Factors affecting business efficiency of retail business: Case study in Ho Chi Minh City Vietnam: Literature review

Thao Tra Thi
MBA, Faculty of Marketing and International Business, HUTECH University
Email: tt.thao@hutech.edu.vn

Hung Le Quang
Associate Professor, Faculty of Marketing and International Business, HUTECH University
Corresponding author email: lq.hung@hutech.edu.vn

Tu Nguyen Phu
Associate Professor, Faculty of Marketing and International Business, HUTECH University
Email: np.tu@hutech.edu.vn

Abstract---On the basis of theory and overview of previous studies on factors affecting business efficiency and the scales of factors are designed and inherited, the study aims to systematize the theoretical basis and identify the factors affecting business efficiency of retail business in Ho Chi Minh city Vietnam. The method of expert interview and group discussion used to consult or collect data on factors related to business influence of retailers in Ho Chi Minh city Vietnam. Through the research, find a Literature Review on the above topic to serve as a basis for further research to identify the factors affecting business efficiency of retail business in Ho Chi Minh city Vietnam and build a model research. Further studies apply this research model to measure the impact of each factor on the business efficiency of retail business in Ho Chi Minh city Vietnam as well as propose some managerial implications to help businesses meet the needs of customers and growing business more and more.

Keywords---business efficiency, retail business, Vietnam, literature review.
Introduction

For the retail sector in general and retail goods in particular which is a field with a continuous growth rate and impressive for many years in Vietnam. It is really a service industry with a lot of potential for development. The contribution of the retail industry in the economy is not only limited to profits and the number of jobs that this industry creates, but also has important implications for industries that produce consumption goods both in terms of output products and inputs. The development of the retail industry entails the development of most manufacturing industries in the economy. This shows the attractiveness as well as the open opportunities for the Vietnamese retail market and is also a filter that helps businesses to survive and develop. Lessons learned from successful businesses show that it is necessary to study the common factors in many retail businesses.

In Vietnam, international economic integration opens up many opportunities for businesses to develop product consumption markets, approach and apply modern technology and production processes, and exchange experiences with businesses in developed countries on business management and administration. This is both an opportunity and a challenge for retail and distribution activities of Vietnamese enterprises. Therefore, it is necessary to clearly identify the factors efficiency of retail business activities, and build a scale to measure the appropriate factors for proposing solutions to help retail businesses overcome the limitations and maximize the advantages of the retail industry. Helping retail businesses in Vietnam stand firmly in the home market.

The research objective is to systematize the theoretical basis, identify the factors and build a research model that affects the business activities of retail business in Vietnam. The new features in the model are:

- Identify influencing factors, find research gap and propose the research model.
- Build a scale to measure the factors affecting the business activities of retail business in Ho Chi Minh city Vietnam. Authors have built two new factors, which are Market information and Technology application. These variables are formed based on emphasizing the factors affecting the business activities of retail business in Ho Chi Minh city Vietnam, thereby creating a completeness for the research model.

Literature Review

Business Efficiency

According to Adam Smith (1997), business efficiency is the result achieved in economic activity which is the revenue from the consumption of goods. According to Alfred Marshall (1842-1924), business efficiency is the proportional relationship between the increase in results and costs. This view shows a relative comparative relationship between results achieved and costs spent, but only considers the additional results and costs. Samuelson and Nordhaus (1998) said
that efficiency is the most efficient use of the resources of the economy to satisfy the desired needs of human.

Firm performance is often affected by both factors, which are the business decisions themselves in the enterprise (micro factors) and influences from the external environment on business operations (macro factors). Micro factors related to financial leverage, investment, dividend policy, revenue, assets, or financial risk (Broadstock et al., 2011b; Beck and Webb, 2003). Macro factors related to economic growth, prices, or information in the market. These factors will indirectly affect decisions in the business, because business managers often make business decisions based on market analysis (Broadstock et al., 2011b; Barakat et al., 2016). Murphy et al. (1996), research on corporate performance comes from organizational theory and strategic management, shows performance measures both financial and organizational. Financial performance such as profit maximization, return on assets maximization, and shareholder maximization are core issues of corporate efficiency. From the above concept, it can be seen that the business efficiency of an enterprise is a broad concept, encompassing both economic and social performance. It is a measure of the business growth reflecting the level and use of corporate resources to achieve the set goals. Business efficiency can be understood as a measure of management level and use of corporate resources to maximize results and minimize costs to achieve business goals. For all businesses in the economy, the overarching long-term goal is to maximize profits. To achieve this goal, enterprises must build for themselves a business strategy and develop the business to adapt to market fluctuations, and at the same time organize their activities effectively. In fact, in recent years, the economic situation has been difficult due to the impact of the Covid-19 epidemic. Inflation, interest rates, slow purchasing power, high inventories... have made domestic and foreign enterprises in Vietnam fall into a difficult situation and many enterprises have dissolved. In order for businesses to stand firm in the market, managers must implement all the optimal solutions to bring the best results for the business.

**Previous Research Works**

1. Tornatzky et al. (1990), researched on the theory of Technology-Organization-Environment Framework (TOE). TOE is one of the popular research frameworks on enterprise adoption of new technology. This model is the enterprises’ acceptance of new technology which is influenced by three main groups of factors: The first is technological factors such as the Availability and Characteristics of technology; the second is organizational factors, such as the Structure, Size, and Characteristics of the organization and its Communication processes; finally, there are environmental factors such as Industry characteristics, Level of competition in the industry, Government support, Government regulation... (Quoted by Dang et al., 2020)

2. Zeitun and Tian (2003), studied the factors affecting business efficiency on 167 companies listed on Amma-Jordan stock exchange in 16 different business areas in the non-financial sector in the period 1989-2003. The model includes the dependent variable Return on assets (ROA); Independent variables are Debt to equity ratio (D/E), Growth rate of total assets
(GROWTH), Income tax (TAX), Company size (SIZE), Fixed assets (TANG), Political crisis (POLITICAL CRISIS) and Business industry (INDUST). The study shows that the factors GROWTH, SIZE, TAX positively affect Business efficiency. The proportion of Fixed assets (TANG) has a negative impact on Business efficiency.

3. Wei Xu et al. (2005), researched on the relationship between capital structure and business efficiency. Researched 1130 companies listed on the Shanghai Stock Exchange, excluding companies operating in the Banking, Insurance, and Finance industries. Variables included in the research model as follow: Return on equity (ROE), Debt to equity ratio (D/E), Growth rate of total assets (GROWTH), Company size (SIZE). Research results show that Debt to equity ratio has a positive impact on Business efficiency; Business efficiency is not strongly correlated with long-term Debt to equity ratio; Company size has a strong positive effect on Business efficiency; Growth rate has no impact on Business efficiency.

4. Nguyen and Mai (2011), studied the factors affecting the business efficiency of small and medium enterprises in Can Tho city in the period 2008-2009, conducted a survey on 389 small and medium-sized enterprises and proposed the following research model as follow: Dependent variable is Return on investment (ROI) and Independent variable are State support that the enterprise has ever received, Operation time, Education level of the business owner, Company size, Corporate social responsibility, Revenue growth rate of the enterprise. Research results showed that all of the above factors have a positive impact on Business efficiency.

5. Wei Xu et al. (2012), has carried out a study to measure both financial and market aspects of the relationship between business performance and potentially effective factors such as Liquidity ratio, Working capital, Debt ratio, Total asset turnover, Company size, Business areas, Ownership ratio...(Quoted by Dang et al., 2020)

6. Le (2013), researched on factors affecting business performance of food processing companies listed on Vietnam stock market in the period 2010-2012, the following research model was proposed as follow: Dependent variable is Return on total assets (ROA) and Independent variables are Company size, Management of receivables from customers, Fixed asset investment, Capital structure, Business risk, Growth rate, Operation time. The results show that the factors of Management of receivables from customers, Fixed asset investment, Capital structure, Business risk have a negative impact on Business efficiency. Growth rate has a positive impact on Business efficiency and Company size and Operating time have no impact on Business efficiency.

7. Nguyen et al. (2013), researched on the factors affecting the business efficiency of the Seafood enterprises listed on the Vietnam stock market in the period 2008-2013, proposed a research model as follows: Dependent variable is Return on equity (ROE). Independent variables are Short-term debt ratio, Long-term debt ratio, Company size, Revenue growth rate and Capital structure. The results show that Capital structure, Company size and Revenue growth rate have a positive impact on Business efficiency. Short-term debt ratio has a negative impact on Business efficiency. Long-term debt ratio, Company size and Revenue growth rate have no impact on business efficiency.
8. Dang et al. (2019), studied the combination of TAM and TOE models into the acceptance of social networks in retail business in Vietnam. With the advantages of applying social networks, online retail business has become popular and effective for retail businesses. Based on the synthesis of theories about social networks and models related to technology acceptance behavior of enterprises (TAM and TOE model), the authors researched on the factors affecting the application of social networks in retail business in Vietnam. Factors affecting the application of social networks in retail include: Technology context, Personal context, Environmental context, User perception. This was an important contribution in the context of the constantly evolving social network and its strong impact on business activities in Vietnam.

Figure 1: Model TAM. (Source: Pres David, 1989) (Quoted in Dang et al., 2020)

Figure 2: TOE theory of new technology adoption behavior. Source: (Tornatzky et al., 1990). (Quoted in Dang et al., 2020)
Proposed research model and research hypotheses

Research Model

Synthesized from previous studies of the authors as follow: Tornatzky et al. (1990), Zeitun and Tian (2003), Wei Xu et al. (2005), Nguyen and Mai (2011), Wei Xu et al. (2012), Le (2013), Nguyen et al. (2013) and Dang et al. (2020), the factors that have impacts on Business efficiency are shown in Table 1.

Table 1: Synthesize the elements of previous studies and the author proposes factors for the topic

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>Author's suggestion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company size</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Supplier</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Commodity price</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Customer psychology</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X - New</td>
<td></td>
</tr>
<tr>
<td>Market information</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X - New</td>
<td></td>
</tr>
<tr>
<td>Technology application</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X - New</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Author's compilation)

Research hypothesis

Company size

Company size is expected to affect business performance in a variety of ways. Larger companies are said to have diversified business capabilities, the ability to...
leverage economies of scale and promote better production processes. This specific makes large companies more efficient and profitable than small companies. It is also often associated with higher market power, and it is this market power that helps companies compete successfully against others and operate better. Thus, the increase in size helps companies improve the efficiency of their business operations (Zeitun & Tian, 2007; Fu-min et al., 2014). Regarding the corporate bankruptcy model, it has been shown that the larger the company, the less likely it is that the smaller company to fail if both companies use the same leverage ratio. This implies that the probability of bankruptcy is higher for small companies during economic downturns (Beaver & Jenning, 1996). Majumdar (1997) studied 1020 companies in the Indian market and found that large companies are said to be more productive and profitable than small scale companies. Company size is positively correlated with company profitability (Joshua, 2005). Saira et. al. (2010), showed that there is a positive relationship between company size and performance (Quoted by Dang et al., 2020).

Hypothesis 1: Company size has a positive effect on the Business efficiency.

Supplier

For goods retail businesses, the author wants to include suppliers in the model to research and clarify the problem, contributing to helping businesses identify factors affecting business activities or not, from there to implement the management process well in your business. Suppliers can be considered as a threat to businesses when they have the ability to increase input prices or reduce the quality of products and services they provide or do not meet the requirements of the business in quantity terms and suppling time, directly affecting the operation and reducing the profit of the business. Porter (1979) proposed a model of 5 competitive forces. In the market economy, any business operating in the market is subject to certain competitive pressures from suppliers, customers, substitute products and potential competitors. The model of 5 competitive forces is a model used by many analysts to assess the competitiveness of a business or an industry. Through the practical experience of retail businesses, the supplier factor is also very important. Business results of retail businesses depend on the choice of suppliers, prices of goods, quality of goods, time and quantity of goods that suppliers provide to businesses.

Hypothesis 2: Supplier has a positive effect on the Business efficiency.

Commodity Price

Price is the monetary expression of the value of a good, that is, the amount of money to be paid for that good. In broad terms, it is the amount of money to be paid for a good, a service, or an asset. Lichtenstein et al. (1993), suggested that price concern is the extent to which customers make purchasing decisions with a focus on price. According to Zeithaml (1998), product value is the combination of perceived quality and price paid for the product. Sinha & Batra (1999) suggested that when customers care about the price when buying a product in a set of same type products, they choose the product with the lowest value. Research result of Sinha & Batra (2000), attention to price is the factor that has the strongest
influence on purchase intention. Since customers care about purchasing decisions, it also generates revenue for retail businesses and affects business performance.

*Hypothesis 3: Commodity price has a positive effect on the Business efficiency.*

**Customer Psychology**

Several studies have shown that customer psychology improves cost effectiveness. Creating trust for customers so that they can continue to stick with the business, this makes businesses have to spend a lot of costs related to effort, time, as well as money. This cost is even much higher than finding a new customer for the business (Naumann, 1995). For that reason, strengthening customer psychology is an effective strategy to help businesses survive in the market for a long time. In addition, customer psychology is also considered as a standard to help evaluate the quality of products and services provided by businesses (Grigoroudis & Siskos, 2010).

Customer psychology is therefore considered as a factor affecting the success of enterprises in the market through the impact of this factor on the competitiveness and profitability of enterprises (Luo & Homburg, 2007). Customer psychology is considered an important factor for the survival of businesses in the market with increasing competition among businesses (Sun & Kim, 2013). Many previous studies have used customer psychology as an important measure of business performance (Grafton et al., 2010). Most studies will consider the impact of customer psychological factors on performance metrics such as Return on assets (ROA), Return on equity (ROE), and the Market price of the company's stock (Baker & Wurgler, 2011). Most studies showed that Customer psychology has a positive impact on business performance (O'Sullivan & Mc Callig, 2009; Grewal et al., 2010).

*Hypothesis 4: Customer psychology has a positive effect on the Business efficiency.*

*Hypothesis 6: Customer psychology has a positive effect on the Technology application.*

**Market Information**

Market information mainly refers to the ability of enterprises to access and use information and in business decisions. A number of studies have addressed the accessibility of information in the way of information sharing between producer-buyer and producer-supplier through formal and informal approaches (Low & Mohr, 2001; Zahra and Nielsen, 2002). Information sharing is the exchange of information in the market that may be related to the operations and plans of the enterprise (Flynn et al., 2010). In terms of the ability to use information, businesses can take advantage of available information sources in the market to increase market knowledge, thereby making decisions to improve business efficiency (De Luca & Atuahene, 2007). Some other studies also suggested that market information should be included in the model to evaluate corporate profitability (Stock & Watson, 2008; Barakat et al., 2016).
Hypothesis 5: Market information has a positive effect on the Business efficiency.
Hypothesis 7: Market information has a positive effect on the Technology application.

Technology Application

Dang et al. (2019), studied "Incorporating TAM and TOE models into the study of social network acceptance in retail business in Vietnam". With the advantages of applying social networks to business, online retail business has become popular and effective for retail businesses. Based on the synthesis of theories about social networks and models related to technology acceptance behavior of enterprises (TAM model and TOE model), the authors studied on the factors affecting the application of social networks in retail business in Vietnam. Factors affecting the application of social networks in retail include: technology context, personal context, environmental context, user perception. Engineering and technology are factors that directly affect all production and business activities of businesses. Businesses that apply advanced techniques and technologies will have a competitive advantage. In order to improve the efficiency of production and business activities, businesses must constantly invest in this field, especially in research and development. Research has made an important contribution in the context of the constantly evolving social network and its strong impact on business activities in Vietnam.

Hypothesis 8: Technology application has a positive effect on the Business efficiency.

Business Efficiency

Research on business efficiency comes from organizational theory and strategic management (Murphy et al., 1996). Business efficiency is measured both financial and organizational. Financial efficiency such as profit maximization, return on assets maximization, and return on shareholder maximization are core issues of corporate efficiency. Business efficiency is often affected by both the business decisions themselves (micro factors) and the influence from the external environment on the business’s operations (macro factors). Micro factors related to business efficiency such as financial leverage, investment, dividend policy, revenue, assets or financial risk (Broadstock et al., 2011b; Beck & Webb, 2003). Macro factors related to business efficiency such as Economic growth, Prices, or Information in the market. These factors will indirectly affect the decision of the business, because business managers often make business decisions based on market analysis (Barakat et al., 2016).

Conclusion

This literature review has inherited many previous studies to investigate the factors affecting business efficiency of retail companies in Ho Chi Minh city Vietnam, in which the Technology application factor is an important mediating effect. There are 33 referenced studies to establish a theoretical framework and propose a conceptual framework on the influence of 6 factors on Business efficiency of retail companies. A conceptual framework is based on a review and synthesis from previous studies and the author proposes a research model built
For further researches

This literature review might be useful for retail businesses. If the retail business managers clearly understand the factors affecting the business efficiency of retail companies, they will have more appropriate business strategies to improve competitiveness. Since then, some implications and policies are suggested as follows:

a) There are still many practical factors that need to be considered their influence business efficiency of retail companies such as psychology, tastes and influence of people around on the buying behavior of customers.
b) The conceptual framework in this study can be considered not only in retail business in Ho Chi Minh city, but also expanding throughout Vietnam.
c) Some retail business managers may refer to this conceptual framework to guide their business strategies.

References


