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**LOGISTICS BÊN THỨ BA Ở VIỆT NAM TRONG BỐI CẢNH THƯƠNG MẠI  
ĐIỆN TỬ: TRƯỜNG HỢP DHL VIỆT NAM**

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**Tóm tắt**

Các sàn thương mại điện tử và nhà bán lẻ đang có xu hướng trở thành đối tác với các nhà cung cấp 3PL như một cách để mở rộng quy mô, duy trì tính cạnh tranh và tránh khỏi những rủi ro và thay đổi hiện đang ảnh hưởng đến hậu cần và bán lẻ. Do đó, bài viết này nhằm mục đích điều tra các dịch vụ và sự thích ứng của các nhà cung cấp 3PL trong bối cảnh thương mại điện tử tại Việt Nam, tập trung vào trường hợp của DHL Việt Nam. Bất chấp tiềm năng của thị trường, những thách thức và hạn chế đặt ra những rào cản đáng kể đối với sự phát triển của các nhà cung cấp 3PL. Nghiên cứu kết luận bằng những đánh giá thực tế cho DHL Việt Nam và một số khuyến nghị cho các nhà cung cấp dịch vụ 3PL khác nhằm nâng cao khả năng cạnh tranh và vượt qua những thách thức về hậu cần trong thị trường thương mại điện tử Việt Nam.

**Từ khóa:** Logistics bên thứ ba, thương mại điện tử, DHL Việt Nam, Logistics

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# VIETNAM'S THIRD-PARTY LOGISTICS IN THE CONTEXT OF E-COMMERCE: THE CASE OF DHL VIETNAM

## Abstract

E-commerce marketplaces and retailers are increasingly turning into partners with 3PL providers as a way to scale, stay competitive, and protect themselves from the risks and changes currently affecting logistics and retail. As a result, this paper aims to investigate services and adaptation of 3PL providers in the context of e-commerce in Vietnam, with a focus on the case of DHL Vietnam. Despite the market potential, certain challenges and limitations pose significant barriers to 3PL providers' growth. The study concludes with practical evaluation for DHL Vietnam and some recommendations to other 3PL providers to enhance their competitiveness and overcome logistical challenges in Vietnam's e-commerce market.

**Keywords:** Third-party logistics, E-commerce, DHL Vietnam, Logistics

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## Introduction

Vietnam has experienced a rapid growth in the e-commerce industry in recent years, resulting in an increasing demand for reliable logistics services to ensure timely delivery of goods. The emergence of third-party logistics (3PL) providers has become a crucial component of this industry, facilitating the distribution of products from suppliers to end-users. DHL Vietnam, as one of the leading global logistics companies, has ventured into this realm and has been providing 3PL services to various e-commerce companies in Vietnam. This study aims to explore DHL's operations as a 3PL provider in the context of Vietnam's e-commerce industry and investigate the shutdown that DHL faces in the Vietnamese market as well as examine to give evaluation and proposals to 3PL's enterprises current strategies in meeting the context of e-commerce in Vietnam. The research will use a combination of quantitative and qualitative methods to gather data and provide a comprehensive analysis of Vietnam's third-party logistics and DHL Vietnam's operations in the e-commerce sector. The data for the theory aspect were collected from reviewing scientific journals, professional books, articles and news from the Internet, DHL's official resources and previous theses in the similar research field.

## Research gap

While there is existing literature on 3PL services and e-commerce in various contexts, there are few studies specifically focusing on Vietnam's e-commerce market and the involvement of multinational logistics companies like DHL. This research aims to bridge this gap by providing insights into the specific positive and negative aspects faced by DHL Vietnam as a 3PL provider in the Vietnamese e-commerce industry. Furthermore, existing research tends to focus on either e-commerce or 3PL services separately, without adequately exploring the intersection between the two. This study aims to fill this research gap by examining the relationship between e-commerce and 3PL in Vietnam, focusing on the case of DHL Vietnam.

## **Chapter 1: Theoretical basis of 3PL in E-commerce environment**

### ***1.1. Overview of 3PL***

#### ***1.1.1. 3PL concept***

Third-party logistics is still in the stages of development, hence the literature on 3PL still lacks a single consistent definition of the concept (Marsaco, 2008). According to Laarhoven, Berglund and Peters (2000), 3PL is a set of activities carried out by a logistics service provider based on the contract with a shipper to perform at least management and execution of transportation and warehousing. In addition, Bask (2001) views that 3PL is made by a set of dynamic relationships between seller, buyers and logistics service providers in the supply chain. Generally, third-party logistics or 3PL is a business model in which a company outsources its logistics and supply chain management operations to a third-party provider. The 3PL provider acts as an intermediary between the company and its customers, managing the various activities of the supply chain to ensure timely and efficient delivery of goods. Third-party logistics can help companies reduce costs, improve efficiency and flexibility, and focus on their core competencies.

#### ***1.1.2. 3PL service classification***

Third-party logistics can be divided into different types of logistics services and the five main types are introduced as following:

- a. Transportation-based services: This type of service covers transporting goods from one location to another, including the management of different modes of transportation.
- b. Warehousing and distribution-based services: This type of service includes storing, managing, and distributing products throughout different locations. It provides warehouse facilities, pick and pack service, inventory management, and order processing.
- c. Forwarder-based services: This type of service involves the coordination of transportation services between shippers and carriers, overseeing the movement of goods across borders, and ensuring compliance with customs regulations.
- d. Freight brokerage services: This type of service involves connecting shippers with carriers to move goods, negotiating rates and schedules, and managing the paperwork and logistical aspects of the transaction.
- e. Customs brokerage services: This type of service involves providing compliance with customs clearance, documentation, transit requirements, and other international trade regulations.

#### ***1.1.3. Value-added services***

##### **a. Negotiating Shipping Rates**

Along with sending goods on behalf of their clients' businesses, 3PLs sometimes negotiate with large shipping carriers for lower shipping costs. When they negotiate lower shipping rates, 3PL companies can reduce operational costs for both themselves and their clients. This is especially important if their clients are small-business owners who lack the order volume to benefit from

carrier-negotiated rates. Negotiating shipping costs with the 3PL also aids in satisfying the growing demands of customers who desire quick, inexpensive shipping.

#### b. Kitting and Assembling Products

Kitting is a crucial value-added service since it reduces the amount of time required for the warehouse to pick orders because they only need to pick one bundled item instead of all the separate components. This decrease in picking time considerably improves a warehouse's operating efficiency and shortens the time it takes for orders to be delivered because picking time is the most time-consuming step in warehousing.

#### c. Repackaging and Rebranding

A 3PL providing this value-added service must keep a choice of specialized packaging in stock and take extra care during the packing process to guarantee the branding of each package is accurate in order to suit its customers' packaging and branding needs. Repackaging and rebranding are value-added services provided by 3PLs that go above and beyond to give their customers the greatest possible customer experience, assisting them in developing brand loyalty and standing out from competing merchants.

#### d. Managing Recurring Subscription Boxes

Because the 3PL must fill customized boxes with various things to create one whole bundle, subscription boxes require both kitting/assembling and repackaging/rebranding. However, because the 3PL must adhere to rigorous shipping schedules, managing recurring subscription boxes adds another level of complication to its workflow. Furthermore, the 3PL needs a thorough structure and the appropriate technologies in place to manage this procedure month after month because these subscription boxes are continuing. This system comprises the infrastructure required to carry out huge wave picks, high volume batch creation, and shipping label printing.

#### e. Return Processing

Reverse logistics is a significant part of omnichannel fulfillment strategy. No matter how or where the customer made the purchase, 3PLs must accept and process returns, and customers want simple return procedures as well. With standardized warehousing procedures and technology that can manage orders and handle returns, 3PLs offer returns processing that may help their customers save time and money.

#### f. Last-mile delivery

The last mile delivery is the link in the e-commerce supply chain between customers and brands by delivering the customer's order. Products are delivered from a warehouse or distribution center to a customer's residence, place of business, or parcel locker. The last mile of a product's trip is the most challenging and costly for the shipper. It is essential to providing a good brand experience and maintaining customer loyalty. Last-mile delivery aims to ensure that every delivery reaches its destination consistently, on time, accurately, efficiently, and sustainably.

## ***1.2. Overview of E-commerce***

### ***1.2.1. E-commerce definition***

E-commerce, also known as electronic commerce, refers to the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet (Lutkevich, 2020). It involves various online transactions, including online shopping, electronic funds transfers, online auctions, and online ticketing.

In fact, the term “e-commerce” has not been a universally accepted definition since in different context; the definition will be adjusted. However, in a simple and general way, e-commerce from a communication perspective is understood as the transmission of information, products or services using computer networks or telephones.

### ***1.2.2. Classification of E-commerce transactions***

E-commerce transactions are classified into various categories based on the parties involved and the nature of the transaction. Understanding the various types of e-commerce transactions is crucial for analyzing the dynamics and implications of e-commerce in different contexts.

B2C transactions refer is the most common type of E-commerce transaction, wherein a business organization tends to sell products/services directly to the end individual/group of customers via a web interface/website or by using other electronic communication network like a mobile phone (Pandey and Agarwal, 2014). B2C transaction is one of the types of e-commerce that the authors focus on because it relates to the main logistics activities of the analyzed enterprise mentioned in the second chapter.

B2B transactions, the other type of e-commerce that are highlighted in this paper, involve online transactions between businesses, where one business sells products or services to another business. These transactions can occur between manufacturers, suppliers, wholesalers, and retailers.

C2C transactions is the fastest growing type of E-commerce, where a business organization acts as a mediator body between buyer and seller, whose key role is to provide a platform (website) to advertise products and interested buyers may buy the product from the seller through direct mutual communication (Pandey and Agarwal, 2014). In Vietnam, C2C e-commerce platforms such as Shopee, Lazada, and Tiki are among the most popular.

C2B transactions involve consumers offering products, services, or information to businesses. In C2B transactions, consumers act as sellers, and businesses act as buyers, reversing the traditional B2C model.

B2A transactions involve online transactions between businesses and governmental or administrative entities. These transactions typically include online tax filing, government procurement systems, and online licensing or permit applications.

And finally, C2A transactions involve online transactions between individual consumers and

governmental or administrative entities. Examples include online payment of utility bills, online voter registration, and online healthcare services.

### ***1.3. The interconnection between e-commerce and 3PL***

The E-commerce environment and third-party logistics providers have a manifold association, which has become increasingly significant, as businesses rely more on efficient and effective logistics solutions to meet the demands of online consumers.

On the one hand, there are a large number of benefits that E-commerce creates for 3PL namely: market expansion, technology integration, and collaboration & partnership.

*Market Expansion:* The rise of e-commerce has opened new avenues for growth and market expansion for 3PL providers. As the e-commerce sector continues to thrive, 3PL companies can tap into this booming market, serving a diverse range of e-commerce clients across industries.

*Technology Integration:* E-commerce's emphasis on technology-driven operations has influenced 3PL providers to adopt and integrate advanced logistics technologies. These technologies include warehouse management systems, inventory tracking, order management platforms, and data analytics tools. By embracing these technologies, 3PL companies enhance their operational efficiency, transparency, and customer satisfaction.

*Collaboration and Partnerships:* The interconnection between e-commerce and 3PL has fostered collaboration and partnerships between various stakeholders. E-commerce platforms and 3PL providers often form strategic alliances to optimize logistics operations, improve customer experience, and explore innovative delivery solutions.

On the other hand, the rapid growth of e-commerce has also introduced several challenges and drawbacks for third-party logistics (3PL) providers. The operational complexity of handling a high volume of individual orders, coupled with unpredictable demand variability and seasonality, can strain the resources and capabilities of 3PL companies. Additionally, the increasing customer expectations for shorter delivery timeframes place additional pressure on 3PL providers to optimize their logistics operations, particularly in the complex last-mile delivery.

## **Chapter 2: Current situation of Vietnam's third party logistic in the context of E-commerce**

### ***2.1. Current situation of Vietnam's third party logistic in the E-commerce era***

Vietnam's e-commerce market has experienced significant growth in recent years, driven by factors such as increasing internet penetration, rising disposable incomes, and changing consumer preferences. This rapid growth has created a strong demand for efficient logistics and supply chain management services, particularly in the form of third-party logistics (3PL) providers.

According to a market research report (Straits Research, 2022), the global third party logistics (3PL) market size was valued at USD 962.1 billion in 2021. It is projected to reach USD 2018.22 billion by 2030, growing at a CAGR of 8.58% during the forecast period (2022-2030). This robust growth reflects the increasing reliance on 3PL services across various industries worldwide.

In Vietnam, the 3PL market was relatively nascent in the early 2010s. However, it has witnessed significant growth in recent years. According to Armstrong & Associates, the value of Vietnam's 3PL market was around \$1.2 billion in 2014, but it has since expanded to \$5.4 billion in 2020. This growth has positioned Vietnam as the third-largest 3PL market in Southeast Asia, trailing behind Indonesia (\$18.0 billion) and Thailand (\$5.8 billion). 3PL providers in Vietnam offer a wide range of services, which mainly include domestic transportation, international transportation, and warehousing. Large-scale companies such as DHL, Kuehne + Nagel, and DB Schenker are the leading players domestically.

The rapid growth of Vietnam's 3PL market can be attributed to several factors. Firstly, the increasing adoption of e-commerce in Vietnam has fueled the demand for reliable logistics services to handle the rising volume of online orders. Additionally, manufacturers and retailers are increasingly outsourcing their logistics operations to focus on their core competencies, driving the need for specialized 3PL services. Furthermore, the country's growing GDP and expanding import-export activities have further stimulated the development of the 3PL industry.

Despite the positive growth trajectory, Vietnam's 3PL industry faces certain challenges and limitations. One key challenge is the lack of integrated supply chain processes, including procurement, transportation, warehousing, and delivery. This fragmentation hampers efficiency and poses logistical complexities for 3PL providers. Additionally, inadequate infrastructure, such as limited road networks and underdeveloped warehouse facilities, poses constraints on the industry's expansion.

## ***2.2. The case of DHL***

### ***2.2.1. Introduction to DHL***

DHL is one of the world's leading logistics companies with a total of 395,000 employees in over 220 countries. Since entering the Vietnam market in 1988, DHL has gradually asserted its position, capturing a large market share, providing diversified logistics services through subsidiaries including DHL Express, DHL global forwarding, DHL supply chain, and DHL eCommerce, which officially closed in the Vietnam market in November 2021.

DHL Express, an international express delivery service, which offers a wide range of time-definite and day-definite delivery options, including document delivery, parcel delivery, and logistics solutions for businesses with an urgency-driven focus. DHL Global Forwarding, which offers various modes of transportation, including air freight, ocean freight, and road freight services. The comprehensive end-to-end logistics solutions ensure the most efficient and cost-effective way of moving goods to their destination. DHL Supply Chain, which specializes in streamlining supply chain processes, optimizes logistics management, and provides customizable solutions for its customers. DHL Supply Chain has been successful in improving supply chain processes and improving business performance, delivering cost-effective and tailored solutions to its clients. With its wide-ranging logistics services and impressive network in Vietnam, DHL is the preferred logistics partner for businesses of every size, providing cost-effective, reliable, and

innovative logistics solutions that help them compete in the global marketplace.

### *2.2.2. DHL's operation in the e-commerce era in Vietnam*

#### *a, DHL's e-commerce logistics solutions*

With the development of the internet and e-commerce, along with the increasing demand for online retail in the Vietnam market, DHL is increasingly focusing on developing innovative solutions. DHL's eCommerce logistics solutions are designed to provide end-to-end support for e-commerce businesses that help them to streamline their operations, reduce costs and increase efficiency while providing customers with a high level of service:

#### **Order management and fulfillment**

First, orders are received and processed through a proprietary software platform that allows for real-time visibility into inventory levels and order status. This process is handled by DHL's service center, which has state-of-the-art technology and automated systems that enable quick and accurate order processing. In November 2022, DHL inaugurated a new center in the west of Hanoi with a total investment of about two million euros and an area of nearly 2,600m<sup>2</sup>. In addition to order processing and fulfillment, DHL Vietnam also provides a range of value-added services that help eCommerce businesses grow and succeed. These services include marketing, customer service, and returns management.

#### **Warehousing and inventory management**

The company's operations in Vietnam have expanded significantly in recent years, with the opening of a new large service center in Hanoi in 2022. These initiatives reflect DHL Vietnam's commitment to providing efficient and effective logistics solutions that meet its customers' needs. The warehousing and inventory management system is designed to optimize the flow of goods through the fulfillment process. The company uses advanced technologies, such as RFID and barcoding, to track inventory levels and monitor product movement in real-time. This allows them to maintain high levels of accuracy and efficiency throughout the inventory management process, from receiving goods to preparing them for shipping. DHL's fulfillment centers feature temperature-controlled zones and high-security storage areas to ensure the safe and timely delivery of goods. Additionally, the company uses technology to rapidly respond to changes in customer demand by providing a flexible and scalable warehousing solution that can accommodate a wide range of products.

#### **Last-mile delivery and returns management**

The company utilizes a variety of transportation modes, including two-wheelers and vans, to deliver goods to their final destination. Additionally, they have implemented advanced technologies such as GPS tracking and route optimization algorithms to ensure the fastest and most efficient delivery process possible. Returns management is also a critical part of DHL Vietnam's eCommerce logistics offerings. The company has developed a flexible and easy-to-use returns management system that allows customers to initiate and track returns online. With approximately



40 facilities across Vietnam, DHL can efficiently transport returned goods to service centers for processing. DHL Vietnam's customer-centric approach to last-mile delivery and returns management is reflective of the company's commitment to providing high-quality logistics solutions to its customers. They also collaborate with local businesses and partners to strengthen their last-mile deliveries and ensure that they meet the needs of the Vietnamese market.

b, DHL's technology and infrastructure

DHL has leveraged technology and infrastructure to improve and support its e-commerce logistics solutions and create the best possible experience for online retailers and consumers. Its technology and infrastructure include:

### **E-commerce platforms and integrations**

Integration of DHL's services with multiple websites and e-commerce marketplaces allows retailers to link their online storefronts with logistics services provided by DHL. In Vietnam, by 2021, Sendo and Bizweb are typical strategic partners of DHL in the field of e-commerce. Sendo and DHL's partnership has resulted in the opening of more than 300 Sen Do-DHL delivery service locations. Therefore, more than 300,000 commercial stores and millions of customers purchase goods on Sendo.vn (Tuoitrethudo, 2018) can access DHL's international quality domestic shipping and distribution network. Additionally, Bizweb, the most popular online sales platform in Vietnam with over 30,000 small and medium-sized business customers, has partnered with DHL in order to facilitate omnichannel sales (VnMedia, 2018). With just one click of the DHL eCommerce integration, owners of Bizweb websites can connect, capture all pertinent information and update the detailed delivery route to each stage right at the website administrator without necessarily going to the system of the shipping unit.

### **Tracking and visibility tools for customers and partners**

DHL visibility and tracking tools consist of:

DHL Express tracking, which helps ensure faster delivery of packages to Vietnam by allowing customers to track their packages in real-time. Besides, for Vietnamese businesses, this system provides a range of benefits, including better inventory management, reduced shipment delays, and streamlined logistics processes. It allows businesses to know the status of their shipments and plan their operations that lead to cost savings and increased efficiency.

DHL Global Forwarding Tracking, which allows businesses in Vietnam to monitor their inventory and reduce risks associated with shipping. This can help businesses respond quickly to issues like delays and disruptions. The system also provides businesses with valuable data and analytics, allowing them to better understand shipping processes, identify trends and optimize performance.

DHL Supply Chain Track and Trace, which assists Vietnamese firms in reducing delivery delays, minimizing stock outs and improving overall operational efficiency. This can improve customer satisfaction while also lowering expenses and increasing profits.

Aside from the technologies listed above, DHL Vietnam also contains a variety of alternative tracking options to consumers, including: MyDHL+ (The industry's leading global shipping app, adding a new level of speed and simplicity to the often complex and time-consuming cross-border shipping process), DHL Express Mobile (The mobile app that allows consumers to receive tracking information and stock status updates on their mobile devices); and ODD (Customers can reschedule deliveries depending on desired date and time and track shipments in real time to ensure smooth and secure delivery).

### **Transportation networks and hubs**

DHL provides a thorough transportation network in Vietnam, including strategically positioned air and land transport hubs as well as hubs with contemporary, cutting-edge technology. DHL operates three air freight terminals in Ho Chi Minh City, Hanoi, and Da Nang. They are municipalities with superior technology, handling equipment, and infrastructure to support the efficient transit of goods from Vietnam to outside. DHL operates a road transport network in Vietnam with a fleet of trucks providing flexible domestic delivery services to supplement its air freight network. DHL also provides cross-border trucking services between Vietnam and adjacent countries such as China, Hongkong, Thailand, and Campuchia.

DHL's hubs in Vietnam include DHL Global Forwarding, DHL Express and DHL Supply Chain. DHL Global Forwarding operates air and sea freight hubs in key Vietnamese cities such as Ho Chi Minh, Hanoi and Da Nang. These centers offer a wide range of services including customs brokerage, warehousing, consolidation, and cargo clearing. DHL Express, the unit with a network of service points throughout the provinces of Vietnam, providing customers with the ability to access international express, pick-up and delivery services as well as on-demand delivery as domestic courier services. DHL Supply Chain operates a number of warehouses across Vietnam, including facilities in Binh Duong, Dong Nai and Hanoi that provide receiving and packaging services, labeling and inventory management.

c, DHL's partnerships and collaborations

To strengthen e-commerce logistics solutions while driving innovation and economic growth, DHL has always focused on strategic and collaborative partnerships with various stakeholders in the e-commerce industry, such as online retailers, logistics providers, technology companies and governments. Its partnerships and collaborations include:

### **Strategic alliances with e-commerce marketplaces and retailers**

In Vietnam, partnering with leading e-commerce sites and merchants, including Sendo, Lazada, and Shopee, DHL offers integrated logistics solutions and grows its customers. This company also collaborates with online marketplaces that aid small and medium-sized firms, like Bizweb, to jointly develop unique logistics solutions and set itself apart from the competition. By collaborating closely with these companies, DHL is able to offer solutions that are specifically designed to match their needs, broaden their market, and offer their clients faster, more dependable delivery.

### **Co-creation of innovative solutions with customers and startups**

DHL works together with its clients and startups to develop cutting-edge logistics solutions that satisfy the expanding demands and requirements of the e-commerce industry. By collaborating with customers and business owners in Vietnam, this enterprise has been able to utilize cutting-edge technology and create novel solutions that simplify logistics and operations. It has been able to keep one step ahead of the competition and provide value to its clients because of this strategy.

### **Research and development of new technologies and services**

DHL collaborates with tech companies and academic institutions, which results in development of innovative technologies and services that will enhance its e-commerce logistics capabilities. It has been able not only to integrate developing technologies into its operations and create new solutions that improve efficiency and cut costs, but also adapt to the needs of the Vietnamese market and provide value-added services to its customers as a result of this approach.

d, DHL's customer service and experience

In response to the development of eCommerce, DHL continuously invests in market-leading technologies to help customers manage and monitor shipments, generate shipping labels, obtain quotes, schedule express deliveries, including:

#### **On-demand delivery:**

DHL's On-Demand Delivery tool provides recipients with information on the delivery progress, allowing them to modify delivery schedules, change delivery addresses, opt for signature-free deliveries, or conveniently pick up their packages at DHL Service Points (DHL, 2022). This service is an enhanced, user-friendly solution designed for mobile devices, particularly tailored for personal or home deliveries.

#### **Customer services developed by technology:**

Customers can sign up for a MyDHL+ account on DHL's official website. MyDHL+ completely reshapes the way the delivery unit operates by combining the most frequently used tools and services by customers. With a user-friendly and intuitive mobile interface, customers can export, import, schedule pickups, track shipments, and make invoice payments.

The new DHL Express Mobile application allows customers to simultaneously track shipments and control delivery while they are at a specific location. Customers can locate the nearest DHL Service Point for sending or receiving packages and quickly check shipping rates. Additionally, it features advanced GPS tracking and barcode scanning capabilities. Customers can download the DHL Express Mobile app on Android or iOS.

Besides the website and mobile app, DHL also develops Digital Assistant - a live chat support available 24/7 on multiple online channels and platforms, operating in 41 different languages, including Vietnamese. The live chat support assists with tracking shipments, answering inquiries, and guiding customers to frequently asked questions.

### *2.2.3. DHL eCommerce and its shutdown in the Vietnamese market:*

#### *a. About DHL eCommerce Solution:*

DHL eCommerce Solution is a comprehensive suite of services offered by DHL specifically designed to cater to the needs of the e-commerce industry. It was officially launched in July 2017 and aims at providing “international and domestic standard parcel delivery for business customers” (DHL, 2023). They offer end-to-end logistics solutions to businesses engaged in online retail, enabling them to streamline their operations, improve efficiency, and enhance customer satisfaction.

In July 2021, DHL Group launched its DHL eCommerce Solutions service in the Vietnamese market. After 6 months of entering the market, the company has grown from having no employees to over 300 nationwide (Vietnam Business Insider, 2021). Up to May 2018, DHL eCommerce Vietnam had a network of over 250 service points, providing convenient pick-up and drop-off locations for sellers and buyers nationwide (DHL, 2018). The company had warehouses located in the two largest cities of the country and distribution centers nationwide. In major cities like Hanoi, Ho Chi Minh City, and central cities, delivery would take 1-2 days, while in other provinces, it would take 3-7 days (The Logistician, 2021).

#### *b. The shutdown of DHL eCommerce Solution in the Vietnamese market:*

DHL eCommerce officially closed its operations in the Vietnamese market in November 2021 (DHL, 2021). While there has been no official statement from DHL regarding the reasons for this closure, some analysis has suggested possible factors behind it.

Firstly, the e-logistics market in Vietnam is becoming increasingly competitive. According to the latest report by Google and Temasek, the scale of the Vietnamese e-commerce market is expected to reach \$15 billion by 2025. With an annual growth rate of 43% from 2015 to 2025, Vietnam is the second-fastest-growing e-commerce market in Southeast Asia, following Indonesia (Statista, 2021). The rapid growth of the e-commerce market is a driving force for the development of the e-logistics industry. Alibaba and Tencent have entered the e-commerce market in Vietnam through investment deals in Lazada, Tiki, and Shopee.

Secondly, the e-logistic market's starting point in Vietnam is very low and the market scale is small, fixed costs will account for a high proportion, therefore, service providers are required to invest in initial infrastructure and physical assets when entering the market. That is the reason why the logistics cost as a percentage of revenue in Vietnam is much higher compared to other countries. In 2021, logistics costs in Vietnam accounted for approximately 16.8% of the value of goods, while this cost level globally is currently around 10.6% (Vietnam Government electronic newspaper, 2022).

## **Chapter 3: Evaluation and some recommendations for 3PL enterprises in Vietnam in the context of E-commerce**

### ***3.1. Evaluation of DHL operation in Vietnam in the context of E-commerce***

#### ***3.1.1. Positive aspects:***

Firstly, DHL has embraced technology to enhance their operations in Vietnam's e-commerce era. Their implementation of advanced tracking systems and real-time visibility solutions provides transparency and convenience for customers, enabling them to track their shipments seamlessly. Secondly, DHL has established a strong network in Vietnam, enabling them to provide comprehensive logistics services across the country. Their wide coverage facilitates efficient order fulfillment and timely deliveries for e-commerce businesses. Thirdly, DHL's customer support services in Vietnam have been commendable. They provide responsive assistance to inquiries and concerns, offering reliable communication channels and guidance throughout the shipping process.

#### ***3.1.2. Negative aspects:***

Firstly, DHL's services, while comprehensive, may come at a higher cost compared to some local competitors. This can be a challenge for small and medium-sized e-commerce businesses in Vietnam looking for cost-effective logistics solutions. Secondly, while DHL has established a strong presence in Vietnam, they face competition from local logistics providers who may offer more competitive pricing or better understanding of the local market dynamics.

### ***3.2. Recommendations for 3PL enterprises in Vietnam in the context of E-commerce***

In the context of eCommerce, third-party logistics (3PL) enterprises in Vietnam face unique challenges and opportunities. From the analysis of DHL's services and its shutdown of eCommerce Solution project in Vietnam, this research suggests some recommendations for 3PL enterprises operating in Vietnam in this eCommerce era:

#### **Invest more in developing technology:**

Third-party logistics companies should spend more money and effort on robust technological infrastructure to streamline operations and enhance efficiency.

Firstly, they shall automate order fulfillment, warehouse management, and sorting systems and even develop robotic systems for tasks such as picking and packing, further optimizing the speed and accuracy of order processing. Secondly, they can invest in advanced analytics tools to analyze data related to shipment volumes, delivery routes, and customer preferences. Then, based on these more reliable data, they can forecast demand patterns more precisely.

#### **Optimize last-mile delivery:**

Outsourced logistics providers should focus on improving last-mile delivery to meet the increasing customer expectations. Firstly, they should implement advanced route optimization software that considers various factors such as traffic conditions, delivery volumes, and delivery time windows. Secondly, they shall also enhance the transparency and visibility of last-mile

deliveries by providing customers with real-time tracking information (the estimated delivery time, any potential delays, ...) through mobile applications or online platforms.

**Foster strong partnerships:**

Third-party logistics companies should establish strong relationships with e-commerce platforms, online marketplaces, and retailers. Collaborating closely with them can assist companies in understanding their specific logistics requirements and tailor services accordingly.

In Vietnam, there are successful collaborations between local 3PL enterprises and eCommerce platforms. For example, GHN is a logistics company that provides delivery services for various e-commerce partners nationwide, such as Tiki, Shopee, Lazada, and Sendo. Established in July 2012, GHN delivers 300,000 orders a day for big e-commerce customers and partners including Lazada, Shopee, Sendo and more than 100,000 small and medium customers nationwide (Mekong Asean, 2022). In 2019, GHN also confirmed an investment from Singapore's Temasek, an investment company, which will help improve the technology, logistics infrastructure and management capacity to meet increasing demand (Vietnamplus, 2019).

**Provide excellent customer service:**

Third-party logistics companies should offer responsive customer service, timely order updates, and clear communication channels. Positive customer experiences can lead to repeat business and word-of-mouth referrals.

Firstly, they shall anticipate and proactively address potential issues or challenges in the delivery process by training customer service representatives to provide friendly, knowledgeable, and empathetic assistance. Secondly, they can also offer personalized customer support to cater to individual needs and preferences. such as preferred communication channels (phone, email, chat), language preferences, or specific delivery instructions (evening or weekend delivery, reschedule delivery...). Thirdly, they should simplify the returns and refunds process to ensure a hassle-free experience for customers and actively seek customer feedback and utilize it to drive improvements in service quality.

**Conclusion**

After in-depth research on Vietnam's third-party logistics in the context of e-commerce and the case of DHL Vietnam, we can conclude that the e-commerce industry is gradually progressing towards a more organized and streamlined supply chain. The integration of third-party logistics providers such as DHL has played a significant role in achieving this objective.

One critical aspect that we have discovered is that with the help of modern software and technologies, logistics companies like DHL have been able to provide customized solutions that cater to the specific requirements of the e-commerce sector. This has resulted in faster and more efficient processing of orders and deliveries, leading to improved customer satisfaction and loyalty. Another key finding is the strategic alliances and partnerships between logistics companies and e-commerce platforms. This collaboration has resulted in more extensive market reach, innovative

solutions, and lower operational costs. DHL Vietnam has been successful in developing strong partnerships with leading e-commerce businesses like Lazada and Sendo in Vietnam, contributing to their rapid growth in the region.

However, DHL Vietnam still faces the shutdown of its eCommerce solution due to several factors regarding the Vietnamese logistics market. In conclusion, there has been significant growth in the third-party logistics industry in Vietnam, particularly in the e-commerce sector. There also have challenges and limitations such as the lack of integrated supply chain processes or inadequate infrastructure. Based on the analysis of the case study, this research proposes evaluation and some recommendations to the third-party logistics enterprises' expansion. We can expect to see continued growth and evolution in this industry.

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