

BOOSTS TO SUCCESSFUL PLATFORMS WITH TECHNOLOGY OR BUSINESS MODEL: SOME EVIDENCE FROM VIETNAM

IMPACTOS EM PLATAFORMAS DE SUCESSO COM TECNOLOGIA OU MODELO DE NEGÓCIO: ALGUMAS EVIDÊNCIAS DO VIETNÃ

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Abstract

The Nobel Prize in Economics 2014 announcement has officially awakened the business theory states the advanced characteristics of business platform models. It contributes to the precise explanation for practically successful business applications mainly from perspectives of new business models' justified features instead of technology. Even though denying the importance of technology and traditional business strategies is challenging, some evidence from Vietnam shows that apps may lose their business projects when they run without a clear perception and consumption of the platform's beneficial characteristics and advantages. The laws and policies on digital business, particularly platforms, must highlight these new business models' merits to support them while making essential regulations and restrictions.

Resumo

O anúncio do Prêmio Nobel de Economia de 2014 despertou oficialmente a teoria empresarial, destacando as características avançadas dos modelos de plataforma de negócios. Contribui para a explicação precisa do sucesso prático de aplicações empresariais, principalmente a partir da perspectiva das características justificadas dos novos modelos de negócios, em vez da tecnologia. Embora negar a importância da tecnologia e das estratégias empresariais tradicionais seja um desafio, evidências do Vietnã mostram que aplicativos podem fracassar quando operam sem uma percepção e utilização claras das características e vantagens benéficas da plataforma. As leis e políticas sobre negócios digitais, particularmente plataformas, devem destacar os méritos desses novos modelos de negócios para apoiá-los, ao mesmo tempo que estabelecem regulamentações e restrições essenciais.



Keywords: Application. Technology.
Innovation. Business Model. Platform.

Palavras-chave: *Aplicativo. Tecnologia.
Inovação. Modelo de Negócios. Plataforma.*

1 INTRODUCTION

Vietnam was soon inclined to intensive consumption of technology in business, particularly heading to the boom of the 4.0 industrial revolution and its responding digital business. Vietnam has had specific policies to adjust the business models of cross-platform applications since 2015, outstandingly outlined by the most prominent policies on technology taxi services. In adequate response, Vietnam started with a sandbox plan that allows businesses to apply science and technology to support the management and connection of passenger transportation activities under contracts since 2015 (Prime Minister, 2015). The sandbox period lasted 2 years and began in the central provinces and cities of Vietnam, including Hanoi, Ho Chi Minh City, Da Nang, Quang Ninh, and Khanh Hoa.

That first step has also created a demand for managing and adjusting cross-platform applications (Prime Minister, 2015). The government, a year later, presented its basic legal sandbox design of the emerging technological business model in the transportation services sector (MoT, 2016). Accordingly, the subjects eligible for business under the online ride-hailing model include “(i) GrabTaxi Co., Ltd, transport enterprises and cooperatives that have passenger transportation business licenses under contracts issued in provinces and cities to implement the pilot and (ii) other businesses providing scientific and technological application services to support management and connection passenger transportation activities under contracts approved by the Ministry of Transport and competent agencies”(MoT, 2016). According to the early sandbox model, businesses such as *Grab* and *Uber* officially provided ride-hailing services on digital platforms as providers with the connotation of a mechanism operating as a call center.

After two years of implementation, however, this pilot raised many reactions from traditional taxi businesses, culminating in the lawsuit of VinaSun and Grab. It took a short delay after the end of the 2-year pilot for Vietnam to adopt the official legal framework for digital business models in general (VN Central Government, 2020a). Of course, not

all new legal rules have been warmly adapted for some restrictions where the business model's advantages have no more opportunities to be granted, even if the rules lead to be a milestone in codifying the legal framework on business conditions for transportation by car.

Vietnam has tried to enhance its effectiveness in the digital business field for nearly ten years. Unfortunately, several policies brought more confusing outcomes for the government and business. It appears that neither the government nor businesses widely recognize the new business model's characteristics and effectiveness, resulting in ambiguous regulation policies and business strategies. In determining the decisive elements of the business model, instead of the sole role of technology, the paper starts with a theoretical aspect of the new business model and its outstandingly successful cases in section II. The following section focuses on the situation in Vietnam. It analyzes the successful business and their implications to the current regulation and policy. Section III discusses and proposes legal suggestions for policymakers and business operators. The final section comes with some conclusions.

2 EFFECTIVENESS OF PLATFORM BUSINESS MODELS

2.1 A Literature review

Instead of technology, which metrics determine business performance, sparks a counter-discussion; some arguments looked up the actual operations of the platforms and then focused on their capital capabilities. Moreover, effective marketing plans also play a vital role (Costello & Reczek, 2020, p. 35; Widyatama et al., 2020). These two business strategies already have a closed internal relationship; hence, business executives often use them in tandem. Relevant traditional theories still guide business activities. Notably, many arguments provide their justification in favor of “business models,” which are the core of platforms and applications. Precisely, the platforms are new business models with intensive technology consumption. These existing applications present the transformation of technology into forms and types of business, contributing to business results. In theory and practice, a two-sided platform could prove the advantages of a business model rather than a technological factor.

There has been a significant awareness of the sharing business model and its characteristics. For instance, recent empirical studies have shown how ride-sharing platforms collect tolls from drivers with its network impact (Edelman, 2015). Notably, it has expanded into “an ecosystem of ever-evolving business models” to emphasize the importance of “user network size” to “efficient demand and supply”(Lobel, 2016, pp. 102, 162). Accordingly, they pointed out that allocating resources to get “a significant number of customers” is essential for running the platform smoothly (Kumar, Lahiri, & Dogan, 2018). Historical research also realized the effect of significantly improving business mechanisms in reducing transaction costs (Lobel, 2016; Tomassetti, 2016, p. 42; Viljoen, Goldenfein, & McGuigan, 2021).

Unlike several arguments focusing solely on technological implications, some have provided diverse lenses for “innovation” or “innovators.” Under the premise of the spread of technology and theories of creative competition, they see *Uber* as a “breakthrough innovator.” However, it was not for the technical revolution but the business model (Dudley, Banister, & Schwanen, 2017, p. 1). Unfortunately, that standpoint was just a fleeting thought as the majority funneled back to “modern technology” and emphasized the advancements of contract activities with “smartphone apps”(Dudley et al., 2017, p. 1). While it involves situations where information can be shared and spread on an online application (Dudley et al., 2017, p. 7), what precedent focuses on is merely describing the new technology without its essence (Tomassetti, 2016, pp. 10–12). They are still leaning towards technology despite clearly emphasizing the combination of technology and shared economic conditions (Dudley et al., 2017, p. 7). Arguably, they did not provide insight into the business model of the sharing platform.

The Nobel Prize in Economics 2014 announcement has officially awakened these opinions. Since the first article was issued in 2000 (J.-C. Rochet & Tirole, 2002), Jean Charles Rochet and Jean Tirole, Prize-winning economists, published further research on two-sided markets in the 2000s (J. C. Rochet & Tirole, 2008; J.-C. Rochet & Tirole, 2003, 2006). Especially the main nutrition paper on *Platform competition in a two-sided market* was published in 2003 (J.-C. Rochet & Tirole, 2003). Notably, this new business model attracted more academic discussions on theoretical and practical aspects. Armstrong (Armstrong, 2006; Armstrong & Wright, 2007), Caillaud and Jullien (Caillaud & Jullien, 2003), Evans (Evans & Noel, 2007; Evans & Schmalensee, 2013; Schmalensee & Evans, 2007), Parker and Van Alstyne (Parker & Van Alstyne, 2005) and various authors

(OECD, 2009, p. 23) have highlighted this issue's widespread understanding and awareness. From two sides, researchers also developed theories for multi-sided business platforms and markets (Evans & Noel, 2007; Evans & Schmalensee, 2013; Weyl, 2010).

The analytics accordingly characterized the two-sided platform, and these features were based on the merits of such a business model. For success, the platform must isolate the “heterogeneous” customers into two groups (or more) (Ambrus & Argenziano, 2009). Customers on different sides had a core beneficial relationship but could not find each other without communication on the platform (OECD, 2009, p. 29). From that, the platform would appear and offer goods or services. An effective way to satisfy the demand is to open a “platform” to exchange interests among separate customers. The platform could devote its indirect network externalities here precisely (OECD, 2009, p. 24).

This effect played a key role in the platform's operation. The platform needs to create an incentive to attract users on one side and expand the number of users on the other. Therefore, offering more options to diverse customers in this group can attract more different customers from the other group. Of course, it makes sense with a two-sided and multi-sided platform (Ambrus & Argenziano, 2009; Evans & Schmalensee, 2013, pp. 8–10). Different historical research also investigated these aspects more thoroughly. They did not identify the platform's unique features, such as network externality effects regarding the exploited value motivating customers' selections (So KamFung [So, HaeMoon, & SoMang, 2018; Zhu, So, & Hudson, 2017).

These sharing apps thus seek to collect users by offering low prices to targeted customers. The strategy is to increase the number of such targeted users, which becomes a suction for the others. The platform under this direction could compensate for some of the lost revenue on one side by extracting more from the other. It implies a “non-neutral price structure” strategy, which always results in separate price lists between different groups of customers. Stated differently, based on the pricing theory, it would be a revolutionary strategy for the platform business model (Weyl, 2010). It needs to restate that the platform could execute this price stratagem because of the impact of its indirect off-network impacts (Lin, Li, & Whinston, 2011, p. 22).

Several previous discussions have proved that customers choose one side of the platform based on their interest in the other's “attractiveness” and externality. That is to say, under the “asymmetric market structure” of the platform economy, the favorable

price for this group of users appears for how much different users value (Ambrus & Argenziano, 2009). It infers prices are diverse but “not neutral” on many platform aspects. Alternatively, it could state that on the platform business, “the general network external forces have a cumulative effect on the price,” and then “its effect on one side’s price is, partially or entirely, shifted to the other side of the market”(Bardey, Cremer, & Lozachmeur, 2014). Instead of various traditional business models, multi-sided platforms thus have become the dominant trend (E. Glen Weyl, 2006).

Strategies to attract customers and achieve total revenue imply the value of marketing programs. Of course, the platform needs to apply a reasonable price to specific groups of users, and it could be challenging to determine that the platform may not progress in creating predatory prices in the market (Evans, 2003, pp. 369–370; Wright, 2004, p. 48). That means the applicable price of the app and the revenue generated need to be considered on all platforms. The analysis does not present the contribution of technology. Indeed, advanced business models can generate and increase the outcome. All in all, these advantages explain why the platform is willing to seek market power (Truong, Đào, Phùng, Nguyễn, & Lê, 2016).

2.2 Successfully practical examples

As mentioned above, there are no more vital avenues than repeating Uber’s and Grab’s stories, demonstrating the business’s success. *Uber* in the worldwide market, followed by *Grab* in the Asean zone, is a real-life example of the expansion of the “taxi company without any car.” Founded in the US in 2009, after more than eight years, *Uber* has expanded in more than 400 cities, including legally restricted Asian markets such as Japan and some Southeast Asian markets (T. Vu, 2016, p. 1). In 2017, the app processed an average of about 2.5 million trips daily (Grab website, 2017). Impressively, their booms relate to the typical business model implemented by *Google*, *YouTube*, *Facebook*, and *Airbnb*.

It leads to the fact that both *Uber* and *Grab* use traditional business strategies effectively. They conducted their marketing plans to expend a massive amount of capital to scale the business efficiency. According to data collected in 2014, *Uber* still received popularity from venture capital, bringing its capitalization to \$40 billion (Rogers, 2015, p. 85). It was impressive that *Uber* continuously received \$1.2 billion in funds to expand

the Asian market (T. Vu, 2016, p. 1). Besides, they could not deny the importance of technology application (Dudley et al., 2017, p. 1; H. N. Tran, 2015, pp. 3–4). Notwithstanding, they may not achieve success if they do not pay enough attention to master the smooth operation of their growing business model (Ambrus & Argenziano, 2009; H. N. Tran, 2015, pp. 3–4).

In practice, marketing plans have fulfilled the role of attracting passengers effectively. *Grab* implemented many promotional programs for passengers that are key in attracting drivers. For example, in *Vinasun v. Grab* in Vietnam, the court determined that *Grab* had made twenty-seven of its promotion plans available to local authorities between 2016 and October 2017. However, the evidence collected in one month, from November 17, 2016, to December 15, 2016, shows that *Grab* has also carried out forty more passenger promotions. *Grab* has implemented the latter programs and informed the local trade watchdog that nothing.

Additionally, *Grab* rarely applies promotions to drivers but to passengers. This implies that the particular price strategy can lead to a massive network on the apps. In simpler terms, the more significantly the volume of passengers increased, the more drivers gathered. Drivers and passengers take advantage of being connected via apps. Despite the supply and demand, these drivers and passengers could not find each other without the ride-sharing platform. By successfully separating these groups of users, the technology taxi app does perse make a deal with a selected driver and the applicable price for the booking passenger and notifies all users (Edelman, 2015; Truong, 2017).

3 A STORY OF VIETNAM

3.1 An overview of policy on enhancement of technology development

The digital economy in Vietnam has been formed early. The 1986 milestone with the Resolution of the 6th Party Congress has become a guideline for socio-economic development. In particular, 1997 marked the milestone of the internet being provided to everyone (Ngo, 2022) with an initially issued document regulating management, establishment, and use of the internet this year (VN Central Government, 1997). Access to the internet during this period, however, was still limited. Even so, this enactment is a necessary step in creating the foundation for forming the digital economy in Vietnam.

The legal framework for access to digital technology in Vietnam is increasingly developing. The government then prioritized the policy of “Promoting the application and development of information technology in service of the cause of industrialization and modernization” of the Party Central (VIA, 2013). The Vietnamese government subsequently issued a series of legal documents from this policy to guide people to use and apply digital technology in business activities. Regulations allow people to open internet access service providers. This was also a way for more and more people to access the new generation of digital technology, gradually eliminating technology blindness in the population (VN Central Government, 2001).

The promulgation of the Law on Information Technology No. 67/2006/QH11 has become a fundamental stepping stone for Vietnam to participate in WTO with commitments to expand markets and cross-border epidemic supply methods. The Law on Information Technology 2006 officially recognized information technology as a crucial factor in socio-economic development and regulates the e-commerce market, drastically improving digital economy awareness.

At present, Vietnam has successfully created the necessary legal framework for digital business activities. Between 2007 and 2010, Vietnam strongly developed infrastructure, information, and communication and continued to improve the legal basis for the promulgation of the new law of technology in 2009. Then the Vietnam Internet Association (VIA) was launched in 2010. After that, in the period up to 2018, many behaviors that hurt cyberspace appeared in Vietnam. The Law on Cyber Security 2018 was passed and regulates cyber breaches, protects network infrastructure, data, systems, and information from intrusion, attack, sabotage, or abuse, and is also a legal mechanism to ensure safe digital business activities and social indicators.

Currently, Vietnam has focused on introducing more policy guidelines to make the most of the opportunities as well as to solve the challenges of the Fourth Industrial Revolution” (VN Communist Party, 2019). More specifically, the regulation issued by the Central Government in Directive No. 01/CT-TTg in 2020 has successfully created a motivation and legal basis to “promote the development of Vietnam’s digital technology enterprises” (Prime Minister, 2020). In the current period, Vietnam’s policy is still strongly developing the digital economy while paying attention to ensuring cyber security and protecting participants’ data in the digital economy.

In practice, businesses have taken advantage of the opportunity to access the internet and digital technology to improve and enhance business efficiency. E-commerce is increasingly expanding. After the Covid-19 pandemic, online business has exploded. Using the internet and digital technology, such as buying and selling bookings, AI chat boxes, or marketing, has saved time and costs. More specifically, the two-sided platform appeared in Vietnam. A typical example of the presence of this model is the appearance of digital taxi companies to meet the needs of one of the most populous markets in ASEAN.

Despite this, as mentioned in the Introduction, due to focusing too much on technology, many digital business models have not exploited the effectiveness of two-sided business and finally failed. Policies and regulations on digital business are quite confusing, too.

3.2 Unsuccessful platforms and their implication

3.2.1 *Vinasun vs. Uber/Grab*

The *Vinasun* case clearly illustrates how a Vietnamese company that applied a technology platform found no desired outcomes and finally ceded the market to foreign companies with supportable business models, such as Grab and Uber. It happened even when *Vinasun*, one of Vietnam's two largest taxi operators, might have taken too long to set up and launch an app in practice. This exposed that *Vinasun* could lead this sharing app platform before Uber joined the Vietnamese market.

One question that comes up here is why *Vinasun* lost its advantages in the battle with other sharing apps, ultimately coming to the brink of failure. Indeed, there are arguments that *Vinasun* has provided a lackluster technological innovation (Tran B. V., 2017). The predicament of traditional taxi companies, which also provide innovation and early adoption of technology, raises the question of whether technology is the basis for business success.

At the end of 2014, *Uber* sought to enter the Vietnamese market (Nam Hai, 2017). From Malaysia, *Grab* also established a subsidiary named *Grabtaxi* in Vietnam in 2014 and then transferred it to *Grab* in 2015 (Ministry of Planning and Investment, 2021). Through a merger in 2018, *Grab* acquired *Uber's* Southeast Asian market (VCC, 2019).

After Uber had been removed from the ASEAN markets, several new non-professional taxi applications, such as Bee, Mygo, and Fargo, appeared in Vietnam. Accordingly, they inflated the competitive pressure on traditional taxi companies such as *Mai Linh* and *Vinasun* (Tran T. H., 2019, p. 92).

In 2017, *Vinasun* filed a lawsuit against *Grab* because it indirectly realized that it suffered losses and saw obstacles in surviving its *unfair business practices* (*Vinasun v. Grab*, 2018). *Vinasun* reasoned that it wasted much money managing many stagnant cars because nearly half of the drivers decided to terminate their contracts, while *Uber* and *Grab's vehicles* increased to about 21,000 immediately (Ha My, 2017; Ngoc Lan, 2018; Phuong Dong, 2017). The number of bookings for *Vinasun* has dropped to traditional calls and touch keys on the app. *Vinasun's* revenue has become rapidly declining (Pham, 2017, p. 63; Thao Nguyen, 2017; T. Vu, 2016, pp. 3, 12). Other taxi companies have also resisted the tech taxi business's rapid expansion and risky impact. More importantly, there is evidence that many taxi drivers have left their jobs to switch to technology taxi platforms (Ha My, 2017; Ngoc Lan, 2018; Phuong Dong, 2017; T. M. P. Tran, 2013, p. 5).

These consequences brought *Vinasun* to court in early 2018. For legal action against *Grab*, *Vinasun* determined *Grab's* meager price and argued that this unfair act caused *Vinasun's* losses of about 42 billion VND (*Vinasun v. Grab*, 2018). However, *Vinasun's request* has revealed many unreasonable points. Partially, the claimed technology taxi companies can offer competitive prices because they do not need to meet the conditions and requirements of the taxi service business. Besides suing for compensation, *Vinasun*, through the case, also debated the main issues related to technology taxi platforms (Tran T. H., 2019, p. 93; *Vinasun v. Grab*, 2018 Section of Claim and Court's policy suggestions). The lawsuit has shown the growing tension between professional and non-professional taxi platforms to a certain degree.

Very little evidence can prove that *Grab's business* is the reason for *Vinasun's losses*, and *Vinasun* has not provided proof that *Grab's* business activities are illegal (*Vinasun v. Grab*, 2018, pp. 21–22). Vibrant discussions in the media mainly suggested that *Vinasun* develop an alternative strategy and then request to sue the Competition Law against *Grab*. Ultimately, *Vinasun* decided to litigate in court after amending its central claim, which narrowly failed. According to the court's decision, *Grab* only compensated

Vinasun nearly VND 4.9 billion; otherwise, it was more than VND 41 billion, as *Vinasun* claimed (*Vinasun v. Grab*, 2018 at point 2.).

For *Vinasun*'s setback, most discussions emphasized that the Uber model is a way to show the progress of business sharing and technology in general (Min, So, & Jeong, 2019; Nguyen-Phuoc, Tran, Su, Oviedo-Trespalacios, & Johnson, 2021, p. 60). They have inspired new technology and sparked much of its discussion, which is an incredibly disruptive technology (Laurell & Sandström, 2016, pp. 3–6). Often, it seems logical to use “a market intermediary” rather than treat it as “a technology platform” only (Lobel, 2016, p. 94; Tomassetti, 2016, p. 42). The analysis quickly showed “the application of advanced technology to every aspect of a deal” in the business platform (Lobel, 2016, pp. 106–108). Many ideas have provided explanations by focusing on theories of business marketing and competition (Chen & Wang, 2019; Yunus, Susilo, Riyadi, Indrasari, & Putranto, 2019), especially price competition campaigns (Luan, Cheng, Zhou, & Tang, 2018). The practical aspects of the sharing business model also indicated that these programs could contribute some enlightening perspectives (Adam et al., 2020; Bala & Bagga, 2016; Widiyanto, Pujiarti, & Wibowo, 2021; Widyatama et al., 2020; Yunus et al., 2019). They regarded *Uber's model* as an exemplar of creative destruction or achieved dynamic competition (Rogers, 2015, pp. 86–89; Truong, 2019, pp. 193–194). Also, they looked up the enhancement of making transactions on the app or even the changing nature of firms in the platform market. Surprisingly, all the reasons were provided from perspectives of reducing transaction costs in the new technological model (Lobel, 2016; Rogers, 2015, p. 87; Tomassetti, 2016, p. 42).

The results confirm that *Vinasun* and various traditional transportation providers must change their competitive strategies to keep up with new tech taxi companies. Although *Vinasun* and *Mai Linh* have invested and soon opened their applications. Overall, the functions and operations of these apps are almost identical to *Uber* or *Grab*. It implies that Vietnamese taxi companies also need to use new technological advancements. It raises the question of why their business tends to be exhausted and how non-professional taxis succeed in the game even if these companies lose their monopoly on owning calling apps.

3.2.2 Short-lived *Wefit*

Since 2016, *Wefit* (or WeWow later) has been identified as a unicorn start-up shortly after engaging in the business in Vietnam (Binh An, 2020). Its core business was to provide an app for sharing gymnasiums. *Wefit* is especially useful for people who go on business trips or intend to find gymnasiums in unfamiliar places. Generally, preventing time-consuming and different transaction costs for seeking suppliers and the monitoring process present the platform's dominance (Lobel, 2016; Rogers, 2015, p. 87; Tomassetti, 2016, p. 42).

Properly, *Wefit* has created a strong user network. After one year of operation, *Wefit* has about five thousand monthly users registering the app and signing contracts with about six hundred gymnasiums in Hanoi and Ho Chi Minh City. The revenue is nearly seven hundred thousand USD. It consequently had more attractive sponsorships. After getting some funds from VIISA and Nhan Nguyen, an angel investor, in 2017, *Wefit* received the ESP Capital's investment of one hundred and fifty-five thousand USD in 2017 (At the time, *Wefit* is the sixth investment package that ESP Capital has funded tech startups for their first stage) (PV, 2020). In 2019, CyberAgent Capital, KBInvest, and various angel investors invested in *Wefit*, arriving at one million USD. The funding accordingly helped Onaclover, the owner of *Wefit*, expand its bonds up to VND 27.7 million from 1,66 million VND in which the shareholder WeLife Holding PTE.LTD held 94%.

Ideologically, *Wefit* was expected to be Vietnam's first successful technology start-up. Some also left a belief that it would be a platform as "an Uber for fitness" (Binh An, 2020). Notwithstanding, it suddenly failed after four years of performing. In 2020, *Wefit* found that "the financial resources for our operations became completely exhausted" and then officially announced its business termination after a clinical death sometime before (Binh An, 2020; Vien Thong, 2020).

Regarding business operating mechanisms, *Wefit* also paid a lot for strategies that attracted users and investors. *Wefit* devoted a clear business plan where customers registered on the platform must pay a fixed fee as a member's fee (Bao Bao, 2020). *Wefit* would pay money towards the gymnasium every time a user booked through the app based on the terms of the agreement. Typically, *Wefit* could get back or promote prices from gymnasiums because it helped them expand their business in their leisure time

(T.D.V, 2017; Vien Thong, 2020; Vu Khanh, 2020). Regardless of this option, it opted for a different way. *Wefit* accordingly collected fees from sporters and paid for gymnasiums whenever sporters came to the gym center (Truong, 2020b). The first problem emerged when the gymnasiums could increase their revenue due to the addition of customers, while the more times users booked the gym, the more *costs Wefit* covered.

Wefit operates on the sharing economy platform. The sharing economy could help people exchange their unused property with one another, and the platform needs to be a place that effectively gathers resources, including demand and supply, as representative poles. As such, the platform contributes to a meaningless role if users from different market sides find each other easily. From the theoretical aspects and practical achievements of *Uber and Grab*, the platform associated with its adequate technology must be able to divide customer groups and survive mainly based on the group that has an enormous demand to reach another group.

For all that, *Wefit* did not seem to meet the above requirements. In practice, and even business strategies, it did not rip off diverse users. Conversely, *Wefit* identified the users with the demand for gym activities as the central pole (Truong, 2020b). For several interesting marketing and promotion programs, this group of users has grown dramatically, which may become a reason for *Wefit's direction* (Lan Huong, 2020; Vien Thong, 2020). In other words, it decided to consider the growing number of users as the money-earning base and, otherwise, as a leveraging side to attract gymnasiums. Except for athletes who were frequently displaced, unfortunately, there existed the fact that users could effortlessly ask about *Wefit's* coordinated gymnasiums at scale. Apart from the small number of users who want to replace the gym daily and cannot become the platform's target customers, those who come to *Wefit* may not register because they cannot connect to the gymnasiums themselves (Truong, 2020b). *Wefit* did not investigate whether its fitness partners could become its direct rivals (Lan Anh, 2021; T.D.V, 2017). That being said, *Wefit's* idea is good but not feasible in the Vietnamese market. The data also showed that nearly all fitness centers left *Wefit* in the following two years for *Wefit's marketing campaign in 2018 and 2019* (Binh An, 2020). *Wefit* soon found it challenging to identify this issue because the shortest contract term was three months, and the longest lasted up to eighteen months (Bao Bao, 2020).

Moreover, *Wefit* could not manage the operations of the gymnasiums and, therefore, could not master its business plans, especially in terms of costs and revenue.

There are many cases where *Wefit's* customers leave their accounts for others who are not *Wefit's* users (Vien Thong, 2020). Intense regularly, *Wefit's* gym partners had less incentive to notice these people because *Wefit* has a policy to pay them for the number of clinic visits. It decided that the obstacle resulted from *Wefit's* unfunctional oversight (Vien Thong, 2020). Regardless, it would not be a matter of supposing that *Wefit* modified its sales program by collecting brokerage fees from its partners every time customers reached the gym slots. As discussed, gymnasiums had significant demand to bring their business more efficient with more additional customers rather than the gym persons. Unfortunately, it was not *Wefit's* practical strategy, meaning that it lost the value of its two-sided platform that brought many companies, including start-ups, to success. There seems to be no barrier for gymnasiums to keep track of similar apps, especially if those platforms can have more customers. If referred to as other successful strategies and models, *Wefit* would have a strong gravity to convince more customers and create a vast network when it had gathered many gymnasiums.

Under the price structure's indirect network externalities and non-neutrality, the "strange" may characterize zero-price, which, for example, applies to customers in *Wefit's* patterns. In its business, *Grab* also applied this price to passengers and different promotional programs (*Vinasun v. Grab*, 2018, p. 5). Indeed, *Wefit* has also burned much money for advertisements and consecutive promotions, explaining how it could gather many customers shortly after the operation (Vien Thong, 2020). Still, this strategy was unfamiliar to the platform's original price diagram. In other words, *Wefit* did not have enough motivation and intention to offer discriminatory prices in favor of sporters. This clearly shows the neglect of building a pricing system in the platform. Unlike *Grab*, *Uber*, *Google*, *YouTube*, *Facebook*, or *Airbnb*, *Wefit* had a reverse initiative and applied zero fees for gymnasium attendance. *Wefit's* marketing and promotion programs thus failed, and the money invested in the wrong places has increased the deficit (Lan Huong, 2020; Vien Thong, 2020).

Wefit was identified as a technology start-up (Dao et al., 2021, p. 10) and is expected to succeed with its strong technology consumption. *Wefit* also directed that pathway and believed it could achieve the business outcome with its technological application. Accordingly, it launched the application that always thought of technology's merits. As a result, what application or technological products it had, it could not master its project. *Wefit* received many financial investments from angel funds and became one

of the possible examples for empirical analysis (Dao et al., 2021, p. 10; T.-H. Vu, Nguyen, Ho, & Vuong, 2019, p. 4), but suddenly went into crisis and eventually went bankrupt (Mai Phuong, 2020). Some blame Vinasun's failure on the meager improvement in technology. Therefore, it is undeniable that *Wefit* has had a breakthrough in innovation. On the contrary, it can be concluded that *Wefit's* business failed because it was too focused on technology and ignored a more important factor to create efficiency – the platform. The two-sided platform's business model leads to a dominant endowment in the agenda where operators who quickly create and seek a technology application exist.

3.2.3 Some implications

Technology should not be charged as a decisive factor, even though digital businesses must acquire good or even advanced technology. *Vinasun* failed even though it could set up and operate applications like other online taxis. *Wefit* owned its apps and used technology to undertake and save operating costs, but it failed.

Alongside technology, the two-sided business model is the key to being centered. Business operators need to recognize the characteristics of the business model in order to exploit its effectiveness, as *Uber*, Google, or YouTube have done and are dominant. A clear perception of the characteristics and advantages of the business model helps business operators generate their business strategy as well as the mechanism method of operation, especially in becoming a dominant market player with that business model.

The government also looks at the role and advantages of the business model in making policies. They could maintain their initiative to enhance traditional business models due to their bright contribution to the economy; however, they are called for policies that make digital business effective. The government needs to have regulations so that app owners and operators can exploit the effectiveness of the business model; otherwise, they would not do business effectively, which affects the economy. Of course, the government has the right to restrict the application's adverse impacts.

3.3 Current regulations on platform in Vietnam: some recommendations

In response to many arguments and demands for new laws, especially after *Vinasun's* lawsuit, the Vietnamese government has moved to adjust digital business

policies and regulations. A series of new documents on e-commerce, especially regulations on the transportation business, have been amended. Unfortunately, these documents have many general limitations. This demonstrates that regulations and policies on the transport service business model have only stopped at the surface.

The regulation also sets many requirements for businesses in the pilot stage. Specifically, enterprises and cooperatives participating in the pilot must fully comply with the current regulations on transport business (VN Central Government, 2014). The conditions set to participate in the drivers are also stringent, including that drivers must go through cooperatives and ensure vehicle badges (VN Central Government, 2014). Businesses also have the responsibility to report revenue and collect taxes. For that reason, almost only Grab and Uber can participate in the sector based on the above policies.

At first glance, it is quite challenging to determine the business model of the platforms in Vietnam, and naturally, this affects the direction of subsequent legal adjustment. Based on the old regulations, especially in the face of the arguments of the old business entities, *Grab* is recognized as conducting transportation business activities, explicitly providing taxi services like other traditional taxi service providers. *VinaSun*'s arguments between *VinaSun* and *Grab* are a concrete example. Naturally, *Grab* has always denied itself as a taxi transportation service business from the beginning.

Undeniably, the regulations on transportation services and e-commerce businesses in Vietnam, primarily through the business practices of *Grab* or other platforms with similar models, are not easy to distinguish. To some extent, identifying this as a transportation business is not appropriate. Despite being adjusted (VN Central Government, 2020a), the regulations do not recognize *Grab* and *Uber* as new business models. Regulations on e-commerce have been applied as a basis for regulating the provision of technology applications in business fields.

From the perspective of E-commerce Law, we approach platforms from an “organizational model,” including *Grab*, “service provision, promotion, and marketing activities both inside and outside the online environment; logistics activities for goods” (VN Central Government, 2021). On the one hand, *Grab* and *Uber* did not recognize themselves as transportation service businesses. On the other hand, this approach is more consistent with the expression in Decree 85/2021/ND-CP. So far, partly stemming from this legal regulation, *Grab* officially considers itself as an e-commerce platform in the

Operating Regulations and Terms of Use (Grab VN, 2025). *Grab* relied on the broad scope of regulation of the e-commerce sector to admit that businesses provide connected applications on technology platforms rather than owning vehicles, managing drivers, or other things as a transportation business unit (Tran D., 2024).

Grab's business practices and platforms are not just electronic trading platforms. *Grab* was not just an independent connection platform between customer groups, specifically drivers and other passengers. *Grab* itself and unilaterally established rules on routes, fares, and driver evaluation mechanisms. In other words, *Grab* and many digital business units have fully exploited the advantages of the business model. With platforms, technologies, “e-commerce platforms” or “applications” are just forms and conditions that must be included in this business model. Manifestly, the operating mechanism and advantages of the new dual-pronged business model are truly breakthroughs. The process of reforming the law does not recognize this as having appropriate methods of determination, which will have a negative impact, especially the lack of fair behavior between parties in commercial relations.

The current policies toward tech taxi platforms seem to create a dilemma, forcing tech taxi platforms to make a choice, and no choice is optimal. Decree No. 10/2020/ND-CP classifies the activities of current technology taxis into two alternatives. One is to operate independently as a supplier of application software to support transport connectivity (Article 35), and the other is to operate as a taxi passenger transportation business using assistive software (Article 3.6 and others). As an inevitable rule in business, market access of a particular country or region needs to meet the regulations and legal policies in that country or region. With the new regulations, these companies must choose. Becoming a taxi company means giving up all the long-standing advantages of a new business model, not simply the application of technology. However, becoming a technology application service provider, they could only provide applications for licensed transport business units, vehicles that have been granted badges, signboards, and several other required things (Truong, 2020a). This creates a problematic situation for *Grab* when forced to choose a “playstyle” in the market unsuitable for the core of the new business model.

In practice, forcing technology taxi platforms to transform and operate in the traditional taxi service business mode will eliminate the sharing economy's benefits. Consolidating all vehicles under nine seats into taxis as currently regulated (VN Central

Government, 2024) leads to businesses having to include all costs of technology taxis in the fare, causing losses in benefits for both businesses and consumers (To, 2022). At the same time, this would prevent creativity in digital technology and disrupt the sharing economy model. This means that *Grab* and its platforms would have to expand its operations, increasing the cost of management, maintenance, vehicle repairs, salaries, and employee remuneration. These regulations would reduce the benefits of both businesses and consumers while hindering the development of digital technology and disrupting the sharing economy model (An Nhien, 2022). This gradually limits the general expansion of the sharing economy model in technology taxis and puts them at a standstill.

Properly, current policies and legal regulations have not clarified the core of the relationship between technology taxi platforms and drivers. On the one hand, the contract signed between the drivers and the platform is a business cooperation contract, but the content does not show the independence of the cooperative party as the drivers when they are still subject to specific control from the platforms from the implementation roadmap, rates, and discounts. The opposite view is that the essence of the contract between the technology taxi platform and the driver is a labor contract. This is evident in that the leading platforms are the parties that monitor the driver's activities and set out the trip route. However, the above factors are insufficient for *Grab* to be considered an employer. The grounds for the above thesis come from the fact that the salary drivers receive is not paid by platforms but by receiving directly from passengers (Lac, 2020). The provisions of the Labor Code 2019 do not allow salary payment on the employer's behalf.

Of course, it is necessary to adjust labor relations, especially the compulsory social insurance policy. In particular, with the above legal constraints, and at the same time as seeking to release the employer's responsibility, the platforms do not directly sign contracts with drivers or other workers. This process is carried out through an intermediary partner. Drivers are not guaranteed benefits from these intermediaries. Whether they want it or not, this would cause increasing costs and reducing the income of drivers.

Tax management for platforms is also facing many problems. Currently, Vietnam's legal regulations consider platforms as third parties, and the collection by platforms is considered as a form of tax collection on behalf of partners, such as drivers in ride-hailing applications, which are considered service business entities. Before Decree 126/2020/ND-CP was issued, *Grab* drivers would be subject to 3% VAT. However, since

the effective date of Decree 126/2020/ND-CP, applying 10% of the total revenue, it is clear that there is a difference in the form of tax increase (Huyen Trang, 2020). This approach comes from the tax management perspective, namely, the approaches to preventing tax base erosion.

Business cooperation organizations and cooperative individuals are responsible for declaring value-added tax (VN Central Government, 2020b). Individuals will not file their taxes in person. As mentioned, the VAT rate will be 10% as before, and this is explained as the new regulation “does not increase the tax liability of individual drivers (drivers are only subject to 1.5% PIT if they have a turnover of over 100 million VND), does not increase freight rates (because the 10% VAT policy on transport has not changed but has been applied so far)” (VN General Department of Taxation, 2023). Although tax policies still affect *Grab*, the overall legal regulations are inconsistent with labor laws. It seems problematic to simultaneously unify the policy between labor and tax laws for *Grab*.

It is observable that Decree 10/2020/ND-CP has not gone into the mindset of the business model but focuses on technology factors. Although Decree 10/2020/ND-CP has changed, it is still based on recognizing *Grab* and *Uber* as a party to traditional business models with additional technological elements (Vân, 2022). The failure to recognize traditional taxis as a new business model has caused the content of the Decree to fail to address the roots of the relationship between the parties in the technology taxi model. Since then, there have been many limitations in the current technology of taxi policies in Vietnam.

4 CONCLUSION

In summary, we can affirm that business models still play a crucial role in the technology age. In particular, business models have been proven to be outstandingly effective. Their characteristics make platform business models popular among successful names such as *Grab*, YouTube, and Google. *Grab* has leveraged their platform business model to categorize and connect passengers and drivers, improving operational efficiency and benefiting drivers and customers. In contrast, ignoring or not taking advantage of the business model is wasteful and may lead to failure.

The biggest mistake of most connected applications today is using as advanced technology as possible, ignoring the relevance of the business model used. The technology taxi market in Vietnam is a typical example of either applying the right business model or being left behind. Nonetheless, many operators ignore this truth. Partly because the characteristics of the model and the advantages of those characteristics have not been identified, they have not been successful.

It also applies to law and policymakers. Vietnam's policies, in general, have not yet shaped the legal framework under the essence of the business model. Therefore, the state's policies need to be adjusted appropriately, not only controlling and ensuring general standards in business but also creating opportunities for that business model to be exploited well.

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Authors' Contribution

All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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