

OPPORTUNITIES AND CHALLENGES FOR VIETNAM LOGISTICS SERVICE SECTOR IN THE CONTEXT OF INTEGRATION

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Abstract—*The article discusses the basic difficulties and challenges which Vietnamese logistics service providers faced and facing to propose synchronized solutions to reduce logistics costs contributing actively to increase the competitiveness of Vietnam's goods in the context of deep integration with the world.*

Keywords— *Logistics services, logistics cost, integration, Vietnam.*

I. INTRODUCTION

With a coastline of about 3,260 km stretching from North to South, located in the center of Asia - Pacific region, on international maritime routes, Vietnam is a country with natural conditions and a very geographical location. Favorable to develop logistics services. In the strong development of import and export in recent years, logistics has become an important service industry of international trade activities and attracts special attention to the economic community.

II. THE OPPORTUNITIES

Logistics plays an important role in the distribution of goods from the place of production to consumers and is a bridge for global trade. Logistics activities today are not only associated with logistics activities, freight forwarding but also planning, arranging the flow of raw materials and materials from suppliers to manufacturers, then circulating goods from the stage. production to the final consumer, creating a connection throughout the society using optimization, reduction of rotation, and storage costs. Besides, logistics services are also commercial activities whereby traders organize one or more jobs including receiving goods, transportation, warehousing, warehousing, customs clearance, and procedures. other documents, consulting customers, packaging, marking code, delivery, handling of damaged goods, or other services related to the goods as agreed with customers to receive remuneration. If logistics is done well, it will ensure better service, lower costs, but more efficient for businesses and the economy.

With the scale of US \$ 20 - 22 billion / year, accounting for 20.9% of the country's GDP, in recent years logistics services are playing an important role in the process of economic integration and development in Vietnam. According to statistics, the country currently has about 1,200 businesses providing logistics services, mainly forwarding services, warehousing, loading and unloading, transport agents ... focusing mainly on the city area. Ho Chi Minh City and Hanoi, with the number of employees up to about 1.5 million, of which TP. Ho Chi Minh accounted for about 40%. This is a very large

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number but, except for state-owned enterprises that are being equitized, most of these enterprises are small and medium-sized, with the average charter capital of 4-6 billion VND, human resources. The labor force only meets about 40% of the industry's demand, the proportion of trained human resources in logistics is quite low, only from 5 to 7%. Due to the serious shortage of logistics human resources as well as the awareness of businesses about the increasing role of logistics, those who are trained and experienced in this field are always the "target" of businesses.

Most Vietnamese enterprises currently do not provide complete logistics services in the true sense, most of them only take the satellite role for foreign logistics companies, perform separate customs declaration operations. Customs, leasing domestic transport vehicles, warehousing, buying, and selling freight ... Services that bring high added value such as packaging, order management, on behalf of goods owners to perform obligations to the third party ba ..., especially the "door to door" package logistics service has not been paid attention. Logistics activities do not form a continuous chain in the supply chain.

Challenges in information technology application and e-commerce: In freight forwarding activities, the use of information technology applications in transactions and management is an important factor. reliability and capacity of logistics enterprises. Vietnamese enterprises often manage manually, the level of information technology application is still low. The world's leading logistics service providers operating in Vietnam such as APLL, Maersk Logistics use specialized applications to manage and give customers the ability to see and control orders (visibility). at any time. The level of e-commerce applications (including EDI exchange and electronic bill of lading, electronic documents ...) of Vietnamese enterprises is weak and inferior to foreign logistics businesses, which are not capable yet. link with other logistics service networks. Therefore, Vietnamese logistics enterprises can only do single services for foreign logistics enterprises.

We also face the challenge of human resources. In Vietnam, there is currently no professional training facility for logistics. Human resources of logistics enterprises in Vietnam are mainly self-training based on practical experience, the level of professionalism is still poor. When the market is booming, logistics enterprises will have to face more with the tendency of lack of good manpower due to the attraction of foreign enterprises or setting up their own companies.

Challenges of management policies and logistics infrastructure: The management of logistics activities is inconsistent, overlapping, each ministry manages a segment such as Taxes and customs managed by the Ministry of Finance. load and infrastructure managed by the Ministry of Transport, trade promotion is under the management of the Ministry of Industry and Trade ...

After more than 10 years of Vietnam's accession to the WTO, Vietnam's logistics service market has had a positive change with the number of enterprises operating in the industry growing rapidly and with high growth rates. If you look at our country's trade development speed, which is also the development objective of the logistics service industry, the import-export turnover has increased by 1.86 times, the domestic retail market has increased by an average of 20-25 % per year and as a result, logistics services also increase by 20-25% per year. However, according to statistics, Vietnamese logistics companies only operate within the country or a few countries in the region and mainly act as agents or undertake each stage for international logistics businesses. Meanwhile, foreign companies (about 25 multinational companies, accounting for 70-80% of the market share of logistics service providers in Vietnam) with operations in nearly 100 different countries. This is one of the obstacles for Vietnamese businesses to provide package services to customers. Because, in the trend of globalization, shippers often tend to outsource from many countries and territories around the

world. Although the role of agents that Vietnamese companies can establish in other countries can be taken into account, this relationship is often quite loose and inconsistent.

These are the basic reasons that make the competitiveness of Vietnamese logistics enterprises far behind those of foreign enterprises today, which is understandable and Vietnamese enterprises still play a key role as "satellite" for foreign logistics companies, only undertake many single services in logistics activities such as customs clearance, transport vehicles, warehousing ... In the context when the import and export activities Vietnam's exports are growing, domestic trade is expanding, demand for logistics services is increasing, this is a problem that needs special attention and remedies to limit losses right on the "home ground". "For what is considered to be the "infrastructure" service sector of the economy, not just delivering Great resources for the country but also play an important role in renovating the growth model and restructuring the economy today.

Under the commitment, Vietnam implemented the liberalization of logistics services in the WTO and ASEAN Integration on logistics in a 4-step roadmap, including:

- Trade liberalization, removing tariff barriers;
- Create opportunities for businesses in the field of logistics;
- Improve logistics management capacity;
- Human resource development.

In line with the WTO commitment roadmap, foreign service providers will be allowed to set up wholly foreign-invested enterprises to provide warehousing services and freight transport agency services. This context presents many opportunities and challenges for the logistics industry in Vietnam. First of all, an opportunity for Vietnam's logistics development is to gain access to a wider logistics market with trade incentives to boost consumption of products and services; promoting geographical - political advantages in developing logistics infrastructure such as developing deep-water ports, international airports, Trans-Asia railway system, logistics centers; Logistics integration creates opportunities for Vietnam to develop partnerships, expand export markets, contribute to restructuring the economy and innovating growth models ...

III. CHALLENGES

Currently, Vietnam's logistics costs are assessed to be very high, accounting for about 25% of Vietnam's GDP (meanwhile, the world average is 15% of GDP, the US is only about 9%, Europe is about 13%, Japan about 11%, Singapore about 8% of GDP) in figure 1.

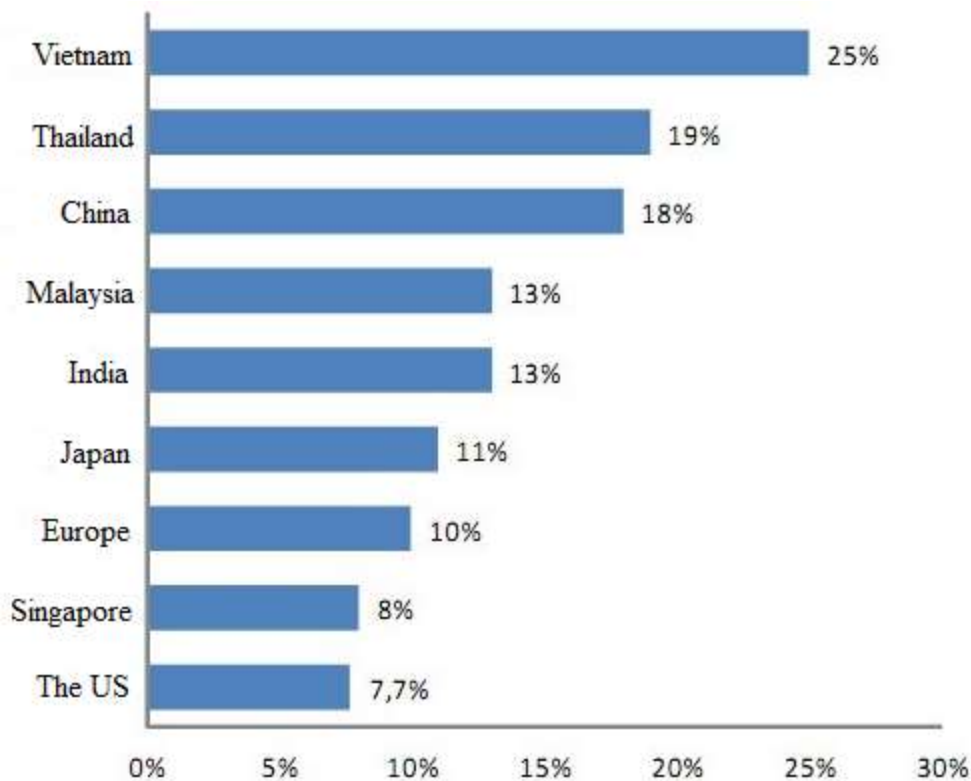


Figure 1: Proportion of logistics costs to GDP of some countries

The main reasons are identified as: (1) Vietnam's transport infrastructure system is lacking and weak compared to the country's development requirements, especially underdeveloped roads commensurate with the speed of industrialization and urbanization. our country's urbanization, leading to overcrowding and congestion; (2) The vast majority of Vietnamese logistics businesses operate with small scale, limited capacity, ineffective linkages, so about 80% of Vietnam's logistics market share is in the hands of a small number of businesses. foreign logistics; (3) although the state management agencies are implementing many reforms to streamline administrative procedures, facilitate trade, in reality, there are still many difficulties in clearance procedures leading to slowing down the turnover of goods, increasing enterprises' expenses; (4) inland shipping has not yet reached its full potential to reduce the load for road transport; (5) the linkage between ports and logistics services (such as warehouses, yards, logistics centers) is limited due to the lack of high-tech applications in logistics management, leading to the industry's expense. high; (6) Human resources are also a limiting factor to develop Vietnam's logistics. The current human resources only meet the size of the business and the training of human resources for this industry has not met the demand due to the lack of high-quality specialized training facilities.

If you look at the overall picture of Vietnam's logistics industry, foreign businesses are in the above position in table 1. However, there are still some advantages for domestic enterprises, namely: Firstly, Vietnamese enterprises own most of the warehouses, causing foreign enterprises to sublease or associate or enter into joint ventures to serve. Services of Logistics; Secondly, domestic enterprises understand the market, customer psychology, geography, weather, the culture of indigenous people more than foreign enterprises; Thirdly, in terms of human resources, Vietnamese workers are smart, quick-witted so it is easy to grasp foreign advanced technologies and processes.

Table 1: Forecast Import and Export Container Volumes

Total volumes	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Haiphong	1,611,500	1,708,190	1,810,681	1,919,322	2,034,482	2,156,551	2,285,944	2,423,100	2,568,486	2,722,595
Dinh Vu	907,124	1,015,989	1,137,896	1,274,444	1,427,377	1,598,662	1,790,502	2,005,362	2,246,006	2,515,526
Cai Lan	143,981	155,499	167,939	181,375	195,885	211,555	228,480	246,758	266,499	287,819
Total Northern Vietnam	2,664,616	2,881,690	3,118,529	3,377,155	3,659,759	3,968,784	4,306,943	4,677,238	5,083,010	5,527,960
HCMC ports	3,862,653	4,094,412	4,340,077	4,600,482	4,876,510	5,169,101	5,479,247	5,808,002	6,156,482	6,525,871
Cai Mep-Thi Vai	839,684	965,637	1,110,482	1,277,054	1,468,613	1,688,904	1,942,240	2,233,576	2,568,613	2,953,904
Total Southern Vietnam	4,702,337	5,060,049	5,450,559	5,877,536	6,345,123	6,858,005	7,421,487	8,041,578	8,725,095	9,479,775
Combined total	7,366,953	7,941,739	8,569,088	9,254,691	10,004,882	10,826,789	11,728,430	12,718,816	13,808,105	15,007,735
Percentage growth		7.8%	7.9%	8.0%	8.1%	8.2%	8.3%	8.4%	8.6%	8.7%
Total volumes by imports/exports										
Imports										
Northern Vietnam	1,465,873	1,585,378	1,715,763	1,858,141	2,013,718	2,183,838	2,369,994	2,573,839	2,797,210	3,042,145
Southern Vietnam	2,305,827	2,474,405	2,657,632	2,857,067	3,074,465	3,311,803	3,571,312	3,855,511	4,167,251	4,509,756
Total	3,771,699	4,059,783	4,373,395	4,715,209	5,088,183	5,495,641	5,941,306	6,429,350	6,964,461	7,551,901
Exports										
Northern Vietnam	1,198,743	1,296,312	1,402,766	1,519,014	1,646,041	1,784,946	1,936,949	2,103,399	2,285,800	2,485,815
Southern Vietnam	2,396,510	2,585,644	2,792,927	3,020,469	3,270,658	3,546,202	3,850,175	4,186,067	4,557,844	4,970,019
Total	3,595,254	3,881,956	4,195,693	4,539,482	4,916,699	5,331,148	5,787,124	6,289,466	6,843,644	7,455,834

Source: Worldbank (2020)

Many authorities, managers as well as businesses are not fully aware of the importance of the Industry. In general, when it comes to users of logistics services (commercial companies, import-export enterprises, manufacturing, and processing enterprises), regulators, as well as enterprises, have not fully assessed. The importance of logistics management and supply chain, especially the remaining stages from the domestic port to the end consumer.

The current legal framework governing logistics operations is no longer appropriate and lacks the necessary updates on international logistics institutions. Therefore, the market of logistics services is still lacking in transparency, unfair competition, and not creating favorable conditions for sustainable development of the industry.

IV. IMPLICATION

In addition, it is necessary to establish a National Logistics Committee, which is in charge of implementing the industry's general programs and goals, taking part in consulting the planning and overall logistics development strategy of Vietnam to 2025 and vision to 2035; invest and upgrade synchronous infrastructure to meet the growing development needs of the logistics industry. Accordingly, it is necessary to complete ports, inland clearance ports, roads, warehouses, equipment, and related institutions; complete the construction of infrastructure (sea, air, road, iron ...); rearranging ports on a long-term basis; set up logistics centers (distribution) in key economic areas to focus on export and distribution of imported or finished goods; building a distribution network between shippers and delivery companies, a system of branches, where the final distribution, at the same time with distribution centers are warehouse systems.

Regarding air freight forwarding, the Government should allow the Association to arrange research, investment, and construction of areas for consolidation and clearance agents at international airports such as TP Ho Chi Minh City, Hanoi, and Da Nang. To build a specialized cargo terminal with areas for delivery, receipt, transshipment ... according to professional processes like countries in the region have been doing such as Thailand, Singapore, and Malaysia; modernize the warehouse and distribution.

Vietnam Association of Logistics Services Enterprises with a key role needs to connect businesses in the industry, create leading enterprises, cooperate to share advantages to reduce logistics costs, create a healthy playground. strong and highly competitive in the logistics industry ... to link import-export businesses and logistics services businesses.

Proactively and continue to improve competitiveness, invest in information technology, facilities, training and develop professional human resources by national, regional and international standards to meet the Logistics industry; developing logistics services in the direction of 3PL; add more value to serve customers; enhance the ability to use information technology in logistics activities; Implementing advanced logistics technology methods such as supply chain management or timely delivery, in designing multi-stage transport flows and arranging stages in chains. Providing logistics services.

Finally, Vietnamese logistics service enterprises need to have a logistics perspective right from the businesses themselves. Vietnamese logistics businesses need to do business following market rules, cooperate, operate, establish mutually beneficial economic relationships, each business needs to focus its strengths, and will outsourcing services is not a strength. The linkage, coordination to support each other is essential for Vietnamese businesses.

V. CONCLUSION

Reducing logistics costs will positively contribute to the competitiveness of a country's goods. However, in recent years, Vietnam's logistics enterprises have not found many voices in common with import-export businesses, have not created a full attachment, and promoted the development of the Vietnamese business community.

VI. ACKNOWLEDGMENTS

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