 billion in 2009, accounting for 15 percent of all exports from Vietnam. The country's domestic apparel market grew by 9 percent in 2010 to reach USD 2.1 billion. Along with the positive economic outlook in the year 2010, 52.4 percent of the population was younger than 30 years old, providing a strong socio-economic force that would drive the demand for fashionable apparel to increase. Given that the majority of Tiki.VN customers were young females, this product appeared to be a good fit.

The target apparel growth market focused on clothing and footwear. According to a report by Nguyen and Nguyen (2012) and the *Economist Intelligence Unit* (2011), this market had been very strong from 2010 to 2012. *Euromonitor International* (2011) had reported stable consumer demands from 2011 to 2012. Fashion apparel was the most popular product category bought online at 53% in 2012 according to a report by Acorn (n.d.).

Branded apparels, however, might not be the favored choice for Vietnamese consumers. According to Y&R Vietnam, the advertising agency, only 14% of population aged 20 to 65 from four largest cities in Vietnam had bought luxury goods (DNCG, 2012). This figure highlighted the small penetration of the Vietnamese market compared with other regional markets for luxury products. On the other hand, in 2012 local and international apparel specialist retailers were trying to expand their outlet networks across the country in response to increasing consumer demand (as reported by Euromonitor International). Potentially Tiki could act as a private retailer in promoting and selling apparel online.

Inventory management represented a major risk in the apparel business. Customers would expect merchandise to be available in various colors and sizes. Failing to purchase enough stock could turn customers away and led to loss of sales. The opposite extreme, purchasing too much inventory, would result in leftover stock as well as excessive storage cost. In a related risk, fashion trends frequently changed. This not only made the potential problem worse, deciding what items to feature required considerable specialized expertise. The other major problem with selling fashionable apparel online was ensuring proper fit; lacking the ability to try on the products, product return policies were critical and could be costly.

## Electronic Goods and Accessories

Another strong potential product category was electronic goods—one of the earliest categories to gain traction in other online markets, such as the U.S. The target electronics growth market in Vietnam concentrated on computer hardware, as overall sales had increased from USD 1.6 billion in 2011 to USD 1.8 billion in 2012 according to *Business Monitor International* (2011). This 13 percent was a remarkable in comparison to most countries. *Fast Market Research* (2013) had also stated that tablets were expected to provide a strong growth area in 2012. Android smartphones and low-cost featured phones were also the main revenue growth driver with an overall increase of USD 1.6 billion in 2011 to USD 2 billion in 2012 (29 percent growth). At the same time, laptop computers accounted for more than 30% of shipments, according to *Business Monitor International* (2012) in their first quarter report of Vietnam Consumer Electronics. In addition to computer hardware, flat-screen TVs and LCD, represented a promising segment in 2010 with an expected increase in AV sales from USD 1.2 billion in 2011 to USD 1.4 billion in 2012 (15 percent growth). AV and electronic devices for home use were also popular choices in 2012, with consumers opting for replacement of major house items accounting for 52% demand. Acorn (n.d.) reported that household appliances were also noted as the second highest selling item online in 2012 with 42% demand of the overall market after fashion apparel.

With respect to electronics, Vietnam appeared to be a particularly attractive market. The local demand for electronic products in Vietnam kept rising. Although many companies cut back by 60-70 percent on production of electronic goods such as mobile phones, laptops, and LCD television in 2010 due to the global economic slump, the total imports of electronic and computer products by Vietnam still reached USD 3.8 billion, which were 2.7 percent more when compared to the year 2008 (SGTT, 2009).

Balancing expected market growth, electronics presented a particularly challenging service, support, and return problem. To handle customer service for electronic goods, Tiki.VN must be concerned about the warranty and maintenance, e.g., if the products customers bought broke down, what would be the logistics for maintenance and fixing? If the company was unable meet its customer expectations for support, would the company's reputation as a whole suffer, bleeding over to its other product lines?

## Consumer Goods

Due to its increasing demand of consumer goods, it was predicted that Vietnam would rank number 2 in the real consumption demand growth rate in Asia for 2011-2014 (See Exhibit 7). The breakdown of these figures showed that the highest demand products for Vietnam were clothing, footwear, and household textile products while the highest growth products were electronics, soaps and cleaners, and household and AV equipment. (See Exhibit 8)

Under this category, Son considered a combination of a variety of products including food and beverage, beauty and personal care for family consumption. *Business Monitor International* (2012) predicted that a 2013 per capita food consumption growth would yield an increase of 6.4 percent; forecast compound annual growth rate (CAGR) to 2017 would be an increase of 8.4 percent, despite having strong foreign competition introducing international products as reported by *Research and Markets* (2012). *Taylor Nelson Sofres* (TNS) Vietnam, also released a report on local consumption trends, stating that Vietnamese consumers were more and more interested in domestic consumable products (VietnamPlus, 2009).

Risks of supplying consumer goods at Tiki.VN could include the number and variety of products needed to be stocked in order to fulfill the expectations and random requests from customers, which could lead to high investment and risks. Also of concern was the relatively low price of many of these products, meaning that existing policies such as free shipping could cut heavily into margins for small orders—if not



eliminate them entirely. On the other hand, these products did not generally require extensive support and were unlikely to produce high levels of product returns.

## Mother and Baby Products

Driven by socioeconomic change in the Vietnamese lifestyle, parents increasingly sought out the best products for their infants as their disposable incomes increased. Baby products, including toys, clothes, and especially baby food were all experiencing strong growth. Although, Vietnam has experienced a rapid decline in fertility rates in the past two decades (at 1.89 according to the *CIA World Factbook* in 2012), a large percentage of the population was in prime childbearing years meaning that its birthrate<sup>2</sup> and the percentage of children from 0 – 4 years-old was still high. With increasing affluence and fewer children per family, demand for mother and child products—especially baby clothes—was growing rapidly. Furthermore, based on the current Tiki’s customer’s profile, the majority of them did not yet have babies (or had families that were past the baby stage).

A number of recent incidents—involving tainted or misrepresented products—had influenced demand for baby formula. Concerns regarding melamine in milk and lower protein milk index than the published standard had made consumers very cautious when they chose powdered milk for their children. Specifically, Vietnamese preferred to buy imported powdered milk rather than domestic powdered milk according to Luu, Nguyen, Luu, and Lu (2013). According to *Euromonitor International* (2011), baby food in Vietnam was dominated by international brands; these were usually more expensive and perceived to be of better quality than local brands. Euromonitor International (2011) predicted that Baby food would see a compound annual growth rate (CAGR) of 7% over the forecast period.

Ventures selling baby clothes needed to provide garments that came in eye-catching styles according to *Global Sources* in their Vietnam Sourcing Report 2010. For baby bath products, *Euromonitor International* (2012) predicted that baby and child-specific products would register a CAGR of 5% in constant value terms over the forecast period of 2012. The company also concluded that the availability and variety of baby and child-care specific products, either via official retail channels or private online retailers, had increased in response to rising demand. As was the case with food products, Vietnamese parents reportedly preferred well-known brands, wary of hidden toxic chemicals in baby bath products as reported by the Drug Administration of Vietnam

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## The Decision

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In order to be competitive in the marketplace, knowing what, when and how to offer something new to customers is critical. Son could see Tiki.VN’s potential to grow into other markets. Having identified 4 options, Son needed to discuss these options with his team then make a decision in what would be one of the most important meetings of his young company’s history. Son anticipated that in the next 6-8 months there would be more competitors in whatever market was selected, making it a lot more difficult for Tiki.VN to gain entry. This opportunity might present itself only once, and if Tiki.VN hesitated to make a decision, the result could be devastating. Thus, the decision had to be made as soon as possible.

He remained convinced that diversifying his products was essential if the company was to retain its enviable position in the growing Vietnam economy. Yet he could not ignore the fact that these categories were

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<sup>2</sup> Fertility rate measures the number of children the average woman in the population is expected to have over the course of her lifetime. For a stable population, a rate of about 2.1 is needed. Birthrate, on the other hand, measures the number of births per 100,000 people in the population; it is highly sensitive to the percentage of women of childbearing age.

a lot different than Tiki.VN's previous products. He considered conducting an online survey to see among the product categories which one would be the best one to start with as well as find out the popular products within these categories. He wondered, however, if it would tell him anything concrete that he did not already know in these highly dynamic product categories. The company's other stakeholders showed interests in the product line expansion but they still hesitated to make the decision. On the other hand, the employees felt eager to introduce a new product category since this had never happened before in Vietnam. The prospect offered challenges but remained very promising.

The matter has yet to be consulted with the customers; it was still inside the board and the employees. Tiki.VN should also needed to consult the government to find out if any products had been banned or the qualification needed for those products as well as the procedure to import and the amount of tax for each category.

Son knew that he would have a hard time sleeping tonight.

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## Biographies

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**Narumon Sriratanaviriyakul** (BA, MS, AdvDip, Grad Cert TTL), Narumon is a Senior Lecturer in the Centre of Commerce and Management at RMIT University Vietnam and has 6 years of teaching experience in higher education in international universities.

Narumon can be reached at [narumon@rmit.edu.vn](mailto:narumon@rmit.edu.vn)



**Dr. Mathews Z. Nkhoma** holds a PhD in Information Security from University of East London, England. His major research topics are information systems security, information security investment model, ethical hacking, network defence, network security management and forensic computing. Mathews has international experience in teaching—leading Information systems and computer forensics courses in Africa, Europe, Middle East and Asia at both undergraduate and postgraduate levels.

Mathews can be reached at [mathews.nkhoma@rmit.edu.vn](mailto:mathews.nkhoma@rmit.edu.vn)

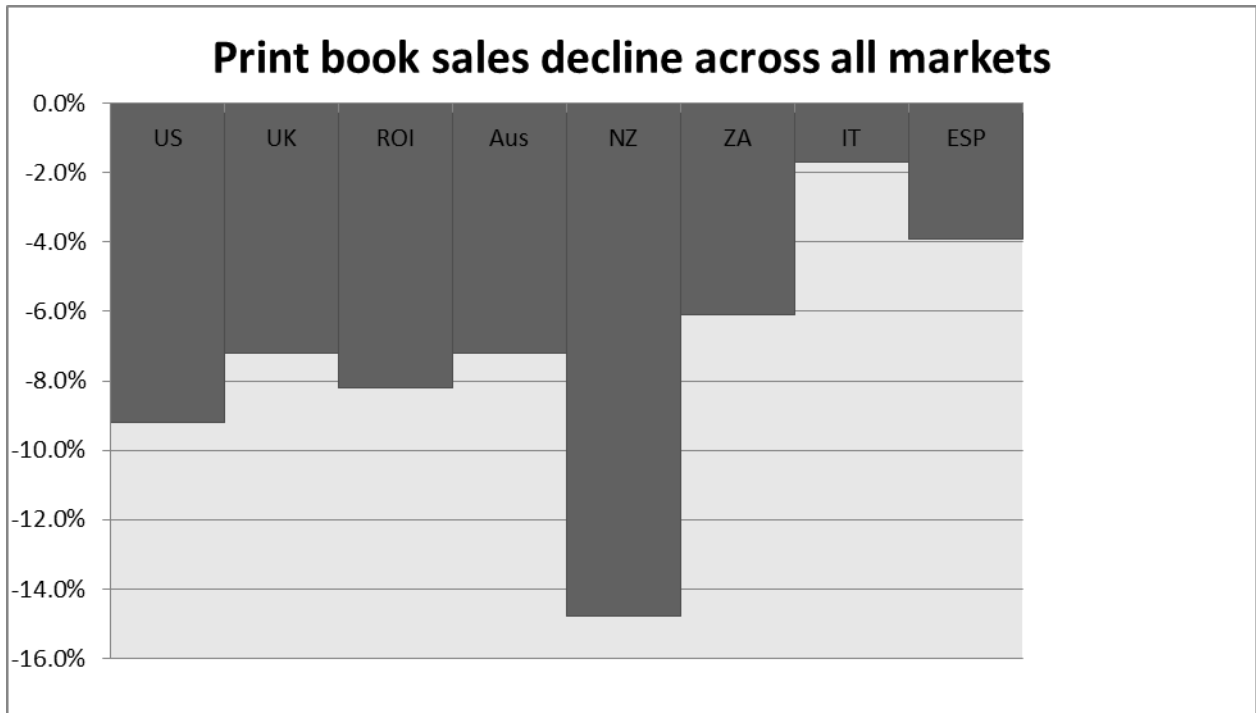


**Hiep Pham** is a Senior Lecturer at RMIT Vietnam University. He has completed a Master degree in Advanced Information Systems at University of New South Wales and a MBA (Executive) at RMIT Vietnam University. He is actively conducting research in Information Management and Information Security Management.

Hiep can be reached at [hiep.pham@rmit.edu.vn](mailto:hiep.pham@rmit.edu.vn)

**Exhibit 1: Decline of Book Sales around the World**

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Source: Nielsen (2010)

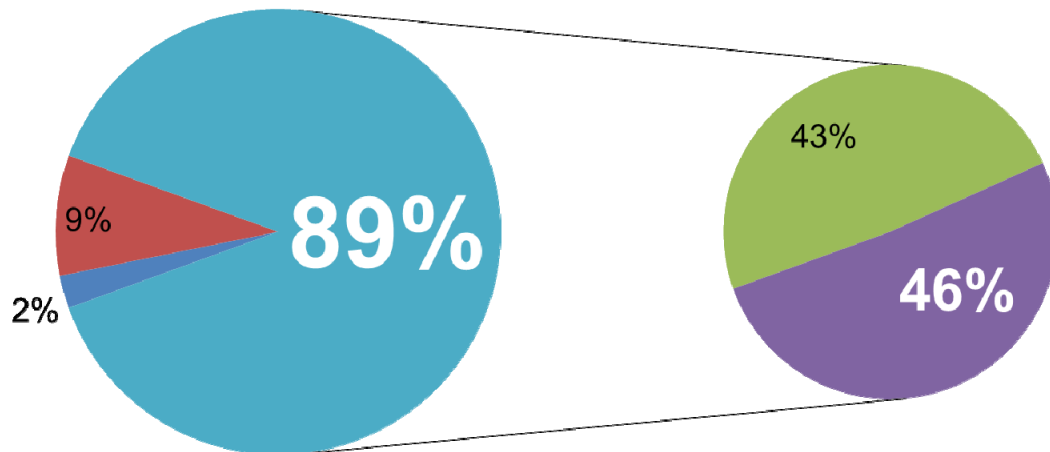
## Exhibit 2: Tiki.VN Customer Satisfaction Index (Jan 2011)

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### Customer Satisfaction Research (Jan 2011)

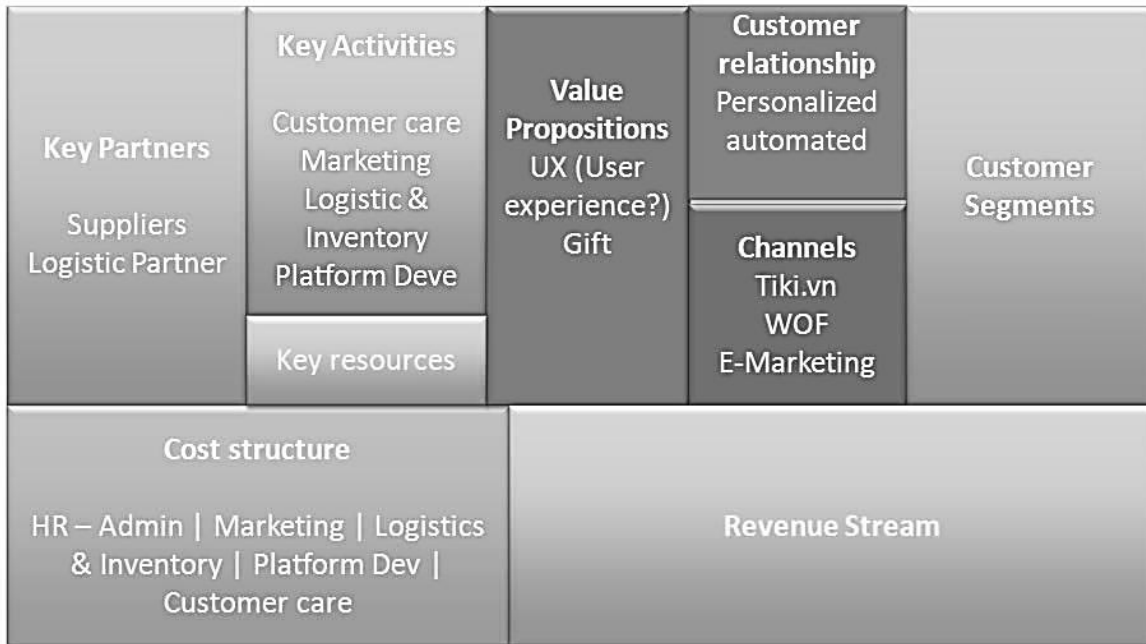
- Dissatisfied
- Average
- Satisfied
- "Very Satisfied. Will recommend Tiki to everybody!"



Source: Tiki.VN, January 2011

**Exhibit 3: Overview of TIKI.VN Core Business Model**

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Source: Offline Open Consultant: Online Business, June 2011

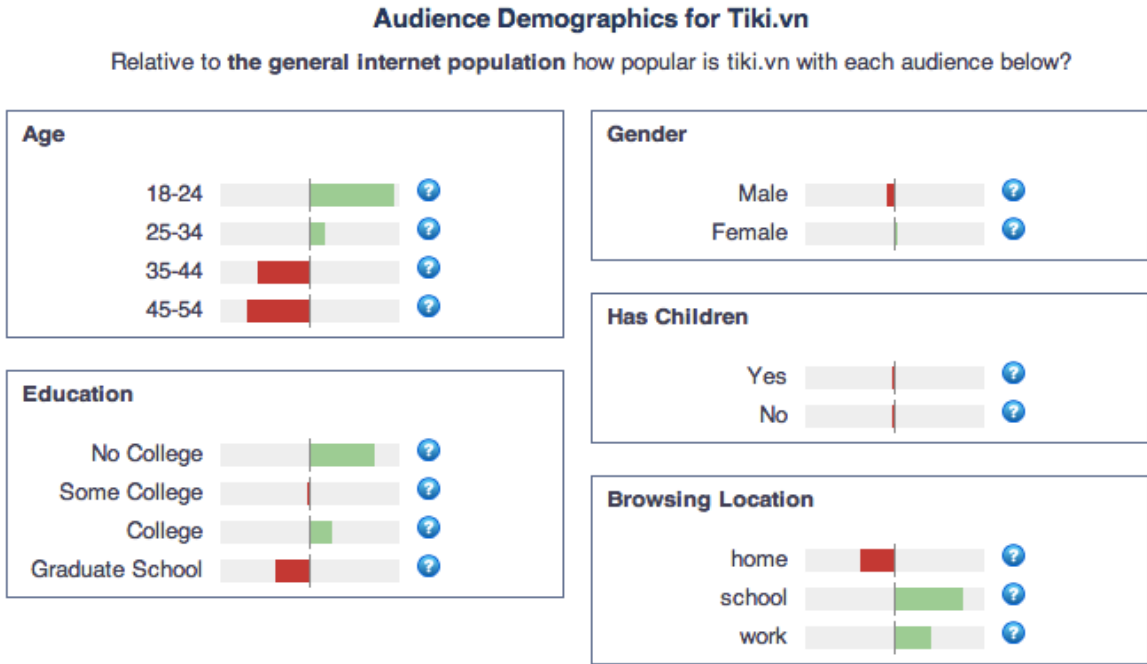
**Exhibit 4: Tiki.VN Website Interface (August 2012)**



Source: Tiki.VN, August 2012



## Exhibit 5: Website Analytic Result (November 2012)



Source: Alexa, November 2012

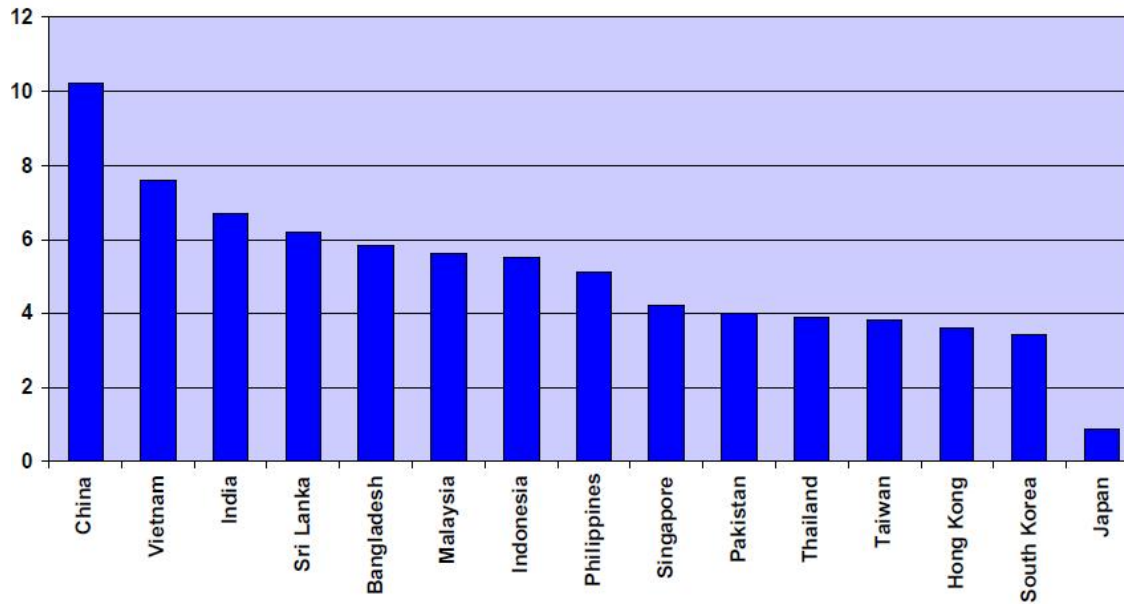
## Exhibit 6: Comparison Table for Evaluation

Categories	Product Line	Positive Inclinations	Considerations
Apparel	Clothing and Footwear	Stable consumer demands from 2011 to 2012. Fashion apparel is currently the most popular category bought online at 53%. Apparel specialist retailers are trying to expand their outlet networks. This could be a chance for Tiki to act as a private retailer in promoting and selling apparel online.	Branded apparel might not be a choice due low demand on luxurious goods. Customers prefer to see and touch objects. A need to have large stock of sizes and choices.
Electronic Goods and Accessories	Computer Hardware	Increase in computer hardware sales: US\$1.6bn in 2011 to US\$1.8bn in 2012, +13% in US dollar terms. Tablets are expected to provide a strong growth area in 2012. Computer hardware CAGR for the 2012-2016 period will be about 15%, with notebooks accounting for more than 30% of shipments currently.	Customers prefer to see and touch objects. A need to have large stock, storage and choices. Warranty consideration. Technical support needed.
	Android Smart Phones	Mobile devices increase sales: US\$1.6bn in 2011 to US\$2.0bn in 2012, +29% in US dollar terms. Android smartphones and low-cost feature phones are the main revenue growth driver.	Customers prefer to see and touch objects. A need to have large stock, storage and choices. Warranty consideration. Technical support needed.
	LCD and Flat-screen TV	AV sales increase sales: US\$1.2bn in 2011 to US\$1.4bn in 2012, +15% in US dollar terms. Flat-screen TV sets expected to provide the most dynamic development.	Customers prefer to see and touch objects. A need to have large stock, storage and choices. Warranty consideration. Technical support needed.
Consumer Goods	Household Appliances	Household appliances were the second highest selling items online in 2012 with 42% of the overall market after fashion apparel. Household clothing and footwear still stands as the strongest market choice since 2010 to 2012. AV and electronic devices for home use were also demanding choices in 2012	Customers prefer to see and touch objects. A need to have large stock, storage and choices. Warranty consideration. Technical support needed.
	Food and Beverages	2013 per capita food consumption growth = +6.4%; forecast compound annual growth rate (CAGR) to 2017 = +8.4%. Customers do not need to see and touch objects	Vietnamese consumers are more and more interested in domestic consumable products.
Baby Products	Milk Powder	Consumers care about product quality, origin and brands more than price. Customers do not need to see and touch objects. Customers do not need to see and touch objects	Vietnamese prefer to buy imported powdered milk due to the fact that domestic powdered milk has melamine and lower protein milk index. Shelf-life and storage space consideration.
	Baby Food	Baby food is expected to see a constant value CAGR of 7% over the forecast period. Consumers care about product quality, origin and brands more than price. Customers do not need to see and touch objects.	Dominated by international brands, which are usually more expensive and perceived to have better quality than local brands. Shelf-life and storage space consideration.
	Baby Clothing	Baby and child-specific products is expected to register a CAGR of 5% in constant value terms over the forecast period.	Garments are expected to come in eye-catching styles.
	Baby Bath Products	Baby and child-specific products is expected to register a CAGR of 5% in constant value terms over the forecast period. Rising demand through official retailer or private online retailers.	Well known brands are preferred, consumers are however wary about hidden toxic chemicals. Shelf-life and storage space consideration.

**Exhibit 7: Vietnam’s Consumption Growth Rate (2011-2014)**

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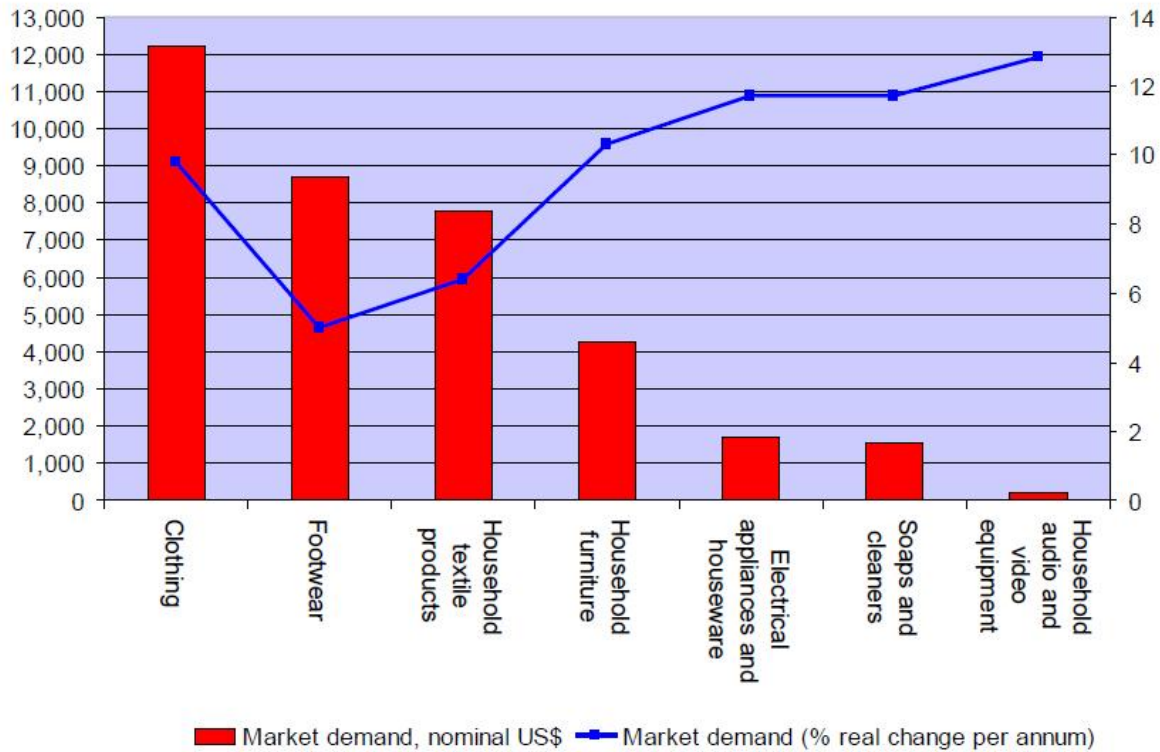
Real consumption growth, average annual % change, 2011 to 2014



SOURCE: Economist Intelligence Unit (2011)

**Exhibit 8: Vietnam’s Nominal Market Demand and Growth (2010)**

**Nominal market demand (US\$m) and growth in 2010**



Source: Economist Intelligence Unit (2011)