Project for establishing H&M online shop in Vietnam

Bc. Trang Thi My Hanh
Tomas Bata University in Zlin
Faculty of Management and Economics
Department of Management and Marketing
Academic Year: 2011/2012

MASTER'S THESIS ASSIGNMENT
(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

Degree, First Name and Surname: Thi My Hanh TRANG
Personal Code: M60745
Degree Programme: M 6038 Economics and Management
Degree Course: Management and Marketing
Thesis Topic: Project for Establishing H and M Online Shop in Vietnam

Thesis Guidelines:

Introduction
I. Theoretical part
- Prepare general knowledge about E-Commerce and customer behavior toward online shopping in general.

II. Practical part
- Prepare profile, current situation, development plan and online shop activities of H and M Company.
- Describe and analyze the current market situation of online shop in Vietnam and Vietnamese customer behavior toward online shopping and H and M brand.
- Prepare a project for establish H and M online shop in Vietnam and prepare risk, cost and time analysis and evaluate the costs and the efficiency of the project.

Conclusion
Thesis Supervisor: Ing. Michal Pilk, Ph.D.
Date Assigned: 26 March 2012
Thesis Due: 2 May 2012

Zlín, 26 March 2012

[Signatures]

prof. Dr. Ing. Drabomila Švecová
Dean

Ing. Pavel Staňková, Ph.D.
Head of Department
BACHELOR'S/MASTER'S THESIS
AUTHOR STATEMENT

I hereby acknowledge that:

- Upon final submission of my Bachelor's/Master's Thesis, I agree with its publishing in accordance with Act No. 117/1998 Coll., on Higher Education Institutions and on Amendment and Supplements to Some Other Acts, (The Higher Education Act), without regard to the defence result;

- My Bachelor's/Master's Thesis will be released in electronic form in the university information system;

- To my Bachelor's/Master's Thesis fully applies Act No. 121/2000 Coll., on Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act) as amended, or. Section 3(5) Part 2;

- In accordance with Section 69 Part 1 of the Copyright Act, TBU in Zlín is entitled to enter into a licence agreement about the use of the Thesis to the extent defined in Section 12 Part 4 of the Copyright Act.


2 Act No. 121/2000 Coll., on Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act) as amended, or. Section 3(5) Part 2.

3 Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act).

4 Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act).

5 Act No. 121/2000 Coll., on Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act) as amended, or. Section 69 Part 1 of the Copyright Act.

6 Copyright, Rights related to Copyright and on the Amendment of Certain Laws (Copyright Act) as amended, or. Section 12 Part 4 of the Copyright Act.
- In accordance with Section 60° Part 2 and 3, I can use my Bachelor/Master's Thesis, or under the license to its not, only with the prior expressed written agreement of TBU in Zlín, which in such case entitled to require from the appropriate financial compensation to cover the cost of creating the Bachelor/Master's Thesis (up to the total sum).

- If the software provided by TBU or other entities was used only for study and research purposes (i.e., for non-commercial use) in the development of the Bachelor/Master's Thesis, it is not possible to use the Bachelor/Master's Thesis commercially.

I hereby declare that:

- I have created this Bachelor/Master's Thesis on my own and cited all used sources;

- The contents of the Bachelor/Master's Thesis handed over are identical with the electronic version handed in the iLMS AEG.

Zlín, December 2023

Date

Signature
ABSTRAKT

Vietnam, jeden z nejvíce potenciálních trhů pro rozvoj a investice v jihovýchodní Asii, je velmi atraktivní pro tuzemské i zahraniční investory, s rychlým vývojem v ekonomice, vzrůstající životní úrovní a rychlou urbanizací, rostoucími příjmy z rozrůstající se střední třídy.

Firma H&M, Hennes & Mauritz AB byla velmi úspěšná v Evropě a USA se svojí globální expanzní strategií zahrnující tradiční obchody a online shopy po celém světě.

Cílem této práce je navrhnout novou tržní expanzní strategii a marketingovou strategii pro firmu H&M pro vstup na vietnamský internetový trh prostřednictvím analýzy vietnamského trhu a provedením průzkumu tržního chování vietnamských zákazníků směrem k on-line obchodům a značce H&M a hodnocením efektivnosti provozu on-line obchodu pro firmu H&M ve Vietnamu.

Klíčová slova: E-commerce, on-line obchod, právní pozadí, konkurence, analýza trhu, marketingový mix, realizace projektu a kontroly.

ABSTRACT

Vietnam, one of the most potential markets for development and investment in Southeast Asia, is very attractive to local and foreign investors, with the rapid development in economy, the increased standard of living and rapid urbanization, the rising income of the burgeoning middle class.

H&M, Hennes & Mauritz AB had been very successful in Europe and US market with global expansion strategy including traditional stores and online shop all round the world.

The purpose of this thesis is to propose the new market expansion strategy and marketing strategy for H&M to enter Vietnam with an online shop by an overview of Vietnam market, conducting a market survey of Vietnamese customers’ behavior toward online shopping and H&M brand, evaluating the efficiency of operating an online shop for H&M in Vietnam.

Keywords: E-commerce, online shop, legal background, competitors, market analysis, marketing mix, project implementation and control.
ACKNOWLEDGEMENTS

I would like to thank my supervisor, Ing. Michal Pilík, PhD. of Tomas Bata University in Zlín, who had supported me with his kind guidance, valuable recommendation and cooperation in order to finish this thesis.

I hereby declare that the print version of my Bachelor’s/Master’s thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.
CONTENTS

INTRODUCTION .................................................................................................................. 11

I. THEORY ............................................................................................................................ 13

1 INTRODUCTION TO E-COMMERCE ........................................................................ 14

1.1 COMPONENTS OF E-COMMERCE ........................................................................ 14

1.2 BENEFITS OF E-COMMERCE .............................................................................. 15

1.2.1 BENEFITS TO BUYERS ...................................................................................... 15

1.2.2 BENEFITS OF SELLERS ..................................................................................... 16

1.3 E-MARKETING DOMAINS ..................................................................................... 16

1.4 PRESENCES OF E-MARKETING ........................................................................... 18

1.4.1 CREATING A WEBSITE: .................................................................................. 18

1.4.2 PLACING ADVERTISING AND PROMOTION ONLINE: ................................... 19

1.4.3 CREATING OR PARTICIPATING IN WEB COMMUNITIES .................................. 19

1.4.4 USING EMAIL ..................................................................................................... 19

2 PLANNING FOR B2C E-COMMERCE .................................................................. 20

2.1 PRINCIPLE 1: THE INFORMATION SERVICE AND PRODUCT PRINCIPLE ........ 20

2.1.1 MARKETING: PROVIDING FREE INFORMATION SERVICES TO CUSTOMERS ...... 20

2.1.2 REVENUE: TURNING INFORMATION INTO PRODUCTS .................................... 21

2.1.3 INTELLIGENCE: TAPPING INTO INTERNET RESOURCES ................................. 22

2.2 PRINCIPLE 2: THE ENTERPRISE INTEGRATION PRINCIPLE ........................... 22

2.2.1 ADMINISTRATION: ADOPTING E-COMMERCE FOR BUSINESS FUNCTIONS .......... 22

2.2.2 PRODUCTION: APPLYING E-COMMERCE TO CORE PROCESSES .................... 22

2.2.3 ENTERPRISE: CONNECTING ADMINISTRATION SYSTEM WITH PRODUCTION SYSTEM .................................................................................................................. 23

2.3 PRINCIPLE 3: THE EXTENDED ENTERPRISE PRINCIPLE ............................... 23

2.3.1 EXTENSION: APPLYING E-COMMERCE TO THE EXTERNAL ENTERPRISE FOR INTEGRATION .................................................................................................................. 23

2.3.2 GROWTH: RECURSIVELY CASCADING THE EXTENSION THROUGHOUT ........... 24

2.3.3 ROADMAP: CONVERTING SOCIETAL TRANSACTION COST REDUCTION TO BUSINESS OPPORTUNITIES ................................................................................................... 24

3 PAYMENT METHODS FOR E-COMMERCE ............................................................ 25

3.1 E-PAYMENT SYSTEM ............................................................................................... 25

3.2 E-PAYMENT TOOLS ................................................................................................. 25

3.2.1 INTELLIGENT CARD .......................................................................................... 25

3.2.2 E-CHECK ............................................................................................................. 26

3.2.3 E-WALLET .......................................................................................................... 26

3.2.4 E-CASH ............................................................................................................... 26

4 SECURITY TECHNICAL IN E-COMMERCE .......................................................... 28

4.1 SECURITY PROBLEM IN E-COMMERCE ............................................................. 28
4.2 SECURITY TECHNOLOGIES IN E-COMMERCE ............................................. 29
  4.2.1 DATA ENCRYPTION TECHNOLOGY .................................................. 29
  4.2.2 DIGITAL SIGNATURE ........................................................................ 29
  4.2.3 AUTHENTICATION TECHNOLOGY .................................................... 29
  4.2.4 FIREWALL TECHNOLOGY .................................................................. 31
4.3 INTRUSION DETECTION TECHNOLOGY ..................................................... 32
4.4 SECURE PAYMENT TECHNOLOGY ............................................................. 32
5 CONSUMER BEHAVIOR TOWARD ONLINE SHOPPING .................................... 33
  5.1 ONLINE CONSUMER CHARACTERISTICS ................................................ 33
  5.2 FACTORS AFFECTING ONLINE SHOPPING BEHAVIOR ......................... 33
    5.2.1 THE WEBSITE ................................................................................. 33
    5.2.2 CROSS BORDER SHOPPING ............................................................ 34
    5.2.3 BRAND AND REPUTATION OF THE COMPANY ................................ 34
    5.2.4 PRICE .......................................................................................... 34
    5.2.5 TRUST ........................................................................................... 35
    5.2.6 CONVENIENCE ............................................................................. 35
II. ANALYSIS ...................................................................................................... 36
6 PROFILE OF H&M COMPANY ........................................................................ 37
  6.1 COMPANY BACKGROUND ....................................................................... 37
  6.2 COMPANY EVOLUTION ......................................................................... 37
  6.3 CURRENT SITUATION ............................................................................. 38
  6.4 CURRENT ONLINE SHOPPING ACTIVITIES OF THE COMPANY ............... 39
  6.5 FINANCIAL HIGHLIGHTS ...................................................................... 39
  6.6 CORPORATE SOCIAL RESPONSIBILITY .................................................. 41
  6.7 EXPANSION STRATEGY AND FUTURE DEVELOPMENT PLAN .............. 42
7 VIETNAM MARKET ANALYSIS ....................................................................... 43
  7.1 INTRODUCTION TO VIETNAM ................................................................. 43
  7.2 PEST ANALYSIS OF VIETNAM ............................................................... 43
  7.3 LEGAL BACKGROUND ............................................................................ 48
    7.3.1 COMMERCIAL CODE ..................................................................... 49
    7.3.2 LABOR CODE ................................................................................ 50
    7.3.3 TAX CODE .................................................................................... 51
  7.4 E-COMMERCE SITUATION IN VIETNAM ................................................. 54
    7.4.1 E-COMMERCE BUSINESS MODELS APPLIED IN VIETNAM .......... 55
    7.4.2 ONLINE SHOPPING SITUATION IN VIETNAM ................................ 57
    7.4.3 PURCHASING POWER ...................................................................... 60
    7.4.4 CUSTOMER ANALYSIS ................................................................... 61
    7.4.5 POTENTIAL COMPETITORS IN FASHION INDUSTRY .................... 68
    7.4.6 SWOT ANALYSIS ........................................................................... 73
    7.4.7 PORTER’S FIVE FORCES ................................................................. 75
8 PROJECT FOR ESTABLISHING H&M ONLINE SHOP IN VIETNAM ............ 78
# 8.1 MARKETING STRATEGY

- **8.1.1** VISION, MISSION, AND GOALS ................................................................. 78
- **8.1.2** POSITIONING ......................................................................................... 79
- **8.1.3** REGISTRATION PROCESS FOR STARTING AN ONLINE SHOP IN VIETNAM .......... 79
- **8.1.4** MARKETING MIX .................................................................................. 82

## 8.2 IMPLEMENTATION AND CONTROL

- **8.2.1** INITIAL ESTABLISHMENT AND BASIC RULES FOR OPERATING H&M ONLINE SHOP IN VIETNAM ................................................................. 87
- **8.2.2** CONTROL ............................................................................................... 88
- **8.2.3** BARRIERS OF ENTRY ........................................................................... 88
- **8.2.4** TIME ANALYSIS .................................................................................. 90
- **8.2.5** COST ANALYSIS .................................................................................. 93
- **8.2.6** RISK ANALYSIS .................................................................................. 95

## 8.3 PROJECT EVALUATION

CONCLUSION ........................................................................................................... 99

BIBLIOGRAPHY ........................................................................................................ 101
LIST OF ABBREVIATIONS ...................................................................................... 111
LIST OF FIGURES ................................................................................................. 112
LIST OF TABLES ..................................................................................................... 113
APPENDICES .......................................................................................................... 114
INTRODUCTION

Vietnam Socialist Republic is a developing country in Southeast Asia with the fastest growing economy in the region. Vietnam became a member of ASEAN in 1995 and WTO in 2007, thus create many advantages for positive development and integration within the region as well as worldwide. Vietnam becomes more attractive to the local and foreign investors, all aspects of Vietnam economy had developed rapidly including investment in real estate, industries, banking, financing, transportation, beauty and fashion is not an exception. Vietnam had targeted to become a developed country by 2020.

The purpose of this thesis is to prepare a project of establishing H&M online shop in Vietnam with proposal of the new market expansion strategy and marketing strategy for H&M to enter Vietnam.

H&M, a famous fashion brand in Sweden and over the world, has a strong development with global presence and global expansion strategy. As H&M the business concept is to give customer unbeatable value by offering fashion and quality at the best price, Vietnam as a high demand and potential market for fashion industry, become very potential for H&M to be the next destination of their expansion strategy which will promise very high profitability according to H&M target.

The reason for choosing to enter the market by an online shop is the current situation in Vietnam as well as the company target. Facing with the high cost to open a traditional shop, an online shop in Vietnam market becomes more attractive and effective to provide the customer high quality product at the reasonable price and achieve high profitability.

The project for establishing H&M online shop in Vietnam consists of the followings parts:

Theoretical part covers general introduction about E-commerce, components of E-commerce, benefits to buyers and sellers in doing e-commerce and e-marketing domains and presences. It will also cover 3 main principles in planning for B2C e-commerce, the payment methods with payment system and payment tool, then the security problem and security technology in e-commerce will be fulfilled.

The analysis part will introduce H&M fashion brand and its current situation and future plan, then continue with general introduction of Vietnam country, the deeper analysis of the country with PEST analysis. The legal background with commercial code, tax code, labor code will be included, followed by the analysis of Vietnam e-commerce situation, e-
commerce business models, online shopping situation in Vietnam and the purchasing power of the market. An online survey was carried out with designing a questionnaire based on quantitative method for collecting the data to analyze Vietnamese customers’ behavior toward online shopping and H&M brand. This part also covers the current competitors in Vietnam at present and provides an analysis of SWOT to point out the potential opportunities as well as the future threats in the market, then Porter’s five forces will be done for industry analysis in the market that the company will operate.

At the end, the project for establishing H&M online shop in Vietnam will be covered with the new vision and goals in new market, the registration process with local government for starting an online shop in Vietnam and then suggest the marketing mix (4Ps) for the best presence of H&M brand to attract the customers as well as build and increase the brand awareness in future. The next will be the implementation of the project with necessary initial establishment for H&M online shop and how to control the business. Finally, the barriers of entry, the timetable by PERT, the cost estimates and the risk analysis matrix together with elimination will be mentioned and the overall evaluation for the efficiency of operating an online shop for H&M in Vietnam is also concluded.

In conclusion, this thesis will present a potential market for future growth which promise a high profitability and long-term development in the future.
I. THEORY
1 INTRODUCTION TO E-COMMERCE

As a new and developing science, there are many different definitions about E-commerce defined by various well-know organizations and corporations.

E-commerce is the general term for exchange of information among the enterprise and between enterprise and customers (defined by ISO). E-commerce is related to the economical activities using electronic communications, with which people can purchase products and advertise goods and settle (defined by The Global Information Infrastructure Committee). E-commerce is electronic market, electronic trade and electronic services (defined by Intel). E-commerce is information technology, website and business (defined by IBM). E-commerce is to accomplish commercial business by electronic means (defined by HP).

E-commerce refers to various online commercial trade activities focusing on commodity exchanges by electronic means, computer network by the companies, enterprises, factories, customers as well as refers to the electronicization of traditional trade among all industries such as electronic government, electronic education and electronic household. Commercial trade activities include inquiry, offer, negotiation, contract signing, contract fulfillment, payment. The electronic means are connected to electronic technologies, tools, equipments and systems including telephone, telegram, television, facsimile, email, electronic data interchange, computer, communication network, credit card, electronic money and internet (Qin, 2009).

E-commerce is to target customer by collecting and analyzing business information, conduct customer transactions and maintain online relationship with customers by means of telecommunications networks. E-commerce provides a foundation for launching new businesses, extending the reach of existing companies and building as well as retaining customer relationship (Kurtz and Boone, 2006).

1.1 Components of E-commerce

The components of e-commerce comprise 6 elements as follows:

Network includes internet, intranet and extranet. Internet as the foundation of e-commerce and carrier of commercial business information is a public web of computer network to connect users of all types around the world to each other and to an amazingly large information repository. Intranet is a network to connect within the company to each other and to the company network and to carry out internal affairs. Extranet is the link between the en-
terprises with the suppliers and distributors to carry out commercial activities (Kotler and Armstrong, 2006).

E-commerce users or Customers include personal consumers and business consumers. The personal consumer will access the internet with browsers, set-top boxes, PDA, etc. to reach information and purchase the products. The business consumer will manage the staff, wealth, product, production, supply and sales by intranet, extranet and MIS.

Authentication Authority is recognized by the law and responsible for issuing, managing digital certificates and facilitating parties involved in online sales to identify each other.

Distribution center is in charge of sending the products that cannot be delivered online to consumers and keep track on products flow.

Online bank provides the sellers and buyers the traditional bank business such as settlement and round-the-clock service.

The administration of the commercial activity consists of departments of industry, customs, tax and trade (Qin, 2009).

1.2 Benefits of E-commerce

1.2.1 Benefits to buyers

E-commerce and internet buying offers many advantages to both final buyers and business buyers in many ways.

Convenience: Customers can shop without leaving their home, save time and money. Customers can do the comparison among the shops by accessing the website on the internet.

Buying is easy and private: Customers will involve fewer problems in buying process and will not communicate face to face the sellers.

A greater access and selection is provided by the internet without the limit of physical boundaries. The customers can compare the incredible selections offered by many websites of a large amount of sellers.

A wealth of comparative information about companies, products and competitors can be accessed by the buyer easily via e-commerce (Kotler and Armstrong, 2006).

Big Discounts: The process of ordering in e-commerce is fully automated. The companies do not have huge manpower to run the business. This makes it easier for them to afford giving away huge discounts (Kwika, 2009).
1.2.2 Benefits of sellers

E-commerce also creates many benefits to the sellers as follows:

The internet is a powerful tool for building the customer relationship. Companies can interact online with the customers for the specific needs and wants and the online customers can ask and feedback to the sellers easily and quickly. By keep going the interaction, the company can increase the customer value and satisfaction.

E-commerce can reduce the costs and increase the speed and efficiency. The company can cut the cost and pass savings on to the customers, the cost to maintain the physical stores, rentals, insurance and utilities, achieve the lower cost and improved efficiencies for channel and logistics functions as well as low communication cost (Kotler and Armstrong, 2006).

The internet is global allow buyers and sellers to click from country to country around the world where the e-marketers target just in few seconds even a small e-marketer also can access to global market via internet (Kotler and Armstrong, 2006).

The sellers can reach the global markets with the use of e-commerce; the customers can buy the products belonging to any country easily. The business owners can provide customized products for each customer and personalization builds goodwill and trust in the sellers (Power Opinions, 2011).

The company can change easily to their offers and new products, online catalogues, online inventory in order to adapt the market changes (Amin, 2009).

1.3 E-marketing domains

The table below shows the main four e-marketing domains including B2C (Business to Customer), B2B (Business to Business), C2C (Customer to Customer) and C2B (Customer to Business).

<table>
<thead>
<tr>
<th></th>
<th>Target to Customers</th>
<th>Target to Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initiated by Business</td>
<td>B2C</td>
<td>B2B</td>
</tr>
<tr>
<td>Initiated by Customer</td>
<td>C2C</td>
<td>C2B</td>
</tr>
</tbody>
</table>

(Source: Kotler and Armstrong, 2006)
**B2C (Business to Customer) E-commerce**

B2C E-commerce had been the most popularity and attention with the online shopping of goods and services to final customers. The largest spending for online shopping includes travelling services, clothing, computer hardware and software, consumer electronics, books, music and video, health and beauty, home and garden, flowers and gifts, sport and fitness equipment and toys (Kurtz and Boone, 2006).

Consumers can find and buy almost everything on B2C website by connecting the internet, the internet is very useful for customers to provide great value to buyers looking for information and compare the differences of product features and value. However, when the products must be examined and touched before buying, the internet will be less useful (Kotler and Armstrong, 2005).

**B2B (Business to Business) E-commerce**

B2B e-commerce is a type of e-commerce involving a transaction from one business to another via the Internet. Thus, it occurs when systems of two or more businesses exchange information electronically that, directly or indirectly, results in a transaction (B2B B2B, 2010).

The enterprises use the B2B trading network, auction sites, spot changes, online product catalogues, barter sites and other online resources to serve customers more effectively. An open trading exchange is the huge e-market spaces where the buyers and sellers find each other online, share information and complete the transactions (Kotler and Armstrong, 2005). This is the most popular B2B e-commerce in Vietnam at present, for example, www.123mua.vn, www.5giay.vn, www.enbac.vn, etc where the customers can find and buy almost everything, but the transaction will be completed with offline payment by cash.

**C2C (Customer to Customer) E-commerce**

C2C e-commerce occurs on the websites where the same customer can act as both buyer as well as seller (E-grove System). Some websites offer the marketplaces for displaying and selling almost everything such as clothing, consumer electronics, computers, etc. The Social media linking functionalities includes community, forum discussion and blog and other social media website links interface (E-grove System) with air complaints and share information about product and service experiences which is very important in buying influence to the customers (Kotler and Armstrong, 2005).
C2B (Customer to Business) E-commerce

With C2B e-commerce, people and individuals are the ones offering the products to companies (Computer Business Research), the customers can find and communicate with the companies easier, the customers can send their suggestions and questions directly to the company via the company websites and drive the transactions with the companies (Kotler and Armstrong, 2005). In addition, the consumer posts the project with a set budget online and within hours companies review the consumer’s requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project (Digitsmith).

1.4 Presences of E-marketing

Along with the development of e-commerce including e-marketing, most the companies need to consider applying e-marketing in doing business which can be conducted in different ways including creating a website, placing advertising or promotion online, setting up or participating in Web communities and using email or webcasting.

1.4.1 Creating a website:

This is the first step to conduct e-marketing, marketers must design an attractive and useful site to create the value and excitement to get the customers to visit the site, stay around and come back often. The company must update constantly the website to keep them current, fresh and exciting in combination with the traditional advertising and other offline marketing to attract more visitors.

The most basic type of website is corporate websites which are designed to offer the information and other features to answer the customer questions, build closer customer relationship, customer goodwill and supplement other sales channels, not to sell the products directly. The corporate websites also provide entertainment features to attract and keep the visitors as well as provide opportunities for customers to ask questions and make comments or evaluation through email before leaving the website.

Another type website is marketing websites which engage consumers in an interaction that will help the consumers moving closer to direct purchase or other marketing outcome including catalogues, shopping tips, promotion features such as coupons, sales events and contests. The websites also allow the customers to schedule the shipments, request package pickup, and track their package in transit (Kotler and Armstrong, 2006).
1.4.2 Placing advertising and promotion online:

The companies can use online advertising to build their internet brand and attract visitors to their websites. Online advertising includes banners, ticker ads, interstitials, skyscraper and other forms (Kotler and Armstrong, 2005).

Content sponsorships is one of the form of internet promotion, the companies can gain name exposure on the internet by sponsoring special content on various websites where they can offer relevant information or services to the customers. The companies also can create microsites which are limited areas on the website managed and paid by another company. Viral marketing is a version of word of mouth marketing which involves creating an email message or other marketing events that the customers will want to pass it to their friends. This is an idea to get your customers to do your marketing for you.

Online marketing serves a useful purpose, a supplement to other marketing efforts and play an increasingly important role in the marketing mixes of many advertisers (Kotler and Armstrong, 2006).

1.4.3 Creating or participating in Web Communities

Web Communities are the commercially sponsored websites which take advantages of C2C on the internet with the popularity of forums and newsgroups. Such communities are attractive to advertisers to draw the consumers with a common interests and well-defined demographics.

1.4.4 Using Email

As one of the important marketing tools, many companies use to reach their customers. In order to compete in this email environment, the companies are designing enriched email messages which are animated, interactive and personalized messages with audio and video. On the other hand, the companies also have to be careful not to send the customers unwanted email to promote their products. Doing so will cause the resentment to the customers who are already overloaded with spam email or junk email (Kotler and Armstrong, 2005).
2 PLANNING FOR B2C E-COMMERCE

A planning model for e-commerce will be presented from three perspectives: providing information services and products to customers, joining e-commerce with internal business processes, and linking with other partners. These three perspectives will be analyzed in three main principles of planning as follows (Hsu and Pant, 2000).

2.1 Principle 1: The information service and product principle

Internet retailing or business-to-customer e-commerce needs to develop information services and products in order to promote the company and generate revenues. Even business-to-business e-commerce could use the same principle, not only for marketplace sites but also for companies that want to recruit partners. Information service recognizes the gathering and provision of information and includes assistance for transactions and products and offerings of software (Hsu and Pant, 2000).

2.1.1 Marketing: providing free information services to customers

In doing e-commerce, this principle is the important rule for marketing to promote the company itself on the internet as the information is the root of decision-making. These sources focus on general data to give the audience an overview of the company, the products and services. Online information publishing from across the globe is not complicated anymore. While diverse information is widely available online, using these sources appropriately means mingling free and fee sources for each decision. This process is absolutely crucial for business owners to increase their business successes (Bangonesengdet).

Personalization: more and better support for personal information will come from integration which could be linking of certain content items with particular transaction sites to create real time online information.

Transaction support: the information leads to transactions, A person searches for information, then the next level of information services should be the addition of decision support capabilities to process the information provided and the decision support could take the form of linkage to actual business transactions.

Valuation: Good evaluation not only creates value for the users, it also creates an invaluable asset for the business: trust and loyalty.

Enthusiasts’ services: Most domain portal sites and company retailing sites tend to provide information services practiced by specific portal site to attract a specific group of viewers.
who have them interests and needs. For example, Fashion design, domestic issues will be in a retailing site selling clothing products.

Single-window customer services: Online ordering, Web-based helpdesk, and product service have been powerful practices that e-commerce sites cover. The sites should be extended to other activities that customers must conduct in relation to their use or possession of the particular products or services they buy.

Internet Products and Services: Free information products are another unique practice in the internet business model; companies offer trial versions of their software product free of charge or even give away some products in order to attract customers for their core profit-generating business (Hsu and Pant, 2000).

2.1.2 Revenue: Turing information into products

Retailing sites generate revenue by selling products and marketplace sites by selling intermediary services. Basic categories of information products can be created from information services: value-added proprietary information, customer base, online transactions, and in-house tools for information services.

Value-added information services are a natural step following free provisions. Many websites set aside certain items that the customers must pay to get.

Free information services help create the customer base and membership and cookies help identify the customer base. Therefore, many portal sites, marketplace sites and retailing sites have to require registration of the users in order to verify and authenticate the services or transactions, all e-commerce sites should consider this practice as a marketing weapon whenever possible.

The basic way to make profit for the companies on the internet is online transactions of selling the products. The internet age also allows non-producing sites to include transactions in their money-producing operations, every e-commerce site can become a marketplace site and broker for certain products.

The last category of information services is the tools, systems and technologies that the companies developed for internal operation, creating personalized or customized services. It is worthwhile for an e-commerce site to employ a structured approach to developing its information products and carefully document the whole process (Hsu and Pant, 2000).
2.1.3 Intelligence: Tapping into internet resources

Data mining and database marketing are well-known powerhouses for new product development and promotion and the global connection of organizations and users and the low transaction cost that the new technology brings to the cyber community.

Search engine sites scan the whole web community periodically to create and maintain their information directories, on which the whole search operation is based. The same technology can be used to create and maintain marketing information directories.

The companies can gain marketing intelligence since the fact that users’ every movement in all transactions including viewing information and conducting some business, could be recorded real time and analyzed online.

The whole enterprise could incorporate the Internet intelligence into its regular processes. The real time and comprehensive recording of a user’s transactions with an enterprise provides a potent basis for the enterprise to integrate itself. The data could become a driver to enhance and shorten the product development cycle, from marketing to design, manufacturing, and after sale service (Hsu and Pant, 2000).

2.2 Principle 2: The Enterprise Integration Principle

2.2.1 Administration: Adopting E-commerce for business functions

The most natural way to start an e-commerce seems to be putting a company’s administrative functions on the Internet including online sales, online shopping, demand forecasting, resource management (Nurmilaakso), public relations, marketing, sales, procurement, customer services, human resources, delivery and general administration as well as accounting and finance which concern with external operations such as billing and payment.

The companies should integrate e-commerce processes with traditional processes. The administration e-commerce systems can be some add-on, stand alone operations to the regular administration without replacing or even altering the traditional administration systems that they duplicate. In fact, many companies are doing just that keeping a dual system of both (Hsu and Pant, 2000).

2.2.2 Production: Applying e-commerce to core processes

Every enterprise has its core production processes. For a transactional portal site, the core production process is the transactional processing and management for clients.
an enterprise cannot build core competence without building a competitive core production system and the core processes typically account for the big share of an enterprise’s total cost. Therefore, saving cost is not rely only on improving the administration functions but also tackle head-on the hard core of cost in the core functions.

The immediate possible benefit of seeking e-commerce practice for the core production functions is to take advantage of the power of a universal user interface that is readily available at low cost. A manufacturing Intranet would be relevant to healthcare enterprise integration, financial enterprise integration, and all others (Hsu and Pant, 2000).

2.2.3 Enterprise: Connecting administration system with production system

It is only natural to connect the administration Intranet with the production Intranet but the enterprise Intranet must be fully consistent with the e-commerce practice. The purpose of connecting the administration systems with the production systems is to make an e-commerce enterprise capable of tapping into integrated customer services, selling personalized information products, and capitalizing on customer information to enhance quality and productivity (Hsu and Pant, 2000).

2.3 Principle 3: The extended enterprise principle

2.3.1 Extension: Applying e-commerce to the external enterprise for integration

The concept of extended enterprises is particularly important for e-commerce because it is both easy and profitable to develop. There are three levels of enterprising for an extended e-commerce enterprise.

The first level is information services and information products. An e-commerce site could create linkage with other e-commerce sites that are relevant to the customer to enhance its marketing.

The second level is transactional. The site is designed to support actual business transactions. This level requires the joining of real processes and, the participating companies must have a formal process for the extended enterprise. All business-to-business e-commerce operate at this level of extended enterprising.

The highest level is to apply integration to the extended enterprise. The extended enterprise could seek to connect its administration processes and systems across organizations. Procurement and supply chain class of functionality will become available. Just-in-time class of functionality will result. Finally, it could integrate all processes and systems for the en-
tire e-commerce enterprise in creating innovative and personalized services and products. Enterprise connectivity class of technology is a must for this practice.

The driving force underlying these efforts is the combination of the two principles including generating new revenue and reducing cost (Hsu and Pant, 2000).

2.3.2 Growth: Recursively cascading the extension throughout

Extended enterprise is a recursive concept. In order to grow an extended enterprise is no different from creating one. The only difference is the vision and perhaps the management philosophy.

Every user of the web is accustomed to the notion of endless linkages to sub-pages and to other home pages at other sites. The cascading websites imitate perfectly the social and business networks where everyone is aware that a friend has friends whose friends are helpful and a client has clients whose clients are relevant (Hsu and Pant, 2000).

2.3.3 Roadmap: Converting societal transaction cost reduction to business opportunities

The golden rule for new product development is asking what the customer wants. Companies are good at identifying business opportunities that improve current products based on customer response and reduce cost on practices. Due to the reduction of societal transaction cost and the value chain, the direct and universal connection of persons and organizations in all possible combinations has altered the societal value chain.

The new opportunities must reside in the new value chains that represent the renewed reduction of societal transaction cost. Organizations are nothing more than facilitators for the societal transaction cost. When some organizations become an inhibitor themselves, they would not survive. When they facilitate better, they thrive (Hsu and Pant, 2000).
3 PAYMENT METHODS FOR E-COMMERCE

In e-commerce operation, there are lots of elements that play a role in the success of an online shopping site, payment method is one of most important factors accepted by the website and integrated into the shopping cart (Duran, 2009)

Online payment is a kind of money exchange occurring online such as credit card, e-check, digital cash and intelligent card, which may be extensively accepted by customers, businessmen and banks (Qin, 2009).

3.1 E-payment system

E-payment has evolved into a full blown service for online bill pay, bill management and the capacity to send cash through an ordinary email (Shymkus)

The parties of e-transaction, including customers, sellers and financial institutions, use secure and electronic means to make payment or money circulation (Qin, 2009).

There are numerous different payments systems available for online shopping including the traditional credit, debit and charge card but also new technologies such as e-wallets, e-cash, mobile payment and e-checks. In addition, Payment Service Providers (PSP) is the 3rd party to complete the online transaction (Wikipedia, 2012)

3.2 E-payment tools

3.2.1 Intelligent Card

Intelligent Card is also called Smart card which is a plastic card as the same size of credit card with embedded microchips that can be load the data used for telephone calling, electronic cash payments, and other applications such as provide personal data without filling the form, buy gasoline, pay for parking, etc. (Meckley, 1998).

The working process of intelligent card can be described in 3 steps: firstly, start the browser on a machine such as PC or a terminal telephone; secondly, use the IC card to login onto the website of the user’s bank through the card reader installed on a PC, and IC card will automatically inform the bank the user’s account number, and the password. Finally, user can transfer fund from the IC card to the seller’s account, or transfer fund from his bank account to the card. In e-commerce transaction, the working process of IC card is similar with 2 steps. The only difference is that after the user chooses the products on the computer, he would enter the password and the account number of the online store to complete the transaction process (Qin, 2009).
3.2.2 E-check

E-check is the electronic transfers of money from one account to another through the financial institution and computer-based systems (Wikipedia, 2012).

Most e-checks use public key or PIN instead of hand-written signature. The transaction cost of e-check is low, and banks could provide standardized capital information for sellers that take part in e-commerce, thus it is one of the most efficient payment means. However, there should be a specialized authority to make authentication such as CA, this institution should authenticate the identity and credit of the sellers. Although e-check could greatly reduce the cost of processing, people still take prudent altitudes to online checks. The extension of e-check still has a long way to go (Qin, 2009).

3.2.3 E-wallet

E-wallet is a system that stores a customer's data for easy retrieval for online purchases (Learnthat).

There are two primary e-wallet service systems in the world, Visa Cash and Mondex; other systems include MasterCard Cash, Clip of EurlPay and Proton in Belgium.

The payment process is completed in a very short time, 5-20 seconds from filling the order form to receiving the electronic receipt. This kind of purchase is simple, fast and secure. In addition, it is guaranteed that the client will not be defrauded by the store because of the secure means of e-commerce (Qin, 2009).

3.2.4 E-cash

E-cash is is money or scrip that is only exchanged electronically. In technical terms, e-cash is an online representation, a system of debits and credits, used to exchange value within another system, or within itself as a standalone system. In principle this process could also be done offline (Wikipedia, 2012).

It transforms the cash amount to a series of encrypted numbers, representing the currency value by the serial numbers. The Customer can open an account and deposit money in the bank that provides e-cash service, then customer will be able to go shopping in stores that accept e-cash.

However, e-cash payment also has some limitations: the ability to safeguard users' privacy, susceptibility to counterfeiting, and suitability as a medium for online fraud, computer viruses damage to a centralized switching facility, or even software updates can all pose
threats, lack of anonymity for consumers (ecommerce.hostip.info), a few sellers are willing to accept e-cash, only a few of the banks provide e-cash service; high cost; high requirements for both hardware and software; a large database is needed to store the completed transactions and e-cash serial numbers to avoid repeated payment; currency exchange problem.

Despite the above limitations, the use of e-cash is still increasing. As much safer e-cash solutions come out, e-cash will become a convenient means for online shopping in the future as predicted (Qin, 2009).
4 SECURITY TECHNICAL IN E-COMMERCE

4.1 Security problem in e-commerce

As e-commerce is rapidly developing and widely applying, e-commerce technology has exerted influence on various aspects of our daily life, and becomes the key factor of a nation’s competitive power. E-commerce has transcended the restriction of space and time, making it possible to negotiate and sign contracts at any time and any place. In this process, both parties do not have to meet, and the contracts and payment are digitally made (Qin, 2009). Thus security problem will become very important with the followings:

Privacy: Privacy has become a major concern for consumers with the rise of identity theft and impersonation, and any concern for consumers must be treated as a major concern for e-commerce providers. If the information is given to the competitors, they will take this advantage to cause tremendous losses to the negotiator.

The integrity, Authentication and Non-repudiation: Data integrity is the assurance that data transmitted is consistent and correct, that is, it has not been tampered or altered in any way during transmission. Authentication is a means by which both parties in an online transaction can be confident that they are who they say they are and non-repudiation is the idea that no party can dispute that an actual event online took place.

Technical attacks: Technical attacks are one of the most challenging types of security compromise an e-commerce providers with high-profile web servers such as banks, credit card payment gateways, large online retailers and popular social networking sites.

Non-technical attacks: includes phishing attacks and social engineering. Phishing is the criminally fraudulent process of attempting to acquire sensitive information such as usernames, passwords and credit card details, by masquerading as a trustworthy entity in an electronic communication. Social engineering is the art of manipulating people into performing actions or divulging confidential information (O’Raghallaigh, 2010).

The security problems originated from the Internet itself, because of the openness of the Internet. The Internet is a free and open world, which enables the global information exchange, the internet provides a convenient way to gather and distribute private data and the diversity of the Internet users is also a threat to security (Qin, 2009).
4.2 Security technologies in e-commerce

4.2.1 Data Encryption Technology

In order to ensure the secrecy of information can be traced back to very long ago, data encryption technology is used with the followings:

Symmetric Encryption System: is commonly used to encrypt a large amount of information

Public Key Encryption Algorithm: Public-key systems are extremely secure and relatively simple to use and becoming popular for transmitting information via the Internet. The only difficulty with public-key systems is the need to know the recipient's public key to encrypt a message (Public-key encryption, Webopedia).

Mixed Encryption Technology: symmetric encryption algorithm and public key encryption algorithm are usually combined to serve applicable purposes; the public key system is used to distribute the key, and then the distributed key is used for encryption. It may be widely used in network security architecture such as planning of firewall, management of intranet, identity authentication, etc. And it can be well applied to mobile agent and multi-agent mixed encryption system (Qin, 2009).

4.2.2 Digital Signature

Sign the Document with Public Key Algorithm: In e-commerce, two parties negotiate and enter into contracts through network. Documents thus formed are mostly in the electronic form, many digital signature algorithms are using such as RSA, DSA and discrete logarithmic algorithm. Two most important insecure elements of digital signature are: the signer denies having signed the document and the signature might be counterfeited (Qin, 2009).

Signature with One-way Hash Function and Public Key System: digital signature algorithm and one-way Hash function are usually combined. A public one-way hash function can be used to speed up a public-key digital signature system (Dictionary.com, 2010), this method greatly reduces the complexity of digital signature.

4.2.3 Authentication Technology

Authentication is the most important link in e-commerce. It is usually divided into digital Authentication and biological Authentication.
Digital Authentication: Digital Authentication is the most reliable and commonly used one, and the most common Authentication is password but password is the most insecure Authentication.

Biological Verification Technology: there are many other ways based on the user’s biological characteristics as follows:

Fingerprint Authentication: Fingerprint authentication is one of many biometric forms of human identification. A fingerprint sensor captures a digital image of a fingerprint pattern (Harris, 2007). An Authentication procedure includes three parts: pattern extraction, fingerprint classification and match decision (Qin, 2009).

Iris Authentication: Compared with other biological Authentication, Iris Authentication is highly unique, stable, anti-fake, and useable and one of the best ways of meeting high risk situations (Huntington Ventures Ltd., 2006). The procedure of iris Authentication includes: iris location, iris alignment, pattern expression, and match decision.

Face Authentication: is concerned with validating a claimed identity based on the image of a face, and either accepting or rejecting the identity claims (Marcel, 2006). However, because of the change of factors such as facial expression, location, direction, and light, the extraction of face is thus quite difficult.

Hand Shape Authentication: Typical characteristics of hand shape include the length and width of fingers, thickness of palm, ration of length-to-width of fingers, etc. (Qin, 2009). Hand Shape Authentication can be attractive because of its unobtrusiveness, low cost and easy interface and low data storage requirement (Yoruk, et al.)


Gait Authentication: Gait Authentication is a quite fresh direction, which aims at finding and extracting the change patterns from walking behaviors to realize automatic ID Authentication.

Manual Signature Authentication: the verification can be divided into two kinds: offline Authentication and online Authentication. Offline Authentication is to obtain the image of the signature via scanner; online Authentication is to use the digital word-pad or pressure-sensitive pen to record the process of writing.
Voice Authentication: is a type of user authentication that uses voiceprint biometrics (Search Security, 2004). A voice Authentication system usually consists of three parts: the partition of voice signal, pattern extraction and speaker Authentication.

Each biological verification technology has its own advantages and disadvantages. The selection of a certain technology mainly depends on the application; none of these technologies can surpass other technology in all respects. In this sense, any one of these technology is worth using. The security degree is dependent on the accuracy of these biological features. In practice these technology are usually used jointly rather than separately (Qin, 2009).

4.2.4 Firewall Technology

Firewall is a security gateway between two networks, between trusted and untrusted networks such as between a corporate network and the Internet, Tracks and controls network communications to prevent attacks from untrusted networks, protect data integrity of critical information, preserve customer and partner confidence (Syscom Group).

The firewall can be roughly classified into two categories: packet filtering and application proxy.

Packet filtering firewall:

Packet filtering is a universal, low-cost and effective security means. It is simple and fast, but its simplicity means it is unable to detect attacks that are embedded in the application protocols themselves (Smith, 2002). Packet filtering is often part of a firewall program for protecting a local network from unwanted intrusion (Search Networking, 2005).

Application proxy firewall: A proxy firewall acts as a gateway for requests arriving from clients. When client requests are received at the firewall, the final server destination address is determined by the proxy software. The application proxy translates the address, performs additional access control checking and logging as necessary, and connects to the server on behalf of the client (IBM, 2009).

Hybrid firewall: offers a hybrid architecture combining of Packet filtering firewall and Application proxy firewall. Hybrid firewalls use simple packet filtering to provide high throughput for lowest-risk traffic, stateful inspection for slightly riskier traffic, and the application layer gateway where the risk of data-driven attacks is highest (Smith, 2002).
4.3 Intrusion Detection Technology

After several years’ development, intrusion detection products began to enter into a fast growing period. An intrusion detection product usually includes two parts: the sensor and the console. The sensor gathers data, such as packets and system logs, and analyzes these data. The console plays a role of central management (Qin, 2009).

Intrusion Detection method includes technical classification and common used detection methods.

4.4 Secure payment technology

**SSL Protocol:** was initially developed by Netscape Communication to authenticate itself to an SSL-enabled client, allows the client to authenticate itself to the server, and allows both machines to establish an encrypted connection. SSL technology is used to establish a secure and encrypted communication channel between two Internet connected devices (Crypto Heaven).

The foundation of SSL is the vendor’s commitment to keep the client’s information confidential. But we also notice that SSL is beneficial to the seller rather than the customer. In the initial phase of e-commerce, the sellers are usually big companies with high reputation (Qin, 2009).

**SET Protocol:** To overcome the weak points of SSL, Visa and Master-Card jointly develop the SET protocol. This is an e-payment standard based on e-currency. SET is designed to communicate credit card transaction over insecure networks such as the internet (Rachele).
5 CONSUMER BEHAVIOR TOWARD ONLINE SHOPPING

5.1 Online consumer characteristics

Cultural: different social classes will have different online shop behavior. Online shopping will be more attractive and used by high and medium social class than the low social class due to the ability of using computer as well as accessing the internet.

Social: a discussion group on the website related to specific topics or interests will influence the online consumers. The consumers can be affected by the discussions or ideas on the websites, which are related to other people’s shopping experience and their comments or recommendations about a particular products or services. In addition, the age will also involves in online shopping, the old generation usually prefer to shop in the tradition means at the physical shops because they seldom use computer and access the internet as well as have low technology knowledge while the young generation have deeper knowledge in technology knowledge and willing to adopt and use high technologies.

Personal: online shopping behavior is also influenced by personal characteristic which is the personal income. With the high income, the consumer will have more positive attitude toward online shopping, the season can be explained by the ability of obtaining higher education, buying the computer and accessing the internet.

Psychological: Psychology plays an important role in making decision to purchase online such as motivation, perception, personality, attitude and emotions of the consumers.

Motivation refers to the needs of the consumers concerning to online shop including psychological needs, safety needs, esteem needs and self-actualization need.

Perception is based on the how different people perceive differently about the same products or services on online shop

Attitude will affect by the brand, company reputation and product image in consumers’ mind related to the evaluations, feelings and tendencies of the consumers toward the products (Hasslinger, 2007).

5.2 Factors affecting online shopping behavior

5.2.1 The website

The website is very important factor to attract the consumer to buy the products by providing the product information on the website, developing intelligent recommendation sys-
tems to provide customized information system which can interact with consumers to capture that they need and help them to determine what to buy.

The deficiencies in web usability can result in serious consequences in terms of user behavior and satisfaction.

Response time is also one of the important factors influencing the consumer to buy online, response time is the time between user input and system output which is influenced by the hardware as well as the design to reduce the amount of data transmission at minimum level (Brown, et al, 2007).

5.2.2 Cross border shopping

Online shopping is a convenient tool for both consumers and sellers. Orders can be placed from home, processed automatically and then delivered swiftly (Brickl, 2011). Cross-border shopping is considered to have lower prices and convenience. Cross-border shopping is often engaged in by the consumers in order to reduce the cost of goods and services by avoiding the taxes and bargaining of access to cheaper foreign markets.

However, some limitations are still existed including the safety of cross-border shopping, delivery time for international orders, the risk of non-delivery, distrust as regards the reliability of the supplier; the transaction methods and the risk of being ripped off (Brown, et al, 2007).

5.2.3 Brand and reputation of the company

The reputation of the retailer carries consideration in consumer decisions about online shopping. There is also good evidence that perceived shop size and range of products can be viewed as a predictor of whether a consumer will buy online. A well-known brand is very important to reduce the fear of the risk for online consumers. Consumers are more likely to shop online for tangible goods with well-known brands and are more likely to shop from well known retailers even if they sell lesser-known brands and brand equity can have higher impact online shopping than offline (Brown, et al, 2007).

5.2.4 Price

The internet has become a global marketplace where the consumers can find and compare the prices. The cheap deals and better prices are offered by online shops since the products come to the customers direct from the manufacturer or seller without middlemen involved (Anamika S.).
However, the addition including delivery fee, customs or prolonged delivery times can influence the online consumer’s decision to consider to buy even the product is offered at the low price.

For the insensitive consumers on the price, the price will be the secondary to consider because these consumers focus on finding unique products with the special features that the consumers cannot buy in physical stores (Hasslinger, 2007).

5.2.5 Trust

Trust has a significant influence on customers’ attitude toward online shopping. Online shopping is perceived as risky, the consumers cannot check the quality of products and monitor the safety of personal data security. Therefore, a high security and privacy will affect to the consumers to have positive behavior and intention to buy online (Tang Wen).

The consumer’s experience and trust will influence the trust in online shopping and human trust on computerized system depends on the perceived technical competence of the system. The trust’s attributes will include perception of safety, trust in the internet retailer and trust in the internet as retail shopping (Hasslinger, 2007).

Online marketers should create specific trust-building strategies for their digital channels by analyzing their brands and services (Riegelsberger).

5.2.6 Convenience

Online shopping provides with many advantages such as time saving, being able to shop at home, at anytime and tracking devices for customers to check their package at anytime. The information search and price comparison process is more easy and quicker via internet (Hasslinger, 2007).
II. ANALYSIS
6 PROFILE OF H&M COMPANY

H&M Hennes & Mauritz AB, a fashion group in Sweden since 1947, has become one of the strongest brands over the world in offering fashion for women, men, teenagers and children. H&M comprises five different stores chains and brands including H&M, COS, Monki, Weekday and Cheap Monday, in which H&M has been built as a strong brand, the customers always can, more stores are opened and new campaigns are being launched (about.hm.com).

6.1 Company background

H&M is a Swedish public limited company and H&M’s corporate governance is based on external laws, regulations and recommendations as well as internal rules (about.hm.com).

The company business concept is to give customer unbeatable value by offering fashion and quality at the best price. H&M ensures the price for the customers by (1) having few middlemen, (2) buying large volumes, (3) having a broad, (4) in-depth knowledge of design, fashion and textiles, (5) buying the right products from the right market, (6) being cost-conscious at every stage and (7) having efficient distribution (about.hm.com)

H&M’s sustainability vision is “H&M’s business operation aim to be run in a way that is economically, socially and environmentally sustainable”. Quality includes ensuring the goods produced with least possible environment impact and under good working conditions (about.hm.com).

Sustainability Strategy includes three connected areas which are People, Planet and Profit. H&M aims to follow a product life cycle approach in our sustainability work and works hard to minimize the impact and contribute to positive change along the entire value chain (about.hm.com)

6.2 Company evolution

In 1947, H&M Hennes & Mauritz AB was found and the first store named Hennes was opened in Vasteras, Sweden and then opened the second stored in Stockholm in 1952. Norway was the first destination to open a store outside Sweden in 1964, the name H&M Hennes and Mauritz was changed and well-known up to now. H&M was listed in the Stockholm Stock Exchange in 1974, started new challenge in Cosmetics in 1977,During period of 1976 to 2000, H&M developed rapidly in fashion industry at many potential markets such as London, Germany,
Netherlands, France, Spain and New York. New York is the first destination of H&M in USA, a potential market which would be full of promise for new successes. During this time, H&M had started using famous models in billboards to promote H&M in newspapers and magazines, and especially the beginning of the internet sales and new challenge in Cosmetics.

Since 2004, H&M had started designer collaboration with other fashion designers such as Karl Lagerfeld, Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo, Sonia Rykiel and Lanvin. The internet and catalogue sales begins in the Netherlands in 2006 and the first franchise cooperation was successful in the Middle East at the same time.

From 2007 to 2009, the first stores opened in Hong Kong, Shanghai, Peking, Tokyo and Russia. The expansion of internet and catalogue sales continues to include Germany and Austria as well as acquired fashion firm FaBric Scandinavien AB with Weekday, Monki and Cheap Monday. Lebanon becomes a new franchise market.

In 2010, H&M stepped up the investments in marketing and IT development as well as in online sales in order to strengthen the brand further and secure future expansion where the company had foreseen great potential for future growth [1]. The first H&M stores opened in South Korea and Turkey. Israel became a new franchise market. Internet sales started in the UK. And in 2011, H&M opened in Romania, Croatia and Singapore as well as, via franchise, in Morocco and Jordan (Annual Report, 2010)

6.3 Current situation

At present H&M has a presence across four continents with around 2500 stores including franchise market and 94,000 employees in 43 countries around the world. Germany is the biggest market, followed by the UK and the US. Franchising is not part of H&M’s expansion strategy generally and the majority of all H&M stores are run only by H&M (about.hm.com).

The collections are created centrally by around 140 in-house designers for a wide and varied range for everyone with quality as key concept to constantly meet or exceed customers’ expectations. Moreover, H&M operated designer collaboration with other fashion brands such as Karl Lagerfeld, Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo, Sonia Rykiel and Lanvin (about.hm.com)
H&M does not own any production factories. Production of goods is outsourced to around 700 independent suppliers in Asia and Europe, through H&M’s local production offices (about.hm.com). H&M also does not own any of its stores Instead of renting store space from international and local landlords.

H&M also publishes H&M magazine four times in a year which is available on H&M website (www.hm.com), it gives a good picture of fashion and offer a mix of fashion, inspiration and the latest lifestyle trend.

6.4 Current online shopping activities of the company

According to H&M growth target “to increase the number of stores by 10–15 percent per year, increase sales in comparable units and at the same time growth with a focus on sustainability, quality and high profitability”, H&M isn’t just expanding with new stores; it is also growing via H&M Shop Online and catalogues, which are now available in eight countries including Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK (Annual report, 2010).

Since 1998, H&M had begun the internet sale and achieved many successes; today E-commerce is becoming increasingly important for the fashion retail industry as well as for H&M [page 3, 12]. In 2010, H&M continued to expand internet and catalogue sales to include the UK, one of H&M’s biggest and most important markets which became the eighth online market for H&M and the sales continued to develop positively in 2010 (Annual report, 2010).

H&M launched an entirely new version of our online shop with a new look and functions at the beginning of 2011 in order to offer an inspiring, innovative and interactive shopping experience as well as improved functionality. H&M Shop Online and catalogues are important complements to the stores and it is one of the world’s most visited websites in the fashion retail industry (Full year report, 2011).

6.5 Financial highlights

H&M’s financial goal is to continue enjoying good growth and to be prepared to exploit future business opportunities as well as continue the expansion with the high degree of financial strength and the freedom of action.

H&M ownership structure consists of 20 largest shareholders and other small shareholders with total 1,655,072,000 shares. The share capital includes 194,400,000 Class A shares
votes per share) which are belongs to the largest shareholder, Stefan Persson and family with 623,849,332 shares, and 1,460,672,000 Class B shares (1 vote per share). Besides the difference in number of votes, there is no other difference between the rights of the shares (See Appendix I)

Table 2: H&M Financial highlights in five year 2007-2011 (SEK Million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales including VAT</td>
<td>128,810</td>
<td>126,996</td>
<td>118,697</td>
<td>104,041</td>
<td>92,123</td>
</tr>
<tr>
<td>Change in %</td>
<td>1</td>
<td>7</td>
<td>15</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Net Profit</td>
<td>15,821</td>
<td>18,681</td>
<td>16,384</td>
<td>15,294</td>
<td>13,588</td>
</tr>
<tr>
<td>No. of shares (thousand)</td>
<td>1,655,072</td>
<td>1,655,072</td>
<td>1,655,072</td>
<td>1,655,072</td>
<td>1,655,072</td>
</tr>
<tr>
<td>Earnings per share (SEK)</td>
<td>9.56</td>
<td>11.29</td>
<td>9.9</td>
<td>9.24</td>
<td>8.21</td>
</tr>
<tr>
<td>Equity</td>
<td>44,104</td>
<td>44,172</td>
<td>40,613</td>
<td>36,950</td>
<td>32,093</td>
</tr>
<tr>
<td>Dividend per share (SEK)</td>
<td>9.5</td>
<td>9.5</td>
<td>8</td>
<td>7.75</td>
<td>7</td>
</tr>
<tr>
<td>No. of store</td>
<td>2,472</td>
<td>2,206</td>
<td>1,988</td>
<td>1,738</td>
<td>1,522</td>
</tr>
</tbody>
</table>

Note: Exchange Rate at Swedbank Sjuharad: US$1= 7.79 SEK (swedbanksjuharad.se, 2012).

(Source: about.hm.com)

Sales including VAT increased year on year, 13%-15% compared with previous year during 2007-2009, however in 2010 and 2011, the percentage of increase is smaller, 7% in 2010 and only 1% in 2011 even thought the number of stores continued increasing with a net amount of 266 stores worldwide from 2010 to 2011. In addition, the Net Profit in 2011 decreased SEK 2,860 million compared with 2010. The main reason is the effect of the global crisis which caused the high inflation in many countries, the increase in price of raw material, labor cost, etc.

According to H&M dividend policy, the Board of Directors has determined that the dividend should equal around half of the profit after taxes. In addition, the Board may propose the distribution of any surplus liquidity. In 2011, The Board of Directors and the Managing Director have decided to propose a dividend of SEK 9.5 per share, the same with previous
year 2010. In 2012, The Board of Directors expects to pay the dividend on 11 May 2012 (about.hm.com).

According to the H&M 3 month report (Quarter 1 Report, 2012), the new year has started well with a strong increase in sales 13% and increase 3% in comparable units compared with Quarter 1 2011. The positive development with strong sales continued in March 2012.

H&M is investing for future development and always focus on the customers. H&M continues strengthening the customer offering such as not increasing the prices even the purchasing cost including the increase of cotton price and continue increasing in the future. This is one of the reasons that caused a negative effect on the gross margin which decreased 55.8% in Quarter 1 2012 from 57.8% in Quarter 1 2011.

H&M is making a long-term investment in order to build a stronger H&M worldwide, so that H&M will give the customers a broader offering going forward (Quarter 1 Report, 2012).

### 6.6 Corporate social responsibility

Like all H&M activities, H&M’s CSR work is based on a drive for continuous improvement. H&M has a responsibility towards everyone who contributes to its successes, including those who are not employees of H&M in order to ensure that the human rights of H&M employees, suppliers’ employees and other co-operation partners are not violated. That is why H&M work closely with suppliers to develop sustainable social and environmental standards in the factories that manufacture H&M’s products.

H&M applies the precautionary principle in the environmental work and has adopted a preventative approach with the substitution of hazardous chemicals. H&M strives to use resources as efficiently as possible and to minimize waste. By adopting new technologies and methods, the company can work preventatively to minimize our environmental footprint through improved production processes and the choice of materials (about.hm.com).

The CSR department sets the overall targets and strategies and provides support to the other departments. Each department is then expected to set individual sustainability goals and initiate actions aimed at fulfilling seven commitments H&M set in 2010 in line with the sustainability policy; (1) Provide fashion for conscious customers, (2) Choose and reward responsible partners, (3) Be ethical, (4) Be climate smart, (5) Reduce, reuse, recycle, (6) Use natural resources responsibly and (7) Strengthen communities (about.hm.com).
6.7 Expansion strategy and future development plan

H&M expansion is global including opening new H&M stores and online shopping as well as updating and renovating the current stores around the world to ensure the customers enjoy a better shopping experience. H&M stores always aim to be located in the best business location such as shopping centers and big cities. All H&M stores should strengthen the brand and offer local customers the best possible shopping experience. [about.hm.com]

Before H&M decide to move to new market, an assessment of the market’s potential including; demographic structure, purchasing power, economic growth, infrastructure and political risk will be analyzed.

H&M remains positive towards the future expansion and the company’s business opportunities. The growth target is to increase the number of stores by 10–15 percent per year with continued high profitability and at the same time increase sales in comparable units. This growth, which is entirely self-financed, will proceed with an emphasis on quality, sustainability and continued high profitability.

For the 2011/2012 financial year a net addition of 275 new stores is planned. China, the UK and the USA are expected to be the largest expansion markets in 2012, as well as good opportunities for growth in France, Italy and Germany. Bulgaria, Latvia, Mexico, Malaysia and Thailand will become new H&M markets in 2012.

H&M sees great potential for future growth within online and catalogue sales where the investments continue. During autumn 2012, H&M Shop Online was planned for USA, the world’s largest retail market for online and catalogue sales. Also in the countries where customers cannot yet shop H&M online, the new website will be launched in order to offer more inspiration and increase customer traffic to H&M’s stores (Annual report, 2010).
7 VIETNAM MARKET ANALYSIS

7.1 Introduction to Vietnam

Vietnam Socialist Republic, a developing and well-known country which had a long period in war and many people still imagine Vietnam through the lens of war. In reality, Vietnam is the gracious and graceful country that has a natural beauty with the total area of 331,114 km$^2$ in the shape “S”, the coast length of 3,444 km in Southeast Asia and total population of approximately 90 million people till 2011. Today Vietnam becomes an outstanding travel destination over the world (Shear, 2012).

Vietnam culture was influenced by China and France, but after the war the government focused contemporary Vietnamese art and literature programs on our traditional features in an attempt to move away from Western influences (kc tu.kar.nic.in)

Vietnam has established a legal basis and convenient investment conditions for domestic and foreign enterprises, simplified procedure and reduced the cost of market entering as well as made the business environment healthier (Vietnam Trade Promotion Agency).

The below PEST analysis will present a deeper overview of Vietnam country as well as its current situation.

7.2 PEST analysis of Vietnam

PEST analysis stands for "Political, Economic, Social, Technological analysis" which are clarified as follows:

**Political:** The politics of Vietnam takes place in the framework of a single-party socialist republic, the Socialist Republic of Vietnam exists today as a communist state.

All Vietnamese political organizations are controlled under Vietnamese Communist Party, formerly the Vietnamese Labor Party. A Party Congress meets every five years to outline the country’s overall direction and future course and formulate policies, the 160-member Central Committee which was elected by the Party Congress and meets at least twice a year. There is no separation of powers between executive, legislative and judicial branches.

The head of state is the President: Truong Tan Sang who serves as the nominal commander of the armed forces and chairman of the Council on National Defense and Security; the Prime Minister runs the government: Nguyen Tan Dung who heads a cabinet composed of three deputy prime ministers and the heads of twenty-six ministries and commissions, all elected by the National Assembly (Wikipedia, 2012).
The Communist Party of Vietnam, the vanguard, the rights and the interests of the Vietnam working class acting upon the Marxist - Leninist doctrine and Ho Chi Minh's thought, is the force leading the State and society. All Party organizations operate within the framework of the Constitution and the law (Embassy of Vietnam in Malaysia).

According to the 1992 Constitution, the National Assembly is the highest representative body of the people, the highest organ of State power and the only organization with constitutional and legislative powers. The National Assembly decides the fundamental domestic and foreign policies, the socio-economic tasks, the country's national defense and security issues, the essential principles governing the organization and activity of the State machinery, the social relations and the activities of the citizen. The National Assembly consists of 498 members and opens to non-Party members and elects for members every five years. The assembly meets twice yearly for seven to ten days each time. It has become more vocal and assertive in exercising its authority over lawmaking, particularly in recent years. There is a separate judicial branch, but it is relatively weak. Overall, there are few lawyers, and trial procedures are rudimentary (Wikipedia, 2012).

Every year Vietnam government has a big effort in improving the business environment with achieving encouraging results and establishing a quite attractive investment environment for foreign investors. [81] Since the government policy and political factors are to encourage its investment and development, H&M can have good opportunities to start their business in Vietnam; however the company should consider reducing the political risk by the good relation with the local government.

Economic:

Vietnam has one of South-East Asia’s fastest-growing economies and has target to become a developed country by 2020. After long time in negotiations, Vietnam joined ASEAN in 1995 and WTO in January 2007, a positive sign for Vietnam economy development and integration (VBN, 2010).

In December 2011, there are 13,667 projects with total registered capital of US$ 198 billion, in which industry and construction accounted for 54%. Singapore is the largest investor in Vietnam with total registered capital of $ 24 billion, was followed by South Korea, Japan and Taiwan. HCMC is still the leading city in attracting FDI to 32.67 billion U.S. dollars, followed by Ba Ria-Vung Tau, Hanoi, Dong Nai and Binh Duong. This shows that foreign investors still have a positive assessment of business and investment environment.
in Vietnam. In addition, according to international organizations, Vietnam still remains an attractive investment for investors in the world. WIPS 2010-2012 of UNCTAD shows that Vietnam has promoted 3 ranks, ranked the first in ASEAN on FDI and one of 10 most attractive economies for foreign investors, particularly for Japanese and other developing countries in Asia. The online survey of Nikkei Business Times said that Vietnam was selected as an attractive investment location to open production facilities, above both India and Thailand. As markets, Vietnam is the third attractive investment after India and Indonesia (Ministry of Planning and Investment, 2012).

The statistics data for Vietnam Economy during 3 years, 2010-2012 can be summarized in Appendix II.

Appendix II shows the past development as well as the future trend of the country economy. Gross Domestic Product (GDP) in 2011 increased 5.89% compared with 2010, even the growth rate was lower than 2010 which is 6.78% but in term of difficult production situation, the country focused on curb the inflation and stabilizing the macro-economy, this growth rate is quite high and rational. (General Statistics Office, 2011)

Inflation has continued to soar in Vietnam, increased quickly at 18.13% in 2011 from 11.75% in 2010. At the beginning of March 2011, petrol prices jumped more than 17% and power prices rose more than 15% in February 2011. The consumer price index increased at an annual rate of 12.24 % in February, the highest rate of increase in the past two years.

The local currency, the dong, was also recently devalued and was under continued high depreciation pressures (Vietnam newspapers). Monetary policies are loosened in many years in order to meet the requirement of investment and development, social security and social welfare under an weak economy and investment structure (Business in Asia).

The government must consider the above factors in order to curb the inflation in the future, inflation continues to be a problem although it is predicted to decrease to less than 10% in 2012 according to the government policy and future plan.

Vietnam adjusted the minimum wage every year. Currently, minimum pay ranges from VND830,000 to VND1.55 million, depending on the location of the employee. Vietnam, in 2011, leaded the minimum wage increase 11.5% among the neighboring countries which are approximately 7% for Indonesia, Philippines, Thailand and 5.8% for Malaysia (Business in Asia).
State debt of Vietnam is still at high level due to the global economy crisis since 2008, total state debt in 2010 accounted for 44.5% of GDP, 10 times increasing compared with 2007 and continue increase in 2012 but with slower growth rate.

In 2011, the trade gap of import over export had decreased at 9.9% compared with export turnover, a good sign for future development (Ministry of Planning and Investment, 2010).

In fact, Vietnam has some negative economic factor such as low disposal income, weak currency exchange rates and high inflation, however Vietnam economy is increasing and developing and the focus priority is on international trade, therefore Vietnam market will create many chances for the company to exploit and expand their business.

**Social/Cultural:**

Vietnam’s total population is 87.642 million people (2011) and keep increasing regularly, making it the 13th most populous country in the world. Vietnam is a young country, with an incredible 65% of the population under the age of 30. This is one potential advantage for future development (Shear, 2012).

Vietnam has total 64 cities and provinces, the capital is Hanoi and the biggest city is HCMC, formerly Saigon. HCMC is the economic and commercial center of the country with highest population density of 3,419 people/km² and 35,000 – 53,000 people/km² in the center

Most Vietnamese people believe Buddhism which is 50% of total population, the others include 10% Catholicism and many others religions.

Appendix III will present Vietnam demography during period 2008-2013.

The population in urban had increased regularly and the population in rural decreased in 2008, 2009, and 2011 and increase slightly in other years. Due to the development and modernization as well as industrialization in big cities such as HCMC, Hanoi, Danang, etc. which created many job opportunities, therefore people who living in the rural, countryside tended to move to big cities. And in the future, this trend will be kept going and estimated at 3.25% increasing population in urban area in 2013.

Vietnamese labor force main work in agriculture with 53.9% of labor force, 20.3% in industry and 25.8% in services. However, the highest share in economy output is from industry with 36%-41%, agriculture’s share has continued to shrink from about 25% to 20% and
services’ share has kept the same level 39% during the period of 2000-2010 (Index Mundi, 2011).

According to the largest career placement website, the online demand for human resources increased considerably in second Quarter of 2009 with the demand index increased 37%, Ho Chi Minh is leading top ten cities registering the highest rise in the index. (Vietnam-Works.com). The ministry of Labor said that the country generated 650 thousand jobs in 2009, decrease 16.7% year-on-year, HCMC needs about 265 thousands labors (2010) including unskilled workers (45% of total demand) and the demand for skilled workers will be increasing. The ministry of Labor planned to create 24.6 million job trainees by 2020 to change view point on job training and improve the quality of human resources in production, trade and services, total funding for the plan is expected to amount of US$ 2.31 billion (Business in Asia)

The climate must be considered to be very important in developing fashion industry in Vietnam which is the same with some neighbor countries such as Thailand, Lao, Cambodia… Vietnam is located in both tropical and temperate zone and influenced by strong monsoon, high rate of rainfall and high humidity. There are two main seasons but different between the north and the south, rainy season from October to April, dry season from May to September. Because of monsoon influences and complicated topography, the climate always changes during the year, between the years and the regions (north and south, plain and highland). In the north, the lowest temperature is 17°C and the highest one can be 43°C. In the south and plain, there is no colder weather with average temperature at 29°C. There is a change on highland with cold weather and average annual temperature at 18°C (World 66).

The young population and a potential labor market will be an advantage for H&M in the future. As a country in Asia with sharing some similarities in social-cultural factors as well as the weather with some neighbor countries such as Singapore where H&M had presented, H&M can consider the way to enter the market and the product ranges display with the consideration of the climate changes in Vietnam.

Psychology point of view is another advantage for fashion industry development, Vietnamese will feel more confident when they are wearing the “hot” fashion styles of a famous brand from abroad, the brand will deliver the message about their success and fortune and they want people admire and look at them with a different view. This advantage
shows that Vietnam market is one of the potential markets for investing a foreign fashion brand as H&M which is from Sweden, Europe.

**Technology:**

In Vietnam, Infrastructure is developing very fast to attract FDI, road and railway is well-developed. The internet users were 24 million people account for 27.1% in 2010 and had been ranked the 7th among the countries with high proportional internet users in Asia. In 2011, there were 30.5 million users account for 33.7% and ranked up the 6th in Asia (See Appendix IV).

Improvement and development technologies and sciences is one of the most important missions of Vietnam government. In 2011, Vietnam had operated efficiently in completing the policies for technologies and sciences development, encouraging the enterprises to update the new technologies, especially high technologies, materials and energies saving technologies (Ministry of Planning and Investment, 2011).

The technology is developing increasingly provides a potential opportunities for H&M to enter Vietnam market with an online shop.

### 7.3 Legal background

Vietnam law system is based on the socialism legal theory and inherited from French civil law system. National Assembly is the highest office responsible for the law making with the supports of Legal Committee and various subordinate offices.

The law drafting process is made by the functioning agencies (ministries or ministerial agencies) in the respected fields, then it will be submitted for consideration, revision, and approval depending on the level of legalization of the drafted document (stipulated by constitution). Constitution is the highest legal document in Vietnam, passed by National Assembly on April 1992. Under Constitution are laws, ordinances, decrees and other affiliate legal documents such as Orders, Government Decisions, Circulars, Guidelines and Ministerial Decisions dealing with different aspects of social life. Appendix V will show how Law making bodies and legal system are working and the implementation processes (adrc.asia).

The current legal system governing electronic transaction in Vietnam is constructed around two pillars, namely the Law on Electronic Transactions 2005 and the Law on Information Technology 2006. The former laid the legal foundation for electronic transactions by rec-
ognizing the legal effects of data messages and giving detailed regulation for electronic signatures – the element to ensure the reliability of data messages. The Law on Electronic Transactions mainly regulates electronic transactions in state agencies and business, commerce, and civil relationships. On the other hand, the Law on Information Technology is composed of basic provisions on the application and development of information technology and measures to develop the infrastructure for these activities. Combined together, these two laws regulate almost all elements related to the use of information technology and e-commerce in socio-economic activities in Vietnam. By the end of 2009, the legal framework for e-commerce in Vietnam had been fundamentally established with the backbone being legal texts under the E-transaction Law and the Information Technology Law (Vietnam E-commerce Report, 2009).

7.3.1 Commercial Code

The Commercial Law of Vietnam was passed in 2005 by the 11th National Assembly of the Socialist Republic of Vietnam at its 7th session.

Section 3 in Commercial Code states the fundamental principles for foreign trader conducting commercial activities in Vietnam, foreign traders are entitled to set up their representative office or branches in Vietnam and to establish foreign-invested enterprises in forms of Vietnamese law with the rights and obligations specified by Vietnamese law. Foreign-invested enterprises established in Vietnam by foreign traders according to provisions of Vietnamese law or international treaties to which the Socialist Republic of Vietnam is a contracting party shall be regarded as Vietnamese trader.

The Commercial Code points out the competences to license foreign traders to conduct commercial activities in Vietnam. Ministry of Planning and Investment shall be answerable the insurance of license to foreign traders investing in Vietnam and the Trade Ministry shall be answerable the insurance of licenses to set up Vietnam-based representative offices, branches, joint-venture enterprises or enterprises with 100% foreign capital in Vietnam in compliance with Vietnamese law and treaties to which the Socialist Republic of Vietnam is a contracting party.

The foreign traders shall be terminated their operations in Vietnam in the following cases: Expiration of operation duration stipulated in their licenses, the request of traders, decisions of competent state management agencies as a sanction against their violations of law and their licenses, traders are declared bankrupt, foreign traders terminate their operations
according to foreign laws, for representative offices, branches or foreign parties to business cooperation contracts with Vietnamese parties and other cases provided by law. Before terminating the operation in Vietnam, foreign traders are obliged to pay debts and fulfill other obligations toward the State (Vietnam Commercial Law, 2005).

7.3.2 Labor Code


The Labor Code protects the right to work, the interest and other rights of employee and employer, thus creating conditions for the establishment of harmonious and stable labor relations in order to achieve high productivity, quality and social progress, bring prosperity to the people and strength to the country.

Labor contract: the contract is the agreement between the employee and employer which defines the working time, the break time, the salary, the place of work, the duration of the contract, the conditions on labor safety, labor sanitation, the social insurance for the employee, the rights and obligations of each party in their labor relations, the contract is valid from one to three years.

Termination of the labor contract: the contract will terminate upon the following events: the term of the contract and the job under contract has been finish, two parties agree to terminate the contract, the employee is sentenced to imprisonment or is banned from doing the former job by ruling of the Court and the employee dies or is declared missing by the Court.

Working time: the work day shall not exceed 8 hours nor 48 hours per week, the over time may be agreed but not exceed 4 hours per days or 200 hours per years. Night working hours are to be from 22:00 to 6:00 the following day or from 21:00 to 5:00 the following day. During each week, the employee is entitled to at least one day of rest (24 straight hours).

Break time: the employee is entitled to at least a half an hour of rest inclusive of the work time if he/she works continuously 8 hours, the employee on a night shift is entitled to at
least 45 minutes of rest inclusive of the work time and at least 12 hours of rest before begin-
ning another shift.

Holidays: The employee is entitled to receive full pay on the following holidays: New Year Day (solar calendar), Lunar New Year Festival (4 days), Independence Day (30th April), Labor Day (1st May) and National Day (2nd September).

Annual Leave: The employee with 12 months working at a business or with an employer, is entitled to an annual leave with full pay as follow: 12 days for a person working in normal conditions, 14 days for a person working in heavy, noxious or dangerous jobs, in places with harsh living conditions, or for persons under 18 years of age, 16 days for persons working in especially heavy, noxious and dangerous jobs. The number of days in an annual leave shall increase proportionally with the seniority of the employee at a business or with an employer, at the rate of one day for every five years.

The Vietnam General Confederation of Labor and Trade Unions: they shall join the State offices and representatives of the employers in discussing and settling questions concerning labor relations. They are entitled to create service agencies for job placement, vocational training, mutual assistance, legal consultancy and community welfare for the employees, as well as other rights defined in the Trade Union Law and this Code.


7.3.3 Tax Code

The tax system in Vietnam consists of the following main taxes:

Corporate Income Tax (CIT):

In Vietnam, enterprises including domestic and foreign companies which operate in pro-
ducing and trading goods and services and earn income will be liable to pay CIT; the standard rate is 25%. The duration for application of tax rate incentives is counted from the first year an enterprise has turnover. The tax exemption or reduction duration is counted from the first year an enterprise has taxable income; in case an enterprise has no taxable income for the first three years from the first year it has turnover, the tax exemption or reduction duration is counted from the fourth year.
Value Added Tax (VAT)

VAT applies to goods and services circulated and consumed in Vietnam. VAT is collected through production, trading and provision of services. When supplying goods and services subject to VAT, the business must charge VAT on the value of goods and services supplied. In addition, VAT applies to the duty paid value of imported goods. The importer must pay VAT to Customs at the same time it pays import duties.

Applicable VAT rates are 0%, 5%, and 10%, respectively. The 0% rate applies to export of goods and certain services including sales to EPZs.

The VAT system of Vietnam is also characterized by two types of VAT payers: deduction method VAT payers and direct method VAT payers. Most companies and business organizations are deduction method VAT payers. The businesses must file VAT returns monthly to the tax authorities. The tax authorities, in turn, will process the tax return and issue a tax assessment notice to the tax payer. The payable VAT must be paid to the State budget the following month. The direct method generally applies to small business households (over 1 million family businesses) that do not keep proper accounting records. VAT is calculated at a deemed rate on gross turnover.

Special Sales Tax (Excise Tax):

Special sales tax is levied on the following products and services: Cigarettes, cigars, Spirits, beers, automobiles of less than 24 seats, assorted types of petrol, naphtha, playing cards and some special services, including dancing halls, massage lounges, karaoke parlors, casinos, jackpots betting entertainment, golf, and lotteries. Special sales tax rate is from 10% to 75%. Goods and services subject to the special sales tax are also subject to the VAT with a rate of 10%.

Personal Income Tax (PIT):

The payers of personal income tax (PIT) are Vietnamese citizens and foreigners working in Vietnam, having an income. Taxable income includes salaries, wages, remunerations, bonuses and allowances. The progressive tax rate can be seen in Appendix VI.

Foreigners residing in Vietnam for an aggregate of 183 days or more within a consecutive 12-month period from the first date of arrival will be treated as tax residents in Vietnam. Foreigners who stay less than 183 days in a consecutive 12-month period following the
first date of arrival, are considered as non-tax residents in Vietnam. Non-tax residents are subject to PIT at a flat rate of 20% on their Vietnam-sourced income in the tax year.

Each of these taxes is administered by the General Department of Taxation (Ministry of Finance) except for the import-export duties (General Department of Customs). The Department of Customs will be in charge of import and export duties.

**Export duties:** Export is encouraged and thus, almost goods and services being exported are exempt from tax. Export duties are only charged on a few items, basically natural resources such as minerals, forest products and scrap metal. Rates range from 0% - 45%. The price for the computation of export duties is the Free-On-Board (FOB) price of the invoice.

**Import duties:** Generally, all goods crossing Vietnamese borders are subject to import duties: goods imported through Vietnamese border gates by road, river, seaport, international railway, international post and other locations where customs procedures are made; goods transferred from the local market to non-tax areas or vice versa; and other goods that are permitted to trade or exchange. The goods are not subject to import duties including goods transited and transported by mode of border gate transshipment through Vietnam’s border gates or border; humanitarian aid goods, non-refundable aid goods; goods imported from abroad into non-tariff zones and only used therein; and goods brought from one non-tariff zone to another.

**Import duties rates:** Consumer goods, especially luxury goods, are subject to high import duties, while machinery, equipment, materials and supplies needed for production, especially those items which are not produced domestically, enjoy lower rates of import duties, or even a 0% tax rate. Duty rates for imported goods shall include standard rate, preferential rate and special preferential rate depending on the origin of the goods.

- The preferential duty rate shall apply to imports originating from countries or groups of countries which have signed an agreement with Vietnam attaining a Most Favored Nation status in trade relations;

- Standard duty rate shall apply to imports originating from countries that have not signed an agreement with Vietnam attaining a Most Favored Nation status in trade relations. The standard duty rate shall be applied at a uniform rate that is 150% of the preferential duty rate.
- Special preferential duty rate shall apply to imports originating from countries or groups of countries which have signed an agreement with Vietnam on special preferential import duties on the basis of free trade regions or customs unions or on the creation of favorable conditions for commercial exchange through border gates (Investment and Trade Promotion Center).

7.4 E-commerce situation in Vietnam

In 2009, Vietnam E-commerce have substantially grown and gradually come into life, contributing to the nation’s overall development after 4 years’ implementation of Master Plan on E-commerce Development for 2006-2010 periods.

The policy on e-commerce has been continuously consolidated by various programs and projects including Internet and telecommunications infrastructure planning, IT human resource development, IT application in state agencies. Building an information society based on advanced technology infrastructure had supported and promoted the development of e-commerce in Vietnam.

Many workshops, seminars, and practical training courses have been implemented with about 200 training courses on state management on e-commerce and e-commerce application skills for state officials and enterprises nationwide. On other hand, full-time education on e-commerce has been done at many education and training institutions. For instance, in 2008, 49 (30 universities and 19 colleges) out of 108 educational institutions have taught E-commerce. Some other universities have planned to invest on E-commerce training in order to meet the current and future demands as well as business practices.

Payment method in Vietnam developed strongly in electronic payment and card payment. State Bank of Vietnam officially launched and operated Interbank Payment System phase II since Q2, 2009. More than 21 million payment cards have been issued in domestic currency 25,000 billion VND and foreign currency US$ 2 billion by 45 banking institutions. The new and modern payment tools have developed fast for consumers by the internet, ATM, POS, mobile phone…

In 2009 and 2010, Vietnam promoted and participated in international cooperation on e-commerce within WTO APEC, ASEAN, UNCITRAL, UN/CEFACT… and with strong e-commerce development countries such as US, China, South Korea, Japan… This cooperation plays a vital role in the development of domestic e-commerce and integration with
world’s e-commerce, contributing to trade growth and competitiveness in Vietnam (Vietnam Ecommerce Report, 2010).

When the enterprises apply e-commerce, the security of information and customer data privacy is the most important issue. The figure below will point out the methods that the enterprises are currently using.

Table 3: Security methods applied by enterprises in Vietnam in 2010

<table>
<thead>
<tr>
<th>Method</th>
<th>Software</th>
<th>Firewall</th>
<th>Hardware</th>
<th>Digital signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>69.3%</td>
<td>19.8%</td>
<td>8.7%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

(Source: Vietnam Ecommerce Report, 2010)

As the requirement on customer data privacy security in e-commerce, 93% large enterprises and 32% SME are developing and using security methods to protect the customers.

In the period 2005-2010, by using the e-commerce in business, 64% of enterprises have increasing revenue, 32% of enterprises have unchanged revenue, and only 4% have decreased revenue and this trend tends to be in positive way. This shows that e-commerce is become more and more important in operating the outcome of enterprises (See Appendix VII).

Besides the development of E-commerce, there are still many obstacles and limitations that enterprises facing such as the security issues, online payment solution, training for e-commerce human resource, legal and policy system and transportation and logistics systems. The enterprises cannot solved by themselves but entirely depend on the initiative of government. Therefore, concerned government bodies need to establish concrete policies and plans to support enterprises to get over these obstacles in the future (Vietnam Ecommerce Report, 2009).

7.4.1 E-commerce business models applied in Vietnam

In Vietnam, the e-commerce business models currently specialize in many fields as follows:

**Online recruitment:** There are two methods which are the most popular methods of online recruitment including the website of a business and the recruitment agency websites.
The companies can reduce the cost, save time, effort and avoid the dependence on recruitment agencies by online recruitment on their website but the companies should have a sufficient online recruitment system and strong brand to attract the candidates such as; FPT Joint-Stock Company (www.fpt.com.vn), Dutch Lady Vietnam Company (www.dutchlady.com.vn), Unilever Vietnam (www.unilever.com.vn), etc. However, most companies will use both methods to make the recruitment process more effectively.

Due to the high demand of Vietnam market for online recruitment, a big amount of online recruitment companies have been established. Online recruitment companies have invested in services for businesses as well as diversified and improved the quality of services for job finders and interactive activities between recruiters and candidates.

PC World Vietnam conducted a survey annually with the customers of these websites about content, design and technology, customer service and the results from using the websites. In 2008, VietnamWork.com, kiemviec.com and timviecnhanh.com received the most votes. In 2009, the ranking is shown in the following table.

Table 4: Top 3 recruitment websites in 2009 (maximum point is 5)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Companies</th>
<th>Website</th>
<th>Point</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>VINA Head Hunter Corporation</td>
<td><a href="http://www.timviecnhanh.com">www.timviecnhanh.com</a></td>
<td>4.1</td>
</tr>
<tr>
<td>3</td>
<td>CTCP Online Advertisement 24h</td>
<td><a href="http://www.24h.com.vn">www.24h.com.vn</a></td>
<td>2.9</td>
</tr>
</tbody>
</table>

(Source: Vietnam Ecommerce Report, 2009)

Advertising on social networks:
Online social networks provide the large community to interact, share, store and exchange information on the internet with blogs, forums, chatting and other services. People can also make advertising by creating an account on those social networks.

Yahoo!360°, Hi5, Facebook Twitter, Youbanbe, Zing Me, Youtube, etc. are the most popular social networks for blogging with the quick increase of members, Zing Me gained 4.6 million members and Facebook gained 3.5 million members in 2010. Some other websites provides forum services which attracts many businesses and individuals for advertising such as 5giay.vn, raovat.com, vatgia.com, webtretho.com, etc. (5desire Event, 2011)
There are two online advertising on social network websites including display advertising and interactive advertising. The most popular websites are 5giay.vn, muare.vn, 123mua.com.vn, enbac.vn, etc. Display advertising is in forms of logo, banner and text advertising. Interactive advertising is rising and becomes more popular, businesses and individuals are able to create topics free of charge to promote their products and communicate with customers directly on the topics, however, these topics can be pushed behind when new ones and new topics enter the forum.

7.4.2 Online shopping situation in Vietnam

As the result of rising brand consciousness and consumer oriented society, the demand for better quality fashion from abroad has grown, Famous brands such as Mango, Zara, Gucci, D&G, DKNY, etc. are available on Vietnam market and some brands such as Mango, Zara, Bossini, etc, produced in China sell well in big cities at not very expensive price for most Vietnamese people.

However, we also can find easily everywhere many products imported from China which are selling at very cheap price with low to medium quality. The local retailers say that the Chinese products are the cheapest with nice design, so that they can sell well, especially in rural areas and industrial zones. Vietnam is still a potential market for famous fashion brands from abroad but highly competitive with many challenges.

Facing to high cost to start a business in fashion industry by opening a traditional shop with very high rental including shops in shopping centers and shop houses, an online shop always is the best solution and the most choice for the enterprises specialized on different fields such as transportation, tourism, retail, fashion, etc. in such potential market.

In traditional market, the rentals are decreasing but still quite high, especially in big cities such as HCMC, Hanoi and Danang. In Quarter 4 of 2011, according to research of CBRE Vietnam, in HCMC, the rental had decreased 10% in CBD and 8.1% in non-CBD compared with 2010; in Hanoi, the rental in CBD had decreased slightly only 0.4% while in non-CBD the rental had decreased stronger at 26.1% compared with 2010 (CBRE Vietnam, 2011).

And most the famous brands such as Mango, Zara, Bossini, Nine West, French Collection, DKNY, BCBG MAXAZRIA... choose the good locations at CBD in big cities; Nguyen Hue Boulevard, Dong Khoi street, Hai Ba Trung Street, etc in HCMC and Ba Trieu Street, Thai Ha Street, Trang Thi Street, etc. in Hanoi; and in big and luxury shopping malls such
as Vincom Center, Parkson, Diamond Plaza, Parkson, Vincom Hanoi, etc. at very high rental. As a developing country, the rentals of Vietnam are quite high based on the economy situation compared with other developed countries such as USA, Singapore, Malaysia, Thailand, etc. The rental of shopping centers and shop-houses in 2012 of Vietnam and some other countries can be seen in Appendix VIII and IX.

Together with the rapid development of the internet with 30.5 million internet users (Internet World Statistics 2011), the online payment is developing step by step to higher level, this create many advantages for online shopping activities in Vietnam.

Now the consumers can shop different kinds of products and services and make payment via internet, by this way they can buy the products at the good price, save the time and the transportation costs. However, online shopping at present, just focuses and develops in big cities such as HCMC, Hanoi and Danang with a particular group of customers including young generation (teenagers, students, businessmen, officers, etc.).

In fact, the limitations of the payment, private data, product quality, etc. the consumers still feel unsafe to buy the products online. Most of the products selling on online shops are from China, Thailand, Cambodia… which do not ensure about quality and the origin of the products. The most chosen and used websites for online shopping by the consumers in Vietnam are www.5giay.vn, www.123mua.vn, www.vatgia.com, www.raovat.vn, etc, these websites provide very large range of products such as fashion for men, women, teenagers and baby, beauty services, mobile phones, laptops, cameras, souvenirs, cosmetics, perfumes, tours, hotel, etc. The sellers can register the accounts on the website and start their businesses by providing the product and services with the full information and pictures of products. The customers can find and compare the products easily and quickly among the websites before making decision of buying. However, these websites do not have the online payment; the customers just check and compare the products online and the purchasing usually is done offline, the methods of payment can be agreed between the sellers and the customers such as ATM transfer, bank transfer, cash on delivery, etc.

Since 2009, Vietnam already had many websites providing online shopping and SEM Vietnam (Search Engine Marketing Vietnam) had conducted a survey and find out top ten websites of online shopping in Vietnam.
Table 5: Top 10 websites providing online shopping in Vietnam 2009 - 2010

<table>
<thead>
<tr>
<th>Websites</th>
<th>Rank 2009</th>
<th>Rank 2010</th>
<th>Websites</th>
<th>Rank 2009</th>
<th>Rank 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="http://www.muaban.net">www.muaban.net</a> - C2C</td>
<td>9</td>
<td>1</td>
<td><a href="http://www.chodientu.vn">www.chodientu.vn</a> - B2C</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td><a href="http://www.enbac.com">www.enbac.com</a> - C2C</td>
<td>6</td>
<td>4</td>
<td><a href="http://www.muare.vn">www.muare.vn</a> - C2C</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td><a href="http://www.nhommua.com">www.nhommua.com</a></td>
<td>4</td>
<td></td>
<td><a href="http://www.muachung.vn">www.muachung.vn</a></td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

(Source: vietnamwebsite.net, 2010 and semvietnam.com, 2009)

The well-organized website with full functions of an online shop is Vietnam Airlines, a member of Skyteam (www.vietnамairlines.com), as many other airline websites, Vietnam Airlines includes web check-in and online payment by credit card (Visa and Master). Another website for hotel booking at the best prices, www.agoda.vn, the customers can search and compare the offers among many hotels and many locations over world on this website, the payment methods are also made by credit card and debit card with Visa, Master, JCB, American Express, Paypal and Carte Bleue. Due to the royalty and reputation of the companies, the customers are willing to choose the products and services of the companies and feel safely to make the online payment and their personal data security.

In 2010, Peacesoft Company had launched a new payment method, named Ngan Luong (nganluong.vn), in order to build the customer royalty in online shopping and help the customers in choosing the prestige sellers. The customers can receive 100% compensation by using Ngan Luong services if the customers get the risks.

The current situation shows although the online shopping is quite developed and popular in Vietnam, there are still many limitations and obstacles in practical. Therefore, in order to improve and encourage the development of online shopping, the companies themselves need to build the corporate reputation and customer royalty toward the brand and product quality, their security on customer data and online payment. On the other hand, the customers should be aware of the consumer benefits, online searching and comparing skills,
website evaluation skills, knowledge on online payment and how to provide the personal data in order to avoid the fraud.

7.4.3 Purchasing Power

A research conducted by TNS, the world largest Custom Market Research specialists, had reported on the purchasing power and priority spending in Vietnam during 2009-2010. Compared to other countries in Southeast Asia, Gross National Income of Vietnam during 2009-2010 has surpassed Indonesia and Cambodia, in 5 next five years Vietnam is estimated to surpass the Philippines (see Figure 1). However, Vietnam lagged behind in terms of National Purchasing Power Parody (PPP) in the region due to the constant inflation pressure (see Figure 2).

Due the global crisis, the savings were dropping year on year and the total expenditure was decreasing slowly from 84% in 2010 to 81% in 2011, especially in large cities such as
HCMC and Hanoi. This shows that the purchasing power of the consumers decreased slightly in past few years. However, the consumer confidence had seen steadily increasing since 2010 from 78 points up to 83 points in September 2011 (max 100 points). TSN also conducted a research on the urban FMCG trend during 2012-2015, that About 90% Vietnamese consumers want to buy the good quality products even if more expensive and in term of consumer’s perspective, 55% consumers agree that the higher price means higher quality and the consumers prefer the spend more on the branded products. Among the popular used promotions including discounted price, free gift with purchase, lucky draw prizes, get free product or sample with multiple purchase and monetary gift, the most preferred promotion was discounted price, account for 46% since 2008 and continued increasing to 54% in 2011 (TNS, 2012).

7.4.4 Customer Analysis

Research methodology: In order to analyze the customer behavior, primary data collection method will be used and primary is the data that researcher can collect himself using the methods such as direct observation, surveys, interview and logs (Mark Kelly, 2012). In this research, a questionnaire will be designed based on quantitative method for online survey which will target to the internet users.

Main goals: the main goals of this survey are to measure Vietnamese customers’ behavior toward online shopping and H&M brand.

Target correspondents: Due to the potential markets for developing fashion industry through the country, the questionnaire will be distributed for collecting the data in 3 biggest cities in Vietnam including HCMC, Hanoi and Danang. Since H&M is a famous fashion brand from Europe which is suitable for young generation with the high and medium income segmentation in Vietnam, so the target respondents for this questionnaire will be mainly at the age from 20 years old to 50 years old with total 100 respondents.

Questionnaire: the questionnaire is divided into 3 parts which can be seen in Appendix X. Part 1: This part consists of nine questions to identify the customer behavior toward online shopping in Vietnam, how online shopping is perceived, satisfied and used widely in Vietnam.
Part 2: Customer behavior toward H&M brand in Vietnam will be determined in nine ques-
tions, how H&M brand is recognized in Vietnam and Vietnamese customers’ reactions to H&M.

Part 3: Five demographic questions will be included to collect personal data of respondents including age, gender, occupation, monthly income.

Survey result:

The questionnaire has been carried out and collected the responses online from 100 re-
spondents within 3 big cities in Vietnam including HCMC, Hanoi and Danang.

Age: As a young country with 65% young generation, the respondents make up 58% of 20-
30 age, 32% of 30-40 age. This customer group will be a potential segment for H&M to
attract them in online shopping.

Gender: The respondents are mostly female account for 76% of them who are very inter-
ested in fashion and new trend.

Occupation: Most of them are students, officers, executives, staffs as well as senior man-
agement officers including managers, directors in the companies.

Income: the average income in Vietnam is from 5-10 million VND/month (US$250 –
US$500), account for 29% and 17% of them have higher income from 15-20 million VND
(US$750 – US$1000), and even higher income over 20 million VND (over US$1000) with
15%. The group of people who have middle and high income from 10 million VND will be
H&M target segment for future business and development in Vietnam (See appendix XI).

From the survey result, the analysis will be divided into 2 parts as follow:

Customer behavior toward online shopping:

The first part covers the shopping pattern of Vietnamese consumers in including shopping
frequency, their favorite brands and their online shopping habits.

Shopping frequency is an important aspect for understanding shopping behavior of the
consumers since shopping is very important and necessary activities in people’s daily life,
the Figure 3… below shows that 38% in total survey sample of 100 respondents usually go
shopping for fashion products including clothing, accessory, cosmetics, etc. once a month
and 19% twice a month, thus fashion shopping is always an important part in their monthly
budget. Besides, some people they do not have any certain shopping frequency which is depends on their needs, their inspiration, the products, some special events, etc.

![Table: Shopping frequency in Vietnam](image)

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once a month</td>
<td>38.0%</td>
<td>38</td>
</tr>
<tr>
<td>Twice a month</td>
<td>19.0%</td>
<td>19</td>
</tr>
<tr>
<td>Once a week</td>
<td>11.0%</td>
<td>11</td>
</tr>
<tr>
<td>Twice a week</td>
<td>2.0%</td>
<td>2</td>
</tr>
<tr>
<td>Once a quarter</td>
<td>14.0%</td>
<td>14</td>
</tr>
<tr>
<td>Twice a quarter</td>
<td>8.0%</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>8.0%</td>
<td>8</td>
</tr>
</tbody>
</table>

![Figure 3: Shopping frequency in Vietnam](image)

(Source: Own research)

At present, the most favorite brands for Vietnamese shoppers is mainly for high and middle income people such as Zara, Mango, and Forever 21 which are from Europe, these brands will promise a big challenge and high competitiveness in such high demand and potential market. H&M is also one of their references among the favorite brands for some people even H&M has not presented officially in Vietnam; this can be one of the advantages for H&M to enter this market. Due to the unavailability of online shop of these brands in Vietnam, in order to buy these brands, they mostly go to shopping centers; account for 75% and 44% shop-houses, but only 22% of them prefer the websites for online shopping (C2C websites) and 28% buy while travelling abroad.

As they result 100% people use the internet with 97% of them using internet every day, among many purposes of using the internet, surfing the website for online shopping can be list as a very important thing in their daily life which accounts for 53% of them. Online shopping is also perceived in both positive way including saving time, convenience, easy to compare to prices among the shop as well as the cheaper prices and negative way such
as the unsure quality, unsure product origin, cannot try product before buying and unsafe feeling of payment. However, it will depend on the website they shop, the company brand and reputation in the market, thus online shops still can be recognized in Vietnam as a popular means for shopping with 40% of them who sometimes shop online every month, on the other hand there are some people seldom do it, make up 36% of them. The most preferred payment method in Vietnam is Credit/ Debit Card and Cash on delivery.

In general, there are many factors influence the decision making in buying the products online, due to the survey result of rating the importance of these factors, the product quality, product design and product prices are the most important factors while the payment method is rated less important for them to making decision.

**Customer behavior toward H&M brand:**

The survey found that 64% of them have known H&M from Sweden even H&M currently are not presented officially in the market. And social media such as Facebook, Zing me, online media, etc., and the word of mouth between friends play a vital role in increasing H&M brand awareness in Vietnam (see Figure 4)

H&M clothing has the highest demand with 79.4% of total 63 respondents who have known and bought H&M products. There is one question need to be answered that how the customers can buy H&M products in Vietnam; the Figure 5 will present the mentioned answer. People can find H&M products from the local online shop by ordering, buying while travelling abroad and gifts from friends or family or even some small shop-houses of local people.

![Figure 4: The means for initial awareness of H&M in Vietnam](Source: Own research)
Regarding the overall satisfaction for H&M brand, the customers are quite satisfied with the product price, product design and product quality as well as product country origin (Sweden) which play very important role in their buying decision online, this advantage will be a good sign for H&M to present in Vietnam in the future, the rating details made by 64 respondents who had experience with H&M brand, can be seen in Figure 6 below.

Figure 5: Current presence of H&M in Vietnam

(Source: Own research)
Since the current development and popularity of online shopping activities as well as the significant awareness of H&M brand in Vietnam, the Figure 7 shows that 80% of total respondents can make decision in buying H&M online easily, the others 20% respondents decide not to buy online because they have never heard about H&M and sometimes their offline shopping habit. Therefore, H&M will have to take a big afford to build and increase the brand awareness and build the customer loyalty with the brand and online shopping activities of H&M, thus H&M can encourage, motivate and persuade them to shop H&M online.

As we mentioned earlier, payment by Credit/Debit Card (57%) and Cash on delivery (53%) always the best and the most favor choice of the customers for shopping online in Vietnam, H&M should consider to this point to improve their future presence in Vietnam (see Figure 8)
In conclusion, the survey shows many advantages for H&M for future development in Vietnam including high demand in fashion consumption, rapid development and broad application of high technology such as internet users, a significant and positive behavior toward online shopping and H&M brand, the popularity of using different payment methods in online shopping and the most important thing that the customers are willing to try and buy H&M products online. Therefore, from customer perspective, H&M can enter the market with a promise of a high profitability, high growth and strong development in Vietnam.
7.4.5 Potential competitors in fashion industry

Zara

Zara was found in 1975 by Amancio Ortega and Rosalia Mera, it is one of the largest international fashion companies and belongs to Inditex which is one of the world’s largest distribution groups for many other brands such as Pull and Bear, Bershka, etc.

Nowadays, Zara have presented 1283 stores in 84 countries around the world with 72 offices including Vietnam as an outlet in HCMC. In general, the company owns the stores and franchises the stores in some countries.

Zara controls most of the steps on supply chain, designing, manufacturing and distributing the products. Zara produces 50% of products in Spain, 26% in the rest of Europe, 24% in Asian and Africa and the rest of the world while other competitors outsource all the production to Asia.

Zara offers more products than its competitors with about 11,000 items annually compared with 2,000-4,000 items provided by the competitors. Unlike the traditional fashion industry, most companies predicted the season trend via fashion shows and similar channel of influence, Zara focused on its understanding the fashion items that the customers wanted and delivered to them. The customers are at the heart of Zara’s unique business model, which includes design, production, distribution and sales through the extensive retail network.

In 2010, Zara has started the first online shop in the most important markets, Spain, The UK, Portugal, Italy, Germany, France, Austria, Ireland, The Netherland, Belgium and Luxembourg. In 2011, Zara continued operating the online shops in United States and Japan. Zara developed very good policies for online shopping as well as developed the Iphone and Ipad applications to attract the customers and promote the sales. Customers can choose payment method and option for a free store pick-up or paid for portal delivery. The online return and exchange policy allows the customers to change their minds in 30 days (zara.com).

According to Daniel Piette, Fashion Director of Louis Vuitton, Zara was described as “Possibly the most innovative and devastating retailer in the world” and as “A Spanish success story” was stated by CNN (Wikipedia, 2012).
Mango

Mango is an internationally famous multinational company which designs, manufactures and markets women’s and men’s clothing and accessories. Mango was found in 1984 and currently has a total of 2,060 stores in 104 countries worldwide with 8 stores presenting in Vietnam. Mango continued the expansion with the recent openings in Tokyo, Beijing, Erlangen or Verona. The target is to be present in every city in the world.

At present, Mango has over 8,600 employees, a young and enthusiastic team, with an average age of 30. 1,850 employees are working at Hangar Design Centre and it Quarter in Barcelona. Hangar Design Centre, the biggest design centre in Europe has more than 550 professionals. Mango team is the greatest asset of the company; professionals come up with ideas in order to bring Mango closer to the largest possible number of customers.

The Mango concept is based on the combination of quality products, original designs and a coherent and unified brand image. The formula of dressing the modern, urban women for her daily needs that Mango have analyzed, adapted and applied in all the countries it presenting, has been and remains one of the keys to the commercial success and international prestige of the company.

Mango logistics is based on an in-house system and has become Spain’s second largest textile exporter. Mango supplied its stocks to its franchisees under a deposit system.

Mango stores are located in prime locations, in shopping centers or city centers and should maintain the interior design, image and product display criteria in order to create a pleasant environment in which customers can enjoy the shopping experience.

In 1997, the total turnover generated abroad exceeded the domestic turnover for the first time, in 2001 it reached 68% of the total turnover and continued increasing regularly during 2002-2011. (See Appendix XII)

In franchise system, franchisees can focus the efforts on maximizing the sales, Mango will takes care of all the other aspects; always up to date with the latest trends, providing completed, extensive and varied collections, supplying in accordance to the needs, avoiding possible inventory cost, carrying out the store's interior design project, training your sales and management team, changing the store's window displays design on a regular basis and assisting continuously on item display and sales issues with the help of periodic visits by product and merchandising professionals (shop.mango.com)
**United Colors of Benetton**

United Colors of Benetton is one of brands owned by Benetton Group found in 1965 in Italy; the group’s core business is fashion apparel, with a strong Italian character which can be seen in style, quality and passion in its brands including United Colors of Benetton, Under Colors of Benetton, Sisley and Playlife.

Nowadays, the group presents in 120 countries worldwide with the network of over 6,400 stores in which 2 stores in Vietnam. The group offers the high quality customer services and generates a total turnover of over €2 billion. In 2010, the total sales was generated mostly 48% in Italy, 31% from the rest of Europe, 16% from Asia countries, only 4% from America and only 1% from the rest of the world.

The group develops the business by applying market development strategies through two different distribution channels including Wholesale with presents around 75% of aggregate Apparel sales and Direct Sales which represents around 25%.

For global expansion, Benetton uses the “universal” communication with universal message “Beyond borders, skin color and language” and adapts different advertising to suit different areas.

The Benetton Group aims to combine economic growth with social commitment, competitiveness, and care for the environment, business and ethics. The people are the group’s moral values, daily input and desire to look to the future and to be the best.

Benetton vision is: Always at the cutting edge - with color, with its sales outlet revolution, with an absolutely unique production and commercial network and with a universal form of communication, creating both a phenomenon and cultural debate - Benetton was global before globalization, but in its own way. It travels at the world’s speed, overcoming geographical, political and ideological boundaries (benettongroup.com).

**Aino Sofia**

Aino Sofia embodies the concept of a transnational company and aims to provide a fresh and wide range of elegant luxurious products for female at affordable prices. Aino Sofia network in Vietnam has totally 24 stores currently presenting nationwide and it is well-known in many other countries including Japan, France, Italy, China, Thailand, etc. (vinctomecenter-hcm.com).
Aino Sofia is built on a global network of highly experienced design houses in Vietnam, Japan, Canada, and the United States with two Chief international designers including Fumio Akiyama and Dominique de Sentino. It has its own production and fabric sourcing facilities in China, Thailand, Taiwan and Vietnam.

The company slogan is “Be in Aino, Be in Love”. Aino Sofia hopes that the customers will appreciate the quality and elegance of the products and fall in love with Aino Sofia.

Positioning: Aino Sofia is confident to offer collections to the young generation and even more mature and sophisticated generation with the global team. Aino Sofia seeks to expand not limit the styles and fashion to offer the customers what they wants, when they want with attractive price (ainosofia.com).

**Kelly Bui**

Kelly Bui found in 2010, is one of the luxury local brand designed by Bui Minh Trang and owned by Bach Duong JSC and provides the most recently collection with the newest trends. Company goal is to help customers shop with convenience and confidence with the orientation “better quality than larger in amount” (kellybui.vn).

Kelly Bui offers various designs in high-quality cloth and luxurious, elegant, charming styles, which are embedded with European features. The target customers are young urban ladies who have a modern fashion concept, with the modernity, identity and following latest European styles. The products are made of comfortable materials at high aesthetic quality and without complexity (vincomecenter-hcm.com).

At present, Kelly Bui has 6 stores nationwide and it also launched the online shop in Vietnam. However, they has not apply the full functions of an online shop, the customers can choose the products and make an order from the website, the delivery will be done in within 24-48 hours, they don’t provide varied method payment for customers choice, it is still cash on delivery (kellybui.vn).

**BYSI**

BYSI, a leading Singapore’s fast fashion retailer, was found in 1998 and has become an essential fashion choice for the sophisticated modern women with presenting of 34 stores in 10 countries such as Philippines, Malaysia, Indonesia, Vietnam, etc.

The brand vision is for every woman around the globe to have access to chic fashion

The brand mission is to deliver the latest fashion to every woman for every occasion.
Brand values are lifestyle, functionality, accessibility and commercial luxury (bysi.com).

Possessing a strong team of designers, BYSI quickly catch up with the world’s fashion trends, especially the Europe’s, to produce 60-100 designs every month. With reasonable prices for Vietnamese market, ranging from $30 to $70, BYSI designs use such high-class materials as chiffon, satin and silk to produce a simple, feminine and charming appearance for women (vincomecenter-hcm.com).

BYSI have dream of being part of the world fashion with the beautiful people, the glamorous parties, the chic fashion, the intense colors, and the craft of the cutting. In 2005, BYSI has started its unique franchising concept to look for passionate partners who are entrepreneurial and dedicated to the growth for international markets (bysi.com).

**NAF NAF**

NAF NAF is established in 1973 in Paris, the capital of world fashion and well-known as symbol French and European youth fashion. With the idea of the femininity charm, the Pariente brothers including Gerard and Patrick Pariente, had set up a fashion store with a new natural, fantasy, young and charming fashion trend.

In the 1980s, the first great success came with NAF NAF when it launched "dawn jacket", was a huge hit in France market with selling more than three million products.

In 1983, NAFNAF Paris had set up a fashion fever in Europe with jumpsuit style. With the slogan "le grand méchant look" meaning "the big bad look", the advertising campaign helped NAFNAF Paris to the top ranks of youth clothing in Paris market.

In order to become popular and a leading brand name for women, NAFNAF Paris continually launched variety of products such as eyeglasses, handbags, stationery, leather goods, underwear, shoes, perfume which were highly appreciated to be aesthetic, creative.

After 30- developing-years with original idea in fashion design, high quality materials, and carefulness and preciseness in each detail, NAFNAF Paris not only made a strong hit in French youth fashion in the 20th century, but was also well-known on over the world as a young, feminine and colorful brand name.

NAF NAF is presenting in 34 counties worldwide with great successes in France, Italy, Spain, Russia, Singapore, The Philippines, and Colombia, etc. NAFNAF Paris is now eager continually making success in Vietnam. Over the last 2 years, 5 NAFNAF boutiques
have been opened in the most famous shopping malls in Hanoi and HCMC. NAFNAF Paris distribution network is still being extended in this promising market (nafnaf.com.vn).

Besides of the famous brand names, H&M also has to consider a group of competitors who are selling the fashion products imported from China, Thailand, Cambodia, etc. at the low and medium quality and offering the cheapest prices in the market.

7.4.6 SWOT Analysis

In SWOT analysis, H&M can evaluate the internal factors and external factors which are very important for the company to operate in the market. By analyzing the internal and external factors, H&M is able to identify and understand the current strength (Strengths) and current challenges (Weaknesses) of the company as well as foresee the future prospects (Opportunities) and future risks (Threats) in order to maximize the benefits and find the competitive advantages as well as minimize or avoid the weaknesses and the future threats when the company enters the market.

Strength:

- One of the strongest brands over the world in fashion industry offering the fashion and quality at the best price.
- H&M is very successful in branding strategy, H&M ranked the 21th in 2011 ranking of the top 100 brands conducted by Interbrand, the world’s biggest brand consultancy. Compared with the other brands in the same industry, H&M ranking is very high position, the second brand only after Louis Vuitton (16th) and followed by Zara (44th), Adidas (60th) and Hermes (66th), etc.
- A wide range of products attracts all groups of customers including women, men, teenagers, and children with newest trends.
- Professional designer team with 140 in-house designers and designer collaboration with other famous fashion designers such as Lanvin, Madonna, Versace, Roberto Cavalli, Jimmy Choo, David Beckham, etc.
- The overall delivery time, it takes only 3 months to get an item from the design to its retail stores while the average is about 6 months which is double time compared with H&M does. This is very impressive for a worldwide and low price fashion retailer.
- The company business concept is to offer the prices which are affordable for the customers by having few middlemen, buying large volumes, having a broad, in-depth
knowledge of design, fashion and textiles, buying the right products from the right market, being cost-conscious at every stage and having efficient distribution.

- Customers can choose different payment methods such as payment instructions in the package, monthly bill, installment, Credit card (Visa/Master) and cash on delivery.

**Weaknesses**

- In order to offer the low price for the customers, the company has to buy large volumes, this was mentioned as a strength of the company to reduce the cost for the best price and also one of the weakness of the company. Because with a large volume of products, if all the items cannot be sold out in time or in that season, the company has to pay an extra cost for storage for unsold items.

- A wide range of products is also another weakness of H&M because the company does not have a real focus on a target customer group so that it is very difficult to manage in a vertical company. On the other hand, it will be more expensive to produce all ranges of products for all different customer groups.

**Opportunities**

- As the company concept that offers the fashion and quality at the best price, there is an opportunities to expand their business and grow the brand in Asia countries, one of the most potential markets. The healthy growth can be seen across the new business in these countries, especially Vietnam.

- A long experience in online shop activities since 1998 and the rapid development of e-commerce nowadays will be the advantages for H&M to expand its online sales in the future in Vietnam.

- H&M can tap the potential apparel market to expand the business.

**Threats**

- The current threat that H&M is facing now is its competitors in fashion retails. Zara is one of the brands, which has fairly reasonable prices and it is famous for rapid delivery time. It takes only two weeks to deliver the products from the design to the retails stores while H&M takes 3 months to do the same process, and the average of most retailers is about six months. Mango as an international fashion company can be another competitor of H&M, Mango also provide fashion for woman and men clothing and accessories at very reasonable price as Zara and H&M. The company
can focus on a specific customers group in order to satisfy their needs and easy to manage a vertical company (Watts, 2009)
- Due to the global crisis pressure, spending in consumption is decreasing accordingly.
- High storage cost will pressurize on the margins (Datamonitor, 2010).

7.4.7 Porter’s five forces

Michael Porter provided a framework of an industry model being influenced by five forces. By five force analysis, the company can have a better understanding on the rival firms and the industry as well as contrast the competitive environment that the company will operate.

Each industry can sustain different profitability level which is affected by the industry structure. Therefore Porter’s five force analysis will determine the attractiveness and long run profitability in fashion industry as follows:

![Figure 9: Porter’s Five Forces](image)

The threat of new entrants:

In fashion industry, all most the customers are loyal to some specific brands or favorite brands that are existent on the market and they got used to shop and satisfy with these
brands. Therefore, it is a big challenge for new entrants to attract the customers in the new market, the new entrants which provide the same range of products must offer the better prices, better quality to increase the customer attention. On the other hand, the new entrants also have to spend a big amount of money on advertisings on newspapers, fashion magazines and many other online media to increase the customer awareness.

By entering the market with an online shop, H&M can reduce the cost to set up a new traditional shop which requires very high rental, good location, high fix cost, etc. This may help the company achieve the high profit and compete with the competitors.

Taxes on import may be another threat for new entrants to enter the market, the import tax rate for apparel is 15% and import VAT is 5%. This may increase the price higher than the market in origin country (Le, 2009).

**Threat of substitutes:**

In Vietnam market, the high demand of the customers for fashion is increasing regularly; the amount of famous brands in fashion is also increasing accordingly to satisfy the customer needs with a wide range of products available on the market.

H&M will be received as substitute brand for the customers with a wide range of products at the best price and good quality, and on the other hand the other fashion brands in Vietnam market may be considered as a threat with substitute products for H&M. The substitute products of other brands such as Mango, Zara, United Color of Benetton, etc. have already built their reputation in customers’ mind and in the market, the customers also have a certain trust and belief on these brands. Therefore, H&M must build and raise the brand loyalty from the started point in Vietnam market in order to avoid that the customers may switch to another substitute brand with the lower prices or the same price with more attractive products in the future.

**Rivalry among existing competitors:**

Although Vietnam is still a new and potential market for many famous brands to expand their business, a high competitiveness is existent among the established brands in order to gain the customer loyalty and the reputation in the market as well as the market shares.

However, the need for a fashion brand at the low price and good quality as H&M is very high; this is one of the opportunities and good condition for H&M to enter the market and build the customer loyalty. As the young generation makes up 65% in total population, the
presence of H&M in Vietnam market can satisfy this customer segment which highly requires for good quality at the reasonable prices.

**Bargain power of suppliers:**

In fact, H&M does not own any production factories, all the products are outsourced to about 700 independent suppliers at the low production cost with high standards and quality in Turkey and some Asia countries such as China, Cambodia, India, etc.

Besides, H&M has a set of minimum requirements that suppliers must meet before entering a cooperation relationship with H&M, because H&M concentrates on the product quality according European standards at the best price.

With a huge amount of suppliers, the suppliers do not have high and strong bargain power to H&M, in case the suppliers increase the production cost, H&M will switch to another suppliers to ensure the best price for the customers with the best quality.

**Bargain power of customers:**

In fashion industry, the bargain power of the customers is quite high and strong because the customers are the core factor for company sustainable development.

The customers can not bargain in fashion shop which offer the fixed prices as H&M, Mango, Zara, etc. but in general the customers can require for high quality products at reasonable prices and even lower than the other brands. This will help the company build the customers loyalty and their trust. Otherwise, the customers can switch to another brand easily.

After analyzing five forces, the company can determine how they affect H&M in Vietnam market and identify the strong points and weak point of each force. Then the company can identify its competence and profitability in fashion industry in Vietnam market.
8 PROJECT FOR ESTABLISHING H&M ONLINE SHOP IN VIETNAM

The purpose of this project is to bring H&M, one of the most famous fashion brands over the world from Europe to Vietnam market. The project will cover the marketing strategy for H&M to enter with an online shop as the starting point in Vietnam market, implementation of project and overall evaluation of the proposed project by the time, risk and cost analysis.

First of all, marketing strategy will concentrate on the mission, objective and goals of H&M as well as positioning to target customer group in Vietnam and the legal registration process will be mentioned as the legal procedure to start the business in Vietnam. The marketing mix will be included in detailed analysis of 4Ps for H&M, how to implement and control the project in reality and followed by the barriers of entry into Vietnam market.

The project will continue the risk analysis, cost analysis and time analysis in order to point out the potential risks existing in the market, how to finance the project and the time for implementing all activities for starting the first online shop in Vietnam. At the end, project will be concluded with an overall evaluation for the whole project.

8.1 Marketing strategy

8.1.1 Vision, Mission, and goals

H&M’s vision:
- Aim to become one of most famous brand in fashion industry in Vietnam after 2 year operation.
- The best online shop offers for Vietnamese customers with good quality at the best price.
- The first online shop in fashion industry in Vietnam includes the secured online payment methods and ensures the customer data security.

H&M’s mission

H&M’s mission in Vietnam will be the same with H&M international that to give customer unbeatable value by offering fashion and quality at the best price, focus on sustainability, quality and high profitability and offer an inspiring, innovative and interactive shopping experience through the online sales on company website which is designed to provide inspiration and information about fashion and new trends to customers and give customers the opportunity to shop online – all on the same site.
H&M’s goals:
- Expand the business and distribution network via online shopping to Vietnam, a potential market in Asia.
- Improve the profitability.
- Reduce the fixed cost to open a traditional shop by operating an online shop.
- Strengthen product life cycle to capitalize the sales
- Develop an effective pricing strategy which is the same level with other markets at the reasonable price in Vietnam market.

8.1.2 Positioning

An evaluation of H&M strengths and weaknesses, the competitors, and the customers provides insights into opportunities for differentiation and positioning. H&M can be differentiated from the competitors by the high quality product at the low price and a wide range of products designed by a professional designer team including in-house designers and other famous designers.

These points of differentiation lead to the following statement to describe H&M desired positioning in Vietnam market:

H&M focuses on the target customer group which is the majority in the country; they are the middle and high income people, the young generation and young family who have very high demand in fashion and shopping satisfaction nowadays.

This positioning and differentiation will help H&M drive the marketing strategy decisions in Vietnam market.

8.1.3 Registration process for starting an online shop in Vietnam

In order to enter Vietnam market with an online shop, H&M must follow the basic requirements for starting the business as follows:

**First step:** H&M must register to obtain the business registration certificate and tax registration certificate as H&M Branch Office from local business registration office under Department of Planning and Investment. The Forms can be downloaded and application can be submitted online. The online registration must be verified the competence and correctness within 5 days since the application date by the Business Registry Office before issuing the certificates. Total time to compete is 14 days, the official fee is 200,000 VND and Business License and Tax registration certificate are 1 million VND.
**Second step:** H&M must make the company seal in Vietnamese language in 6 days; the fee is 165,000 VND to 370,000 VND for bronze seal and it will take 4 days to register the seal to the police division, the fee for the seal certificate of registration is 20,000 VND. H&M Representative has to submit a copy of the Business and Tax Registration Certificate and his/her identity card.

**Third step:** H&M must register with Ministry of Industry and Trade for e-commerce business in Vietnam.

- Register an account on Ministry of Industry and Trade website
- Register with the website management online and submit the original registration document to Department of E-commerce and Information Technology for approval.

H&M must report the company e-commerce activities in Vietnam market of the previous year to Ministry of Industry and Trade by 15 Jan of every year. The report can be submitted online. [70]

**Forth step:** H&M must open a bank account with different minimum deposit, for example Vietcombank requires 5 million VND in VND account and US$ 500 for USD account, ACB requires 1 million VND and US$ 100; the bank will require a bank-issued application form, the company seal business registration certificate and the resolution of management board on the authorized signatures.

**Fifth step:** H&M must publish an announcement in a daily newspaper in 5 days, the cost is 700,000 VND.

**Sixth step:** The Company must buy pre-printed VAT invoices from the Municipal Taxation Department or register for self-printed VAT invoices.

In order to obtain VAT invoice, the company founders must submit the following documents to the Municipal Tax Department:

- Managing director’s delegation of authority to the procurement agent.
- Application for buying preprinted invoices.
- Identify card of the procurement agent.
- Provide Business registration certificate and copy.
- Provide Tax registration certificate and copy.

After receiving the completed application, the Municipal Tax Department will arrange an appointment for invoice purchase within 5 days. During this 5-day period, a tax officer
visits the company's office to certify its existence and issue the company a certification of the company office location. Note that the first purchase is restricted to not more than two books (100 copies) at the costs of 20,000VND per book.

To register for self-printed VAT invoices, company founders must submit:

- A standard application form.
- A sample self-printed invoice, including all statutory details
- A map showing the location of the company’s office or copy of the lease contract if the premises are leased, certified by the ward commune people’s committee.
- The general director’s identification card
- A copy of the Business registration certificate.
- A copy of the Tax registration certificate and copy.

It may take 7–10 days to register the self-printed invoices with the Municipal Taxation Department, and more time for the company to self-print the invoices. It may take 7–15 days for printing the invoices at a printer authorized by the General Taxation Department of Vietnam. After having the invoices printed and before using them, the company must register the invoice serial numbers with the Municipal Taxation Department.

**Seventh step:** The company must register the use of labor with the local labor office in 1 days; Municipal Department for Labor, Invalids and Social Affairs. The company must register all employees and their qualifications with Labor Office. The relationship between H&M and its employees are regulated by the Labor Code and in labor contracts.

**Eighth step:** H&M must register employees having 3 month contract or longer with the Social Insurance Fund for health insurance and social insurance payment and it takes only 1 day to complete.

Hanoi Social Insurance provides the form to register with the Social Insurance Fund and The Social Insurance Office issues the insurance registration book for each employee. H&M is responsible for paying social and health insurance contributions for each employee; payment is made monthly or quarterly to the Social Insurance Fund. Health Insurance certificates are issued during the first month of the year.

**Ninth step:** It will take H&M 7 days to register for trade union with Vietnam General Confederation of Labor not later than 6 months from that date the company starts the operations. The trade unions are responsible for establishing a trade union for the company,
according to the provisions of the Labour Code, the Law on Trade Unions, and the Charter of the Trade Union of Vietnam, to represent and protect the lawful and legitimate rights and interests of the employees and the labor collective (Doing business, 2011).

8.1.4 Marketing Mix

Product:
H&M’s product is very diversified with a wide range of products including Clothing, shoes, cosmetics and accessories for different groups of customers such as women, men, teenagers and children, in which young generation makes up about 65% of total population in Vietnam. As H&M business concept that to give customer unbeatable value by offering fashion and quality at the best price, H&M always follows the world fashion trend to satisfy the customer need which is qualitative and fashionable to attract all types of people.

By using Boston Consulting Group Matrix (BCG Matrix), H&M can analyze the product strategy and product portfolio as follow:

![BCG Matrix](image)

**Figure 10: BCG Matrix**

In general, H&M has 2 product groups including clothes and accessories. The products have low market growth as the continuous changes according to the world fashion trend. On the other hand, the products are profitable to achieve high market share because H&M products always follow the current trend to attract the customers, catch the customers’ at-
tention and encourage them to purchase the products. Therefore, H&M can be categorized a cash cow in BCG matrix, by this way H&M can find a successful way to sell the products with the proper portfolio to achieve high profitability in every market including Vietnam.

**Price**

The price is considered as one of the main factors affect the customer’s purchasing power; as the result of the global crisis, people tend to choose the good products with affordable price.

In Vietnam market, H&M will apply the same price strategy using in other country according to H&M concept, which is very suitable in Vietnam market, where has very high demand in fashion products at the reasonable price and good quality.

As the same price level of H&M in other countries and the reputation of H&M over the world as well as a famous fashion brand in Europe, the prices of H&M products are not expensive and reasonable for Vietnamese customers with the medium and high income. This advantage is really attracted those customers to revisit and make purchasing again at H&M.

**Place**

Distribution channel is one of the most important for H&M because it will increase the popularity of the brand.

Facing to the high cost to invest a traditional store as the high rental and high management cost in Vietnam market (we had analyzed and shown in Table 8), H&M should eliminate the traditional shop in order to minimize the cost, keep the same price strategy as well as H&M’s business concept for the good quality products at the best price.

On the other hand, the rapid and strong development as well as the government investment in E-commerce, the number of people using the internet is increasing day by day and internet can be a part of their daily life for many purposes such as reading the newspaper, search engine, email, chatting, doing business, etc. Online shopping is not an exception and becomes more popular and convenient in Vietnam, the customers nowadays are willing to have experiences with online shopping, online shops become more and more convenient for the customers to check the products information, compare the prices among the shops and buy the products or make an order quickly via the internet. Moreover, the customers
are very confident in using online payment methods, one of the most important factors in doing e-commerce, especially online shop.

Therefore, in order to keep the company concept that to offer the quality products at the best price and keep the same price with other H&M stores in other country, an online shop as a starting point in Vietnam market is considered as one of the best way to enter market due to the current situation. H&M online shop will be on H&M website (www.hm.com) as other countries where H&M had developed online shop, such as Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK.

An online shop will be the best advantage to compete with its competitors such as Zara, Mango, Lolita, Kelly Bui, etc., because due to the high cost in investment, Zara, Mango and many other famous brands have to set the price higher than other markets such as Thailand, Singapore, Malaysia, USA, etc. This makes Vietnam becomes one of the most expensive places for shopping over the world.

By developing online shop in Vietnam, H&M can provide Vietnamese shopper the ability to purchase the products easier from the company website at the best price and good quality. H&M had developed a new version of the online shop with new look in order to provide an innovative and interactive features and improved functionality for a fantastic shopping experience. The customers can find the inspiration and information about fashion and new world trend, the dressing room on H&M website allows the customers to customize a virtual model, complete the outfits, mix and match clothes and accessories from H&M designs according to customer desires before they can make decision to purchase the product – all on the same site (Full Year Report, 2011)

Online payment methods are also an advantage of H&M which provides the customers many different choices in making payment. H&M will apply the payment methods which are suitable and popular for Vietnam market including credit/ debit card (Visa/ Master), ATM, bank transfer, monthly bill and cash on delivery. After choosing the products, the customers can check again the products in the shopping bag and pick one of the payment methods that that the customers wish.

Promotion

Promotion is considered as one of the most complementary sales channels. It brings attention to the customers and lead to the increase of the brand popularity and loyalty. This means, H&M has set up a successful image in Vietnamese customer’s mind 1 month be-
before launching the online shopping in Vietnam, HCMC, Danang and Hanoi will be the first targeted markets in Vietnam.

**Marketing tools:** POSM (Point Of Sale Material) is in bilingual (English and Vietnamese)

- H&M Poster: 30 H&M posters will be set at big cinemas, the theaters, lobby and elevators of office buildings, apartments and the airports, 10 posters for each city.
- H&M standee: 2 standees will be displayed in the branch office and 3 standees at the lobby of the office building where H&M branch office is located or H&M can use to display at H&M events.
- H&M Magazine: 150 H&M Magazines will be put at the restaurants and coffee shops and 50 magazines for each city.
- A commercial spot with 30 seconds will be broadcasted at 9 cinemas nationwide and included on LCD of Chicilon Media in 6 months at shopping centers, office buildings, apartments and the airports in 3 big cities.

**Advertising:**

- **Print Advertising:**
  - An advertising monthly 1 color page on magazines specialized on fashion: Dep, Thoi Trang Tre, Her World, Tiep Thi Gia Dinh, Cam nang mua sam, Cosmos which are the most favorite magazines in Vietnam.
  - An advertorial article on Her World and Cosmos: 4 articles in a year

- **E-zine (Online Magazines):**
  - H&M website
  - Right Banner is presented 1 week/time, once in 2 months on Ngoisao.net, Yeah1.com, webtretho.com and news.zing.vn (6 weeks/ year)
  - An advertorial article on Ngoisao.net and news.zing.vn: 2 articles in a year
  - Create a fan page on Facebook for H&M Vietnam, the customers can find new fashion and lifestyle trend, the new collections and available products in stock.
  - Create an account on Zing Me, one of the most popular social networks for teenagers in Vietnam, after Facebook.
Public Relations (PR):

- Press Conference will be arranged 1 month before H&M starts its online shop in Vietnam with the participation of 60 journalists from different printed magazines and e-zines as well as HTV and VTV.

- An opening ceremony and a fashion show for H&M brand at a five star hotel in HCMC with 200 guests.

- Sponsor for Vietnam Next Top Model which is held annually and broadcast in Vietnam TV, national TV channel in Vietnam. H&M will provide the products for the program and a prize for the winner of US$10,000. This is one of the most popular show which is attractive to many media channels including online media and traditional media and uploaded the information and videos on YouTube.com everyday. By this way, H&M can promote itself very effective and increase quickly customer's awareness as well as corporate reputation for H&M brand.

- Issue the membership card to motivate the customers to come back and re-purchase the products with some attractive benefits: obtain the point after each purchasing, get 10%-20% discount or gifts when achieving the limited point and some other special programs for H&M members.

Sale Promotion:

- As the earlier analysis in purchasing power, Vietnamese customers prefer the discounted price promotion the most. Therefore, in order to attract the customers from the beginning, H&M will offer a discount program 30%-50% for all products within the first month of operation in Vietnam.

- Sale off can be applied during the holiday seasons such as Christmas, Valentine, Tet holiday, International Woman Day and summer.

- Offer 20% discount and gifts for the customers when they order in their birthday month.

- Free delivery for the bills valued from 1,000,000 VND (US$50) in HCMC to encourage purchasing power in the city which is the most developed city in Vietnam.

- Free delivery for the bills valued from 2,000,000 VND (US$100) will apply for other cities and provinces.
8.2 Implementation and Control

8.2.1 Initial establishment and basic rules for operating H&M online shop in Vietnam

In order to run and manage the online shop, H&M will open a branch office according to the Vietnam law and rent a warehouse with $80m^2 - 100m^2$ for storage and inventory. The office will be located at the office building in the center of HCMC. The branch office will have 8 employees at the beginning as follows:

- A Professional Representative from H&M Sweden should come to HCMC for initial establishment and operation in first 6 months
- A Branch Director, a local citizen who had at least 3-5 year experiences in fashion industry in Vietnam, will be recruited and trained by the representative before directly managing the branch office after 6 months.
- An administration staff will assist Branch Director to take care of the administration duties in the office and other tasks appointed by Branch Director.
- A marketing executive will support local manager to promote the online shop and H&M brand and increase customer awareness of H&M brand in Vietnam and other duties appointed by Branch Director.
- Sales Coordinator will manage the orders and arrange the delivery to the customers on time.
- An accountant
- Two warehouse staffs will manage the storage, inventory and warehouse as well as assist Sales Coordinator in delivery the products on time.

After operating in 6 months, when H&M had built a certain awareness and loyalty from the customers, the increase in sales may require H&M to recruit more candidates for 2 Sales Coordinators and 1 Marketing Executive positions in order to ensure the support to the customers on time at the best quality.

H&M will cooperate with one of the best and most prestige companies providing express mail services to deliver the products to the customers nationwide to ensure that the customers would receive the product within 1 to 3 days from the date H&M receives the order online. The delivery fee will be informed to customers immediately when the customers make the orders, the more products the customer orders in one bill, the more economic and saving in delivery the customer has to pay.
Before starting and enjoying your shopping experiences with H&M online, the customer must register an account online via H&M website. During 3 days including holidays and weekend after receiving the products, the customers have chances to change their mind in case the products are not suit them or not meet their requirements, they should send an email to inform H&M branch office within 3 days and H&M will reply to confirm the customers’ request within 1 working days. In HCMC, the customers are allowed to return the product within 1 working day and other cities and provinces in Vietnam have 3 working days to return the products from the date that H&M branch office reply regarding the return of products. Whenever H&M receives the products returned from the customers, H&M will refund the money within 1-3 working days depend on the payment method that the customers chooses. After these fixed dates, H&M will not accept without any reason.

8.2.2 Control

As far as H&M is running and managing its company and branches over the world, H&M will monitor the sale objectives based on weekly reports, monthly report, quarter report, six month report and annual report prepared by Vietnam branch office. On the other hand, H&M Vietnam also must prepare the monthly sale development plan and quarter sale development plan to promote and control the sale.

In addition, H&M branch office must conduct the customer survey quarterly and with both current customers and potential customers for the following purposes:

- How the customers feel and perceive H&M brand.
- How the customers are satisfied with H&M online shop, the design, the price, the quality, services, etc.
- How the customers reaction to the new trend.
- For the next collection in new season.
- Collect the ideas and suggestion from the customers.

By conducting the survey, H&M can have better understanding about its customers’ taste and needs, promote and improve the strengths of the current strategy and eliminate the limitations of the strategy.

8.2.3 Barriers of entry

Besides many advantages for H&M to enter Vietnam market with an online shop such as the development of e-commerce, the increase of internet users, low investment for initial
establishment for a physical shop, cheap labor, market growth, high profitability, etc. H&M still has to face some barriers to entry the market as follows:

- An online shop does not require a huge initial investment as a traditional shop but H&M has to pay more attention on investing in advertising, PR activities, promotion to attract the customer attention and increase their awareness toward H&M brand.

- An online shop will limit the amount of customers to purchase H&M brand online, it will be attractive to only the group using the internet. H&M may not reach some other customer groups who do not access the internet or buying online and payment online but have high needs of fashion products.

- The current competitors, who provide the same range of products, had a certain reputation and existing customer royalty in the market.

- Limitation on the qualified labor force in Vietnam, H&M will have to provide some training course in order to ensure that the employees understand deeply about the company culture, company value, company business concept, attitudes and services toward the customers.

- As a new market in Asia, language is another barriers, thus H&M must have a local staff as General Manager to support H&M in future negotiation and relationship building with local government and other parties who influence to H&M business in Vietnam such as local suppliers, media agencies, etc. In addition, all the documents and papers as well as advertising should be prepared in bilingual (English and Vietnamese) or only Vietnamese in order to proceed all the legal procedures and reach the customers easier and quicker.

- From that fact that H&M aims to give the customers the value by offering the low price, this will be an advantage but also disadvantage as the earlier analysis in purchasing power, many customers agree that the higher price means higher quality. H&M must take a big effort to overcome this issue by imparting to the customers and the public properly about the H&M business concept; giving the customers the value with fashion and good quality at the best price.

- Even, the government policies are more simplified to encourage and attract more investments, H&M will face the complicated procedures with the local government in registration for licenses and permits for doing the business in Vietnam which will take H&M almost 2 months: A requirement of business registration certificate and tax registration certificate; the registration for e-commerce business; a complicated
requirement for buying pre-printed VAT invoices or self-printed VAT invoices; trade union registration; and some other necessary formalities.

- The corruption situation in Vietnam will be another barrier of entry for H&M. H&M should consider and have a deep understanding on this issue to carry out the business properly.

- Current high inflation that has been mentioned earlier will affect H&M business even the government is trying to control and curb the inflation at 10% in 2012.

By pointing out the above barriers to entry Vietnam market, H&M can eliminate these barriers and find out the best way for the least effect from these limitations. So that H&M can enter and compete more effectively in this new potential market.

8.2.4 Time analysis

Time analysis will be done by using PERT method to determine the completion time of the project, the project will start with a market research and analysis until H&M online shop is established and in operation. PERT method will show the required time to finish the establishment of H&M online shop as well as the critical path to complete all necessary activities for the project. PERT method also solves the project including 3 possibilities that H&M can face during implementation the project, they are optimistic, most likely and pessimistic situations.

In order to establish the online shop in Vietnam, H&M must finish the following activities with the required predecessors:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Predecessor</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Conduct market research of Vietnam market</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Build the relationship with the local government</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Prepare marketing strategy for H&amp;M to enter the market</td>
<td>A,B</td>
</tr>
<tr>
<td>D</td>
<td>Research and choose the location for branch office and warehouse</td>
<td>C</td>
</tr>
<tr>
<td>E</td>
<td>Prepare and sign the contract for branch office and warehouse with the landlord</td>
<td>D</td>
</tr>
<tr>
<td>F</td>
<td>Proceed all the required registrations for the company with local government</td>
<td>E</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>G</td>
<td>Set up the branch office and the warehouse</td>
<td>E</td>
</tr>
<tr>
<td>H</td>
<td>Recruit and train the staffs</td>
<td>G</td>
</tr>
<tr>
<td>I</td>
<td>Develop online shop on H&amp;M website for Vietnam market</td>
<td>F,H</td>
</tr>
<tr>
<td>J</td>
<td>Contact and sign contract with the supplier for express mail services</td>
<td>H</td>
</tr>
<tr>
<td>K</td>
<td>Prepare POSM and advertising tools for Vietnam market</td>
<td>H</td>
</tr>
<tr>
<td>L</td>
<td>Prepare the storage for online shop</td>
<td>H</td>
</tr>
<tr>
<td>M</td>
<td>Test the operation of H&amp;M online shop</td>
<td>I</td>
</tr>
<tr>
<td>N</td>
<td>Arrange Press Conference</td>
<td>J,K,L,M</td>
</tr>
<tr>
<td>O</td>
<td>Set up and place POSM</td>
<td>N</td>
</tr>
<tr>
<td>P</td>
<td>Start printed advertising and E-zine advertising</td>
<td>N</td>
</tr>
<tr>
<td>Q</td>
<td>Prepare and arrange the opening ceremony and fashion show</td>
<td>O</td>
</tr>
<tr>
<td>R</td>
<td>Start the promotion campaign</td>
<td>Q</td>
</tr>
<tr>
<td>S</td>
<td>Issue member card</td>
<td>Q</td>
</tr>
</tbody>
</table>

H&M must start the market survey and building the relationship with the local government at the same time before preparing the marketing strategy.

Before arranging the Press Conference, the online shop must be tested how it works on H&M website. After the Press Conference, all the advertising plans must be proceeded to have strong effect to the customers and their awareness of H&M brand which will be presented in Vietnam at least 2 weeks prior to the opening ceremony.

The above activities and their predecessors with three possible situations – optimistic, most likely and pessimistic times to complete each activity will be shown in the following figure.
Figure 11: Activities, predecessors and three possible completion times for each activity (in week)

Appendix XIII will represent the optimum solution of PERT method for the completion time for establishing H&M online shop in Vietnam. The earliest start, earliest finish, latest start and latest finish of all activities are also mentioned and the completion time is 47 weeks (approximately 12 months).

PERT analysis also points out the critical paths of the project; H&M can choose one of these two critical paths in order to establish H&M online shop in Vietnam with the same completion time in 47 weeks.

Figure 12: Critical paths for H&M to establish an online shop in Vietnam
At the end, a graphical solution and Gantt Chart of all activities solved by PERT are presented in Appendix XIV and XV with the same result which is the optimum completion time of 47 weeks for all activities and the whole project of H&M online shop establishment in Vietnam.

8.2.5 Cost Analysis

The cost is one of the most important factors which will decide the feasibility and the success of the company. Hence, H&M must estimate and plan the marketing budget for the first year of operation as well as initial investment to establish an online shop in Vietnam.

Marketing budget:

The marketing budget will distribute to the expenses including POSM, media, advertising and PR activities which will be written in details in Table 7 below.

The marketing budget will be evaluated monthly according to the monthly sale development and evaluated quarterly by quarterly sales development and customers’ survey in order to measure the effectiveness of marketing strategy on the customer awareness and loyalty as well as their purchasing interest at H&M online shop. Therefore, the company can improve and strengthen the brand image and reputation as well as overcome the obstacles in Vietnam.

In addition, Table 8 will show some other necessary expenses to operate the online shop during the first year.

Table 7: Marketing budget for the first year operating in Vietnam

<table>
<thead>
<tr>
<th>No.</th>
<th>Items</th>
<th>Description</th>
<th>Price</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>POSM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Poster production</td>
<td>30 porters indoor and 30 poster outdoor</td>
<td>40</td>
<td>60</td>
<td>2,400</td>
</tr>
<tr>
<td>2</td>
<td>Standee production</td>
<td>5 standees</td>
<td>40</td>
<td>5</td>
<td>200</td>
</tr>
<tr>
<td>II</td>
<td>MEDIA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Commercial spot production</td>
<td>30 seconds</td>
<td>4,000</td>
<td>1</td>
<td>4,000</td>
</tr>
<tr>
<td>#</td>
<td>Description</td>
<td>Duration/Details</td>
<td>Cost</td>
<td>Quantity</td>
<td>Total</td>
</tr>
<tr>
<td>----</td>
<td>-----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>--------</td>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td>2</td>
<td>Commercial spot on LCD of Chicon Media</td>
<td>6 months</td>
<td>3,000</td>
<td>6</td>
<td>18,000</td>
</tr>
<tr>
<td>3</td>
<td>Commercial spot at cinemas</td>
<td>9 cinemas in 3 cities</td>
<td>3,000</td>
<td>9</td>
<td>27,000</td>
</tr>
<tr>
<td>4</td>
<td>Online Advertising</td>
<td>4 online magazines (1 right banner - 1 week in 2 months - 6 weeks/year)</td>
<td>1,000</td>
<td>24</td>
<td>24,000</td>
</tr>
<tr>
<td>5</td>
<td>Online Advertorial</td>
<td>2 online magazines (2 articles/year)</td>
<td>500</td>
<td>4</td>
<td>2,000</td>
</tr>
<tr>
<td>III</td>
<td>ADVERTISING</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Print Advertising</td>
<td>6 magazines, 1 color page/month</td>
<td>1,000</td>
<td>72</td>
<td>72,000</td>
</tr>
<tr>
<td>2</td>
<td>Advertorial</td>
<td>2 magazines, 4 articles/year</td>
<td>500</td>
<td>8</td>
<td>4,000</td>
</tr>
<tr>
<td>IV</td>
<td>PR Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Press Conference</td>
<td>5 star hotel - 60 journalists</td>
<td>80</td>
<td>60</td>
<td>4,800</td>
</tr>
<tr>
<td>2</td>
<td>Opening Ceremony and Fashion Show</td>
<td>5 star hotel</td>
<td>50,000</td>
<td>1</td>
<td>50,000</td>
</tr>
<tr>
<td>3</td>
<td>Sponsor for Vietnam Next Top Model</td>
<td>Once a year</td>
<td>10,000</td>
<td>1</td>
<td>10,000</td>
</tr>
<tr>
<td>4</td>
<td>Additional fees</td>
<td>If any</td>
<td>2,000</td>
<td>1</td>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>220,400</td>
</tr>
<tr>
<td>Reserve fee</td>
<td></td>
<td></td>
<td>10%</td>
<td>22,040</td>
<td></td>
</tr>
<tr>
<td>Total budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>242,440</td>
</tr>
</tbody>
</table>
### Table 8: Other expenses for the first year operating in Vietnam

<table>
<thead>
<tr>
<th>No.</th>
<th>Items</th>
<th>Description</th>
<th>Price</th>
<th>Quantity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch office rental</td>
<td>50m² at Grade A office building</td>
<td>1,750</td>
<td>12</td>
<td>21,000</td>
</tr>
<tr>
<td></td>
<td>Warehouse rental</td>
<td>100m²</td>
<td>1,000</td>
<td>12</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>Set up the office and warehouse</td>
<td></td>
<td>3,000</td>
<td>1</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Labor cost</td>
<td>8 employees</td>
<td>8,000</td>
<td>12</td>
<td>96,000</td>
</tr>
<tr>
<td>2</td>
<td>Registration fees with local government</td>
<td></td>
<td>110</td>
<td>1</td>
<td>110</td>
</tr>
<tr>
<td>5</td>
<td>Travelling cost to Hanoi and Danang</td>
<td>2 employees for setting POSM</td>
<td>800</td>
<td>1</td>
<td>800</td>
</tr>
<tr>
<td>14</td>
<td>Additional fees</td>
<td>If any</td>
<td>1,000</td>
<td>1</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>133,910</strong></td>
</tr>
<tr>
<td></td>
<td>Reserve fee</td>
<td></td>
<td></td>
<td>10%</td>
<td><strong>13,391</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total budget</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>147,301</strong></td>
</tr>
</tbody>
</table>

### 8.2.6 Risk analysis

Risk analysis will be taken to indentify the risks, their impacts and the probability of each risk as well as evaluate the risk, thus the company can prepare actions to against and minimize or even avoid the risks accordingly.

The risk analysis will start with the list of the risks that H&M can acquire in Vietnam as well as in fashion industry.

1. Limited shelf-life of fashion products
2. The effects of the weather on the sales
3. The negative changes in macroeconomics factors
4. The effects of external factors on production countries
5. The exchange rate changes
VI. Political risks
VII. Low interest rate
VIII. High storage cost for unsold products
IX. The dependence on internet users
X. The services from suppliers for express mail services

After indentifying the risks, H&M can make an overall an evaluation for their probabilities and impacts of the above risks by Risk Analysis Matrix in Figure…

<table>
<thead>
<tr>
<th>Probability</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>III</td>
</tr>
<tr>
<td>II</td>
<td>IV</td>
</tr>
<tr>
<td>IX</td>
<td>VI</td>
</tr>
<tr>
<td></td>
<td>VIII</td>
</tr>
<tr>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>VII</td>
<td>V</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Figure 13: H&M Risk Analysis Matrix

Action plan for eliminating the risks (about.hm.com):

I. Operating in the fashion industry is a risk itself because fashion products have a limited shelf-life, and some products may not be well received by the Vietnamese customers who follow and update the new trends as other countries. Therefore, it is very important to have the right volumes and achieve the right balance between fashion basics and latest trend as well as between two main seasons in Vietnam

II. H&M products will be designed and offered to the Vietnam customers based on the normal weather patterns of two main seasons; rainy and dry season. If the weather suddenly changes in abnormal way, it may effects the sales. Hence, H&M should be aware of this changing in advance and the stocks for both sea-
sons should be available but the volume of each should be in balance according to the season.

III. As the situation is moving and changing quickly in Vietnam, the negative changes in Macroeconomics in Vietnam such as wage growth, unemployment rate, inflation rate, etc may appear and will change the customer purchasing power and their behavior. Therefore, H&M should have flexible buying model including economic model, psychological model and customer behavior model to adapt to these changes.

IV. The changes in external factors in production countries such as raw material prices, transportation cost, suppliers’ capacity will affect the production cost of H&M which will directly influence the product prices. In this case, it will be a danger to H&M business and customer loyalty in Vietnam, thus H&M must monitor the situation tightly and prepare the strategies to deal with such changes.

V. The exchange rate between US Dollar and VND, local currency is very stable and keep at the same level during 2 years 2011 and 2012 and due to the inflation curb strategy of the government, the probability in changing in exchange rate will be very low, however H&M still have to be aware and prepare solutions for this change which will affect the profit and the loss of the company.

VI. Political is considered as high risk for doing business in Vietnam, the working system and the registration for doing business are more complicated and more time spending than the other countries, thus H&M should make a deep research on the local government as well as spend time to build the relationship with the government in the proper way to avoid and at least foresee the future political risks may occur.

VII. The interest rate is related to liquid funds and short investments which are limited in value changes of the whole financial year, the low interest rate in Vietnam will decrease the interest income but this disadvantage will not affect strongly to the net income of 1 year operation.

VIII. As a threat had been mentioned earlier, the high storage cost for unsold products caused by buying large volume to have the best prices offering the customers, will decrease the profit of H&M. H&M should control closely the storage for Vietnam market in order to avoid this risk.
IX. As an online shop, H&M totally depends on the numbers of internet users in Vietnam even this number is increasing year on year. Therefore, H&M must build a strong online shopping system to attract this group to maximize the purchasing power.

X. It is very difficult to control the delivery services of the suppliers by H&M. This may be a risk for the company in building the relationship with the customers, thus H&M should prepare some special terms regarding this issue in the contract with the suppliers.

8.3 Project evaluation

In order to help H&M having an overview of the market and initial planning how to start an online shop in Vietnam, the analysis and project covers basically the current situation as well as the main and important issues including; H&M background, economic, political, social and technical situation for future development in Vietnam, the legal background, fashion industry and e-commerce development situation in Vietnam; H&M strategy and objective in Vietnam market; and the current obstacles and limitation in the market. In addition, the project also provide a solution for time execution to deal with the project for starting point until the project starts in operation as well as the cost estimates for the project in the first year of operation in the market.

By analyzing all the above issues, it is very economic, potential and high profitability for H&M to enter Vietnam market with an online shop due to current situation.
CONCLUSION

The main purpose of this thesis is to propose the new market expansion strategy for H&M to enter Vietnam market with an online shop as the starting point which covers general theory of e-commerce and its implementation and development in fashion industry in reality as well as includes a proposed marketing strategy for H&M.

A briefly introduction of H&M includes the company background, its financial highlights, current situation and the future development plan. H&M had been perceived as strong brand, high corporate reputation and customers’ awareness in fashion industry over the world with strong financial background and rapid expansion in 43 countries over the world.

In addition, the SWOT analysis also shows a deeper understanding about the company as well as the new potential market, by this way the company is able to combine the strength and the opportunities to strengthen the competitive advantages and eliminate or avoid the weaknesses and the threats to minimize the disadvantages itself when it enters the market.

Along with the company analysis, an overall picture of Vietnam country has been covered including the economy, political system, technological development, the culture, society, purchasing power, the existing competitors within the county. The evaluation of all these aspects shows that Vietnam is a very potential market with many advantages for future expansion of H&M to strengthen its global position and the company can prepare a proper strategy to enter market accordingly.

By using quantitative method, a market research was conduct to measure the customers’ behavior toward online shopping as well as H&M brand which is known in the market even H&M has not presented in the market yet. The result from the survey showed a bright future picture for H&M in Vietnam with well acceptance form the potential customers after a long time of waiting for H&M coming to Vietnam. By entering the market with an online shop which is innovative and interactive shopping website with professional functionality of a prestige and famous brand from Sweden, H&M with the company business concept will be successful with a promise of high profitability in Vietnam market.

The vision, mission and objectives as well as positioning of H&M brand also was mentioned for long term development in Vietnam market. On the other hand, a long process of registration for starting doing business in Vietnam has been taken in details, especially for
doing e-commerce, so that the company can follow the basic requirements form the local government.

The thesis also has an emphasis on the pricing and promotion strategy for H&M in Vietnam. H&M should keep its pricing strategy with offering the good quality products at the low prices which was reasonable for Vietnam market and the current situation. A promotion strategy was prepared for H&M to set up a successful image in this new and potential market to obtain the customers’ loyalty and improve their awareness.

The time for execution the project and the cost estimates for entering the market and it first year operation has been analyzed, so that H&M can control the project and all the necessary actions for the project to finish on time at the limited expenses in order to meet the project goals.

In conclusion, Vietnam is evaluated as a very potential market and promise for high profitability in fashion industry for future growth with high demand for a famous brand with new world trend at the reasonable price and good quality as H&M.
BIBLIOGRAPHY

Book:


E-books:


Research paper:

4. NURMILAAKSO, Juha-Miikka. *Adoption of e-business fuctions and migration from EDI-based to XML-based e-business frameworks in supply chain integration*. Helsinki University of Technology, BIT research Center.

**Electronic sources:**


27. H&M. *About corporate governance*. [online]. Available at: <http://about.hm.com/content/hm/AboutSection/en/About/Corporate-Governance/10/About-Corporate-Governance.html> [Accessed on 27 February 2012].


31. H&M. *Five Year Summary – Key figures*. Available at: <http://about.hm.com/content/hm/AboutSection/en/About/Investor-Relations/Key-Figures/Five-Year-Summary.html#cm-menu> [Accessed on 13 April 2012].


## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDA</td>
<td>Personal Digital Assistance</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information Systems</td>
</tr>
<tr>
<td>POS</td>
<td>Point of Sale</td>
</tr>
<tr>
<td>SSL</td>
<td>Secure Sockets Layer</td>
</tr>
<tr>
<td>SET</td>
<td>Secure Electronic Transaction</td>
</tr>
<tr>
<td>HCMC</td>
<td>Ho Chi Minh City</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations.</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization.</td>
</tr>
<tr>
<td>SOEs</td>
<td>State-owned Enterprises.</td>
</tr>
<tr>
<td>WIPS</td>
<td>World Investment Prospects Survey.</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development.</td>
</tr>
<tr>
<td>CNN</td>
<td>Cable News Network</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>CBRE</td>
<td>CB Richard Ellis (Commercial Real Estate Services)</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 1: Gross National Income in Southeast Asia 2009-2010 ........................................... 60
Figure 2: National Purchasing Power Parody in Southeast Asia - 2009-2010 ....................... 60
Figure 3: Shopping frequency in Vietnam ............................................................................. 63
Figure 4: The means for initial awareness of H&M in Vietnam .......................................... 64
Figure 5: Current presence of H&M in Vietnam .................................................................. 65
Figure 6: Overall satisfaction rating for H&M in Vietnam ............................................... 66
Figure 7: Customers’ decision in buying at H&M online shop ............................................ 67
Figure 8: Favor payment method for online shopping in Vietnam ...................................... 67
Figure 9: Porter’s Five Forces ............................................................................................. 75
Figure 10: BCG Matrix ........................................................................................................ 82
Figure 11: Activities, predecessors and three possible completion times for each activities (in week) ........................................................................................................ 92
Figure 12: Critical paths for H&M to establish an online shop in Vietnam ......................... 92
Figure 13: H&M Risk Analysis Matrix ................................................................................ 96
LIST OF TABLES

Table 1: E-marketing Domains................................................................. 16

Table 2: H&M Financial highlights in five year 2007-2011 (SEK Million)........ 40

Table 3: Security methods applied by enterprises in Vietnam in 2010 ................. 55

Table 4: Top 3 recruitment websites in 2009 (maximum point is 5).................. 56

Table 5: Top 10 websites providing online shopping in Vietnam 2009 - 2010........ 59

Table 6: Activities for establishing H&M online shop in Vietnam...................... 90

Table 7: Marketing budget for the first year operating in Vietnam.......................... 93

Table 8: Other expenses for the first year operating in Vietnam.......................... 95
APPENDICES

Appendix I: H&M Ownership Structure - 2012
Appendix II: Vietnam Economics Indicators
Appendix III: Vietnam Demography (Thousand persons)
Appendix IV: Asia top internet countries in 2011
Appendix V: The diagram of law making bodies and legal system in Vietnam
Appendix VI: Progressive tax rate in Vietnam (Million Vnd)
Appendix VII: Enterprises Revenue From E-commerce during 2005-2010
Appendix VIII: The Rentals in Vietnam market – 2012
Appendix IX: The Monthly Rentals in some other countries – 2012
Appendix X: Questionnaire
Appendix XI: Survey result - Monthly Income in Vietnam
Appendix XII: Turnover for the consolidated Group Mango/MNG
Appendix XIII: Solution for completion time by PERT
Appendix XIV: Graphical solution for project
Appendix XV: Gantt chart for all activities
## APPENDIX I: H&M OWNERSHIP STRUCTURE - 2012

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shares</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stefan Persson and family</td>
<td>623,849,332</td>
<td>37.7</td>
</tr>
<tr>
<td>Lottie Tham and family</td>
<td>88,080,400</td>
<td>5.3</td>
</tr>
<tr>
<td>Alecta Pensionsförsäkring</td>
<td>63,490,000</td>
<td>3.8</td>
</tr>
<tr>
<td>JP Morgan Chase Bank</td>
<td>43,780,589</td>
<td>2.6</td>
</tr>
<tr>
<td>Swedbank Robur fonder</td>
<td>43,567,485</td>
<td>2.6</td>
</tr>
<tr>
<td>SSB CL OMNIBUS AC OM07 (15 PCT)</td>
<td>27,620,756</td>
<td>1.7</td>
</tr>
<tr>
<td>Clearstream Banking</td>
<td>27,512,440</td>
<td>1.7</td>
</tr>
<tr>
<td>AMF Försäkring och Fonder</td>
<td>23,824,230</td>
<td>1.4</td>
</tr>
<tr>
<td>Handelsbanken fonder</td>
<td>23,684,386</td>
<td>1.4</td>
</tr>
<tr>
<td>Folksam</td>
<td>19,365,895</td>
<td>1.2</td>
</tr>
<tr>
<td>Fjärde AP-fonden</td>
<td>16,495,633</td>
<td>1.0</td>
</tr>
<tr>
<td>SEB Investment Management</td>
<td>15,254,592</td>
<td>0.9</td>
</tr>
<tr>
<td>Afa Försäkring</td>
<td>15,171,103</td>
<td>0.9</td>
</tr>
<tr>
<td>Jan Bengtsson</td>
<td>14,222,030</td>
<td>0.9</td>
</tr>
<tr>
<td>JPM Chase NA</td>
<td>13,362,054</td>
<td>0.8</td>
</tr>
<tr>
<td>Första AP-fonden</td>
<td>13,068,040</td>
<td>0.8</td>
</tr>
<tr>
<td>SHB: Tredje AP-fonden</td>
<td>11,568,664</td>
<td>0.7</td>
</tr>
<tr>
<td>Six SIS AG</td>
<td>11,286,995</td>
<td>0.7</td>
</tr>
<tr>
<td>Nordea Investment Funds</td>
<td>10,834,921</td>
<td>0.7</td>
</tr>
<tr>
<td>Stefan Bengtsson</td>
<td>10,381,950</td>
<td>0.6</td>
</tr>
<tr>
<td>Others shareholders</td>
<td>538,650,505</td>
<td>32.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,655,072,000</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*(Source: about.hm.com, 2012)*
## APPENDIX II: VIETNAM ECONOMICS INDICATORS

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2012 est.</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (Billions VND)</td>
<td>2,535,008</td>
<td>1,980,914</td>
<td></td>
</tr>
<tr>
<td>GDP (US$ Billions)</td>
<td>120.71</td>
<td>94.33</td>
<td></td>
</tr>
<tr>
<td>GDP (%)</td>
<td>6.0%</td>
<td>5.89</td>
<td>6.78</td>
</tr>
<tr>
<td>GDP per capita (US$)</td>
<td>1,300</td>
<td>1,160</td>
<td></td>
</tr>
<tr>
<td>State Debt</td>
<td>58.2% GDP</td>
<td>54.6% GDP</td>
<td>44.5% GDP</td>
</tr>
<tr>
<td>Interest rate</td>
<td>9%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Exchange rate ($/VND)</td>
<td>20,828</td>
<td>20,828</td>
<td>18,932</td>
</tr>
<tr>
<td>Inflation rate (%)</td>
<td>10</td>
<td>18.13</td>
<td>11.75</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>2.27</td>
<td>2.88</td>
<td></td>
</tr>
<tr>
<td>Wage growth (%)</td>
<td>11.5</td>
<td>12.4</td>
<td></td>
</tr>
<tr>
<td>Export (Billion US$)</td>
<td>99</td>
<td>96.4</td>
<td>71.6</td>
</tr>
<tr>
<td>Import (Billion US$)</td>
<td>115</td>
<td>105.8</td>
<td>84</td>
</tr>
<tr>
<td>Trade deficit (Billion US$)</td>
<td>12</td>
<td>9.6</td>
<td>12.4</td>
</tr>
</tbody>
</table>

(Source: General Statistics Office, 2011)
## APPENDIX III: VIETNAM DEMOGRAPHY (THOUSAND PERSONS)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>85,118.7</td>
<td>86,025</td>
<td>86,927.7</td>
<td>87,642</td>
<td>88,604</td>
<td>89,609</td>
</tr>
<tr>
<td>Growth in %</td>
<td>1.07</td>
<td>1.06</td>
<td>1.05</td>
<td>0.8</td>
<td>1.09</td>
<td>1.1</td>
</tr>
<tr>
<td>Male</td>
<td>41,956.1</td>
<td>42,523.4</td>
<td>42,990.7</td>
<td>43,379</td>
<td>43,884</td>
<td>44,404</td>
</tr>
<tr>
<td>Growth in %</td>
<td>1.23</td>
<td>1.35</td>
<td>1.1</td>
<td>0.9</td>
<td>1.16</td>
<td>1.18</td>
</tr>
<tr>
<td>Female</td>
<td>43,162.6</td>
<td>43,501.6</td>
<td>43,937</td>
<td>44,263</td>
<td>44,720</td>
<td>45,205</td>
</tr>
<tr>
<td>Growth in %</td>
<td>0.92</td>
<td>0.79</td>
<td>1</td>
<td>0.7</td>
<td>1.03</td>
<td>1.08</td>
</tr>
<tr>
<td>Urban</td>
<td>24,673.1</td>
<td>25,584.7</td>
<td>26,224.4</td>
<td>27,099</td>
<td>27,981</td>
<td>28,890</td>
</tr>
<tr>
<td>Growth in %</td>
<td>3.9</td>
<td>3.69</td>
<td>2.5</td>
<td>3.33</td>
<td>3.25</td>
<td>3.25</td>
</tr>
<tr>
<td>Rural</td>
<td>60,445.6</td>
<td>60,440.3</td>
<td>60,703.3</td>
<td>60,543</td>
<td>60,623</td>
<td>60,719</td>
</tr>
<tr>
<td>Growth in %</td>
<td>-0.04</td>
<td>-0.09</td>
<td>0.44</td>
<td>-0.26</td>
<td>0.13</td>
<td>0.16</td>
</tr>
</tbody>
</table>

(Source: General Statistics Office, 2012)
APPENDIX IV: ASIA TOP INTERNET COUNTRIES IN 2011

Asia Top Internet Countries
December 31, 2011

(Source: Internet World Stats, 2011)
APPENDIX V: THE DIAGRAM OF LAW MAKING BODIES AND LEGAL SYSTEM IN VIETNAM

(Source: www.adrc.asia)
APPENDIX VI: PROGRESSIVE TAX RATE IN VIETNAM (MILLION VND)

<table>
<thead>
<tr>
<th>Level</th>
<th>Average yearly Income</th>
<th>Average Monthly Income</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>to 60</td>
<td>To 5</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Over 60 to 120</td>
<td>Over 5 to 10</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Over 120 to 216</td>
<td>Over 10 to 18</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Over 216 to 384</td>
<td>Over 18 to 32</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Over 384 to 624</td>
<td>Over 32 to 52</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>Over 624 to 960</td>
<td>Over 52 to 80</td>
<td>30</td>
</tr>
<tr>
<td>7</td>
<td>Over 960</td>
<td>Over 80</td>
<td>35</td>
</tr>
</tbody>
</table>

(Source: Investment and Trade Promotion Center)
## APPENDIX VII: ENTERPRISES REVENUE FROM E-COMMERCE DURING 2005-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Increasing</th>
<th>Decreasing</th>
<th>Unchanged</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>64%</td>
<td>4%</td>
<td>32%</td>
</tr>
<tr>
<td>2009</td>
<td>60%</td>
<td>7%</td>
<td>33%</td>
</tr>
<tr>
<td>2008</td>
<td>56%</td>
<td>6%</td>
<td>37%</td>
</tr>
<tr>
<td>2007</td>
<td>62%</td>
<td>3%</td>
<td>34%</td>
</tr>
<tr>
<td>2006</td>
<td>57%</td>
<td>4%</td>
<td>38%</td>
</tr>
<tr>
<td>2005</td>
<td>37%</td>
<td>1%</td>
<td>61%</td>
</tr>
</tbody>
</table>

(Source: Vietnam Ecommerce Report, 2010)
## APPENDIX VIII: THE RENTALS IN VIETNAM MARKET - 2012

<table>
<thead>
<tr>
<th>Location</th>
<th>Shop Rental</th>
<th>Deposit</th>
<th>Management fee</th>
<th>Warehouse rental</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vincom LTT</td>
<td>$95/m²</td>
<td>3 month rental</td>
<td>$5/m²</td>
<td>-</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Diamond Plaza</td>
<td>$85/m²; or 26% of sales</td>
<td>2 month rental</td>
<td>$13/m² (Excl. VAT)</td>
<td>$20/m²</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Parkson LTT</td>
<td>$60/m²; or 25% of sales</td>
<td>2 month rental</td>
<td>$10.45/m²</td>
<td>$22/m²</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Parkson Flemingston Parkson CT</td>
<td>$35/m²; or 25% of sales</td>
<td>2 month rental</td>
<td>$10.45/m²</td>
<td>$22/m²</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Now Zone</td>
<td>22% of sales</td>
<td>$1570</td>
<td>$11/m²</td>
<td>$20/m²</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Parkson Hanoi</td>
<td>$50/m²; or 25% of sales</td>
<td>2 month rental</td>
<td>$10.45/m²</td>
<td>$22/m²</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Vincom Hanoi</td>
<td>$60/m²</td>
<td>3 month rental and mgmt fee</td>
<td>$5/m²</td>
<td></td>
<td>Shopping center</td>
</tr>
<tr>
<td>Nguyen Trai Str., Dist 1 (81.8m²)</td>
<td>$6650/month</td>
<td>$6000</td>
<td>No</td>
<td>No</td>
<td>Shop-house</td>
</tr>
<tr>
<td>Hai Ba Trung, Dist 1 (120m²)</td>
<td>$4500/month</td>
<td>1 month rental</td>
<td>No</td>
<td>No</td>
<td>Shop-house</td>
</tr>
<tr>
<td>Trang Thi, Hanoi (50m²)</td>
<td>$6000/month</td>
<td>1 month rental</td>
<td>No</td>
<td>No</td>
<td>Shop-house</td>
</tr>
<tr>
<td>Thai Ha, Hanoi (57.9m²)</td>
<td>$41,400/month</td>
<td>$3000</td>
<td>No</td>
<td>No</td>
<td>Shop-house</td>
</tr>
</tbody>
</table>

(Source: Sang Thinh Ltd., 2012)
### APPENDIX IX: THE MONTHLY RENTALS IN SOME OTHER COUNTRIES - 2012

<table>
<thead>
<tr>
<th>Name</th>
<th>Shop Rental</th>
<th>Country</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis Atrium Shopping Mall</td>
<td>$36/m²</td>
<td>Malaysia</td>
<td>Shopping center</td>
</tr>
<tr>
<td>1 Shamelin Shopping Mall</td>
<td>$75/m²</td>
<td>Malaysia</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Pasir Ris</td>
<td>$485/m²</td>
<td>Singapore</td>
<td>Shopping center</td>
</tr>
<tr>
<td>People’s Park Complex</td>
<td>$269/m²</td>
<td>Singapore</td>
<td>Shopping center</td>
</tr>
<tr>
<td>Texas, USA</td>
<td>$65 - $161</td>
<td>$20/m²</td>
<td>Shopping center</td>
</tr>
</tbody>
</table>

(Source: Iproperty.com, OLX\(^1\) and Loopnet.com, 2011)

\(^1\) OLX provides a simple solution to the complications involved in selling, buying, trading, discussing, organizing, and meeting people near you, wherever you may reside.
APPENDIX X: QUESTIONNAIRE

First of all, It would be my honor to thank for your patience and kindness in answering this questionnaire. Your answers will be very valuable to my survey and my project. Facing to the high cost to open a traditional fashion shop in Vietnam market at present, many enterprises had developed the online shops to save the cost and time for both the companies and the customers. The purpose of this questionnaire is to conduct a survey of the customer behavior toward the online shopping and especially H&M brand in Vietnam market.

Thank you very much in advance.

Part 1:

*1. How is your shopping frequency for fashion products (Clothing, bags, shoes,..)?
- Once a month
- Twice a month
- Once a week
- Twice a week
If Other (Please specify)   

*2. Which fashion brand are you currently shopping? Please indicate the brand names.

*3. Where did you buy the products from these brands? (Multiple answers)
- Shopping Centers
- Outlets
- Shop-houses
- Markets
- Brand / company websites
- Websites for Online shopping (123mua.com.vn or 5giay.vn or hotdeal.vn, etc.)
- Social networking (Facebook, Zing Me, ...)
- Order from abroad
- Buy while travelling abroad
- Others

If Other (please specify)   

4. How often do you use internet?
- Everyday
- Sometimes
- Seldom

If Other (please specify)

5. What do you do on the internet?
- Reading online newspapers (vnexpress.net, ngoiso0.net, tuoitre.com.vn, ...)
- Joining the social network (Facebook, Zing Me, ...)
- Playing games
- Websites for shopping
- Searching (Google, Yahoo, ...)
- Working
- Doing business

If Other (please specify)

6. How do you think about online shopping? It is: (Multiple answers)
- Save time
- Cheaper
- Convenient (home delivery, order at home via internet)
- Easy to compare the prices among the shops
- Unsafe customer data security

If Other (please specify)

7. How often do you buy the fashion products (Clothing, bags, shoes, ... ) online?
- Everyday
- Once a week
- Twice a week
- Sometimes in a month

If Other (please specify)
**8. Which payment method did you use for online shopping?**

- Credit / Debit Card
- Bank transfer
- ATM
- Cash on Delivery
- Others

If Other (please specify):

**9. Please indicate the importance of each factor which help you to make decision in buying the product online.** (1 is the most important and 5 is the least important)

<table>
<thead>
<tr>
<th>Factor (Brand origin)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product diversity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product color</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment method</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Website design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Part 2:**

**1. Have you ever heard about H&M, a fashion brand from Sweden?**

- Yes
- No

If No, please continue Question No. 6

If Yes, please continue Question No. 2

**2. How can you know about H&M? (Multiple answers)**

- Friends
- Magazine
- Family
- Newspapers
- Social Media (Facebook, Zing Me, online media, etc.)
- Others

If Other (please specify):
3. What did you buy from H&M brand?

- Clothing
- Shoes
- Cosmetics
- Bags
- Jewels
- Glasses
- Other accessories (nail polish, scarves, hats, belts, etc.)
- Others

If Other (please specify)

4. Where did you buy H&M products?

- Order from abroad via local online shops
- Buy while travelling abroad
- Gifts from friends or family
- Others

If Other (please specify)

5. What is your overall satisfaction rating for H&M?
(1 is the most satisfied and 5 is the least satisfied)

<table>
<thead>
<tr>
<th>Product country image (Sweden)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Design</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Color</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services from sellers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If dissatisfied, please recommend

6. If H&M opens an online shop in Vietnam (http://www.hm.com/entrance.ahtml), are you willing to buy online?

- Yes
- No

If No, Why?

7. Which online payment method do you prefer?

- Credit / Debit Card
- Bank transfer
- ATM
- Cash on delivery
- Others

If Other (please specify)

9. How likely are you to recommend H&M to your friends, colleagues and family?
   - Very likely
   - Rather likely
   - Neither Likely nor Unlikely
   - Rather unlikely
   - Very unlikely

Part 3:

1. What is your age?
   - 20-30
   - 30-40
   - 40-50
   - Others

   If Other (please specify):

2. What is your gender?
   - Male
   - Female

3. Please indicate occupation [position and company name (if any)]

4. What is your income?
   - 3 - 5 million VND
   - 5 - 10 million VND
   - 10 - 15 million VND
   - 15 - 20 million VND
   - Over 20 Million VND
   - Others

   If Others (Please specify):

5. Which city are you living?
APPENDIX XI: SURVEY RESULT - MONTHLY INCOME IN VIETNAM

4. What is your income?  

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 - 5 million VND</td>
<td>11.0%</td>
<td>11</td>
</tr>
<tr>
<td>5 - 10 million VND</td>
<td>29.0%</td>
<td>29</td>
</tr>
<tr>
<td>10 - 15 million VND</td>
<td>14.0%</td>
<td>14</td>
</tr>
<tr>
<td>15 - 20 million VND</td>
<td>17.0%</td>
<td>17</td>
</tr>
<tr>
<td>Over 20 Million VND</td>
<td>15.0%</td>
<td>15</td>
</tr>
<tr>
<td>Others</td>
<td>14.0%</td>
<td>14</td>
</tr>
</tbody>
</table>

If Others (Please specify)  
Show Responses: 5

Answered question: 100
Skipped question: 0

(Source: Own research)
APPENDIX XII: TURNOVER FOR THE CONSOLIDATED GROUP
MANGO/MNG

(Source: shop.mango.com)
APPENDIX XIII: SOLUTION FOR COMPLETION TIME BY PERT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>Yes</td>
<td>8.3333</td>
<td>0</td>
<td>8.3333</td>
<td>0</td>
<td>8.3333</td>
<td>3-Time estimate</td>
<td>0.3333</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>no</td>
<td>5.1667</td>
<td>0</td>
<td>5.1667</td>
<td>3.1667</td>
<td>8.3333</td>
<td>3-Time estimate</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>C</td>
<td>Yes</td>
<td>4</td>
<td>8.3333</td>
<td>12.3333</td>
<td>8.3333</td>
<td>12.3333</td>
<td>3-Time estimate</td>
<td>0.3333</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>D</td>
<td>Yes</td>
<td>2</td>
<td>12.3333</td>
<td>14.3333</td>
<td>12.3333</td>
<td>14.3333</td>
<td>3-Time estimate</td>
<td>0.3333</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>E</td>
<td>Yes</td>
<td>1.1667</td>
<td>14.3333</td>
<td>15.5</td>
<td>14.3333</td>
<td>15.5</td>
<td>3-Time estimate</td>
<td>0.1667</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>F</td>
<td>Yes</td>
<td>8.5</td>
<td>15.5</td>
<td>24</td>
<td>15.5</td>
<td>24</td>
<td>3-Time estimate</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>G</td>
<td>no</td>
<td>3</td>
<td>15.5</td>
<td>18.5</td>
<td>16.6667</td>
<td>19.6667</td>
<td>1.1667</td>
<td>3-Time estimate</td>
<td>0.3333</td>
</tr>
<tr>
<td>8</td>
<td>H</td>
<td>no</td>
<td>4.1667</td>
<td>18.5</td>
<td>22.8333</td>
<td>19.6667</td>
<td>24</td>
<td>1.1667</td>
<td>3-Time estimate</td>
<td>0.3333</td>
</tr>
<tr>
<td>9</td>
<td>I</td>
<td>Yes</td>
<td>5.1667</td>
<td>24</td>
<td>29.1667</td>
<td>24</td>
<td>29.1667</td>
<td>3-Time estimate</td>
<td>0.1667</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>J</td>
<td>no</td>
<td>1</td>
<td>22.8333</td>
<td>23.8333</td>
<td>29.3333</td>
<td>30.3333</td>
<td>6.5</td>
<td>3-Time estimate</td>
<td>0.5</td>
</tr>
<tr>
<td>11</td>
<td>K</td>
<td>no</td>
<td>6.1667</td>
<td>22.8333</td>
<td>29</td>
<td>24.1667</td>
<td>30.3333</td>
<td>1.3333</td>
<td>3-Time estimate</td>
<td>0.5</td>
</tr>
<tr>
<td>12</td>
<td>L</td>
<td>no</td>
<td>4.1667</td>
<td>22.8333</td>
<td>27</td>
<td>26.1667</td>
<td>30.3333</td>
<td>3.3333</td>
<td>3-Time estimate</td>
<td>0.1667</td>
</tr>
<tr>
<td>13</td>
<td>M</td>
<td>Yes</td>
<td>1.1667</td>
<td>29.1667</td>
<td>30.3333</td>
<td>29.1667</td>
<td>30.3333</td>
<td>0</td>
<td>3-Time estimate</td>
<td>0.1667</td>
</tr>
<tr>
<td>14</td>
<td>N</td>
<td>Yes</td>
<td>2.1667</td>
<td>30.3333</td>
<td>32.5</td>
<td>30.3333</td>
<td>32.5</td>
<td>3-Time estimate</td>
<td>0.1667</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>O</td>
<td>no</td>
<td>2.1667</td>
<td>32.5</td>
<td>34.6667</td>
<td>38.6667</td>
<td>40.8333</td>
<td>3-Time estimate</td>
<td>0.1667</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>P</td>
<td>Yes</td>
<td>12.6667</td>
<td>45.1667</td>
<td>45.1667</td>
<td>45.1667</td>
<td>0</td>
<td>3-Time estimate</td>
<td>0.6667</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Q</td>
<td>no</td>
<td>2.1667</td>
<td>34.6667</td>
<td>36.8333</td>
<td>40.8333</td>
<td>43</td>
<td>6.1667</td>
<td>3-Time estimate</td>
<td>0.1667</td>
</tr>
<tr>
<td>18</td>
<td>R</td>
<td>no</td>
<td>1.1667</td>
<td>36.8333</td>
<td>38</td>
<td>44</td>
<td>45.1667</td>
<td>7.1667</td>
<td>3-Time estimate</td>
<td>0.1667</td>
</tr>
<tr>
<td>19</td>
<td>S</td>
<td>no</td>
<td>2.1667</td>
<td>36.8333</td>
<td>39</td>
<td>43</td>
<td>45.1667</td>
<td>6.1667</td>
<td>3-Time estimate</td>
<td>0.1667</td>
</tr>
</tbody>
</table>

Project Completion Time = 45.17 weeks
Number of Critical Path(s) = 1
APPENDIX XIV: GRAPHICAL SOLUTION FOR PROJECT
APPENDIX XV: GANTT CHART FOR ALL ACTIVITIES