In Vietnam, Fast Food Acts Global, Tastes Local

By JAMES HOOKWAY
March 12, 2008; Page B1

In Vietnam, Fast Food Acts Global, Tastes Local

Ho Chi Minh City, Vietnam

Homegrown Vietnamese fast-food companies are using Western branding techniques to grab a chunk of the country's fast-growing consumer market before U.S. heavyweights like McDonald's Corp. can sink their teeth into it.

After North Vietnamese troops marched into this city in 1975, then-21-year-old Tran Kim Thanh was ordered from his family's baking-supplies store. He was sent to work kneading buns and baguettes for the newly united Communist country at a state-owned bakery. Today, Vietnam is racing to embrace capitalism, and Mr. Thanh's Kinh Do Foods Corp. has become one of the country's biggest consumer companies, with a market capitalization of around $400 million. The company, which is publicly traded on Vietnam's stock exchange, is backed by investors including Citigroup Inc., Britain's Prudential Insurance PLC and one of Singapore's sovereign-wealth funds.

Kinh Do's distinctive red and yellow stores -- which sell specialities like dried-squid buns -- have become iconic symbols of the commercialization of everyday life in modern Vietnam.

"Vietnam is integrating with the rest of the world, and we have a very short learning curve to climb if we are to be ready to compete with foreign companies when they come here," says Mr. Thanh, who also goes by the name of Paul Tan. Since launching his fast-food chain in 1993, he has expanded his empire to include shopping malls. Soon, he plans to start a business offering consumer loans for household appliances and motorcycles.

"We want to be ready for McDonald's," says Ly Quy Trung, the Australian-educated founder of a noodle soup chain named Pho 24, after Vietnam's fragrant "pho" noodle dish.

Like Kinh Do, Pho 24 has spread out across the length of Vietnam. Pho 24 is now expanding overseas, serving up its steaming beef and chicken broth in the Philippines, Singapore and South Korea, and Mr. Trung is aiming at the British and U.S. markets.

Kinh Do and Pho 24 won't be going head-to-head with U.S. chains like McDonald's or Starbucks Corp. just yet. Officials at both U.S. companies say that for now they have no plans to enter the Vietnamese market. McDonald's spokesman Liam Jeory says the company is focusing in extending its business in India and China. Yum Brands Inc.'s KFC restaurants opened its first Vietnamese outlet in 1998.

Company officials regard the country as a potential growth market. Its network is so far limited to 44

[Menu]
In Vietnam, Fast Food Acts Global, Tastes Local - WSJ.com

stores, compared with 306 in nearby Thailand.

Next year, Vietnam will face pressure to make it easier for foreign fast-food stores and retailers to open up shop under the terms of the country's entry into the World Trade Organization in 2007, which required Vietnam to allow foreign companies access to the service sector without having to create cumbersome joint-venture arrangements with local partners.

The titans of Western consumer culture will eventually find their way to Vietnam, businesspeople here predict, drawn by the country's quickly urbanizing population. Instead of planting and tilling rice fields, many Vietnamese now work in factories and often spend their free time in shopping malls. About half the population of Ho Chi Minh City's sprawling suburbs consists of recent migrants who have left farms to work in new manufacturing industries. This influx has swollen the population of the southern city once known as Saigon to about 10 million, from roughly six million in 2000, city officials say.

Vietnam's economy has expanded by an average of 7.5% over the same period, making it one of the fastest-growing in the world. Average per capita income among Vietnam's 84 million people increased to almost $900 last year from $600 in 2005.

"We hope to cater to this new urban population by building shopping malls, food courts and everything they need for life in the city," says Mr. Thanh. As people move to the city, they have less time and less space in which to prepare meals themselves and often prefer to do their shopping and eating in the same place, he explains. "That's where we fit in," Mr. Thanh says.

Countrywide branding was a key element in Mr. Thanh's plans when he created Kinh Do with $125,000 he scraped together from relatives and a local bank. "Right from the beginning we established a marketing and public-relations department," he says.

Like many other entrepreneurs here, Mr. Thanh closely studied the success of the Jollibee Foods Corp. burger chain, which outsells McDonald's in the Philippines, by tailoring its sandwiches to local tastes and copying the U.S. chain's colorful, standardized decor for its stores. Mr. Thanh still tours his restaurants throughout the country, making sure the staff is properly turned out in red-and-yellow uniforms and that the chain's sandwiches and sticky buns meet his standards. To help maintain quality, Kinh Do uses centralized warehouses to store goods before sending them out along its own distribution chain. Mr. Thanh also has invested heavily in television advertising, especially after buying the Wall's ice cream brand from the local unit of Unilever PLC, renaming it Kido and selling it through Kinh Do bakery outlets.

Mr. Trung says he was influenced by McDonald's when he started Pho 24 in 2003. The Pho 24 outlets, designed in brushed concrete and steel, attract both businesspeople having informal lunch meetings and teenagers spending their parents' cash. The author of two books in Vietnamese on branding, Mr. Trung says it is important to recruit a young, professional work force to staff the Pho 24 restaurants, which offer table service, to underscore its break with Vietnam's traditional, family-run, roadside noodle shops. "There's no room for an auntie or uncle sitting in the corner counting the money," he says.

Write to James Hookway at james.hookway@wsj.com

URL for this article:
http://online.wsj.com/article/SB120528509133029135.html

Hyperlinks in this Article:
(1) mailto:james.hookway@wsj.com