# Factors Affect the Sales Performance of Convenience Store Chain: A Study in Ho Chi Minh City, Vietnam

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**Abstract:**

*The results of this study are to identify and analyze the factors affecting the sales performance of Vietnamese convenience store chain. The study results show that there are 5 factors having an impact on sales performance as follows: Service Process, quality management, sales skills, customer service, and supply capacity. The results of this study have made the following objectives: First, to identify the factors that affect the sales performance of convenience store chain of Vietnam; Second, to determine the priority order of the impact level on the factors sales performance; Third, to propose solutions to enhance the efficiency of sales performance of Vietnamese convenience store chain.*

**Key words:** Decision theory, customer attitudes, customer behaviors, sales performance, customer service.

**INTRODUCTION**:

Recently, Vietnam has become a destination of convenience store chain. This system has been replaced gradually grocery stores and traditional markets. Convenience store model has

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"hit" the mental of consumers who want to do their shopping fast, full of basic products, quality product, clear origin, good customer service and good physical facilities. Many stores also have space for guests to enjoy food available, card payment service, free Wi-Fi. Many shops are open 24/24. Comparing with grocery stores, convenience stores are more polite and civilized; comparing with supermarkets, convenience stores have beautiful display, with a convenient location, parking lot at the gate for customers to easily and quickly shop, along with the manner of welcoming each customer, and they have quickly captured the feelings of consumers, particularly young people and office workers. Just in a short time, the number of convenience stores in Vietnam are in speedy increase and compete each other in each area, each street: up 34.4% (compared with 2013), reaching 348 stores nationwide; increases by 64.5% (compared to 2014), with 572 stores; expected to increase 75% in 2016 (compared to 2015), with more than 1,000 stores (Nielsen Co. study). Currently, most of great brands have been in VN. Circle K (Group has 50 years' experience in the retail industry in the world), there are more than 60 shops in Ho Chi Minh City and open 24/24. According to the Bangkok Post, a great retailer from Thailand had planned to infiltrate the field of convenience store business in Vietnam in 2016, and investment is from 1 to 3 billion baht (US $ 32-96 million). In addition, he also expected that retail chain could bring revenue at least 5 billion baht (161 million dollars) in 2017 and more than 70% of goods originating from Thailand. The objective of the Seven Eleven will raise over 1,000 stores in Vietnam in 5 years. Seven Eleven has more than 38,000 stores worldwide, owning Pizza Hut chains. Seven Eleven's presence will make the 24h retail market more eventful and more aggressive competition in Vietnam (companies Nikkei).

Because of strong growth in number of businesses, so no businesses currently have any profits from convenience stores,

the more they open, the more they lose; however businesses are in race of opening to get beautiful space, expanding business chain (outlook of Department Industry and Trade of Vietnam). Many domestic and foreign enterprises are constantly investing in this sector making the competition for Vietnamese retail brands stricter.

## LITERATURE REVIEW

There are many factors directly affecting performance, such as service processes, product quality, sales skills, customer service, supply capacity and quality of human resources (William T. et al., 2010). In retail operations, in which sales skills is a decisive factor in the success of businesses (Susan M. L. et al., 2009; W Eugene W. and Sullivan, 2011). Sales do not only stop at "selling more products" but also "always on sale", in other words each business needs building its brand in sales. Customers do not only buy products but also purchase value of products and services. Sellers must determine what buyers "want" to develop sales plans. Customers coming to convenience store chain do not buy fast food or the coffee but they pay for good feeling, being sober and a proper space to work or communicate with others (Finn, T and Adam , 2007; Adam Khoo, 2011; Tran Phi Hoang et al., 2015)

In the era of food insecurity, finding reputable suppliers to ensure product quality and safety is a particular concern of consumers today in Vietnam. Product quality management is shown specifically notes of ingredients on the packaging, labels, product code, the origin of the product, and clear geographical indications of goods. Customers' trust for enterprises is extremely important; it will determine the survival and development of enterprises (Parasuraman et al., 1996; Jukka and Laitamaki, 2010; Raymond E. Kordupleski, 2011). Almost everyone understands how the trust in business is. However, in

reality, when facing with the rights, the issues of morality sometimes become loose or are forgotten. In business process, thanks to reputation, businesses have more customers. Prestige is the capital and is an important value of the individual brand or a team without affording by money.

In any field of business activities, customer care is an important factor; it contributes greatly to the success of the enterprise. Customers play a highly significant role and attracting and retaining customers are more and more difficult which requires businesses to invest constantly in training, improving knowledge of customer care for staff and professional customer care (Cronin and Taylor, 1999, 1995; Jukka, Laitamaki, and Raymond E. Kordupleski., 2001; William T. et al., 2010; Finn. T and Adam Khoo., 2011). Nowadays, many companies have invested in researching their customers. The data gathered from customers during payment process, observing customers will point out the relationship between consumers and business products; it can change how to suit guest. All data can contribute to help companies improve their business performance (Hoang et al., 2015). Thus, it can be concluded that the factors affecting sales performance of Vietnamese convenience store chain focus on fundamental factors: service processes, quality management, sales skills, customer service, and supply capacity.
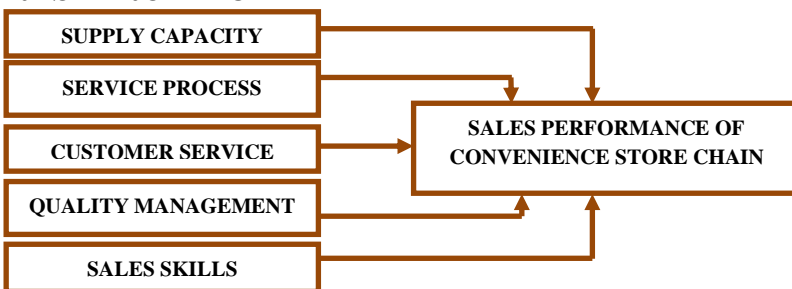
## RESEARCH MODEL



**Figure 1- Research model for the factors affecting the sales performance**

## Supply capacity

The supply capacity is a system of organizations, people, activities, information and resources related to the production and transportation of products from suppliers to final consumers (Brons, M., and Pels. E., (2012). Supply chain activities related to the transition of natural resources, raw materials and components into a finished product to create value for the end customer. Supply capacity is linked to the value chain (Nukamp. P. and Rietveld. P, 2011).

*Hypothesis 1*: "Supply Capacity" affects the sales performance of Vietnamese convenience store chain.

**Service Process** is a set of principle and systematic rules of an organization or enterprise in operation. The steps in the service process are knowledge as well as the culture of an organization versus another organization [Jukka, Laitamaki, and Raymond E. Kordupleski (2001)].

*Hypothesis 2*: "Service Process" affects the sales performance of Vietnamese convenience store chain

**Customer Service**: All interactions between a customer and a product provider at the time of before, during and after a purchase. Customer service is also often referred to when describing the culture of the organization. It concerns the priority an organization assigns to customer service relative to components such as product innovation, pricing and services. In this sense, an organization that values good customer service may spend more money in training employees than the average organization, or may proactively interview customers for feedback (William T. et., 2010).

*Hypothesis 3*: "Customer Service " affects the sales performance of Vietnamese convenience store chain

## Quality management

Quality management is the coordinated activities to direct and control an organization in terms of quality including quality policing, quality objectives, quality planning, quality control, quality assurance and quality improvement (Bunn, 2012, Lee Nguyen, 2009). Quality management ensures the organizationsimplement the right steps and execute tactics that are important, according to the philosophy of "doing the right thing" and "doing the right thing", "doing it right from the start" and "doing the right thing at all times" (Hoang et al., (2015).

*Hypothesis 4*: "Quality management" affects the sales performance of Vietnamese convenience store chain

**Sales Skills** are a set of skills and technical nature and the arts to help improve sales performance including listening skills, introduction skills, presentation skills, negotiation skills, objection handling skills, customer complaints, etc. Anyone can become a salesman but an excellent sales staff must focus on all skills (Finn, T and Adam Khoo, 2007).

*Hypothesis 5*: "Sales Skills" affects the sales performance of convenience store chain

## METHODS OF RESEARCH

The two major research methods, qualitative and quantitative research are focused, specifically, the research process has three stages.

Stage 1, Based on theory and the related results mentioned the above, qualitative research method was used for group discussing and leading experts consultating to select the variables and observed variable groups.

Stage 2, Based on the grouping of factors affecting the sales performance of Vietnamese convenience store chain, the

researcher designed survey questionnaires to collect the opinions of 414 customers in Ho Chi Minh city. The research model includes 05 scales, 30 observed variables (questionnaires), using Likert scale with a 5-point, Distance value = (Maximum - Minimum) / n = (5 - 1) / 5 = 0.8: 1. Completely disagree; 2. Disagree; 3. No opinion / Normal; 4. Agree; 5. Totally agree. Survey results were entered SPSS 20.0 and Cronbach's Alpha coefficient was used to test reliability of the scale. In this study, sampling and random method were used. According to Hair et al., (2006), the formula for calculating sample size is $n = \sum_{j=1}^{m} kPj$. In which m is the scale and Pj is the number of observed variables of the scale. The proportion of the sample compared to 1 analysis variable (k) is 5/1 or 10/1. Thus, the number of samples is larger than "total observed variables" of scale times "5" and less than "total observed variables" of the scale times "10". However, according to Lee Nguyen (2011), depending on the object of study and research goals, increasing sample size will increase the reliability of data.

Stage 3, after testing the reliability using Cronbach's alpha coefficient, Exploratory Factor Analysis - EFA was analyzed to shrink and summarize the data of the scale (Hoang Trong Chu and Nguyen Mong Ngoc, 2005 "Quantitative Research SPSS"). This method is based on extraction ratio factor (Eigenvalue), under which only those factors having ration (Eigenvalue) greater than 1 will be kept, those smaller than one will not show information better than origin variable because after standardizing, each original variance is 1. The method of extracting the main components (Principal components) and original method of factor rotation (Varimax Procedure) were used to minimize the number of variables that have large coefficients for the same factor, which increases explaining the factors. The results then were used to analyze multiple linear regression to test the assumptions of the model,

which consider the impact of factors affecting the sales performance of Vietnamese convenience store chain.

## RESEARCH RESULTS

**Table 1. Testing the average value for the observed variables**

| OBSERVED VARIABLES | N | MEAN |
|---|---|---|
| SP1: Welcoming customers when they enter | 414 | 3.58 |
| SP2: Supporting customers when needed | 414 | 3.44 |
| SP3: Quick payment | 414 | 3.99 |
| SP4: The quick delivery (Serving fast food, drinks ...) | 414 | 3.36 |
| SP5: Polite and impressive farewell | 414 | 3.72 |
| QM1: A place for quality products | 414 | 3.32 |
| QM2: Product quality is in line with price | 414 | 3.34 |
| QM3: Products have clear origins | 414 | 3.37 |
| QM4: Products have clear ingredients notes, labels, dates | 414 | 3.33 |
| QM5: There are many safe, clean, green and environmentally friendly | 414 | 2.75 |
| SS1: Staff grasp the customers' psychology and needs quickly | 414 | 3.16 |
| SS2: Staff know and introduce product well | 414 | 3.40 |
| SS3: Employees have the ability to convince customers | 414 | 3.33 |
| SS4: Employees have the ability to handle the situation | 414 | 3.11 |
| SS5: Staff 's checking quickly and accurately | 414 | 3.26 |
| CS1: Gratefulness for customers work | 414 | 3.45 |
| CS2: Interest and feedback customers' comments | 414 | 3.24 |
| CS3: Consulting, presenting products carefully and considerately | 414 | 3.64 |
| CS4: Policy and Promotion frequencies | 414 | 3.49 |
| CS5: Changing and returning products | 414 | 3.88 |
| CS6: 24/7 Hotline | 414 | 2.88 |
| RE1: Convenient geographical location | 414 | 4.06 |
| RE2: Rich and diversified Goods | 414 | 3.63 |
| RE3: More convenient serving Time for customers | 414 | 3.91 |
| RE4: The eye-catching display of goods | 414 | 3.49 |
| RE5: Extensive network stores | 414 | 3.51 |
| RE6: Salesman have expertise and extensive knowledge | 414 | 3.55 |
| GT1: Overall assessment for sales performance of the enterprise | 414 | 3.29 |
| GT2: I will continue to buy products | 414 | 3.21 |
| GT3: I will introduce others to buy | 414 | 3.25 |

The average results testing the scale show that most of the scales are average values from 2.75 to 4:06. In which, "Quality Management" is the lowest compared to the remaining scale (2.75 to 3:37). Thus, customers do not really appreciate about

sales activities, especially the work of "Quality Management" in Vietnamese enterprises. The results of this research are right to the situation "Quality Management", especially the safety and hygiene quality in supermarkets, convenience store chain that Vietnamese communication, journalism, public opinion condemns. This is one of the factors that need to be improved to enhance sales performance for Vietnamese convenience store chain in the future.

**Table 2- Testing the results of reliability scales Cronbach's Alpha**

| Code | | Factors | Cronbach's Alpha |
|------|------|------------------------|------------------|
| IV | SC | **SUPPLY CAPACITY** | 0.819 |
| | SP | **SERVICE PROCESS** | 0.823 |
| | CS | **CUSTOMER SERVICE** | 0.877 |
| | QM | **QUALITY MANAGEMENT** | 0.846 |
| | SS | **SALES SKILLS** | 0.827 |
| DV | GT | **CUSTOMER SATISFACTION** | 0.834 |

The test results scale shows that the scale has good accuracy with Cronbach's alpha coefficient > 0.7 and the correlation coefficients of the total variables of measurement variables meet the allowed standard (> 0.3), the scale will be accepted. The observed variables are used for factor analysis to discover in the next step.

*Table 3. Exploratory Factor Analysis* **(EFA)**
**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----|-------|------------|-------------|-------|------------|-------------|-------|------------|------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 7.433 | 26.647 | 26.645 | 7.460 | 26.645 | 26.645 | 4.072 | 14.535 | 14.535 |
| 2 | 3.109 | 11.176 | 37.822 | 3.129 | 11.276 | 37.822 | 3.596 | 12.840 | 28.377 |
| 3 | 2.846 | 10.163 | 47.983 | 2.846 | 10.163 | 47.983 | 3.393 | 12.119 | 39.496 |
| 4 | 2.486 | 8.877 | 56.860 | 2.486 | 8.877 | 56.860 | 3.282 | 11.757 | 51.250 |
| 5 | 1.511 | 5.397 | 63.234 | 1.514 | 5.396 | 63.234 | 3.082 | 11.007 | 63.234 |

Extraction Method: Principal Component Analysis.

The results of  EFA (Exploratory Factor Analysis) shows the total variance extracted is 63.234% greater than 50%. This means that the withdrawing factors would explain is 63.234% for model, 36.766 % is explained by other factors. Extraction ratio factor is greater than 01 that is kept.

**Table 4 - Factor Analysis**

| Code | Component | | | | |
|---|---|---|---|---|---|
| CS6 | 0.854 | | | | |
| CS5 | 0.766 | | | | |
| CS2 | 0.755 | | | | |
| CS4 | 0.706 | | | | |
| CS1 | 0.695 | | | | |
| CS3 | 0.608 | | | | |
| QM3 | | 0.837 | | | |
| QM4 | | 0.813 | | | |
| QM5 | | 0.808 | | | |
| QM1 | | 0.764 | | | |
| QM2 | | 0.753 | | | |
| SC3 | | | 0.814 | | |
| SC5 | | | 0.806 | | |
| SC4 | | | 0.700 | | |
| SC6 | | | 0.701 | | |
| SC1 | | | 0.669 | | |
| SP3 | | | | 0.711 | |
| SP4 | | | | 0.668 | |
| SP2 | | | | 0.662 | |
| SP1 | | | | 0.616 | |
| SP5 | | | | 0.581 | |
| SS2 | | | | | 0.821 |
| SS1 | | | | | 0.809 |
| SS3 | | | | | 0.802 |
| SS4 | | | | | 0.750 |
| SS5 | | | | | 0.681 |

(Source: The researcher's collecting data and SPSS)

The above results show that the model of EFA (Exploratory Factor Analysis) is consistent with the data, calculated into 5 groups of factors and these results may be used for a multiple regression analysis.

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**Table 5 - Summary Model (Model Summary[b])**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .890[a] | **.787** | .789 | .330 | *2.148* |

a. Predictors: (Constant), X5, X1, X2, X4, X3
b. Dependent Variable: Y

The above result shows the correlation coefficient adjustment: $R^2$= 0.787 (verification F, sig. <0.05); which means 78.7 % of the variable Y shift is explained by the five independent variables (Xi). Coefficient Durbin - Watson (d) = 2.148; some observers n = 414, parameter k = 5, the level of significance of 0.01 (99%), in the statistical tables Durbin - Watson, $d_L$ (less statistical value) = 1.623 and $d_U$ (statistical value over) = 1.725. So ($d_L$ = 1.623) < (d = 2.148) < [4 - ($d_U$ = 1.725) = 2.275] proved that the model has no autocorrelation.

**Table 6 - ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 281.152 | 5 | 16.238 | *147.454* | *.000[b]* |
| | Residual | 121.192 | 408 | .109 | | |
| | Total | 502.344 | 414 | | | |

Accreditation ANOVA is to assess the relevance of the theoretical regression model. The test results F = 147.454 value and Sig. = 0.000 <0.05 shows the building model is consistent with the data set and the variables included in the model are related to the dependent variable. Generally, regression analysis is 99% reliability, corresponding to the selected variables with statistically significant at the p <0.01; the results also show that all variables satisfy the demand. Verification of conformity of the model show that multicollinearity phenomenon does not violate (VIF <10).

**Table 7- The factors affecting the sales performance of Vietnamese convenience store chain**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | -1.066 | .232 | | -4.511 | .000 | | |
| X1 | .247 | .046 | **.217** | 6.003 | .000 | .781 | 1.147 |
| X2 | .082 | .045 | **.088** | 2.681 | .008 | .780 | 1.204 |
| 1 X3 | .595 | .039 | **.545** | 13.274 | .000 | .588 | 1.710 |
| X4 | .333 | .072 | **.229** | 6.044 | .000 | .692 | 1.405 |
| X5 | .086 | .038 | **.072** | 2.121 | .012 | .992 | 1.005 |

The results of regression analysis showed the factors affecting sales performance of Vietnamese convenience store chain and expressed the following priorities: (1) Supply capacity: ß = 0.545; (2) Service Process: ß = 0.229; (3) Customer service: ß = 0.217; (4) Quality management: ß = 0.88; (5) Sales skills: ß = 0.072. The regression equation is: $Y = 0.217X1 + 0.088X2 + 0.545X3 + 0.229X4 + 0.072X5$. This finding is the basis for proposing solutions to enhance the efficiency of sales performance of Vietnamese convenience store chain.

## CONCLUSION

This results shows that there are five factors affecting sales performance of Vietnamese convenience store chain and the influence degree of each factor is different. According to the analysis, five factors are correlated to impact brand value of Vietnamese businesses, in order respectively: supply capacity, service process, customer service, quality management and sales skills. This is an important basis for Vietnamese convenience store chain to consider the strategic development of their businesses in the future.

## RECOMMENDATION

First, Vietnamese businesses need investing a complete goods supply such as finding good and prestige suppliers; linking and diversifying suppliers, online payment link; investment in cold storage systems, and administrating goods and so on to ensure safety hygiene, product quality and service.

Secondly, compared with foreign rivals, serving process in Vietnamese enterprises are bad. Vietnamese enterprises need to improve processes to serve towards fast, easy, convenient and secure for customers. If the process is good, serving to positively impact customer satisfaction, help maximize sales performance.

Thirdly, Vietnamese enterprises need invest more for the relationship management of customer care in order to increase the interaction with the customer more. These companies need actively collecting data about customers. From this data base, businesses will understand more customers, thereby creating numerous changes to satisfy their increasing demand. Vietnamese enterprises should take advantage of internet tools, forums and social networks to create opportunities and promote communication with customers.

Fourthly, enterprises should invest in supply chain management activities. Strengthen testing and supervising, and require the parties to the supply chain are committed to ensuring product quality and safety products, such as maintaining hygiene and strict implementation of the regulations on the traceability of origin of the product, to avoid bad goods, hazardous or antibiotic residues, chemicals pass regulations allowing etc.

Fifthly, the enterprises run Vietnamese convenience store chain need employment policies, training and maintaining high-quality human resources, especially sales staff better. These companies need to regularly enhance the training to

improve the knowledge, qualifications and skills for sales people because they have regularly directy contact with customers. Sales skills are the most influential factors on sales performance, determining the enterprises' existence and development.

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