

The expansion of a vietnamese fast food company marketing essay



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PHO24 is a restaurant chain in Vietnam with over 50 branches operating worldwide serving tasty traditional Vietnamese Pho noodles. It's a Vietnamese noodle restaurant chain belonging to Nam An Group, the biggest F&B Corporation in the country. Apart from PHO24, Nam An Group owns and operates many other different F&B brands including An Vien Restaurant, Maxim's Nam An Restaurant, Thanh Nien Restaurant, An Restaurant, Goody Ice Cream, Goody Plus Ice Cream, Ibox Café, etc.

Trung, 39, is the founder of the Nam An Group, the holding company behind the Pho24 fast-food chain, one of Vietnam's most successful home-grown franchises. Armed with a PhD in business administration from Australia and a drive to get rich quick, Trung opened the first branch of Pho24 in 2003 in Ho Chi Minh City with the aim of feeding into the city's fast-growing foreign-tourist market.

Pho24's unique blend of pho (beef noodles) and air-conditioned McDonald's-style dining proved equally popular with the locals, who now represent more than half of his clientele. Pho24 has grown into one of Vietnam's largest fast-food chains, with 24 restaurants nationwide and plans to open another 73 across the country by the end of 2008.

Trung is leveraging Pho24's local success into global expansion plans, with one branch in Indonesia, concrete plans to open restaurants in Manila and Singapore this year, and designs eventually to establish branches in South Korea, Japan, Australia, China and the United States.

Foreign franchise invasion.

Last year, 530 foreign and local brand names were franchised and another 811 franchises were transferred into Vietnam, according to the National Department of Intellectual Property (NDIP). Foreign fast-food franchises are slowly finding their place alongside the country's traditional shophouse vendors, including the likes of KFC, Jollibee and Dilmah (a teahouse chain).

Global brands such as McDonald's, Starbucks, Gloria Jeans, Pizza Hut and Dairy Farm are readying to make inroads once Vietnam accedes to the World Trade Organization (WTO), which is likely to happen next year. IKEA, Tesco and Wal-Mart have also reportedly examined the market.

Trung views coolly the coming foreign invasion, asserting that his superior understanding of local market conditions coupled with the latest foreign management techniques will maintain his budding franchise's competitive edge.

The Pho24 logo reflects the number of different ingredients, 24, and the number of hours, 24, required to prepare each bowl of his signature beef-and-noodle soup. One day he also hopes all his shops will be open around the clock, that is, 24 hours a day.

Trung was particularly sensitive to regional taste differences, something he believes big global fast-food chains will likely overlook when entering the market. To arrive at just the right blend of northern and southern taste preferences, Trung and family sought a culinary middle ground, less salty than Hanoi's version of the national dish, and less sweet and fatty than Ho Chi Minh City's usual fare.

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With Pho24's success, Trung is conducting taste tests for expanding into other traditional Vietnamese dishes, including spring rolls and bun cha, for which he already holds registered trademarks for possible chains of Springroll24 and BunCha24.

Synonymous with Vietnamese culture, Pho (beef noodle soup) is the national food. For generations, Pho has been Vietnam's typical street food where people squat on little stools and slurp a hearty bowl. This restaurant has set a new standard of enjoying this dish by offering fancier setting with air conditioning and a more delicate tasting option. What also sets Pho 24 apart, is its ever expanding presence and branded appearance. Each of the restaurants looks and operates the same: stylish green walls, artistic photos, chic bench style wooden tables. If you're wondering how this place got its name it is because of the 24 tasty ingredients which make their pho consistently delicious!

The first PHO24 outlet was opened in June 2003 on Nguyen Thiep Street, opposite to the prime landmark Saigon Sheraton Hotel. By June 2010, PHO24 has opened 77 outlets in Ho Chi Minh City, Ha Noi, Da Nang, Vung Tau, Nha Trang, Binh Duong, Jakarta (Indonesia), Manila (Philippines), Seoul (Korea), Phnom Penh (Cambodia), Sydney (Australia) and Hong Kong. PHO24 plans to open more stores in all major cities of Vietnam as well as in overseas markets, where there are extensive Asian populations. The founders believe that PHO24's business concept is unique but easy to multiply due to its small space requirement, low investment, standardized operational procedures, and most importantly, the top quality of the food.

Ideas and Business concept

PHO has been the most famous dish of Vietnam but it was only known as street food for many decades. Therefore, the founders of PHO24 saw this is an excellent opportunity to create a new business concept that meets the high standards but still preserving the traditional value. After nearly two years of market research - especially the customer's taste - PHO24 has invented a unique flavor for PHO's broth derived from 24 top-quality ingredients and spices. This unique taste has been warmly welcomed by not only the customers from HCM City but also Ha Noi, Da Nang, Binh Duong, Vung Tau, Nha Trang and other provinces.

The overseas market however will be the largest one. By July 2009 we have stores in Jakarta (Indonesia), Manila (Philippines), Phnom Penh (Cambodia), Seoul (Korea) and Sydney (Australia). In this August, PHO24 opened the sixth outlet in Jakarta Indonesia. Furthermore, In October 2009, PHO24 will be first introduce in Centre Business District in Hong Kong and the second outlet in Seoul, Korea will follow by. Japan and the United States are expected to be next destinations of PHO24 in 2010.

In 2004, 2005, 2006 & 2007, 2008, 2009 PHO24 has been consecutively the winner of The Guide Awards voted by readers of Vietnam Economics Times, Thoi Bao Kinh Te Viet Nam and Tu Van Tieu Dung magazine. - In 2008 Pho24 was voted as an International Franchiser of the Year, accepted by FLA Singapore. - In 2010, PHO24 is one of the top 10 " Ho Chi Minh City - One Hundred Excitements" which voted by travelers.

INTERVIEW QUESTIONS

The external challenges facing Pho24 in their decision to enter China market

Questions will be focus on a series of food scandals that shocked consumers and reduced consumer confidence.

Are there any safety precaution measurements to be imposed on suppliers to ensure that contaminated products are shunt off from entering the supply chain?

counterfeit and shoddy food products - Is Pho 24 ready to inspect every supplier? Is there an established system for evaluating food authenticities?

Will the company set aside an annual budget for quality control measurements?

How do the company ensure that time and resources are not wasted when dealing with Chinese authorities? Will the company consider taking on local partners or consultants?

What are the company stands GM food issues? Will in the company allow GM food such as GM crops entering the supply chain? Will the consumers be informed?

If the price of the non GM raw material is more expensive than the GM raw material, how will you choose?

The understanding of China market and expansion strategies

China was formally joined WTO since year 2001, as such a lot of foreign company begin to search for their possibility to build their market in China, the giant food company like Mcdonald has established about 20 years in China since their first store open in Shenzen year 1990. KFC already about 23 years in China since year 1987 first store open in Beijing. As such, to ensure PHO24 enter the China market successfully and sustainable in China market, the understanding about the market and the marketing strategies become the most important element to be consider before the enter decision make.

The China market was very competitive nowadays since they joined WTO in Dec 2001, from your previous experience in expanding international business, may I know what is your understanding about China Market? Especially from the aspect of political risk and legal, Consumer demand, financial environment, economy and culture.

What is your entry strategy to China market? Whether by Franchising, Joint Venture, Green Field or Licensing.

The global brand Food Company like Mcdonald and KFC already about 20 years in China market. How was your company plan and strategies to compete with their branch and get the market share from them?

What is your company plan to position yourself in China market and what kind of customer segment your company targeted?

What are your international marketing program strategies? Standardization or adaption? The important elements to standardize or adapt are international pricing, global branding and product development, International Distribution and International Marketing Communication.

What do you think will become the barriers for your company entry and the challenges the company will face in the China market?

Company capability to start-up and support operation in China

How much the company is expected to invest in the China market to open the Pho24 restaurants?

What is the budget the company is planning to allocate to the China market and how many head count that they are willing to employ for the 24 hours business?

How much allocation is needed for training and support for the staff is needed to prepare the staff for their first year of the business operation?

What are the sales patterns for a typical day, week, and month in a restaurant chain in China?

What are the total costs to set up a Pho24 in China as China has a huge population?

Other questions

How do you select and manage the relationship with your Chinese partner?

We realized that Chinese beef noodle soup has gained popularity in China.

How sure you are that Vietnamese beef noodle can further penetrate Chinese market?

In your opinion, is it possible for a beef noodle concept to be as successful as traditional fast-food chains such as McDonald and KFC?

What issues do you believe will be most important for your success in China for the next 10 years?