

CRITICAL FACTORS AFFECTING SALES REVENUE IN SUPERMARKET CHAINS: A CRITICAL REVIEW OF LITERATURE

YẾU TỐ ẢNH HƯỞNG ĐẾN DOANH THU CHUỖI SIÊU THỊ: NGHIÊN CỨU TỪ LÝ THUYẾT

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ABSTRACT

The retail industry in Vietnam has received a great contribution from supermarket chains. With the explosion of urban areas, the supermarket chains have gradually replaced the role of markets. However, the retail industry is highly competitive, requiring businesses in this industry to have appropriate strategies to survive and develop sustainably. This study is a theoretical study, based on the analysis of previous research papers, to investigate the factors affecting sales in supermarket systems in Vietnam. The results of the study suggest factors affecting sales revenue of supermarket systems in Vietnam, including the quality of the goods, selling prices, the volume of sales and supermarket location, competitors and marketing policies. Research results are the basis for developing empirical studies later.

Keywords: Critical factors, sale revenues, theoretical research.

TÓM TẮT

Hệ thống chuỗi các siêu thị đã có nhiều đóng góp cho sự phát triển của ngành bán lẻ tại Việt Nam. Với sự phát triển của các khu đô thị, chuỗi các siêu thị đã dần thay thế cho các chợ dân sinh. Tuy nhiên, ngành bán lẻ có tính cạnh tranh rất cao, đòi hỏi các doanh nghiệp trong ngành cần có các chiến lược phù hợp để có thể tồn tại và phát triển. Đây là một nghiên cứu lý thuyết, dựa trên cơ sở phân tích các tài liệu nghiên cứu trước đó, nhằm tìm hiểu các yếu tố ảnh hưởng đến doanh thu bán hàng trong các hệ thống siêu thị tại Việt Nam. Kết quả nghiên cứu đề xuất các yếu tố ảnh hưởng đến doanh thu bán hàng trong bối cảnh nghiên cứu hệ thống các siêu thị tại Việt Nam bao gồm vị trí siêu thị, chất lượng hàng hóa, chiến lược giá, sản lượng tiêu thụ, số lượng đối thủ cạnh tranh và các chính sách marketing - xúc tiến thương mại. Kết quả nghiên cứu là cơ sở để phát triển các nghiên cứu thực nghiệm sau này.

Từ khóa: Nhân tố ảnh hưởng, doanh thu bán hàng, nghiên cứu lý thuyết.

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1. INTRODUCTION

Vietnam retail industry is now very active, especially the chain of supermarkets. The trend of globalization and the Covid epidemic in 2020 greatly effected the supermarket system. Auchan, a foreign-owned supermarket, in 2019, had

to withdraw from the Vietnam market, similar to previous supermarket chains such as Metro, BigC or Fivimart. Besides, the retail industry also emerged the phenomenon of acquiring and merging systems such as TheGioiDiDong acquired Tran Anh, VinCommerce buy the entire system of Fivimart [6], and Masan buy Vincommerce. Also, the impact of the 4th industrial revolution (IR 4.0) has significantly changed the shopping methods of customers. IR 4.0 makes it convenient for customers to buy products online but significantly reduces the revenue of supermarket systems. This shows that the competitiveness in the business environment of the supermarket system is currently very high. If supermarkets operate inefficiently, it is very easy to close. Therefore, understanding the factors that help increase sales for supermarkets is an urgent issue for supermarket systems.

Revenue is the basis for determining the business performance and an important indicator of an enterprise because revenue is the basis for determining the payable tax amount for the State budget, the basis for the implementation of investment activities is an amount to offset business capital and expenses incurred during the operation of the firms. Revenue is also a factor to determine the profitability of the business. Besides, revenue is a factor that influences the sustainable development of enterprises. To survive and grow in a complex business environment, the firm's managers need to be active in capturing market trends as well as collecting and processing information about continuous business operations. Enterprises that want to sell a lot of products to achieve high sales must satisfy customers' needs best. In the process of production and business, when making customers satisfied and favoring products of enterprises, enterprises can consume a considerable number of products at reasonable prices, leading to high sales revenue and creating sustainable development for businesses. Therefore, it is very important to analyze the cause of an increase or decrease sales in business periods.

The main objective of this study is to indicate the factors affecting the sales revenue in the supermarket system in Vietnam. Specifically, the study identifies the factors affecting the sales revenue of enterprises; analyze the

impact of factors on sales revenue of enterprises. Since then, the research proposes a model of factors affecting sales revenue in the supermarket system.

The extensive research question in this research is: What factors affect the sales revenue of supermarket systems in Vietnam? The research results have theoretical contributions, helping to determine the factors that have a decisive influence on the revenue of the supermarket system. With the business context different from other forms of sale, research results have implications for the management of supermarket system businesses in Vietnam.

The research structure is presented in the next section is a literature review to propose a research model of influencing factors. The next section is the intended research methodology and conclusions. This is a theoretical research. Therefore, the results only stop at the analysis based on the literature review of previous studies. However, these results are fundamental for empirical studies to analyze the impact of factors on the sales of supermarket systems.

2. THEORETICAL FRAMEWORK

2.1. The overview of revenue

Revenue is an important factor in the sales performance of the business. Revenue information should be collected and presented in full on the financial statements, serving users with sufficient information for decision making.

According to Phan Cong Nghia: "*Revenue is the total amount of the sale of products, goods, and services after deducting the discounted prices of sold goods and goods (if there are valid vouchers) that customers accept payment (regardless of whether or not they have collected money)*" (page 207) [13].

According to Vietnam Accounting Standard (VAS) No. 14, revenue is defined as "*the total value of economic benefits that enterprises have obtained or will be collected in the accounting period, arising from common activities of businesses, contributing to the development of equity*" [3].

As such, the revenue or turnover is the total amount of money earned from the sale of its products, services, financial activities, and other activities. Increasing revenue affects the business performance of the enterprise. However, unreasonable sales policies may increase sales but will cause bad effects on receivables and business performance. Therefore, the studies are also interested in the impact of revenue on businesses and the factors affecting revenue.

Revenue plays an important role in all types of businesses. Revenue directly affects business performance, for example, many studies have found a direct effect of revenue on firm profits in the accounting period. Regarding the relationship between revenue and profit, the authors Truong Ha Anh [21] and Tran Thi Thanh Tra [20] have provided a theoretical basis for revenue and profit. Their

study estimated the average revenue, profit, and variable cost functions to provide a solution to maximize profits. These two studies have in common that the analysis of revenue and profit and the solution is to increase sales and reduce costs to increase profits for the company. Research by Kamarudin, Nordin, Muhammad, and Hamid [8] was based on theoretical and analytical DEA. The study examined the level of cost-effectiveness, revenue, and profitability. The results of this study showed that they have statistically significant differences in cost, revenue and profitability. Because of the importance of revenue, many studies have been carried out to identify the factors that affect sales and to have policy recommendations to help increase revenue.

2.2. Factors affecting revenue

Impact of supermarket location: Some studies look at the factors that affect revenue, the first factor that influences that is the location of the supermarket. For supermarkets, the choice of location is very important, involving customer access. Clarkson, Clarke-Hill, and Robinson studied the impact of supermarket location [4]. The results of this study have determined that selecting a supermarket location is considered to be the most important decision. The factor of a supermarket location is the factor that the retailer must give and that location is considered a determining factor for success. The study examines theories on supermarket location patterns and how grocery retailers in the UK evaluate supermarket locations on website potential and the location models they apply to these potential websites. It also developed and emphasized problems with the use of current supermarket location models for geographic areas of Eastern and Central Europe.

Sales revenue is determined by the price and quantity or volume of sales. Therefore, the factors that affect sales are product price and volume of sales [11]. The study of Do Thanh Hai explored the relationship between revenue, cost, and profit within the scope of Truc Anh company [5]. With the theory of revenue, cost and profit, the author conducted an analysis and assessment of the revenue and expenses of the company by an econometric model to determine the *optimal price* and then give the solutions to maximize profits for the company. However, the study only analyzed revenues, costs and their relationships across all markets as well as with all items. The study had not analyzed in detail the revenues, costs, profits and their relationship to each specific market and item. The study of Phuong Ngoc Anh has a study on the issue of revenue and profit [14]. The author used Eviews software to estimate the average variable cost function, thereby proposing the optimal sales volume to maximize revenue and profit. From these studies, it is possible to summarize the impact of the sales volume and price factors as follows:

Impact of sales volume on revenue: The volume of sales in the period is proportional to the revenue. Therefore, when the number of goods sold increases, it will help increase

sales [14]. Sales volume impact not only on sales revenue but also the tax revenue [15]. Revenue is manageable, so when analyzing revenue, attention should be paid to measures to increase the volume of goods sold in the period. In the context of the retail industry, the supermarket system consumes many different types of products, their prices also vary. However, each type of product has a certain effect in satisfying the needs of consumers, so striving to increase sales of businesses must pay attention to the implementation of the sales plan.

Impact of selling price on revenue: Selling price is the significant factor affecting revenue when the selling price increases leading to increased sales and vice versa [11]. However, the change in price is considered an objective factor outside the control of the firms. The selling price is influenced by many other factors such as the quality of goods, the supply and demand of goods in the market, the State policies such as account policy, monetary policy. In the context of supermarkets, there is highly competitive, the price increase will reduce sales, causing revenue reduction.

Impact of product quality on revenue: Product quality is the factor that affects the financial performances of the business [10]. These financial performances can be measured by stock price movements [1], or profit [23]. Revenue is also considered a financial indicator to evaluate business performance. For the revenue, the study of Kimes [9] confirmed the influence of product quality on revenue of sales. With these research results, it can be said that increasing the quality of products provided to customers will help increase sales revenue for retail firms. The production and business should be associated with the assurance and improvement of the quality of products and services. High-quality products sell at higher prices, so quality is the added value. In supermarkets, goods with clear origin and quality assurance will help increase sales revenue.

Influence of competitor factor: According to Mark: "Competition is a rivalry, a fierce struggle between capitalists to win favorable conditions in the production and consumption of goods to earn super profits." In a market economy, every consumer needs in the form of similar products - products often meet by a wide range of suppliers. Therefore, firms operating in the retail industry and supermarket chains need to have innovation and creativity in the sales process and improve product quality and service quality.

Influence of sales promotion and marketing strategy: Sales promotion is all activities to ensure that customers are aware of products or services of enterprises, have a good impression of them and perform them real deal. These activities include advertising, catalogs, public relations. Some sales promotion measures such as advertising on television, newspapers, notice boards, putting product images into movies, sponsoring television programs.

Besides, marketing channels include social networks, sponsorship programs for loyal customers, phone sales, direct mail sales, product introduction at home, and catalogs for customers. Sales promotion and marketing activities will help customers better understand the products of the business and generate demand for products, so they are a factor to increase sales for businesses [12, 22]. Willis has confirmed the relationship between the marketing strategy of enterprises and revenue [22]. When companies increasingly use sales promotion and marketing strategy, they can expand sales revenue [12, 17]. Businesses need to integrate sales activities with marketing strategies to optimize revenue.

3. METHODOLOGY

This was a theoretical research. The paper was to review previous articles and synthesized results of the supermarket retail industry and factors affecting revenues in the supermarket system as well. From the results of the literature review, the research model of factors affecting the sales revenue in supermarket system is proposed in Figure 1. The study identified 6 factors affecting sales revenue in the retail supermarket chain.

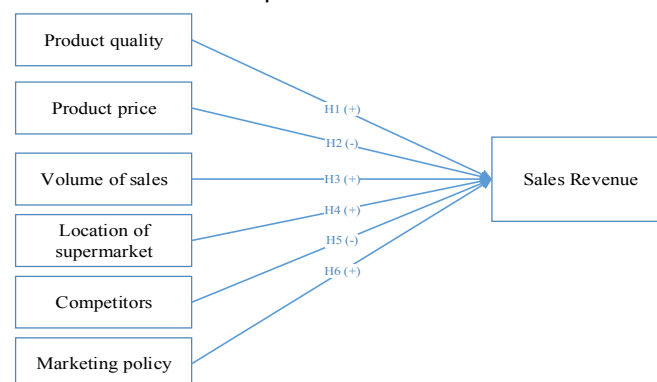


Figure 1. The proposed research model

Based on the research model, hypotheses were stated:

Hypothesis H1: Increasing the quality of goods helps increase the sales revenue of supermarkets.

Hypothesis H2: Low pricing strategy help supermarkets increase sales revenue.

Hypothesis H3: Increasing sales volume help supermarkets increase sales revenue.

Hypothesis H4: Favorable supermarket location helps supermarkets increase sales revenue.

Hypothesis H5: Increasing the number of supermarkets of competitors reduce sales revenue for the supermarket.

Hypothesis H6: Promoting marketing policies, promoting trade help increase sales revenue for the supermarket.

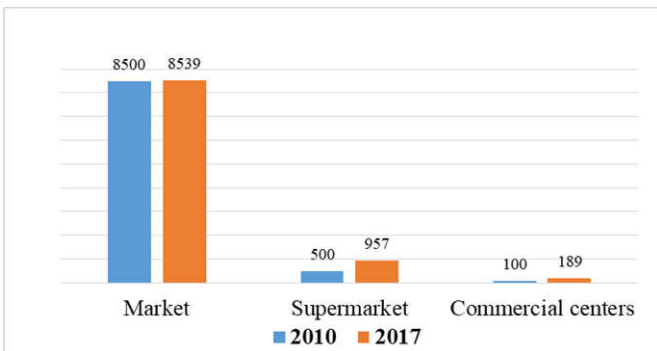
4. RESULTS

- *Characteristics of Vietnam's retail industry and supermarket chains.*

The outstanding features of the retail industry and the supermarket chains show the high competitiveness of the

business environment. High competitiveness in the business environment leads to the frequent occurrence of mergers and acquisitions in the retail industry as well as supermarket chains. For example, Vingroup has actively implemented mergers and acquisitions, helping Vingroup rise to the top of Vietnam's modern retail industry. After this deal, Vingroup increased the number of supermarkets and stores across the system to 2,346 stores, an increase of 15% compared to the end of last year to the end of July 2019 [7]. Another deal is Saigon Co.op acquiring Auchan Vietnam. Moreover, some foreign brands in the retail industry like Metro, Big.C, and Fivimart also withdrawn from Vietnam market.

In the recent years, the retail industry and the supermarket chains have gained significant development. Figure 2 shows the picture of the retail channels in Vietnam in a comparison between 2010 and 2017 [18]. The number of retail channels has been increasing in recent years. However, the market is still a major retail channel.



(Source: [18])

Figure 2. Retail channels in Vietnam

Table 1. The business performance of the first half of 2019

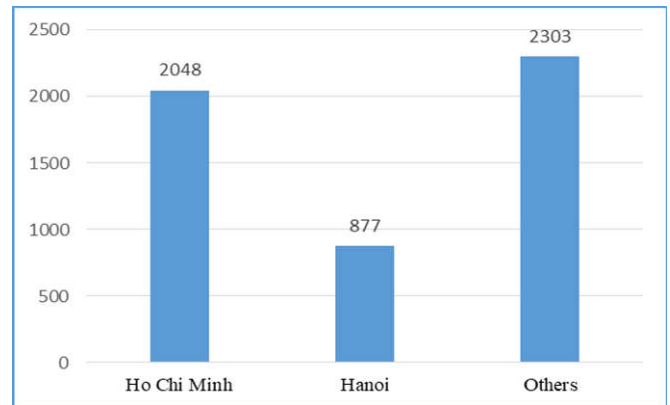
	Revenue (Billion VND)	The growth rate over the same period	Number of supermarket in the system
Lotte Mart	3.320	22%	14
Vincommerce	14.021	72%	2.346

(Source: Summary of the author)

The business performance of some supermarkets has seen significant growth such as Lotte mart supermarket chains of Lotte Shopping or Vincommerce of Vingroup in the first half of 2019. As can be seen in Table 1, modern supermarket chains have experienced a significant increase in sales, a growth rate over the same period and the number of supermarkets or convenience stores. In 2020, the report of Q&ME has shown a strong growth and trend of the retail industry as the number of supermarkets decreased and gradually shifted to convenience stores (Figure 3) [19].

In addition to direct sales channels, supermarkets keep up with the trend of information technology applications in business. The online selling method has been implemented

by many supermarket chains, such as the Adayroi app of Vincommerce supermarket chain. Moreover, the supermarket chains in Vietnam have also taken actions to greenen products [2].



(Source: [16])

Figure 3. Statistics of the number of convenience stores/mini supermarkets in Vietnam in 2020

• Factors influencing the revenue of the supermarkets

This research shows the role of revenue in the enterprise in general. The key result of the study is to synthesize factors affecting supermarket revenue. From the results of the literature review, this research proposes a research model with 6 factors affecting the revenue of supermarket systems. This study is theoretical research. The results of the research are the basis for continuing the empirical studies, analyzing and determining which factors affect and the extent of the impact of these factors on the turnover of supermarkets in Vietnam.

5. CONCLUSION

Increasing sales revenue contributes to better meet the needs of goods for society, ensuring the balance between supply and demand, stabilizing market prices and expanding economic exchanges between regions. Increasing revenue means that businesses meet the material needs of society, making people's lives increasingly improved, thereby increasing their spiritual life. Supermarkets are increasingly popular in service of shopping needs of the society. Supermarkets are an important component of the national retail system. This study is theoretical that explores and identifies the factors affecting the sales revenue of the supermarket system including product quality, product pricing strategy, sales volume, supermarket location, number of competitors and marketing policy. This study is the basis for further research to determine the factors affecting sales of supermarket businesses in Vietnam.

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THÔNG TIN TÁC GIẢ

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