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PHÂN TÍCH VÀ ĐÁNH GIÁ HỆ THỐNG PHÂN PHỐI TẠI WINCOMMERCE – MASAN

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Tóm tắt

WinCommerce được tập đoàn Masan mua lại vào tháng 12 năm 2019 với mục đích mở rộng lĩnh vực hàng tiêu dùng và tích hợp hoạt động bán lẻ vào hệ sinh thái của mình. Chuỗi cửa hàng này cải thiện được lợi nhuận gộp nhờ tiết kiệm được chi phí vận hành và logistics nhờ một hệ thống phân phối hiệu quả. Mục tiêu của bài viết này là nghiên cứu hệ thống phân phối hàng hóa tới các chuỗi cửa hàng Winmart thuộc Masan Group, đưa ra đánh giá về thành công cùng đề xuất cho những thách thức và chuỗi bán lẻ này đang đối mặt. Bằng phương pháp nghiên cứu định tính, nhóm nghiên cứu đã thu thập thông tin về chuỗi phân phối của WinCommerce qua các báo cáo hoạt động của chuỗi này cùng tập đoàn Masan và báo cáo đánh giá từ các cơ quan chức năng. Thông qua việc phân tích dữ liệu thu thập được, bài viết chỉ ra rằng hệ thống phân phối của WinCommerce đã tối ưu hóa quy trình phân phối và cải thiện hiệu quả cung ứng hàng hóa cho các cửa hàng WinMart. Tuy nhiên chuỗi bán lẻ này cũng đối mặt với áp lực ngày càng lớn trong việc giảm chi phí vận hành nhằm đảm bảo chiến lược về giá để thu hút người tiêu dùng. Bài viết đề xuất WinCommerce tận dụng lợi thế về hệ sinh thái của tập đoàn Masan để tối ưu hóa hoạt động logistics và duy trì lợi thế cạnh tranh.

Từ khóa: Masan Group, Wincommerce, hệ thống phân phối

ANALYSIS AND EVALUATION OF THE DISTRIBUTION SYSTEM AT WINCOMMERCE - MASAN

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Abstract

WinCommerce, formerly known as VinCommerce, was acquired by Masan Group in December 2019 with the goal of expanding its consumer goods sector and integrating retail operations into its ecosystem. This chain has been able to improve gross profit by reducing logistics costs through an efficient distribution system. The objective of this article is to study the distribution system of goods to WinCommerce system, providing an evaluation of successes and proposing solutions for the challenges faced by this retail chain. Using qualitative research methods, the research team collected information about WinCommerce's distribution network through operational reports of the chain, reports from Masan Group, and evaluations from relevant authorities. Through analyzing the collected data, the article reveals that WinCommerce's distribution system has optimized distribution processes and improved the service level of WinMart stores. However, the retail chain is facing increased pressure to reduce operational costs to maintain competitive pricing strategies. The article suggests that WinCommerce should leverage the advantages of Masan Group's ecosystem to optimize logistics operations and sustain its competitive edge.

Keywords: Masan Group, Wincommerce, Distribution system.

1. Introduction

According to the Ministry of Industry and Trade, Vietnam's total retail sales of goods and consumer service revenue at current prices in October 2024 were estimated at VND 545.7 trillion, up 7.1% compared to the same period last year, indicating strong growth prospects for the country's retail market.

In the northern region, WinCommerce has become one of the standout retail businesses, acquiring a significant market share with extensive coverage. The company aims to enhance accessibility for consumers and adapt to changing shopping behaviors. WinCommerce has been effectively implementing this strategy through an optimized distribution system that minimizes costs while increasing its ability to meet customer demands.

This study applies principles of distribution systems to analyze and evaluate the distribution network of WinCommerce. It highlights the company's successes as well as the challenges it is currently facing. Based on these findings, the article aims to propose valuable recommendations to enhance distribution operations at WinCommerce.

2. Overview of Masan Group and Wincommerce

2.1. Masan Group

2.1.1. History and development

Masan Group, established in Vietnam, has evolved significantly since its inception. Masan Group's first predecessor company was established in 1996, selling Asian foodstuff and other consumer goods in Eastern Europe. Over the years, Masan has transformed into one of Vietnam's largest conglomerates. Below is a timeline highlighting key milestones in Masan's development.

Table 2-1. Timeline of key milestones in Masan Group’s development

Year	Event
1990	Establishment of a small instant noodle factory in Russia, the predecessor of Masan Group.
2000-2002	Establishment of Minh Viet Industrial and Import-Export Joint Stock Company, specializing in trading in the food sector.
2002-2007	Shifted focus from export to domestic markets, launching major brands like Chinsu (2002), Nam Ngu, and Tam Thai Tu (2007).
2008	The company was restructured and formally named Masan Group Corporation.
2011-2020	Aggressive horizontal expansion into the beverage sector and launch of branded meat products like MeatDeli and 3F Viet.
2019-2021	Merger agreement with Vingroup to form WinCommerce, enhancing Masan's position in retail.
2020-2021	Establishment of CrownX in 06/2020, integrating retail and consumer goods.
2022 - Present	Masan's mission is "Connecting all needs" - aiming to become the leading modern consumer retail company that can satisfy up to 80% of the spending needs in Vietnam.

Source: Synthesized by the authors

2.1.2. Areas of business

The company directly owns 3 subsidiaries, 76 indirect subsidiaries, 1 direct associate, and 3 indirect associates. Masan Group's core operations are structured around four main entities:

- **The CrownX:** Comprising two primary divisions:
 - **Food and Beverage (Masan Consumer Holdings - MCH):** Branded food and beverage products (Seasonings - Chinsu, Nam Ngu, Tam Thai Tu; Convenience Foods - Omachi, Kokomi; Coffee - Vinacafe, Wakeup; Non-alcoholic Drinks - Vinh Hao, Quang Hanh, Wakeup 247; Beer - White Lion Ruby,..)
 - **Retail Chain ("Wincommerce"):** including Winmart supermarket chain and Winmart+ convenience store chain with over 3,700 stores nationwide. Wincommerce also owns the high-tech agricultural production system WinEco.

- **Meat (Masan Meatlife - "MML")**: includes MeatDeli pork products and 3F Viet chicken
- **High-tech Materials (Masan Hightech Materials - "MHT")**: Engaged in mining and processing minerals like tungsten ore, bismuth, fluorspar, and copper.
- **Banking and Finance (Techcombank - "TCB")**: One of the largest joint-stock commercial banks in Vietnam in terms of operating income, total assets, credit, deposits, customer base, and transaction office network. The bank's strategy focuses on the consumer ecosystem.

In addition, the company also owns other renowned brands such as **Phuc Long Heritage** (one of the most popular tea and coffee brands) and **Reddi** (one of the leading retail retail networks), to realize its "Point of Life" strategy of serving up to 80% of consumer spending needs in a single destination.

2.2. WinCommerce

2.2.1. Background

WinCommerce, originally known as VinCommerce, was established in 2014 as the retail division of Vingroup, one of Vietnam's largest private enterprises. However, under Vingroup, the VinMart and VinMart+ chains failed to make profits since their focus was mainly on growth and expansion.

In December 2019, Masan Group acquired a controlling stake in VinCommerce and rebranded it as WinCommerce, reflecting Masan's strategic initiative to expand its footprint in the consumer goods sector and integrate retail operations into its ecosystem.

Since the merger, Masan implemented drastic changes in the WinCommerce system through three key strategies: closing inefficient stores, improving the product portfolio and amending pricing policies.

In Q2 2020, Masan completed the acquisition of an additional 12.6% stake in The CrownX - an integrated consumer-retail platform that consolidates Masan Consumer Holdings and WinCommerce - for a total cash value of US\$862 million. This investment aimed to establish the "Point of Life" offline-to-online ecosystem, designed to cater more effectively to diverse consumer needs.

According to VRI, by the end of September 2024, WinCommerce operated 3,733 stores, with a net increase of 60 stores since the second quarter.

WinCommerce's "good price" strategy, in collaboration with trusted suppliers, ensures competitive pricing across its network. By sourcing products from Masan Consumer and distributing them through WinCommerce, the chain maintains prices that align with or beat market levels. To further enhance profitability, WinCommerce optimizes logistics through AI and machine learning within its supply chain management system - Supra, reducing logistics costs by up to 11% (Masan Group, 2023).

2.2.2. Sales channels

Wincommer features a diverse range of store formats designed to cater to various consumer needs across urban and rural areas. This move reflects WinCommerce's strategy to enhance accessibility for consumers and adapt to changing shopping behaviors.

The company operates two main store formats:

- **WinMart:** WinMart is a chain of supermarkets with a spacious layout ranging from 3,000 to 15,000 square meters. These stores are typically located within shopping centers, providing a wide selection of products that include groceries, household items, and more. The larger size allows WinMart to offer an extensive range of goods, enhancing the shopping experience for customers seeking variety and convenience.

- **WinMart+:** WinMart+ serves as a chain of convenience stores with a smaller footprint, typically ranging from 150 to 300 square meters. These stores are strategically placed in densely populated residential areas, making them easily accessible for quick shopping trips. WinMart+ focuses on providing essential products and everyday items, catering to the needs of consumers looking for convenience and speed in their shopping experience.

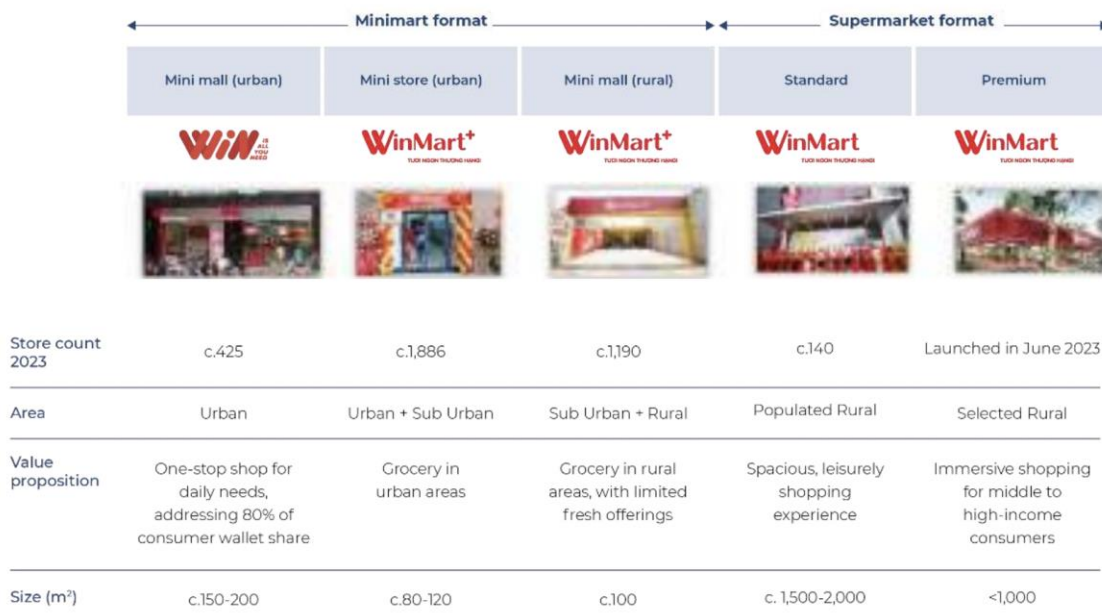


Figure 2-1. WinCommerce’s store format

Source: Masan Annual Report 2023

Beyond its physical stores, WinCommerce is actively expanding its online sales channels. Masan has joined hands with Alibaba in an investment deal, thereby bringing WinMart to customers on the Lazada e-commerce platform, which has the third-largest market share in Vietnam.

Customers can place orders through multiple platforms, either via the WinMart.vn website or the Lazada e-commerce platform

This multi-channel approach not only enhances accessibility for consumers but also adapts to changing shopping behaviors in the digital age, providing convenient shopping experiences and quick delivery services.

3. Current distribution system at Wincommerce

3.1. Components of Wincommerce's distribution system

3.1.1. Supra - Wincommerce's exclusive logistics company

At the beginning of 2022, Masan established The Supra - a subsidiary specializing in technology-driven logistics, marking its official entry into domestic logistics services. Initially focused on supporting the Masan Group ecosystem in general and WinCommerce specifically, Supra is dedicated to efficiently delivering goods from producers to consumers, thereby reducing costs for every stakeholder as much as possible

As of 2023, Supra has established a distribution network of 16 warehouses spreading across three regions, seven of which are for dry goods while the other nine cold-storage ones are for fresh products, and are reportedly responsible for distributing about 50% of WinCommerce's total goods volume in 2023. Depending on the size and location of the warehouses, the dry goods ones manage approximately 454 tons of products per day, totaling 11,805 tons per month. The cold storage warehouses, meanwhile, handle around 275 tons of goods daily, amounting to 8,250 tons per month. This nationwide distribution network, in addition, is set to expand further in the near future, enhancing reach and operational capacity even more.

3.1.2. Warehousing infrastructure

At Wincommerce, the storage and handling of goods are managed with precision to ensure efficiency and customer satisfaction. Across its operations, Supra now manages a total warehouse space of 75,000 m² for both dry and cold storage, strategically distributed to support its extensive retail network. These large warehouses store all product models, categorized and arranged systematically, functioning as a cross-dock center before distributing to retail stores and supermarkets. They are strategically located in central areas to facilitate efficient transportation and distribution of products to sales channels quickly and effectively.

For dry warehouses, a significant portion of the inventory consists of FMCG goods with relatively short shelf lives, making quality assurance a top priority. Besides, similar to other standard warehouses, the WinMart warehouse system is also divided into four distinct areas: receiving, staging, storage, and shipping, organized to streamline operations and optimize the flow of goods within the warehouse.

Regarding the cold-storage facilities, the layout and inventory management approach largely mirror those applied in dry warehouses at WinCommerce, with the primary difference being the focus on temperature control for product preservation.

Every warehouse would include essential elements such as its designation (e.g., cold storage), designated areas, temperature parameters, and guidelines to ensure food safety, hygiene, and occupational safety. Inside, there are clearly defined sections with tabs, shelving units for goods, and detailed inventory information, including stock notes for each product

listing quantities and item details. Certain sensitive areas, especially those housing high-value items, are managed with stringent controls. Access to these warehouses is restricted to authorized personnel, and all goods entering or leaving are closely monitored to ensure security and proper handling.

In addition to these central warehouses, each Winmart supermarket or WinMart+store is also equipped with an in-store storage area, typically located behind or adjacent to the retail space. These on-site facilities are designed to optimize available space and safeguard goods until needed for restocking or order preparation.

3.1.3. Extensive retail network

Present in 62 provinces, WinCommerce is currently operating a system of minimarts and supermarkets with nearly 3,700 retail locations across the country. In 2023, WinCommerce developed new store models tailored to different customer segments in various regions, marking its return to the original strategy of expanding its retail network. Specifically, the WiN store model targets urban consumers, while the WinMart+ Rural store model is designed to serve customers in rural areas. By the end of 2024, WinCommerce plans to expand its network to a total of approximately 4,000 stores nationwide, meaning a new retail outlet will be opened every day.

The average size for a Winmart supermarket, depending on the location, would range from 1,000 to 2,000 m² while its minimarts would generally be around 100 m² large. With such a large scale and expansive area, the supermarkets can display a wide range of products including food, household items, clothing, and cosmetics, meeting the shopping needs of consumers, especially households. In comparison, with a more “convenience-store-like” kind of retail model, Winmart+ outlets focus on high-turnover essentials, such as groceries, beverages, snacks, and daily-use items. Their supplies thus are more streamlined, with a smaller SKU range and frequent but smaller deliveries to maintain stock without exceeding limited storage capacity. Additionally, benefiting from the infrastructure previously established by Vingroup, WinMart and WinMart+ stores are strategically located in prime, easily accessible areas. These include densely populated residential neighborhoods and major commercial hubs such as Times City, Royal City, Vincom Center Nguyễn Chí Thanh, and Vincom Bà Triệu, etc.

3.2. Products managed under the system

With more than 3,600 supermarkets and minimarts under the WinMart/WinMart+/WIN brands, WinCommerce is currently the leading domestic retailer in terms of store scale, operations, and development, acting as a bridge to bring “premium fresh goods”, especially Vietnamese products, to Vietnamese consumers. In 2023, Masan statistics show that the entire retail system purchased and consumed more than 83,000 tons of agricultural products, including 45,000 tons of vegetables and fruits and 38,000 tons of other fruits sourced from local suppliers.

Through its robust infrastructure and advanced logistics systems developed by The Supra, WinCommerce ensures the efficient distribution and quality control of products across various categories, particularly focusing on fresh, high-quality goods that meet the demands of modern consumers:

- **Fresh produce and agricultural products:** sourced from trusted businesses like WinEco, Vinafood and other small contracted local suppliers.

- **Dairy products:** provided by leading local dairy brands such as Vinamilk, TH TrueMilk and other international brands like Anchor or Abbott.

- **Fresh meat and seafood:** sourced from both local producers and trusted suppliers including Masan MEATLife with the popular MEATDeli brand, Vissan, CP Vietnam and FPT food.

- **Packaged and processed foods:** supplied by big F&B names such as Masan Consumer, Nestlé Vietnam or Coca-Cola.

- **Personal care and household products:** mainly rely on international FMCG brands such as Unilever, Procter & Gamble for personal care products and Samsung, LG or Panasonic for household appliances from kitchen gadgets to home electronics.

One important point to note is that WinMart/WinMart+/WIN supermarkets and minimarts are able to leverage the strength of the Masan Group by offering strategic, high-quality Vietnamese-branded products that are sourced directly from within the group itself. Notable offerings include the European technology-based MEATDeli clean meat, WinEco clean agricultural products certified to Japanese standards, CHIN-SU fish sauce and soy sauce, and Omachi instant noodles. These products not only highlight the value of local sourcing but also reflect Masan's ability to control production processes and ensure superior quality. Furthermore, WinMart/WinMart+ focuses on developing its own private-label brands including WinMart Good (dry foods), WinMart Cook (processed foods), WinMart Home (household goods), WinMart Care (personal care), offering products at prices 10-20% lower than similar items in the market. This in-house sourcing approach allows WinCommerce to maintain greater control over product quality, pricing, and supply chain management, providing a competitive advantage in a fluctuating market like Vietnam at present.

3.3. Key operational processes

3.3.1. Operations at central warehouses

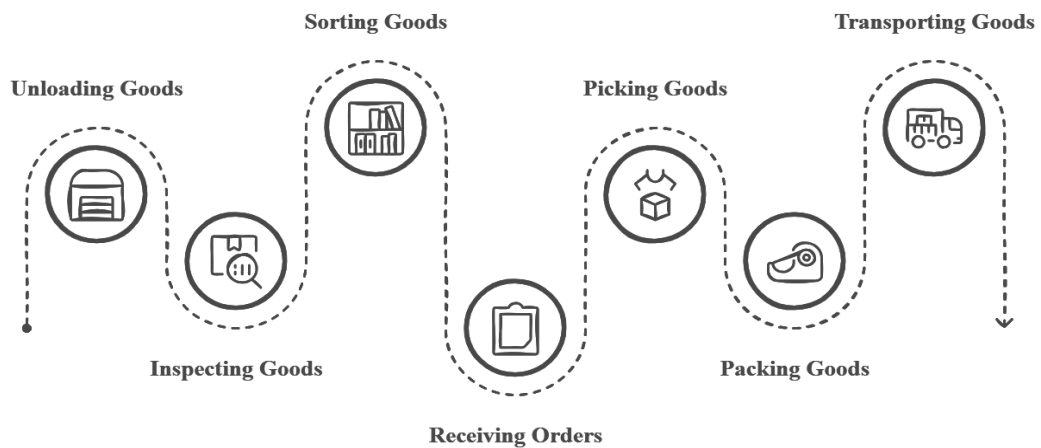


Figure 3-1. Operational process at central warehouses of WinCommerce

Source: Synthesized by the authors

Unloading and inspecting of goods: The process of receiving goods at Supra warehouses follows a systematic approach, beginning with the inspection of transportation conditions. Staff verify preservation standards such as temperature control, packaging integrity, and accompanying documentation. Sampling rates of 10–15% are often applied to ensure quality control for the entire batch. Only shipments meeting these criteria are unloaded, with forklifts and pallet jacks used for larger orders. Once unloaded, staff verify the shipment's quantity and quality against documentation like product origin certificates, food safety certifications, and shelf-life requirements.

Sorting and temporary storage: Once properly inspected, goods are sorted and stored in designated warehouse areas based on their type and preservation needs. Temperature-sensitive products are stored in specialized facilities: frozen storage (-23°C to -18°C) for items like meat and seafood, cold storage (0°C to 4°C) for perishable goods such as dairy and fresh produce, and cool storage (10°C to 15°C) for items like bananas and leafy greens. Dry warehouses maintain temperatures between 22°C and 30°C for non-perishable items like packaged foods and cleaning products. (VTV, 2023)

Picking and packing: As goods arriving at warehouses are meant to be distributed within 1-2 days, the picking and packing procedures for shipments to retail locations may be conducted shortly afterwards. Here, goods are picked and packed simply in accordance with order details, ensuring the correct quantity, quality, and specifications. Also, Supra implements the FIFO (First In, First Out) method to prioritize the dispatch of older stock, particularly for products with shorter shelf lives like FMCGs and agricultural goods.

Transporting orders: Once goods are prepared for shipment, the transport team is notified, and trucks are dispatched to collect and deliver the orders. Compliance with transport standards is verified before loading, and shipping documents such as warehouse exit slips are issued. Supra's logistics system handles delivery to WinMart and WinMart+ stores, leveraging the strategic locations of these outlets for efficient distribution. By monitoring stock levels, replenishing inventory at optimal times, and streamlining logistics operations, Supra ensures timely delivery of goods in the right quantity and quality, meeting store and customer needs efficiently.

Supra is currently leveraging AI (Artificial Intelligence) and ML (Machine Learning) technology in various inbound and outbound processes of its operations, including order placement, goods receiving, sorting in the warehouse to ensure consistency in both the quality and quantity of goods transported to the whole retail system.

To be specific, Supra currently utilizes common technologies like barcoding for its stored goods and notably, Warehouse Management Systems (WMS) in the name of a self-developed and tailored fulfilment platform called Supra Fulfillment Technology (SFT) to streamline its operations. SFT enables comprehensive tracking and control of goods during receipt, storage, and dispatch, as well as inventory management and transportation. Additionally, Supra utilizes Digital Picking Systems or Pick-to-Light systems to enhance the speed and accuracy of order picking, thereby improving service levels.

3.3.2. Distribution to physical retail stores and supermarkets

At WinCommerce, the distribution system is strategically designed to ensure the seamless flow of goods from centralized distribution centers to its extensive network of WinMart supermarkets and WinMart+ convenience stores.

- **Distribution network design**

WinCommerce's distribution network can be said to bear closest resemblance to the "Retail Storage with Customer Pickup" model (Chopra, 2016) but with a unique emphasis on centralized inventory management.

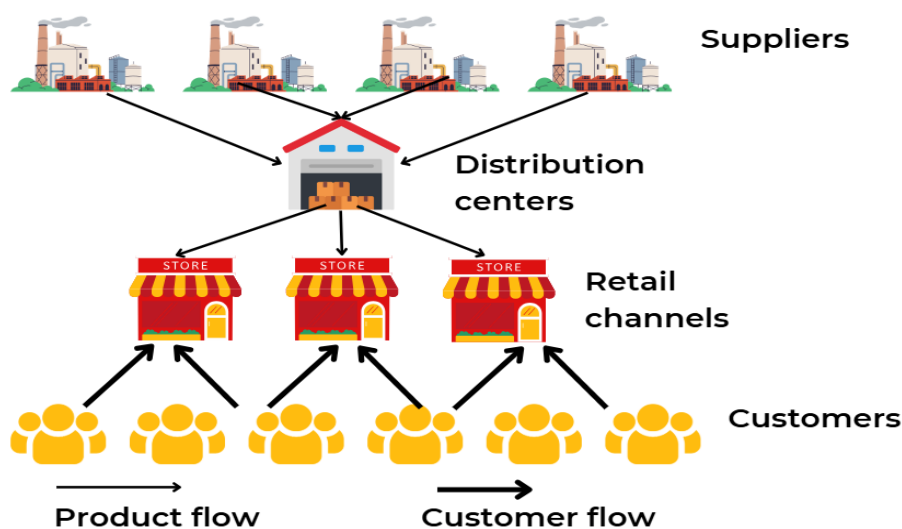


Figure 3-2. Distribution network design at WinCommerce

Source: Synthesized by the authors

The majority of the inventory is stored in regional or central distribution centers (DCs), with only minimal stock allocated to the temporary storage areas of stores or supermarkets. This centralized approach allows WinCommerce to maintain greater control over inventory levels, ensuring efficient distribution to its extensive network of over 3,600 WinMart supermarkets and WinMart+ stores.

For agricultural products and fast-moving consumer goods (FMCGs), which have consistent and predictable demand, WinCommerce employs a local storage model. These products are stored right at the point of sale, enabling rapid replenishment of shelves and ensuring stock availability for customers. On the other hand, slowing-moving items are delivered directly and in adequate amounts from the central warehouse to the stores for shelving and customer pickup. This dual-pronged strategy helps optimize inventory placement across the network while catering to a broad product portfolio.

Another key component of this network is the dedicated and exclusive truck fleet managed by Supra, WinCommerce's logistics arm. The ownership of a private fleet provides the system with full control over the transportation operations, offering flexibility in scheduling and routing to address varying demand patterns throughout the country.

- **Transportation network design**

When it comes to transportation networks, WinCommerce’s design model aligns closely with the "Shipping via Distribution Centers using Milk Runs" framework (Chopra, 2016). Similar to the essence of this model, the company employs cross-docking at its distribution centers to consolidate deliveries from multiple suppliers, sorting the goods according to the orders of a certain number of nearby retail locations, and efficiently distributing goods to them.

Given that individual shipments to a single WinMart+ store typically do not fill an entire truck, the utilization of milk runs—a system where a single vehicle makes multiple stops to deliver smaller replenishment batches to closely situated multiple stores, combined with temporary storage and cross-docking, would significantly reduce transportation costs by optimizing load efficiency and delivery routes. Yet, WinCommerce introduces a unique adaptation to this model as while fast-moving and easily perishable goods are delivered daily to its retail network, a small number of slow-moving goods are still maintained at the central warehouses and only delivered when receiving specific orders from outlets, minimizing the need for large storage capacities at the retail stores.

For deliveries destined for WinMart supermarkets, which operate on a much larger scale and often place orders that exceed a single truckload, Supra adopts a flexible approach by utilizing direct shipping from the distribution centers. This method bypasses the need for milk runs, ensuring that larger shipments are delivered efficiently and directly to their destination while reducing handling times and maintaining cost-effectiveness for bulk deliveries.

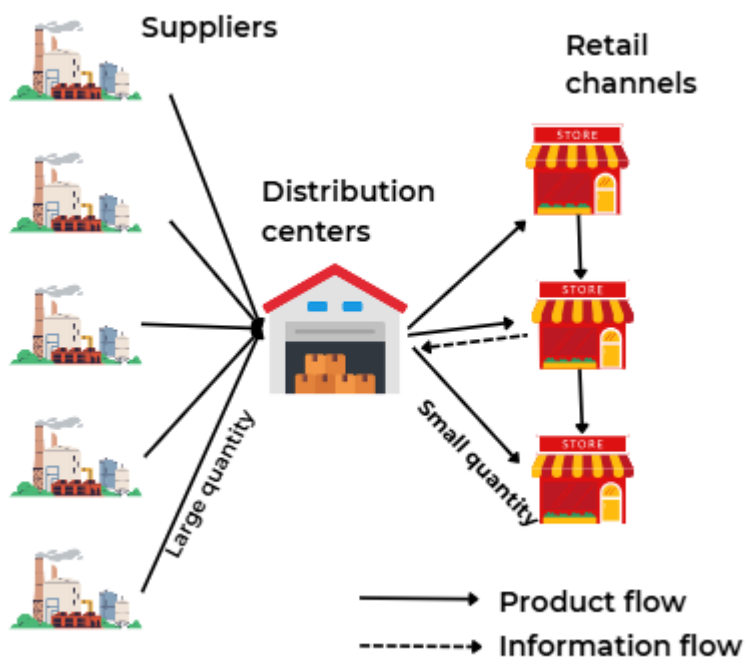


Figure 3-3. Transportation network design at WinCommerce

Source: Synthesized by the authors

Nevertheless, the implementation of cross-docking alongside milk runs would generally necessitate a high level of coordination, as well as precise routing and scheduling, to ensure

timely and efficient deliveries while maintaining cost efficiency. In practice, to support this process, the company has implemented *Supra Transportation Technology (STT)*, an advanced and highly comprehensive system designed for planning and optimizing logistics operations. This advanced platform streamlines various aspects of transport management, including documentation and record-keeping, fleet management, and the automation of operational workflows. With this implementation, Supra can therefore guarantee precise scheduling, route optimization, and real-time order tracking, ensuring efficient coordination and enhanced visibility across the entire delivery network.

3.3.3. In-store operations at Winmart and Winmart+

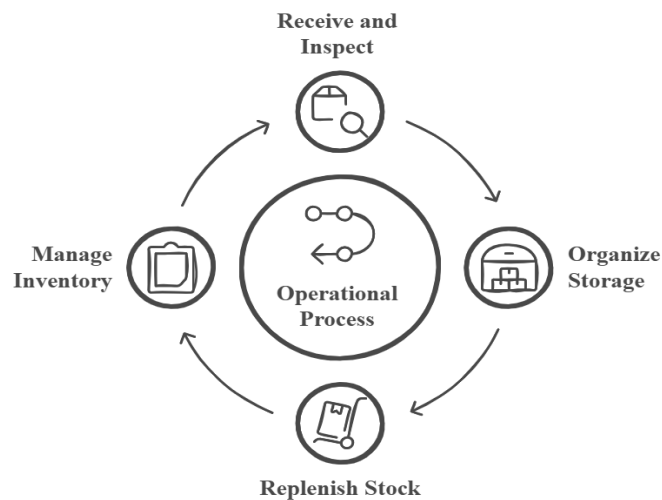


Figure 3-4. Operational process at WinMart/WinMart+ stores

Source: Synthesized by the authors

Receiving, inspecting and organization of goods: Each Winmart supermarket or WinMart+ store has its own temporary storage area or warehouse for short-term storage, with inventory volumes depending on the retail type and store size. When goods are delivered, store staff check the delivery invoice to verify the quantity, quality, and alignment with the warehouse receipt in the inventory management system. Any discrepancies in quantity, quality, or specifications are reported to document the excess or shortage for later resolution with the central warehouses. Once inspected, products are separated, packaged, and labeled, yet each kind of goods may follow a different set of procedures depending on its characteristics and specifications.

Shelf replenishment and display: At Winmart, goods for shelf display are managed by staff assigned to specific product categories. They calculate required quantities, retrieve items from the warehouse, and ensure inventory updates in real-time. Products are arranged on shelves based on their type, using specialized equipment. Fresh produce is displayed in refrigerated cabinets, ready-to-eat meals in heated containers, and perishable items like meat and fish are kept on ice or in freezers. Heavy items are placed on wooden pallets, while lighter items are manually arranged.

Inventory management and waste disposal: Unsold or expired goods are handled based on their type and shelf life. Short-shelf-life items are displayed immediately to encourage quick

sales and minimize waste, with unsold items discounted or returned to suppliers at the end of the day. For items with a longer shelf life, recalls are conducted five days before expiration, with suppliers accepting returns or offering discounts. Perishable goods like fresh vegetables and meat are disposed of by incineration. Waste, primarily consisting of household and fresh food waste, is managed by contractors and cleaning services, who work alongside supermarket staff to collect and process waste 1-2 times daily.

In terms of technology applications, Masan has implemented smart point-of-sale (POS) systems across most of its retail stores and supermarkets which serve as intelligent front-line tools that accurately track inventory levels in real time and automate stock replenishment based on sales data and current supply conditions.

Winmart places significant emphasis on store layout by developing planograms that details the specific positioning and organization of products displayed. In the Winmart's planogram, products are clearly categorized by specific sectors such as food, household goods, cosmetics, etc. Applying planograms in retail settings offers several key benefits which enhance shopping experience, increasing inventory management efficiency.

4. Evaluation and recommendations

4.1. Evaluation

4.1.1. Successes

Customer access and responsiveness: The Point-of-Life system which integrates nearly 3,700 stores and supermarkets from the WinCommerce chain and Supra logistics system has created nationwide logistics platforms and improved customer access and returnability. With WinCommerce's network of retail stores strategically located in residential complexes and near neighborhoods, the system significantly reduces delivery time and distance, ensuring even faster and more convenient shopping experiences for customers.

The system was proven effective as Masan announced that WinCommerce (the operator of the WinMart/WinMart+/WiN retail chain) achieved revenue of VND 7.844 trillion in Q2 2024, with post-tax profits recorded from June. The 9.7% growth in June was attributed to an increase in customer foot traffic to stores (Masan Group, 2023).

Inventory control: By utilizing a distribution system based on modified retail storage with customer pickup, WinCommerce network maintains only a minimal stock at its physical stores. Goods are replenished with frequent deliveries and the quantity supplied is determined based on demand forecast service from past purchasing data. The centralization of goods in distribution centers allows for efficient allocation of inventory across areas with varying demand. This system enables synchronized management of inventory levels and turnover across the entire chain.

To handle the large volume of goods, Supra has implemented technology in warehouse and transportation management, in which they utilize online and offline warehouse management technology to oversee the goods flow through distribution centers (DCs) across all chains. As

a result, the system has great visibility of inbound and outbound flow of goods to support supplier ordering and on-time delivery to physical stores.

Optimized logistics costs: As WinCommerce operates mainly as retail stores with customer pick up, the company does not face high last mile delivery costs which usually accounts for a large amount of transportation costs.

Meanwhile, Supra, also acts as the carrier to distribute the flow of goods to the WinCommerce retail chain, has chosen the transport network that is Shipment via Distribution Centers using Milk Runs. By leveraging this design, they have been able to utilize the economies of scale when the amount of goods delivered to a central warehouse or distribution center are large enough to reduce inbound transportation cost. At the same time, this model helps reduce outbound cost as one truck can deliver to many retail outlets in one delivery. This model is especially effective in urban areas where WinCommerce retail stores are situated near others.

A unique feature of the distribution system employed by WinCommerce is its integration with numerous companies within the Masan ecosystem in which many are the direct supplier to WinCommerce. As a result, this unified system, combined with advanced planning and optimization technologies for automation of scheduling systems, route planning and transportation management has helped the entire chain eliminate unnecessary costs and enhance overall efficiency. According to Masan's annual report, Supra has been able to handle 50% of WCM's volumes in 2023 whilst delivering a reduction in logistics cost per unit by 11% YoY.

4.1.2. Challenges of WinCommerce distribution system

Changing consumer behavior: The Vietnamese retail market is highly competitive with major players such as Bach Hoa Xanh, Co-op Mart,... and the Vietnamese customers are price - sensitive. As a result, competition among the leading retailers often centers around customer access and competitive pricing.

In the household appliances product segment, consumers are increasingly shifting towards online sales channels due to their greater variety and lower prices compared to items displayed in physical retail stores. Gradually, this product is no longer the primary choice for customers when visiting WinCommerce's retail chain.

Products sold through the WinCommerce chain are now in intense competition with new competitors like Fuji Mart, which is penetrating the market with much lower pricing strategies. Compared to online shopping platforms, WinCommerce is lagging behind in its ability to meet diverse consumer needs at competitive prices. This increases the pressure on WinCommerce to increase their coverage to maintain their advantage of being most accessible to customers while the distribution system is required to deliver goods as soon as possible to satisfy customer demand.

Low product variety: WinCommerce's retail with customer pickup model, especially in smaller formats like Winmart+ or Winmart+ Rural, faces a significant challenge with its limited product variety due to restricted physical space. This issue becomes more pronounced when compared to online shopping, which has become increasingly popular with a wider range of

choices. The lack of diversity in products can make it difficult to attract and retain customers, potentially limiting the competitiveness of the WinCommerce retail chain

Increasing inventory keeping cost: Similar to traditional retail models, a significant portion of WinCommerce's operational costs is allocated to preserving goods and facilities at its retail stores. This cost tends to increase as WinCommerce's strategy in the near future focuses on expanding and establishing more retail outlets to enhance customer coverage. Additionally, daily restocking to minimize the use of storage at retail outlets increases the costs associated with goods handling activities.

Increasing logistics cost as the number of retail stores increases: The daily restocking of goods often require more frequent deliveries in a day or need more trucks to deliver goods on time to serve customers, especially when chains like WinMart or WinMart+ are expanding in number. This leads to increased fuel consumption, vehicle wear-and-tear, and higher labor costs associated with delivery operations.

Furthermore, expanding into rural areas with WinMart Rural adds to more spending on transportation costs to keep the frequent delivery to retail stores. Vehicles must travel longer distances, resulting in higher fuel expenses and potential delays when destinations are widely dispersed.

Lastly, as WinCommerce are trying to expand to online platforms which offer to deliver goods directly to consumers, they will soon face the significant expense of last-mile delivery, which typically constitutes the largest proportion of a chain's logistics costs.

4.2. Recommendations

4.2.1. Leveraging Masan Ecosystem

One of WinCommerce's key strengths is its position as a part within the Masan ecosystem. The Masan Group - a conglomerate which started as a consumer goods manufacturing company—WinCommerce functions as the final outlet in Masan's supply chain which distributes the final product directly to consumers.

To overcome challenges of competition and shifting consumer trends, WinCommerce needs to focus on offering competitive pricing compared to its rivals. Leveraging the Masan ecosystem, where many companies act as direct suppliers to WinCommerce, can facilitate attractive pricing policies to draw in customers. In return, suppliers can gain access to WinCommerce's extensive customer database, enabling them to enhance R&D efforts, improve products, and diversify their offerings.

In addition, utilizing the vertical integration within the Masan ecosystem can optimize procurement, and logistics costs, allowing competitive pricing without compromising margins.

4.2.2. Improving distribution system

As the number of retail stores in the WinCommerce chain increases, the number of vehicles and deliveries made also increases, leading to higher delivery costs, especially in populous cities. Therefore, the first recommendation is to improve store inventory management through real-time inventory tracking and demand forecasting by conducting analysis on data obtained with technologies already applied in stores such as barcoding and POS systems.

Supra is reportedly responsible for distributing about 50% of WinCommerce's total goods volume in 2023 and is showing positive results in reducing the logistics cost. Another recommendation for WinCommerce is to further integrate this unit into its operation to achieve a unified logistics system which can take advantage of economies of scale through the larger amount of goods processed while providing visibility to improve demand forecasting and replenishment planning.

5. Conclusion

WinCommerce has successfully combined modern retail operations with strategic logistics management, establishing itself as a leader in Vietnam's competitive market. With a vast network of nearly 3,700 stores and Supra's advanced technology-driven logistics solutions, the company has significantly improved efficiency and reduced costs.

However, the company faces ongoing challenges from changing consumer behaviors and increasing operational costs as it expands. To maintain its competitive edge, WinCommerce must continue leveraging the Masan ecosystem's advantages while further optimizing its distribution network. By focusing on technological integration and strategic expansion, WinCommerce is well-positioned to strengthen its market leadership in Vietnam's retail sector while ensuring sustainable growth in its distribution operations.

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