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Solutions to Improve the Capacity to Provide Retail Services of Vietnamese Businesses

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Abstract

In recent years, with existing foundations and strengths, the retail industry has continued to grow and is becoming one of the key economic sectors of the Vietnamese economy. Organizing distribution channels to final consumers so that they are modern and suitable to people's shopping needs in the most effective way has become an urgent issue. Foreign businesses soon grasped the trend and organized truly effective and modern forms of retail distribution with supermarket systems, such as Big C, Mega market, Aeon. That has posed many opportunities and competitive challenges for Vietnamese businesses: how to dominate, penetrate, and organize the distribution system in the most effective way, with high requirements for service provision

capacity with foreign-based enterprises with strong financial resources and experience in management and business organization in the international economic environment. This article analyzes the current state of retail service provision capacity of Vietnamese enterprises. From there, it can be seen that with opportunities and challenges always going hand in hand, to compete and survive, businesses in retail are forced to rely largely on the services provided to customers. The research results will be a useful resource for managers in retail businesses, helping the service provision process to enhance the market competitiveness of current retail businesses now and in the near future.

Keywords: Retail Businesses, Service Provision Capacity, Retail Market

1. Introduction

In the new business context, the ASEAN Common Economic Area (AEC) officially comes into effect, allowing the flow of resources, goods, human capital, etc. to move freely and smoothly within the bloc. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) officially took effect from January 2019, the Free Trade Agreement with the EU (EVFTA) took effect from February 2021, and the Free Trade Agreement with the EU (EVFTA) took effect from February 2021. Free trade between Vietnam and the EFTA bloc (Vietnam-EAEU FTA) takes effect from August 2021, and the Regional Comprehensive Economic Partnership Agreement (RCEP) takes effect from January 2022 was signed. Commitments to open service, investment and distribution markets are also the reasons why foreign businesses promote investment in Vietnam's retail industry.

Besides the advantages that mark Vietnam's new step forward in the process of international economic integration, the opening of new market areas will cause many disadvantages for domestic goods but is also a driving force. Promote production and distribution, improve the competitiveness of Vietnamese enterprises.

Currently, Vietnam has 8 main segments with the presence of large retailers including: Hypermarkets/Distribution centers, shopping centers, complex shopping centers, supermarkets, mini supermarkets/ convenience stores/specialty stores, electronics supermarkets, online retail and television sales. Online retail can exist in a model that integrates physical stores or only focuses on virtual stores on the internet via websites, e-commerce platforms.

Vietnam is still a potential retail market with nearly 100 million people, classified as one of the countries with a strong growing middle class and rapid urbanization. The market scale and capacity in 2022 will achieve high growth compared to the previous year; Total retail sales of goods and consumer service revenue for the whole year is estimated at 5,679.9 trillion VND, an increase of about 19.8% over the same period in 2021 (while the growth target for the whole year 2022 is 8%). The added value of domestic trade grew highly, reaching 10.15% compared to 2021, contributing 0.97 percentage points to the growth rate of the total added value of the entire economy.

The retail market in cities and urban areas continues to develop with civilized and modern forms; The retail market in rural areas is also interested in developing and expanding its diverse types, retail e-commerce will increasingly develop. This is a potential "land" for Vietnamese retail businesses. However, challenges for Vietnamese businesses still lie ahead. Researching and implementing which retail market development model to affirm their position in the domestic market is one of the questions. need to find the answer soon.

Therefore, researching the influence of factors on the service provision capacity of retail businesses in Vietnam in the domestic retail market is an urgent issue, contributing to support and orientation for retail businesses in Vietnam. Vietnamese businesses in general today determine the level of priority in their investment strategies for sustainable development.

2. Research Overview

2.1 Enterprise Capacity

Capacity is the ability to maintain, deploy, and coordinate resources in an appropriate way for the company to achieve its goals in a competitive context [11]. Capacity represents a combination of both resources and capabilities, therefore capacity is more general and meaningful than resources and capabilities. Capabilities concern how well a firm coordinates diverse production skills and integrates technological elements. However, the origin of resources and capabilities is only a necessary condition; the ability to deploy and coordinate resources and capabilities is a sufficient condition to achieve the enterprise's goals. Businesses compete based on their capabilities. Competence is the basis for creating a sustainable competitive advantage for an enterprise.

Capacity created by adding capabilities and coordinating resources creates competitive advantage and allows businesses to achieve their strategic goals. Organizational businesses combine resources together in the value creation and value distribution process of the business. Capacity is the ability to sustain the deployment of combinations of resources in certain ways to help a business achieve its goals [4, 11].

2.2 Service Provision Capacity

Service delivery capacity is the ability to create and exploit an enterprise's resources to provide more effective services to satisfy customer needs [7]. The service provision capacity of an enterprise is the ability and available resources of the enterprise to provide the necessary goods and services to meet customer needs. In other words, the service provision capacity of a business is the combination of resources and capabilities to serve and satisfy customers in choosing to buy goods in order to maintain and develop market share and profits and achieve identified goals. "The service provision capacity of an enterprise demonstrates the enterprise's strength and advantages in satisfying customer needs to gain increasing benefits for the enterprise" [17]. The service provision capacity of an enterprise is composed of many factors with different characteristics. For example, there are factors that act as sources, core factors, manifestation factors, etc. that create capacity for businesses in the market. Thus, compiled from the research of a number of authors, for the retail sector, service provision capacity is defined as the ability to create and exploit a business's resources to provide value, towards more effective services to satisfy customers' retail service needs and achieve the enterprise's strategic business goals [7, 11, 17].

Service delivery capacity is very important because it directly affects a business's ability to meet market requirements and business goals. Resources and capabilities must be continuously reinforced to maintain the competitiveness of the business and may need to be expanded to allow the business to position itself to pursue new opportunities in the market. A business's resources and capabilities can reduce its competitiveness unless they are constantly renewed, adjusted or even eliminated or replaced in response to changes taking place in the market over time. Company strategy. The challenge of managing a firm's resources and capabilities in an agile way has two elements: (1) engaging in continuous modification of existing competitive assets (2) paying attention to opportunities to develop capabilities [13].

2.3 Factors Constituting the Capacity to Provide Retail Services of an Enterprise

Table 1: Theoretical basis of factors constituting capacity to provide retail services

Number	Constitutive Elements	Theoretical Basis
1	Ability to establish vision and plan retail strategies	According to the 'resources are the basis of unique value creation strategies and competitive advantage' perspective of (Collis and Montgomery, 1995, 1998; Porter, 1996, Prahalad and Hamel, 1990) and the resource perspective in business by Thompson <i>et al</i> (2015). Compiled from research by authors Sanchez and Heene (1996), Lai <i>et al.</i> , (2010), Mai Thanh Lan (2012) on capacity and supply capacity service. According to the perspective of dynamic capabilities of Leonard-Barton (1992), Teece <i>et al</i> (1997) and Eisenhardt <i>et al</i> (2000).
2	Ability to research and identify customer needs	According to the capacity management perspective of Sanchez and Heene (1996); According to the open perspective on the Service Delivery System of Fitzsimmons and Fitzsimmons (2011), service products and service processes are formed. comes from customer needs; According to research on customer buying behavior by Mothersbaugh and Hawkins (2016)
3	Ability to build and develop service packages suitable to customer needs	According to an open perspective on the service delivery system and service packages of Fitzsimmons and Fitzsimmons (2011) According to Muralia <i>et al</i> (2016) According to Lai <i>et al.</i> , (2010)
4	Capacity to design service delivery processes	According to Muralia <i>et al</i> (2016) According to Pan and Nguyen (2015) According to an open perspective on the service delivery system and service packages of Fitzsimmons and Fitzsimmons (2011)

		According to Nguyen Thi Nguyen Hong (2014)
5	Ability to manage sales personnel and provide services	According to the open perspective on Service Delivery Systems and Service Packages by Fitzsimmons and Fitzsimmons (2011) According to Lai <i>et al.</i> , (2010) According to Nguyen Thi Nguyen Hong (2014)
6	Ability to measure and evaluate service delivery results	In the view of Johnston and Clark (2005) According to studies by Keh, Nguyen & Ng (2007), Luo (2010), Vu M. Khuong & Haughton (2004) According to Do Thi Ngoc (2017)

Source: Compiled from cited sources [1, 2, 3, 4, 5, 10, 12, 13, 17]

To be able to build a service delivery system, retail businesses need to ensure the elements that constitute Service Delivery Capacity [1, 3, 4, 5, 11]. Besides, some studies have proposed some criteria to evaluate the capacity of enterprises such as: dynamic capacity sources; position of the business; financial (sales, profits, market share) and non-financial performance of the enterprise; product and service quality; market share; prices of products and services [6, 14]. Additionally, in today's competitive market to increase customer satisfaction and loyalty, businesses should focus more on developing and innovating services that come with products, strengthening communicate and maintain long-term relationships with customers because the quality of accompanying services plays a decisive role in affirming the product's position compared to similar products of competitors [10]. Using the SERVQUAL model to evaluate the relationship between after-sales service quality and customer satisfaction shows that businesses whose after-sales services are highly appreciated by customers often have satisfaction. Customer satisfaction and loyalty [9]. Thus, it can be seen that although the approaches are different, most authors believe that the capacity of an enterprise can be evaluated around criteria such as: market share of supply in the market, profit and profit. profit margin, labor productivity, management level, brand and reputation of the enterprise, assets of the enterprise, especially intangible assets, employee skills, research and creative ability, product price. These factors give businesses a competitive advantage, that is, they help businesses carry out activities with higher efficiency than competitors, creating value. to customers based on differentiation in elements of quality. Studies also show that the impact of price on customer satisfaction depends on the characteristics of the customer and the customer's expectations for the product. From the above analysis, the article focuses on researching the factors that constitute the capacity to provide retail services of businesses according to 6 factors, the following factors:

This element represents each aspect of capacity in service provision, including:

Ability to Establish Vision and Plan Retail Strategies

Building a retail vision and strategy is when a retail business specifically identifies the following issues: (1) target market, (2) type of retail that meets the needs of the target market, and (2) 3) resources to build sustainable competitive advantage. A retail strategy describes a business's activities such as the types of goods and services offered, pricing policies, advertising and promotional programs, store design and merchandising approaches, locations and services. customer service, designed to meet the needs of the target market. A sustainable competitive advantage is one that is

not easily copied by competitors and can therefore be maintained over a long period of time. Retail businesses need to position the market appropriately with key customer groups. The Customer groups can be defined by geographic location, demographics, lifestyle, purchasing situation or interests sought. An important element in retail strategy is the retail business's approach towards building sustainable competitive advantage. Any business activity in which a retail business engages can be the basis for a competitive advantage, but some advantages may remain sustainable over a long period of time, while others may can be copied by competitors almost immediately. Thus, establishing a competitive advantage means that a retail business needs to build a wall around its position in the market, thus making it difficult for competitors to enter the market.

Ability to Research and Identify Customer Needs

To build a good service delivery system, managers must have the ability to research and identify customer needs. That is the ability to apply a variety of methods to determine customer needs based on intuition; investigate; use focus groups; Research human factor. This capacity is demonstrated in the ability to: Analyze activities, Analyze products, Analyze needs, Research human factors, Research emotions contact [8]. Once customer needs have been identified, managers can plan retail service delivery strategies to address the needs. This may include developing or changing products, adjusting distribution channels, changing pricing policies or reviewing advertising strategies or increasing or changing required services. Customers play an interactive role in the service provision process of businesses, so the level of customer commitment also leads to changes in their needs. Therefore, increasing information collection and understanding the needs of each customer group is essential. In addition, with individual customers, retail businesses also need to have certain interactions to understand and choose ways to provide services that are appropriate to the psychology, psychology, and emotions of customers.

Ability to Build and Develop Service Packages Suitable to Customer Needs

A good service will encourage loyal behavior from both employees (e.g., commitment and desire to stay with the company) and customers (e.g., exploration, spending, and return). Because physical environmental factors will create emotional responses that influence behavior, the service delivery process of a business will impact the behavior of participants, thereby affecting the overall goal of the organization [9]. Table 2 provides criteria for developing a service package that satisfies customer needs.

Table 2: Criteria for developing service packages

Criteria	Service pack
Goods	1. Consistency in style and design
	2. Correct and sufficient quantity
	3. Diverse product structure, many options
	4. Price corresponds to quality and value
Means of support	1. Location: convenient and attention-grabbing
	2. Interior space: Suitable for the event and time, ensuring the quality and coordination of furniture.
	3. Equipment: Light, sound, scent
	4. Decoration and display style of goods
	5. Arrange appropriate equipment
Information	1. Accuracy: update customer information
	2. Timely: give warnings and instructions
	3. Useful: Determine correct sales volume and inventory status
Existing service	1. Proficient skills of service staff
	2. Comprehensiveness
	3. Consistency
	4. Service availability
Hidden service	1. Attitude of service staff
	2. Waiting time
	3. Ensure privacy and security for customers
	4. Convenience: Free parking

Source: Fitzsimmons and Fitzsimmons, 2011, page 23

The elements in the service package provided by a retail business will be experienced by customers and form the basis for their perception of the business's services. It is important for retail businesses to provide an overall customer experience that matches the service package they desire.

Capacity to Design Service Delivery Processes

The service provision process is a process that includes many stages, starting from when the business identifies the customer's service needs until the customer finishes consuming the business's products and services. The process of providing a product or service is considered successful when the customer finishes consuming that service [16]. To design the service delivery process, businesses must establish optimal efficiency goals and how to deploy activities to achieve that goal. Efficiency indicators in the service provision process can be adjusted depending on different demand times. Optimal efficiency is the balance point between demand and service delivery efficiency, at the optimal level it will bring customers the highest satisfaction. Flexible efficient design can meet different customer needs, utilize manpower and survey resources according to needs, and take advantage of employees' free time [9]. To perfect the service provision process, retail businesses need to use technical facilities most effectively by researching and investing in modern, multi-purpose equipment that can be used multiple times forms that serve different purposes. Businesses also need to introduce many forms of service provision to expand customer choices such as automated service forms [10]. Thus, customers can reduce service requirements for employees and easily meet different customer requirements.

Ability to Manage Sales Personnel and Provide Services

The level of human resource management organization is one of the most important factors that create the service provision capacity of retail businesses. If you want to organize and manage the service delivery system well, first of all, the business must have good leadership that is both dedicated, visionary and talented. The Board of Directors of

an organization has a very important role, being the executive department, holding all of the organization's resources, outlining strategic guidelines, policies, operational plans, guiding, urging, Check and evaluate all activities of departments and divisions to bring the activities of the organization under their management to the highest efficiency. The Board of Directors has such an important role, so it is necessary to choose a leader who meets the standards to be able to operate and manage the business effectively. In general, a good leader is someone who has professional skills, skills in relationships with people, understands people and knows how to win people's hearts, has strategic awareness skills, that is, is sensitive to changes in the environment. Business environment to forecast and build adaptive strategies. Human resources are expressed through the quantity and quality of an enterprise's labor such as education level, skill level, health, labor culture... Enterprises have human resources such as having Loyal, highly qualified, professional and dedicated workforce... from there, providing new services can satisfy customers. To organize good management, the second issue that businesses need to have is a good method of managing and operating service provision activities. It is a modern management method that has been successfully applied by many businesses around the world such as situational management, quality management.

Ability to Measure and Evaluate Service Delivery Results

Evaluating and measuring service delivery capacity is very difficult and complex but still necessary to do. Because it is an important basis for considering the current state of capabilities as well as the results of service provision activities, and is the basis for improvement measures, constantly enhancing customer satisfaction [5]. Service providers must always meet both supply chain cost and quality objectives from start to finish, not simply focusing on the final stage of delivering products to customers client. It can be seen that service providers often fail because they have not designed and implemented the process adequately [18].

Assessing service delivery capacity is the foundation for improving service delivery capacity. Evaluation helps businesses determine their current service provision capacity, recognize problems that need to be resolved and find ways to improve their service provision capacity better and better [3]. Every business needs a dynamically evolving portfolio of resources and capabilities to remain competitive and help drive performance improvements. Only then can businesses improve service quality to satisfy customer needs and increase reputation in the market.

3. Current Status of Service Provision by Retail Businesses in Vietnam

3.1 Results Achieved

According to the General Statistics Office, by the end of 2022, the country will have about 1,163 supermarkets, 256 shopping centers and 8,581 markets, most of which are concentrated in big cities and inner-city areas. In particular, foreign retail corporations with 100% foreign capital, such as: Big C (Thailand); Aeon (Japan) has landed in Vietnam in recent years, helping the retail market to be vibrant and have fierce competition with domestic businesses. According to the ranking of the US Kearney organization, Vietnam's global retail development index (GRDI) in 2021 ranked 9th,

which partly shows the development potential of Vietnam's retail market. Vietnam is huge and shows attraction to foreign investors. The rapid growth of our country's retail market. In just the 9-year period from 2012 to 2021, the size of the Vietnamese retail market has increased 3.14 times. From 2018 to 2022, the net revenue of retail businesses next year is always higher than the previous year, the average growth rate is also stable with a growth rate of 10%/year.

Currently, Vietnamese retail businesses have two main distribution channels: traditional channels and modern channels. Among them, the main form of communication channel is markets and grocery stores. This form still accounts for a large proportion and exists in both rural and urban areas. Modern channels include supermarkets, shopping centers, and convenience stores with two forms of sales: Online and direct, which are increasingly asserting their position as retail businesses in the Vietnamese market. especially in cities, industrial parks, special economic zones, where a young, dynamic, highly educated workforce with good infrastructure is concentrated. Based on service provision capacity, retail businesses choose the most suitable market segment for them, such as: Masan, Mobile World, Vinmart. Although, traditional channels still account for a large proportion. 55% greater importance than modern channels of 45%, but with the appearance of foreign retail corporations with abundant service supply capacity, rich experience, and professional services, customers can have more Purchasing experience is a huge threat to media sales channels in general and Vietnamese retail businesses in particular, which are outdated and slow to change. The market share of modern retail channels, which accounted for 25% in 2018, has increased to 45% in 2022. The main forms are supermarkets and shopping centers, concentrated in big cities, while rural areas, mountainous and remote areas, modern sales channels are still very strange. This shows that retail businesses still have a lot of potential to develop service provision capacity in rural and suburban areas in Vietnam.

3.2 Limitations

- Domestic retailers are still weak in many aspects. From the production process not being synchronized, not ensuring food safety, the logistics system, such as: cold storage, specialized trucks, warehouses gathering and packing goods. Do not meet standards and regional and world requirements. Many retail establishments still trade poor quality goods of unknown origin, have not built a stable supply area for consumption, and are proactive in cooperation and joint ventures in purchasing and consuming. Goods are fragmented. losing customers' trust in the business.
- Some localities still have a very inadequate situation: domestic retail businesses do not have a favorable business position because they have to cede to FDI enterprises according to preferential policies and incentives to attract local FDI capital. This further increases competitive pressure for domestic retail businesses.

4. Solutions to Improve Service Provision Capacity of Retail Businesses in Vietnam

For Retail Businesses

Firstly, expand the business network, dominate the market in both traditional and modern distribution channels. One of

the advantages of domestic retail businesses is being close to and understanding the culture and customs of each region and locality. But in the integration period, customers' tastes and consumption preferences will not be constant, but will change continuously over time and space. Therefore, retail businesses are flexible and proactive in capturing customer tastes, it is necessary to periodically conduct surveys of customer segments to quickly and most effectively respond to people's needs. Continuously develop and expand distribution channels to serve a wide range of urban and rural customers. Expanding the domestic distribution network to enhance competitiveness and cooperation to strengthen the domestic market is considered the right and necessary direction for retail businesses.

Second, improve service provision capacity: Source of goods is a decisive factor in the success or failure of retail businesses. The quality and price of products affect the reputation of a business, so businesses need to continuously improve the quality of goods supply, save on transportation and management costs. Lower prices into product. In addition, retail businesses should build a business image for the community, be environmentally friendly, ensure food safety, and protect the health and safety of customers and society.

For the State

Firstly, it is necessary to form direct and online trading floors so that retail businesses have the opportunity to meet, exchange and learn from experience, and at the same time develop their business activities.

Second, review the retail sectors that Vietnam does not commit to in free trade agreements, to limit the issuance of business licenses to foreign retail corporations, thereby creating opportunities for businesses. The domestic retail industry has had time to grow and increase its service provision capacity.

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