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國際學碩士學位論文

A Case Study on the Success of
Korean Firms in Vietnam through
Localization Strategy:

Lotte Group's 'Lotteria'

베트남에 진출하는 한국 기업들의 '현지화' 전략:
롯데그룹의 롯데리아 중심으로

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**Case Study on the Success of Korean
Firms in Vietnam through Localization
Strategy:
Lotte Group's 'Lotteria'**

A thesis presented

by

Lee, Jin Kyung

to

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Seoul National University
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Abstract

A Case Study on the Success of Korean Firms in Vietnam through Localization Strategy: Lotte Group's 'Lotteria'

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This study aims to look at the localizations strategy of Korean firms expanding to Vietnam. Among the many firms, this research specifically looks at the case of one of the most successful Korean firms, Lotte Group. Starting with the factors that led to Lotte Group's expansion in Vietnam, this study attempts to scrutinize Lotte Group's success in Vietnam behind its localization strategy. Lotte Group first launched its 'Lotteria' franchise in Vietnam during 1998. Beginning with Lotteria's launch in 1998, over the last 20 years, Lotte Group has actively contributed to business and management in Vietnam. It has already opened 16 member companies for its investment in the country. The reason behind its rapid growth can be traced back to its success in localization strategy. Therefore, this study attempts to discuss Lotte Group's Lotteria localization strategy as a strong success factor.

As introduced in earlier literatures, scholars have introduced the various types and definitions of localization strategy. In addition, the 'four essential

elements of localizations strategy' by Lee and Kim (2007) is acknowledged as critical elements to a firm's localization. Among the diverse types, this study aims to look at Lotteria's localization strategy in the business and management field. Moreover, it will also discuss the presence of the four essential elements and assess the presence of these elements within the firm. For concrete analysis, 13 consecutive days of fieldwork research have been conducted for on-spot market research, interviews of managers and collection of 321 consumer surveys in order to identify Lotteria's brand image, the success of it's localizations strategy and its competitiveness in the fast food market. As a result, Lotteria's localization strategy in terms of the business field has acquired to its success by a great deal.

Key Words: Localization, Localization Strategy, Vietnam

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I . Introduction

1. Focus of Research

Over the last few years, Vietnam has been named one of the most attractive markets for foreign firms and investors not only in Asia but also firms around the world. Vietnam, and especially its urban economy Ho Chi Minh City (HCMC), is without doubt, one of the world's fastest growing economy today. As Vietnam's rapid growing economy started to attract love calls from firms all around the world, South Korean firms showed exceptional interests into this emerging country's economy. In fact, today, we could say that Korean enterprises are to be the most engaging partners that have contributed to the growth of Vietnam's economy and society. Simultaneously, Vietnam was an extraordinary opportunity for many Korean enterprises to start and/or expand their businesses in the emerging market economy. Whether big or small, an incredible number of Korean firms have shifted their businesses into the Vietnamese market over the last ten years. And even until this day, numerous Korean firms are still continuously making the effort to launch their business in the new rising Blue Ocean.

The launching of the Doi Moi reform in 1986 is acknowledged as a critical turning point to Vietnam's economical growth, social development and poverty reduction. The Doi Moi reform was launched after its recognition to mistakes and problems that the government was determined to fix. In retrospect, Truong Chinh who was appointed Secretary-General of the Party played a major role in launching the Doi Moi Policy. Yet, the policy alone cannot be seen as a single factor that contributed to the attractiveness of the present market. The growth of Vietnam's economy has been a result of the interplay between the political elite's decision to implement the Doi Moi policy and other conditions which will be further discussed in the main part of the essay.

With the interplay of diverse factors that contributed to the development of the

Vietnamese market, the market itself has brought to the attention of many foreign firms and investors. With Vietnam's open door policy, increasing number of foreign firms and investors have expressed excessive interest in the Vietnamese market. And with an increasing number of foreign firms expanding in Vietnam, it has become a concerning issue of how these firms can and will survive in the unfamiliar local environment, spending minimum cost. On this account, it has become important for foreign firms to understand how to survive in local environments, in which have led to the development of localization strategies and studies regarding the effectiveness of localization strategies.

This research aims to look at how one of the biggest Korean conglomerates, Lotte Group's fast food franchise 'Lotteria' has implemented its localization strategy in this research's focus area, Vietnam. This research paper mainly argues that Lotteria's current success is largely due to its successful adaptation to the local taste and its effort to blend in with the local community through its localization approach. Although Lotteria's localization strategy itself cannot be the only reason for its success, it has played a crucial role in building the core competency that distinguishes itself from its competitors.

2. Theoretical Background

2-1. Localization Strategy

2-1-1. Previous literature, definition, and types of localization strategies.

'The Globalization and Corporate Culture of Nestle and Samsung Electronics in Vietnam' written by the two scholars Sing-Young Lee & Hyoun-Chul Kim's introduce the localization strategy in the period of globalization. They explain that localization is no longer a simple process of change a firm can go through in order to match the local taste. There is more to localization than just cooperating in the field of production. Localization also includes providing cultural exchange, socialization, and interaction between the entering firm and the local people. Entering firms can invest in the local areas in the form of business. Also, various economic contributions through the transfer of technology, fostering talent, interaction with the local people, protection of natural resources and making social and cultural contribution can be seen as an essential part of the localization process. (Lee & Kim, 2007)

A very nice organization of the various interpretation of 'localization strategies' regarding South Korean firms abroad could be seen in Mansoo Shin and Juhee Kim's *'Study on the Relationship between Localization and Organizational Performance of Korean Subsidiaries'*. (Shin, Kim 2008) As mentioned by many scholars including Shin and Kim, there are many different approaches to a firm's localization strategy depending on how 'localization' is defined. The scholars differentiate the various localization strategies that are implemented abroad in three categories: 1) Localization in terms of various business and management areas 2) Localization in terms of the relationship

between the head company and the subsidiary company 3) Localization in terms of adapting to the local country internally and externally.

Regarding previous research and studies on the first categories of localization strategy, a relatively abundant number of studies have taken place regarding how businesses should be operated in local countries. Gwang Chul Lee divides the current categories into five subcategories of: a) production localization b) human resource localization c) research and development localization d) capital localization e) marketing localization (Lee, 1994) All these subcategories share ideas on how businesses can be effectively operated in the local countries.

Although there hasn't been too much studies regarding localization in terms of 'relationship between the head company and the subsidiary company', existing studies from Gwang Chul Lee (1994) and Won Sul Shim (2003) emphasize the importance of the head company delegating some kind of authority to the subsidiary firm in the local country. Basically meaning, that the head company should share the responsibility of the company with its subsidiary companies. The shift in power to local employers will present local employers with responsibility, motivation and also help develop a harmonious relationship between the two parties. (Shin, Kim 2008) Ways of identifying the degree of such localization standards can take place by 1) measuring the ratio of local workers employed in the local firm, 2) identifying their positions in the firm and 3) finding out how much authority these local employees have in the decision-making process (how much of their opinions are reflected in the running of the business).

Finally, the last category that introduces studies with respect to localization in terms of 'adaptation' can be seen as a combination of localization category 1) and 2). Previous studies on this particular category involved the

assessment of how business adapted to the local country internally and externally. As such, firms that aim to satisfy such localization strategy category aims to raise competitiveness in the local country and also, attract a higher educated workforce from the local country.

Furthermore, according to Kim & Lee's study, both scholars have also introduced the additional terms of localization that have not been mentioned in previous literatures but are becoming significantly important for entry firms to consider when expanding abroad (especially emerging economies): localization in terms of contributing to the local country's economy, localization in terms of respect for the local country's values & regulations, localization in the form of maintaining a balance relationship that stimulates the economic interaction within the local country. While it is necessary for entering firms to adopt to the unfamiliar local atmosphere, keeping good relationship with the local country's government can also be seen as a significant factor for some firms. (Lee & Kim, 2007)

2-1-2. Crucial Elements of Localization Strategy

As covered, there are various definitions and interpretations towards localization. However, regardless of which localization interpretation firms wish to accommodate as a strategy, Lee and Kim introduce the four compulsory elements that firms highly need to consider practicing in their process of localization:

Firstly, is the ability for entering firms to 'understand and to accept the local culture'. Starting or extending a business abroad means that the entering firms have to adapt to a new environment, making it crucial for firms to understand the local culture in order to well manage the mechanism of their business in a

foreign environment. As Stopford and Wells (1972) emphasize, entry firms will need to understand and have knowledge of the specific business environment and consumer trends in order to be successful in the new markets. In that sense, it is important for firms to employ workers with multinational backgrounds, or hire workers that have the ability to communicate with the local country's people. Thus, for businesses that are planning to target new markets abroad, not only should they be prepared with keen knowledge of the local environment, but more importantly, have a ready mind to accept the local culture.

The second skill set is 'efficient communication between the two parties'. Previously, it has been important for international businesses to break cultural barriers. However, more important than breaking the cultural barrier is to be able to communicate effectively with the locals. Effective and efficient communication provides high hopes for businesses to run in harmony. Although there are countless ways to communicate, it is requested, foremost, that managers have the ability to speak the local language, not only to effectively communicate with the local workers but also speak with business partners and local customers.

Thirdly is the 'flexibility to accommodate the local country's demands'. Many firms would have a common goal to run a successful business by maximizing profit, yet, on the local country's aspect (especially in emerging markets), it is highly demanded that entering firms bring benefits to the country. Thus, entering firms should be ready to improve relationships with the local government and thus be flexible to their demands. In general, a common goal should be shared among the local government and the firm to boost up the local country's economy. In such aspect, entering firms that provide the sharing of information and transferring of high technology may be favored.

Along with breaking cultural barriers, ability to effectively communicate, be flexible to work with the local government is to ‘coexist with the local country’s society’. Coexisting with the local country’s society means that the all unnecessary barriers should be broken. The entry firm’s service contribution to the local community will build a great relationship with the country that can ultimately influence the firm’s long term goals and to capture the market.

Overall, localization can be considered a collective process where it provides the means for local countries to seek for contributions that will improve the economy and also at the same time, allow entering firms to decrease its liability of foreignness (LOF): harmonization into the local society will not only allow firms to minimize risks but also save production costs through relative cheap labor, collect knowledge, make ‘good corporate citizenship’ with the locals. Simply put, localization strategy may be a process for globalizing foreign firms to cut all the necessary risks they can reduce.

2-1-3. Localization in Emerging Markets

Localization strategies can especially be a useful strategy for firms entering the emerging markets. Emerging markets can be analyzed into three characteristics of “low income, variability in consumers and infrastructure, and cheap labor” (457, Dawar Chattopadhyay,2002). As argued by Dawar and Chattopadhyay, firms should take a different strategy when entering emerging markets. It would be a mistake to apply the same strategies applied to developed markets. With that said, for firms entering the emerging markets, it is relatively clear that they have a higher rate of success when ‘adapting’ to the local’s taste. (Dawar & Chattopadhyay, 2002) Successful localization will allow the entering firms to reduce the Liability of Foreignness (LOF) (Kim, 2018), which is the cost

firms have to deal with when operating in foreign markets.

2-1-4. Debates of Localization Strategy

Now that it is understood that various interpretations and types of localization strategies exist, we now can debate whether localization is the right strategy that firms should take as a major strategy. There have been some scholarly discussions whether localization strategy is the right choice to take in the growing globalized world. According to Theodore Levitt (1983), “the world is integrating into singularity, and this has led to the emergence of a homogeneous market base” he adds on that “when customers are presented with low-cost and high-quality goods, the national barrier and remaining differences can actually be nullified.” (Moon, 2009)

However, acknowledging that the higher portion of the population is not integrated within the global economic system (Ghemawat, 2007), some scholars argue that Levitt’s argument may not be correct. Douglas and Wind (1987) criticize Levitt. These scholars argue, although the world is getting globalized, this does not mean companies should only work on one strategy. Levitt’s perception that “low-cost high-quality goods will nullify all barriers” is misleading because not all countries circulate in the same living expenses. Meaning, a product that is considered cheap to the people in one country could be considered expensive to people living in another country. Also, both scholars depict that standardization will only work in given circumstances. And that given circumstance is when there is a “high demand for standardized goods and the existence of a concrete worldwide distribution system and communication network in the market”. Also, it should be understood that many external factors may restrain a firm’s ability to standardize their products. These external factors include: 1) government

restrictions such as regulation/tariffs 2) unavailability of marketing infrastructures in developing countries, resources may limit marketing activities and products from regulating on a firm's unified standard 3) different 'competition structures' in different markets affect how firms should plan out their market strategies. (Moon, 2009)

Research Methodology

It is well-known through diverse media platforms that Lotteria Vietnam's 'localization strategy' have led them to their road to success in Vietnam. Admittedly, they have ranked as one of the most important admirable firms that a lot of Korean firms look up to. Increasing number of Korean firms have studied and benchmarked Lotteria's strategy before expanding their businesses in Vietnam. For this reason, analyzing Lotteria Vietnam's localization strategy can act as important guide lines for incoming foreign businesses that plans to focus their strategy on localization.

Among the various definition and interpretation that exists within the term 'localization', this research will focus on how Lotteria has applied their localization strategy in the context of the first category of localization strategy. Basically, how successful is Lotteria's localization strategy in terms of being a competitive business in Vietnam? And also, how much of Lotteria's localization strategy apply to the essential elements of localization introduced by Lee and Kim (2007)?

Both quantitative and qualitative approaches are taken to assess this research question. Fieldwork was conducted in order to assess Lotteria's localization strategy in Vietnam. The fieldwork included monitoring of 9 Lotteria

stores located in Ho Chi Minh City, taking interviews with 12 Lotteria managers and part-time employees, 3 interviews with local specialists, collecting 324 local consumer surveys and on-spot market research data to assess the localization strategy in practice. The collection of the fieldwork material is then organized in order to open a discussion regarding the success of Lotteria's localization strategy in the context of its 1) competitiveness in the local market and 2) application to Lee & Kim's (2007) essential localization strategy elements.

II. Analysis of the Vietnamese Market

1. Critical Factors to the Development of Vietnam:

The growth of Vietnam's economy has been a result of the interplay between the political elite's decision of the Doi Moi policy and other conditions mentioned as follows:

1-1. Doi Moi Reform Policy

Before anything, it is important to understand the Doi Moi Reform Policy when trying to understand the sudden growth in the Vietnamese economy. Doi Moi can be pointed as *the* critical factor that started the engine for Vietnam's economic growth. Doi Moi literally translates from Vietnamese to English as "making a change". This policy was first introduced as Vietnam's own style of economic reform in the Six Party Congress when the country faced its tragic economic crisis. The reform was officially adopted in December 1986 with agreements that there was a need to apply policy reforms which aimed to increase economic growth and reduce macroeconomic instability. At this point, the

government was directly focused towards improving the (1) development of agriculture (2) broadening consumer good productions (3) broadening of trade and foreign investment relations (Arkadie & Mallon, 2004).

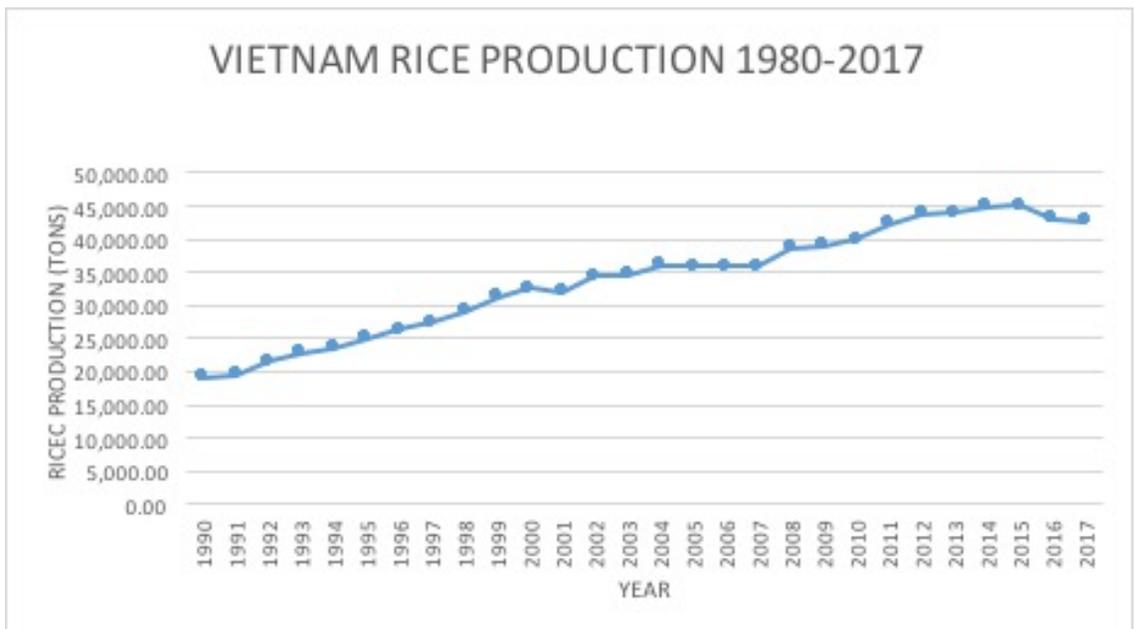
The process of the Doi Moi reform cannot disregard the three critical stages including the government structure at that period which applied pragmatic flexibility. The first stage was the agrarian reform, second was the price reform and thirdly was the foreign trade and payment reforms (Arkadie & Mallon, 2004)

1-1-1. Agricultural Reform:

When the Vietnamese government decided to launch the Doi Moi reform, the area that was most influenced by the launch of the policy was the country's agriculture sector. Accordingly, Resolution 10 (*Khoan 10*) by the Sixth Congress of the Communist Party of Vietnam issued a regulation on the renovation of the agricultural management. (Pham, 2006) The new resolution scaled down the country's direct involvement in agricultural productivity. Thus, agricultural productivity was returned to the farming households which, provided each farming household the economic power to control their farming production (*Kinh te ho*) (Hwang, 1999). The result of the shift in power from the state to each household was a boost in agricultural production, and especially rice production. This shift transformed Vietnam from a country that used to import one million five hundred tons of food supply in 1979, to a country that became the top three rice exporter in the world during 1989, and the top second exporter during 1999. (Hwang, 1999). The reason for the increase in agricultural production is significantly traced back to the ultimate power the state has given to each farming household. Power gave freedom to how much agricultural production farmers could produce. Prior to the reform, the previous agricultural system didn't provide the farmers the drive to

maximize output as much as they could because no matter how much production was maximized, all outputs were collected by the state. However, after the reform, farmers no longer needed present all of their outputs to the state. As a result, each farming household’s desire for high agricultural production was stimulated as farmers were able to control their own profits. (Hwang, 1999). Liberalization in agricultural production “fundamentally changed the character of the Vietnamese economy” which increased the “resilience” of the Vietnamese economy. (Arkadie & Mallon, 2004)

The chart and table below represents the production of rice from 1980s to 2017. Ever since the reform, a dramatic rise in rice production could be seen.



<Chart 1> Planted area and production of paddy by Year and Crop

YEAR	RICE PRODUCTION (Tons)
1980	11,647.4
1985	15,874.8
1990	19,225.1
1995	24,963.7
2000	32,529.5
2005	35,832.9
2010	40,005.6
2015	45,091.0
2017	42,763.4

<Table 1> Planted area and production of paddy by Year and Crop

1-1-2. Price Reform

With the liberalization of agriculture production, “a cautious price reform” was implemented in a similar time as mentioned by Brian Van Arkadie and Raymond Mallon (2004). After the official launch of the Doi Moi policy, the government had made attempts to make prices respond to the free market prices starting from non-essential goods. At the beginning of the 1990s, the government started to match various commodity prices to the market price and stopped price control in much of the commodities produced. Such price reforms were evident actions by the Communist party in revealing their determination of opening a socialist-oriented market economy and the end to the rule under a planned economy.

1-1-3. Foreign Trade and Payment Reforms

In order to stabilize the economy and accomplish its goals to increase GDP, the Communist party decided to ‘open its doors’. Since the launch of the Doi Moi policy, the Communist party was determined to open its economy to foreign trades,

Foreign Direct Investments (FDI) and Official Development Assistance (ODA). The law on foreign investment that was adopted in December 1987 allowed foreigners to make investments in diverse areas of the Vietnam's economy. (171 Hoang Van Huan, Vietnam Korea economic cooperation) This, as a result, brought an increase in imports which provided a variety of available goods and services in the local market, leading to high competition. Although there were concerns that foreign competition will bring the fall of domestic production, it was concluded by the Vietnamese government that imported goods were much helpful in the growth of the Vietnamese market and economic growth. (Arkadie & Mallon, 2004) Moreover, the government encouraged its own local companies to take advantages of exporting and engaging internationally. (Arkadie & Mallon, 2004)

1-1-4. Pragmatic Flexibility

Although the launching of the Doi Moi policy proves to have shown a massive improvement regarding the country's economic standards, the reform policy itself does not explain how it was possible for the Vietnamese government to suddenly adopt this reform. In account to explaining the question, it is important to understand the distinct characteristics of the Vietnamese governmental system that provided "pragmatic flexibility" (Arkadie & Mallon, 2004) which was one of the influencing factors that made it possible for Vietnam to adopt new reforms. Scholars explain that "pragmatic flexibility" was an important characteristic that Vietnam had adopted for than three decades and thus was not something new. Such characteristics included the openness of the country to be open to learn from other countries.

1-2. Population & Middle-Class

1-2-1. Population Structure

The current population structure of Vietnam is an important factor that contributes to the fast-growing Vietnamese economy. Although such factor alone cannot be the only critical factor that contributed to the growth of the economy, the population structure and the Doi Moi Policy together made a great contribution to the development of the country's economy.

According to relevant data provided by the Korean Trade-Investment Promotion Agency (KOTRA), Vietnam has a population reaching approximately 92 million (2016) (KOTRA). And among the 92 million people, almost half of the entire population are ranged between their 20s-30s. Due to its relatively high ratio of younger generation in its current population, this population trend has played a critical role in making the Vietnamese market an attractive and an interesting one to foreign investors. Its majority population ranged with people in their 20s and 30s has become a very attractive target for many foreign companies as not only are the younger population a great consumer base for certain industries, but a relatively younger work force brings higher productivity in work. This ultimately raises the mobility of the labor force. <Chart 2> from the Central Intelligence Agency presents the data of the Vietnamese population divided in five age groups:

Age group	Female	Male	Total percentage (2017)
0-14	10,735,342	11,909,326	23.55%
15-24	7,509,021	8,098,019	16.23%
25-54	21,719,615	22,087,095	45.56%
55-64	4,419,837	3,798,928	8.55%
65 Years above	3,601,075	2,281,923	6.12%

<Chart 2> Vietnamese population in five age groups

1-2-2. Rise of Middle-Class

Furthermore, according to KOTRA, “by the year 2020, the middle-class population rate is expected to increase to approximately 40% of the entire population” (KOTRA, 2018) which very may well make Vietnam a market consisting of strong consumers. Already, various shifts in taste are seen from the Vietnamese middle-class. For example, the trend for beauty items and cosmetics which only used to be popular among the Vietnamese upper-class was seen to rise in the middle-class as well. (KOTRA, 2018)

2. Vietnam and South Korea’s Relationship:

2-1. General Overview of Relationship History

South Korea and Vietnam’s economic exchange started when both countries declared the trade agreement in 1962. During this time, South Korea was specifically exchanging with South Vietnam which was ruled under the name of ‘Viet Nam Cong Hoa’ (Republic of Vietnam) that was politically and financially supported by the United States. For this case, the interaction was really only

between ‘South Vietnam’ and South Korea. The relationship between the two states actively grew, and in the early 1970s, South Korea rose among one the four engaging trading partners to South Vietnam. However, Vietnam’s reunification after the end of the Vietnamese War brought a stop to all the trading activities that were previously ongoing. (Hwang, 1999)

Yet, activities within the two states started to heat up again not so long after. The spark of the two country’s relationship lightened up again with the introduction of the Doi Moi reform. The Doi Moi reform included foreign trades and implementation of open door policies that led to the signing of diplomatic relations between the two countries in 1992. The normalization of the diplomatic relations between the two countries led to diverse trade agreements, implementation of ODA and professional consulting programs. South Korea also officially provided ‘The Economic Development and Cooperation Fund (EDCF) to Vietnam that was used to improve the Vietnamese road construction and provide clean water supply.

Today, South Korea ranks the number four trading partner to Vietnam. The latest record of the first half of 2017 shows that total turn over has increased 46.8% since the year before of an amount equal to approximately 30.5 billion dollars. Korean exports to Vietnam increased 53.5% compared to the year before with an amount equal to approximately 23.3 billion dollars, and imports increased by 28.9% at 7.3 billion dollars (KOTRA, 2018). As of data from 2017, Korea is Vietnam’s 4th biggest exporter and also its 2nd biggest importer.

2-2. Entry of Korean Firms and Investments in Vietnam

2-2-1. General Overview of Korean firms and investments in Vietnam

Ever since the development of the two country's relationship, Korean firms had officially received permission from the Vietnamese government to launch businesses in Vietnam. The Korean investment kicked its start with the entrance of Korean conglomerate groups entering the Vietnamese market in the form of a 'Joint Venture Contract'. Later, an increasing number of small and medium enterprises (SME) gradually became visible in Vietnam in the form of Foreign Direct Investment (FDI). (Hwang, 1999).

Currently, South Korea is the second largest importer after China to Vietnam. According to a given source, Korea's import to Vietnam has exceeded almost 12 billion dollars in the year 2017 alone. With accumulated data from 1988-2017 June, the Korean Trade-Investment Promotion Agency, KOTRA stated South Korea is currently the number one investor in Vietnam. It has already implemented 6,404 projects that is worth 57 billion dollars. In second and third place is Japan and Singapore by a wide gap which simply cannot follow Korea's extensive investment to Vietnam. In 2017 alone, Korea implemented 1,278 investments cases in various forms that accumulates to 5 billion dollars. This figure is a 20.7% increase in investment cases and 18.3% increase in investment cost in comparison to the previous year of 2016. (KOTRA, 2018).

The increasing possibility of successful business opportunities combined with other several factors such as tax benefits offered by the Vietnamese local government have really attracted many Korean firms into Vietnam and more investments are expected to add-on to the escalating figures.

2-2-2. Korean Conglomerates in Vietnam

Among the diverse Korean firms in Vietnam, the existence of Korean conglomerate groups in Vietnam have been significant. Korean conglomerate groups have overtaken a tremendous part of the Vietnamese market. Without doubt, ever since the launch of Korean conglomerates in Vietnam, Korean foreign direct investments have adhered hugely to the development of Vietnamese people's social, economic and cultural life. Among the diverse Korean conglomerates, four conglomerates are overviewed: Samsung, CJ Group, LG Corporation, Lotte Group.

Samsung:

Samsung's launch in Vietnam was among the first Korean firms to launch its business in Vietnam. Samsung first entered Vietnam in Hanoi in the year of 1989. It entered through as a joint venture with 70% investment with the aim to compete with Japanese electronic firms that were taking advantage of cheap labor and also possibly taking over the market share in South East Asia (Lee & Kim 2007). However, ever since its entry, it has received tremendous support from the Vietnamese government to become the number one leading Korean investor in Vietnam. Samsung is still currently one of the most active investors in Vietnam with diverse localization strategies that are applied, examined, and redeveloped through time.

CJ Group:

CJ Group's entrance to Vietnam is one of the most recent entries as a Korean conglomerate. In other words, it is a latecomer among Korean conglomerates. However, that doesn't mean it is a later comer in its specialized

industries and market. CJ Group's CJ FoodVille first launched its bakery 'Tous Les Jours' in 2007 and as of 2018 already opened 35 bakery stores taking over the premium bakery market in Vietnam. CJ Group's existence in Vietnam expanded when CJ's CGV entered the Vietnamese movie industry, acquiring 'Megastar' in 2011. To this date, CJ's CGV holds 47% of the Vietnamese movie industry market share.

LG Conglomerate:

LG Conglomerate entered Vietnam with building LG Electronics' first Vietnamese factory in Hung yen during the year 1995. LG Electronics products are a very popular brand choice for many Vietnamese households in many electronic products such as refrigerators, TVs, smart-phones, washing machines, air conditioners etc. Also, LG Electronics have been well-known for its diverse social contributions to the Vietnamese society which include creating more jobs and having good tax records. For this reason, LG Vietnam was even awarded an award by the Vietnam Ministry of Education and Training for the firm's special effort to the Vietnamese society.

Lotte Group:

Lotte Group entered Vietnam in February 1998 with its fast-food franchise 'Lotteria'. Today, Lotte Group has managed to open 16 various businesses in Vietnam that includes 13 Lotte Marts, 2 Lotte Department Stores, and 230 Lotteria fast food branches. Lotteria is currently one of the leading franchise brands in Vietnam. As one of the first comers to the Vietnamese market as a foreign firm, it has successfully managed to blend into the Vietnamese society and able to successfully satisfy the local taste.

III. Case Study of Lotteria's Localization Strategy

1. Purpose of Firm Selection

Among the many Korean conglomerates in Vietnam, there are three specific reasons why Lotte Group's Lotteria has been selected. Lotte Group's fast food franchise 'Lotteria' is special because it was the first business launched by Lotte Group in Vietnam during 1998; Lotteria has been the very first experiment behind Lotte Group's ambition in Vietnam. As to Lotteria's success, 16 different Lotte Group's branch businesses were launched afterwards. So, the question of interest lies in how Lotteria succeeded in the Blue Ocean. As mentioned by many of Lotteria's managers, they have admitted that Lotteria's success in Vietnam could be turned towards their localization strategy, thus, its success can be marked as a successful case. Admittedly, it has been convenient to research and evaluate Lotteria's success as Lotteria has been in Vietnam for more than twenty years. The firm's comparatively long period in the country strengthens the statement that Lotteria's success is not only a short-term one. Its current success can be highly justified with its comparatively long experience in the Vietnamese market. Also, the 230 Lotteria branches as of today's date are not only located in the two big cities of Ho Chi Minh and Hanoi but also along the diverse local areas of the peninsula. The number of branches along the peninsula not only acts as an evidence to Lotteria's successful development, but also the legitimacy to its popularity and high level of reputation and recognition in the country. High level of recognition has brought much comfort in the process of interviewing and collecting surveys during the field research.

Moreover, luckily for this research, there exist competitors that have entered

the market at a similar period to Lotteria. Competitors are important because it allows the comparison for marketing strategies applied by each competitor and as a result, be able to evaluate the success of Lotteria's localization strategy.

2. Previous Case Studies of Lotteria and its Competitor's Localization Strategy

In this research study, KFC and Jollibee are acknowledged as Lotteria's two main competitors. This judgment is justified by the fact that all three franchises share similar traits of history and business characteristics in Vietnam. Lotteria, KFC and Jollibee all entered during the late 1990s. Jollibee had its first mover's advantage in 1996, KFC followed in during 1997 and Lotteria the year after, in 1998. *Cases of foreign Franchise firms entering Vietnamese Market* (Um & Lee, 2011) analyzed Jollibee, KFC and Lotteria's stance in the Vietnamese franchise market in 2011.

2-1. Jollibee

Jollibee Foods Corporation is a firm owned by a Philippine entrepreneur. The brand opened as one of the first foreign fast food franchises in Vietnam during the year 1996. Jollibee first entered the Vietnamese market through a 'master franchise' contract with a Vietnamese local firm. (Um & Lee, 2011) However, not satisfied with the contract, Jollibee Foods Corporation decided to establish their own corporate body later in the year 2005. Although Jollibee was a first mover, Jollibee fell behind KFC and Lotteria. Admitting its fall, JFC quickly took direct control of the Jollibee's franchise business in Vietnam nine years after it was disappointingly run by the local firm.

2-1-1. Localization Strategy

In terms of its localization strategy, JFC approached its Vietnamese consumers thoroughly researching the Vietnamese people's diet habits. From the beginning, JFC was eager to localize their menus to the Vietnamese taste. They recognized that Vietnamese people were very family oriented and had rice as their main diet just like the Philippine people did. Such similarities definitely approached as an advantage for JFC in Vietnam. 'Com Ga' was the developed menu that Jollibee's introduced in Vietnam that eventually covered 60% of its total revenue. Com Ga directly translates to 'Rice Chicken' which is one of the traditional Vietnamese dishes commonly found in local restaurants. JFC decided to add some Jollibee color into the dish that attracted the customer's curiosity. Furthermore, JFC made effort to localize its human resources by hiring a high ratio of Vietnamese employees. This, as a result, helped JFC maintain effective communication with customers. (Um & Lee, 2011). Today, Jollibee has about 100 stores all over Vietnam in almost more than 40 provinces. It opened its latest 100th store in the town of Can Tho in January 2018.

2-2. Kentucky Fried Chicken (KFC)

KFC was launched through a joint venture company in the name of 'KFC Vietnam Joint Venture CO., Ltd.' with Singapore United Tobacco LTC, Macondray & co., Ltd and Thien Nam Corp. (Um & Lee, 2011). Just like Jollibee, KFC was able to utilize one of the first fast food chains advantage in Vietnam. With its launch, KFC had carried out promoting a premium brand image by maintaining a clean environment, control of food hygiene and maximization of service. KFC was later directly operated the brand owner company 'Yum! Restaurant International'.

2-2-1. Localization Strategy

In terms of its localization strategy, KFC also had made efforts to adapt in Vietnam and make active approach to its local customers. As a result, instead of maintaining its English name, it changed its name to ‘Ga Ran Kentucky’, (meaning fried chicken Kentucky in Vietnamese) giving the brand name a more local-friendly feeling to it. For the same purpose like Jollibee, KFC was committed to recruiting a high ratio of Vietnamese employees. During business hours, their Vietnamese employers were asked to actively push sales of their standardized fried chicken menu. While constantly pushing its standardized menu, they also attempted to reach out to the local’s taste by developing rice set menus and local tea drinks. One of the unfamiliar cultures that KFC were devoted to as a business in Vietnam was its devotion to the duties of Corporate Social Responsibility (CSR). In various ways, KFC has supported funds and services to the local public and made a great reputation as a business incorporated deeply in the issues of the local society. Today, KFC owns 140 branches in more than 21 cities and provinces in Vietnam.

2-3. Lotteria

Lotteria’s entry into the Vietnamese market started when Lotteria Japan aimed to dive into the Blue Ocean. Their market research started in 1994 and two years later in 1996 July, Lotteria Japan was able to expand as of Join Venture Company in Vietnam with the joint investment of four companies: Lotteria Japan, Sojitz Japan, Lotteria Korea and Thien Nhan Vietnam. In 2004, the brand was fully acquired by Lotteria Korea. The Korean entrepreneurs were devoted to experimenting what Lotteria Japan never tried doing; they were dedicated to satisfy their products to the local taste. In order to boost up its business, surveys

were conducted to determine customer preference and those customer responses were carefully examined. A new Lotteria was born in Vietnam that year, it was at this moment when the business in Vietnam picked upstream.

Unlike the two competitors that launched in Ho Chi Minh's most popular shopping mall 'Superbowl', Lotteria's first branch was located in District 1 next to Rex Hotel. Its targeted customers were different from KFC and Jollibee. Rex Hotel was a luxurious hotel and District 1 was also one of the hottest tourist mecca in Ho Chi Minh City. According to KOTRA Vietnam's Vice-Director Jang Jin, "Lotteria's targeted consumer wasn't the local customers, its was really the foreigners living or visiting Vietnam. Lotteria didn't find the need to localize at first." But when their second, third, fourth and fifth store started to open in local supermarkets (Co.op Mart and Maxi Mart) they needed to apply a different strategy.

2-3-1. Localization Strategy

"Lotteria chose the localization strategy to the last man." (Kim & Lee 2011) Starting the base with the menus available in the branches in Korea, Lotteria Vietnam went through a food test drive with local customers before launching their localized menus. Also, as like Jollibee and KFC, Lotteria too developed similar local menus such as rice set menus, drinks and hot pies that were originally not in their previous menus. Lotteria also a made effort to utilize plenty of local food supplies by developing new menus such as salads that had a lot of vegetables, fruit ice-cream cocktails.

Human resources were too, localized. The majority of the workers working in the branches were local Vietnamese part-time workers. Also, the

business operations were gradually turned over to local employees. Manager jobs were turned towards local businessmen and from this point, the business system was running like a local one. (2011)

Lotteria was specifically chosen for this research specifically for three reasons. Firstly, Lotteria is one of the earlier starters of food chain industry that opened in Vietnam. Due to its relatively long history in the Vietnamese market with its long time competitors, KFC and Jollibee, there is justification to believe the result of Lotteria's success is not just a short-term impact; its relative similar entrance into the Vietnamese market with KFC and Jollibee (which can be regarded as the three main fast food franchisees in Vietnam) justifies that a fair comparable study of the success of their business strategy is possible. Secondly, Lotteria stores are not only located in the two main cities of Vietnam (Hanoi and Ho Chi Minh) but also in other smaller regions which can directly mean that they are actively engaged with the Vietnamese locals. Last but not least, the third reason also links to the second reason, since Lotteria is currently one of the most known foreign fast food franchise in Vietnam, researching and collecting relevant data has been convenient. This ultimately raises expectation for highly justified results and rational judgment.

3. Lotteria's Localization Strategy in Practice

3-1. Product Localization

Product (food menu) localization is one of the most prominent changes made in the entire localizing process for Lotteria. One of the most evident changes are the six rice menus that have been added to the original menu. They include the hot spicy pork with rice, pork bulgogi with rice, pork with cheese and rice, fried chicken with rice, chicken leg with rice, beef with rice. All of these rice menus are

a combination of main meat dishes that is served with some salad and rice, which very much imitates the all time famous Vietnamese traditional pork rice dish - *Com Suon*.



<Picture 1> Lotteria Vietnam

In Lotteria Vietnam, there are also a variety of drinks have been added as localized menus. They include milk tea drinks, fruit flavor soda drinks, chocolate drinks, Vietnamese styled coffee and Vietnamese styled tea. Ice creams too are offered with a variety of local flavors. Popular ice cream menus include the *Soft cones*, *Sundae* and the *Tornado choco-cookie*.

Along the desert section, a very different variety of dessert menus are seen which are comparable to the original Lotteria dessert menus. While the only type of dessert menu that are available in the original Lotteria menus are ice creams and some light fries, the localized dessert menus in Lotteria Vietnam additionally offers apple pies, taro pies and different types of salads.

 <p>TRÀ SỮA TRẦN CHÂU CARAMEL</p> <p>28,000 đ</p> <p>CHỌN</p>	 <p>TRÀ SỮA PUDDING</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>KEM MAGIC POP TORNADO</p> <p>25,000 đ</p> <p>CHỌN</p>
 <p>LEMONADE BLUE OCEAN</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>LEMONADE HIBISCUS</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>KEM SÔCÔLA TORNADO</p> <p>25,000 đ</p> <p>CHỌN</p>

<Picture 2> Lotteria Vietnam

 <p>KEM YAOURT DÂU TORNADO</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>KEM BLUEBERRY TORNADO</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>KEM CHOCO HẠT ĐIỀU TORNADO</p> <p>25,000 đ</p> <p>CHỌN</p>
 <p>NƯỚC CAM</p> <p>25,000 đ</p> <p>CHỌN</p>	 <p>NƯỚC CHANH</p> <p>20,000 đ</p> <p>CHỌN</p>	 <p>CÀ PHÊ</p> <p>20,000 đ</p> <p>CHỌN</p>

<Picture 3> Lotteria Vietnam



<Picture 4> Lotteria Vietnam

Nguyen Thanh Tam (Lotteria Vietnam Sales Team Manager) and Dao Trong Huy (Lotteria Vietnam Marketing Manager) explains that localization of menus has definitely supported a great deal of success to Lotteria’s business in Vietnam. In fact, mentioned by many critics on the media, “efforts to localize menus have made these brands more attractive among local people.” Previously and still today, both managers see that it is not easy for fast food franchises to succeed by just selling standardized western-style burgers and fries. Even though an increasing number of Vietnamese consumers are now capable to dine-out casually and are open to trying western food, the western burger and fries itself are still situated in a very difficult market.

For such reason, Lotteria decided to push their Vietnamese localized menus to attract their local customers. However, interestingly, the original fried chicken, which is one of the rare standardized menus from Lotteria Korea to Lotteria Vietnam is currently the most popular menu in Vietnam. Tam explains that Vietnamese consumers consume a lot of chicken, which is similar to how Korean consumers frequently consume chicken in Korea. Hence, what they are trying to say is that there wasn’t a need to localize the menu entirely; “Vietnamese people and Korean people have a similar diet, and we unexpectedly share similar

taste in food.” The ‘fried chicken with rice’ which is the localized version of the ‘original fried chicken’ is also the most popular choice from consumers after the original fried chicken. With the continuous popularity of chicken, Lotteria Vietnam is constantly working towards developing new chicken menus (such as roast chicken menus).

“Of course, even though I say that the Vietnamese people have similar tastes to the Korean consumers, the inevitable differences are still quite clear. And they do affect how we do things differently here in Vietnam.” When talking about Vietnam, we cannot not ignore the weather situation. The uniqueness of South-East Asian’s hot dry weather is something that all global firms have to be concerned about when expanding their business in Vietnam. As for the case of Lotteria, this has affected how their drinks and desert menus are composed. Unlike Lotteria Korea that promotes seasonal special menus (ice-flakes, ice americano etc), Lotteria Vietnam that only has to deal with the summer season for the entire year, doesn’t need to consider promoting diverse seasonal menus. Instead, during the summer vacation season or the especially hotter months, they would proceed special promotions (such as ice cream promotions).

3-2. Brand Image & Service

As stated by Nguyen Thanh Tam and Dao Trong Huy, they both agree that Lotteria has certainly changed its brand image when you compare the franchise from it’s launch in 1998 and today. As admitted by both managers, Lotteria kept a unique brand image that was not common in the late 1990s. It was a premium franchise store that was launched right next to the most prestigious hotel in Ho Chi Minh City, aimed to satisfy foreign travelers who were tired of unfamiliar Vietnamese food, finding something close to home-food. Thus, prices of the burgers were not the average food prices that an average Vietnamese salary man could afford. Even though it wasn’t the most excessive dish, indeed was it a

burdening meal for a normal middle class Vietnamese family to spend one meal on.

Compared to the Lotteria Vietnam in 1998, Lotteria Vietnam has definitely changed its brand image strategy today. Having launched its 100th store on 2012 November, 200th store on 2014 August, and today, its 230th store along the entire peninsula, it has become a much more accessible, easily spotted and much approachable fast food ‘café’ in the country – it is currently challenging to be the top one franchise in Vietnam. Lotteria’s biggest growth ranked between the years 2012-2015, however, after 2015 when increasing foreign franchises entered the country, growth became steady. As a consequence, starting from 2017, Lotteria has changed its strategy to focus on expanding the number of stores.

“While keeping the essential traditions of the Lotteria brand, we have coated the stores with a much modern feeling by presenting our customers with a ‘café-like’ atmosphere. Basically because café cultures have become one of the most popular trends in Vietnam, or at least in Ho Chi Minh City. We are moving accordingly to the increasing demand of consumer trends.” These days, it is easy to spot laptop holders in the Lotteria stores. Correspondingly, sockets and free Wi-Fi services are installed in most of the tables and chairs in the Lotteria stores in Vietnam. Also, in some stores, two to four computers are placed for customers to use freely.

Proudly, Lotteria is among the first foreign franchises that have authorized the official operation responsibility as a franchise to a Vietnamese citizen. In 2015, the first individual operated franchise was authorized for launch. “Since 2015, we have been always open to anybody who was able and willing to become a member of the Lotteria family” says Tam. The Vietnamese people don’t remember Lotteria

as the isolated, inaccessible, snobbish hamburger restaurant it was 20 years ago. Today, Lotteria Vietnam tries to reach diverse consumer age-groups. As a result, Lotteria has become one of the favorite dine-out preferences for diverse age groups. Distinguished services such as children birthday parties are one of the well-known services that are booked every week. The service has become so popular that in-advance reservation is compulsory. Lotteria's delivery service is also becoming popular (especially for office workers and schools). Such delivery service has brought much convenience to customers who like planning for finger-food parties, especially during end of the year.

Since one of the main transportation used in Vietnam is the motorbike, providing motorbike parking services are common yet compulsory. For this reason, securing a motorbike parking area has become one of the most important considerations when opening a new branch for Lotteria. Local customers on bikes and motorbikes are much more prepared to visit stores that have safe bike parking lots. And thus, parking service has no longer become an option to choose from; it has become one of the noticeable localized services provided in any Lotteria stores in Vietnam. Menu differentiation such as the additional Vietnamese-style menus, the composition of food choices, diverse fit-in services are witnesses of the changes Lotteria has gone through in the 20 years of operation in Vietnam.

3-3. Human Management

As of June 2018, a total of approximately 2,000 local employees have been employed in the form of either a part-time job or an official employee in Vietnam. Part-time employees are usually high-school, college students. But that doesn't mean they are untrained. Every part-time employee has to be educated and trained for four weeks before getting on-site. On-site managers are also specially trained for six weeks in the Lotteria training centers, in which all training systems are

conducted by local Human Resource Managers for effective communication. When visiting Lotteria Vietnam's office located in District 7, the majority of the employees were Vietnamese people, and Korean employees were hardly spotted.

Compared to the times when foreign managers used to manage the Lotteria stores in 1998, all Lotteria stores today are 100% operated by local employees: "Compared to some of our competitors that only hire highly skilled foreign on-site managers, we believe that local managers are much capable to directly communicate with our customers." Lotteria Vietnam boasts its high ratio of local employees in the firm compared to its competitors. Tam adds on that high ratio of local employees have several benefits and advantages. Firstly, they bring fast and efficient communication among employees. Secondly, local employees help bring high trans-information rate. Thirdly, the feedback from local employees helps us quickly catch local consumer trends. Last but not least, having local employees on site help us respond quickly towards our customer's request.

Prior to Lotteria's biggest growth during the early 2010s, local office managers like Tam and Huy were very often called into Korea for special training sessions. "However, since 3-4 years ago, the Korean partners have admitted the stability of the business in Vietnam, and we are no longer called into Korea for training" says Tam.

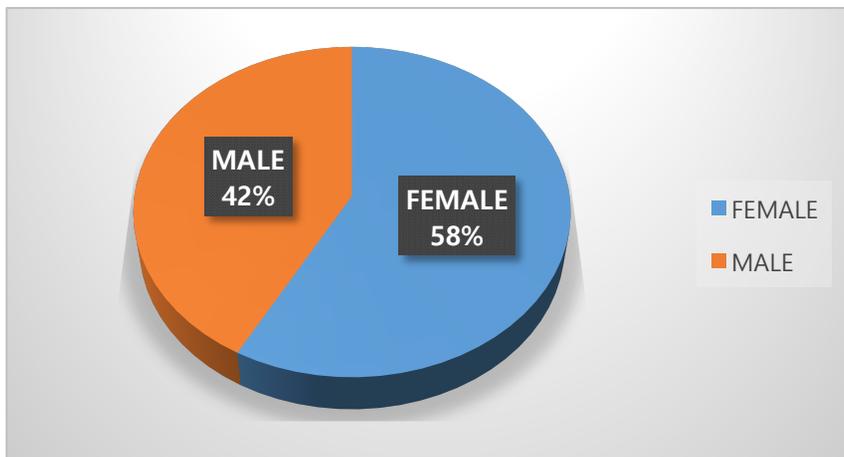
4. Survey Results & Analysis

Consumer surveys were conducted in order to collect customer's opinion which can further be analyzed to assess Lotteria's localization strategy in Vietnam. 324 customer surveys were collected in the 9 Lotteria stores, 2 KFC stores, 1 Jollibee store, Diamond Plaza, Now Zone Fashion mall, and schools that were near the fast food branches in Ho Chi Minh City for 13 consecutive days (30th June –

12th July 2018). The consumer survey consisted of ten questions related to:

- 1) Evaluating Lotteria's brand image.
- 2) Lotteria's competitiveness in the fast food market.
- 3) The success of Lotteria's localization strategy as affirmed by many.

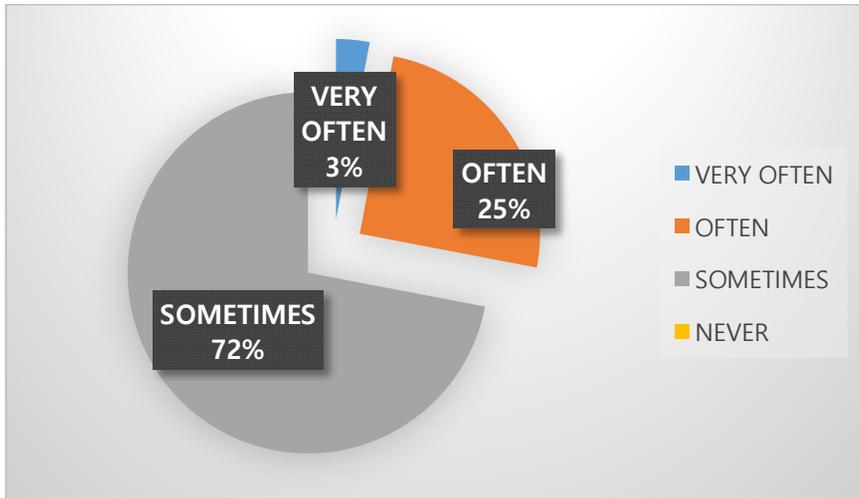
Among the 324 consumer surveys, excluding the 3 surveys that were default, a total of 321 surveys were taken in consideration for interpretation of results. Among the 321 participants, the youngest to oldest participant ranged between the age of 14-51, male to female ratio was 42:58, 42% of participants were male participants and 58% were female participants. Regarding the nationality of the participants, 99% of the participants identified themselves as 'Vietnamese'.



<CHART 3.1> Participant Sex Ratio

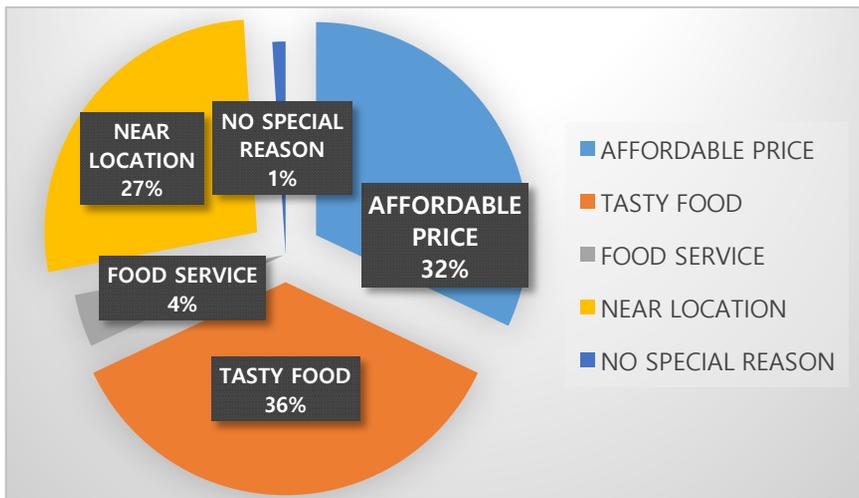
Firstly, when asked the frequency of our participant's visit to Lotteria, among the total participants, 3% of the participants replied that they "very often" dined in at Lotteria, 25% replied they "often" dined in at Lotteria, 72% said they

“sometimes” dined in at Lotteria and 0% replied that they “never” dined in at Lotteria.



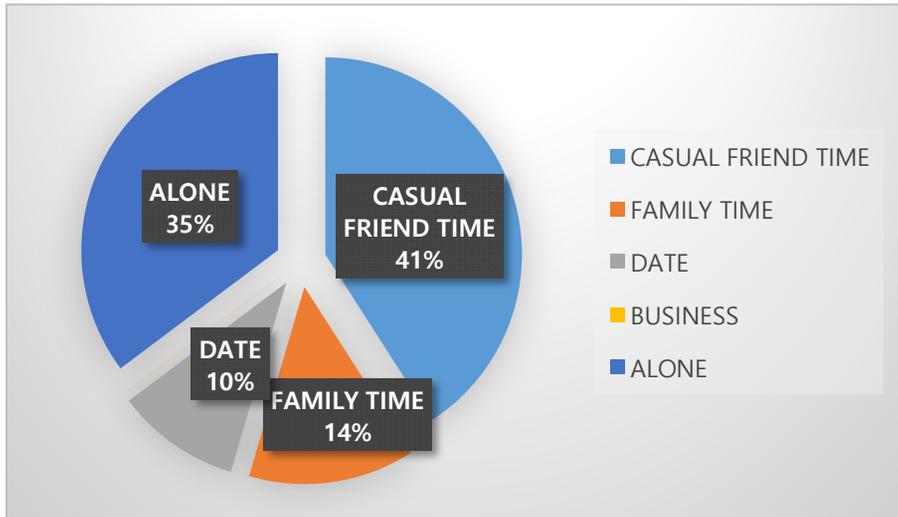
<CHART 3.2> Dining In Frequency

A follow-up question asked the participants for the reasons they visited Lotteria. As a result of the survey, 32% replied they visited Lotteria because of the “affordable price”, 36% for the participants answered due to the “tasty food”, 4% for the “good service”, 27% for a “near location” and 1% for “no special reason”.



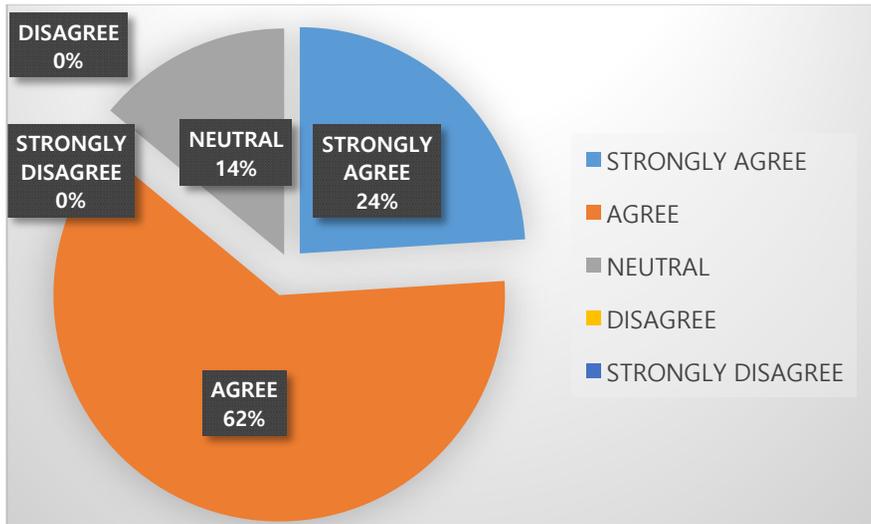
<CHART 3.3> Reason for Dining In

Then, on what circumstances or occasions did our participants visit Lotteria? 36% replied “during casual friend time”, 12% replied “during family time”, 9% replied “during a date”, 0% replied for “business meetings”, 12% replied “when alone” and 31% replied “others”.



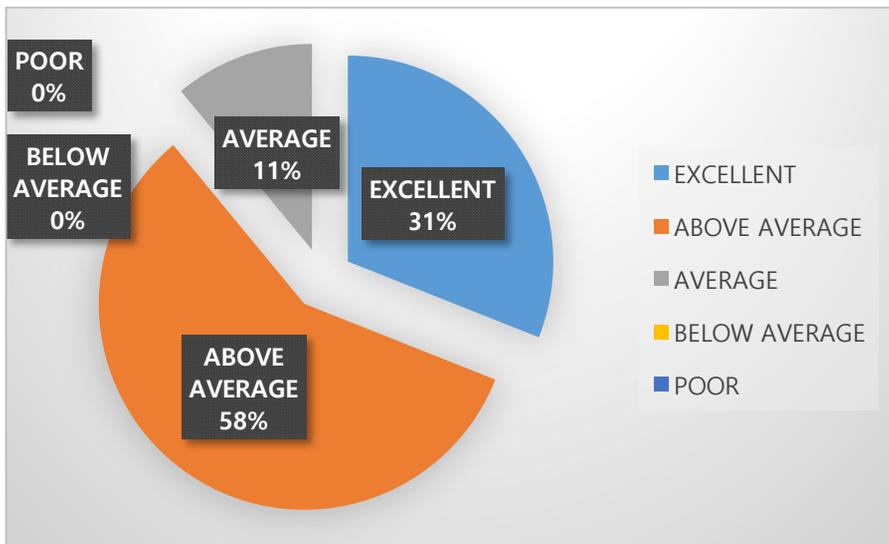
<CHART 3.4> Circumstances & Occasions for Dining In

Among the participants that had previous experience with Lotteria’s food and service, how much of the respondents agreed that Lotteria provided high quality service? 24% replied “Strongly Agree” 62% replied “Agree” 14% replied “Neutral” and 0% for “Disagree” and “Strongly Disagree”.



<CHART 3.5> Lotteria Provides High Quality Service

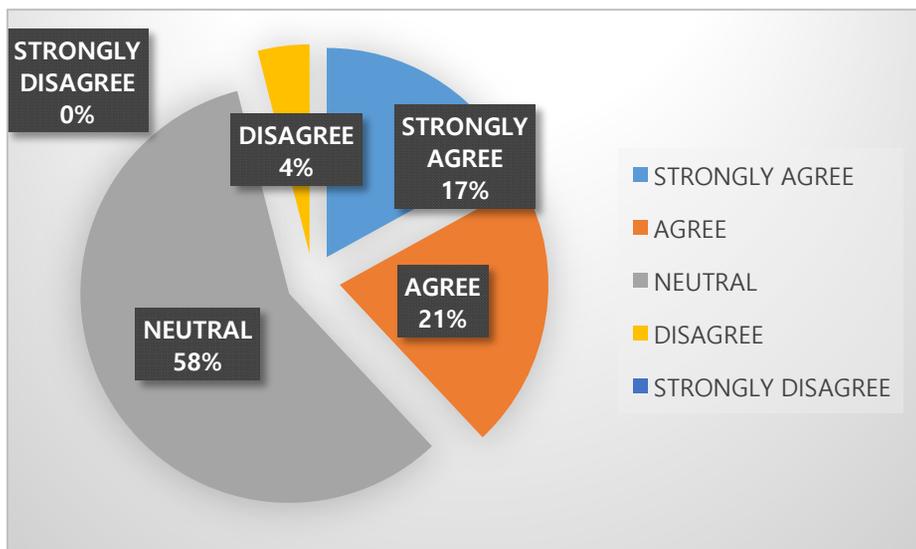
Accordingly, how did our participants rate the value of money of Lotteria’s food and services? 31% answered “excellent” 58% answered “above average” 11% answered “average” and 0% answered “below average” or “poor”.



<CHART 3.6> Value of Money on Food and Services

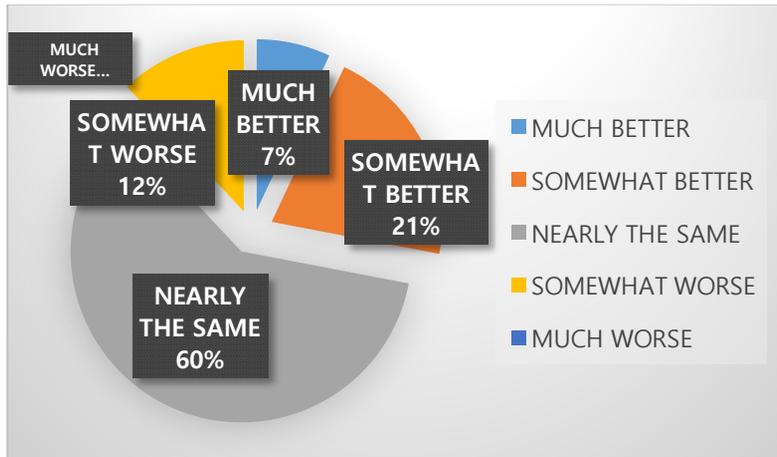
The survey further asked each participant to rank the quality and food taste of Lotteria on a scale between ‘0-10’. As a result, among the 321 individual surveys, an average rate of 8.2/10 resulted.

Lotteria received a relatively high score of 8.2/10 by the participants. Then, in comparison, how much of the participants preferred Lotteria over its competitors? In order to compare the participant’s preference, participants were asked whether they preferred Lotteria over KFC and Jollibee. As a result of the survey, 17% replied they “strongly agree”, 21% answered “agree” 58% answered “neutral” 4% answered “disagree” 0% answered, “strongly disagree”.



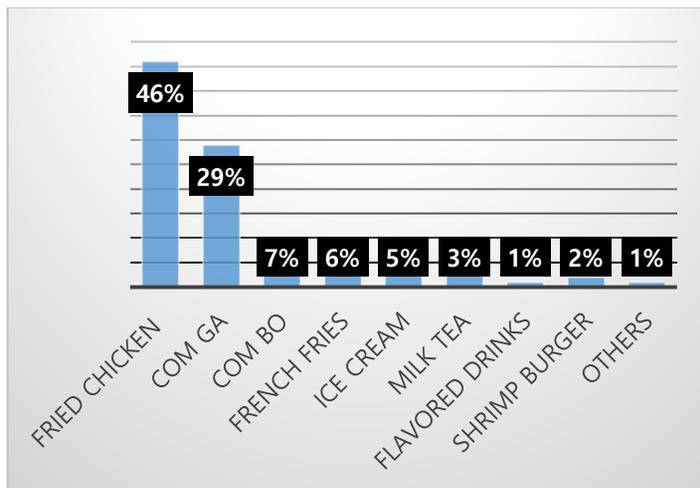
<CHART 3.7> Participant’s Preference for Lotteria over Competitors

Excluding participant’s preference, how did our participants think about the service of Lotteria compared to its competitors? Respectively, 60% the participants agreed that in comparison to KFC and Jollibee, Lotteria provided “nearly the same service”, 7% replied “much better”, 21% replied “somewhat better” and 12% answered “somewhat worse” and 0% answered much worse.



<CHART 3.8> Lotteria’s Service Quality Compared to Competitors

Then, what was with Lotteria’s food and service that attracted our participant’s preference? Among our participant’s favorite Lotteria menus, ‘original fried chicken’ ranked the 1st with being 46% of the participant’s favorite menu, ‘Com Ga’ translated to ‘chicken with rice’ ranked 2nd being 29% of the participant’s favorite menu, and ‘fries’ ranked third with 6%, and ‘ice cream’, ‘tornadoes’ and ‘milk tea’ ranked the following:



<CHART 3.9> Participant’s Top Favorite Menus

IV. Conclusion

Applying Results to Previous Literature

When analyzing Lotteria's localization strategy in the field of business and management, previous scholars have measured the degree of localization in various terms such as the ratio of local employees, systemized local human management programs, firm's fitness in the local society (in terms of marketing, product and service), sales and retail localization. (Shin & Ki, 2008)

As a result, it could be well justified that Lotteria implemented a high degree of localization strategies in the field of business and management. Firstly, Lotteria Vietnam maintained a very high ratio of local employees in the firm as 100% of the branches were run by local employees and part-time workers. Furthermore, compulsory training for every local employee was conducted by local human management staffs, increasing not only the efficiency of communication and intimacy between employees, but also from employees to customers. Secondly, through the support of three types of field work research: 1) on-spot marketing research 2) manager & employee interviews 3) 321 consumer surveys, the result of the field work very well shows that Lotteria has well fit-in to the local society with the implementation of its localization strategy. It could be said that Lotteria has made most effort to fit-in and satisfy the local's taste. Accordingly, Viet-style menus, drinks, and deserts were added, and it was confirmed by 321 survey participants that 47% of their favorite menus were the additional menus that were added into the original menu. Therefore, it's localized menus have raised their competitiveness in the fast-food market. Furthermore, results of the participant survey strengthens to justify Lotteria's competitiveness in the fast-food market: 38% of the participants noted that they preferred (strongly

agree and agree) Lotteria to the other two strong competitors. Approximately 1/3 of the participants believed that Lotteria's food and service were better (much better and somewhat better) than the food and service provided by the two other competitors.

Evaluating the presence of Lee & Kim's (2007) essential localization strategy elements in Lotteria, we clarify some questions. Firstly, did Lotteria possess the ability to understand and accept the local culture? Secondly, did Lotteria make effort to make efficient communication? Thirdly, did Lotteria flexibly accommodate to the demands of the Vietnamese government? Lastly, did Lotteria make effort coexists within the local society?

Firstly, concerning Lotteria's acceptance of the local culture, it could be said that the first experiment in 1998 has contributed greatly to the way Lotteria was able to understand and learn about the local culture. Since 1998, the firm hired an increasing number of local employees who understood the local culture better and was willing to share their knowledge and skills. Lee and Kim (2007) note that the huge gap in the 'power distance' is a factor that disturbs the firm's acceptance of the local culture. The concern is that many local employees lack motivation when working in foreign firms with a wide gap in power distance because they have no hope for promotion as foreign. Yet, Lotteria was willing to hire high-skilled local workers and willing to give them authority and responsibility that boosted the local employee's motivation in the work place.

To answer the second question, we could refer to the ratio of local employees in the firm and method of communication between employees. As noted by Lotteria managers and employees, Vietnamese is the main language spoken among the employees. However, because there are some Korean

employees and managers, it is required for some high-skilled local workers to speak in either English and Korean to communicate with the Korean managers.

On 10th October 2012, Lotteria received the ‘Friendship Insignia Award’ (*woo-ho-chin-seon*) from the Vietnamese Government that acknowledged Lotteria’s contribution in improving relationships and cultural exchanges between the two countries. Lotteria Vietnam has contributed in various social contributions such as holding the annual national youth football games, supporting a baseball team based on multi-cultural families, increasing interaction with local sport teams, managing Lotteria supporters and providing in-flight meals to the Vietnamese airline company *VietJet Airlines*. With the previously mentioned, it is justifiable to say and also evident to believe that Lotteria has made tremendous effort to contribute and coexist within the local society of Vietnam.

Limitations in Research

Yet, there exist many limitations in this research. Improvement in these limitations can help provide a better analysis of the research. Firstly, the survey was conducted under an unfair participant characteristic. Results may have been highly biased because consumer surveys were taken near Lotteria stores, raising the possibility of participants to give higher preference towards Lotteria’s food and services. Also, it is understood that the figure of ‘321’ consumer surveys may be considered too little to make any justifications. Furthermore, since the survey was only collected in a short period of time, there wasn’t sufficient time to collect enough surveys to add on to the results. Moreover, although the Lotteria stores were located along the entire peninsula, surveys and marketing research was only conducted in Ho Chi Minh City due to the lack of time. If there was sufficient amount of time, adding on the comparison to Lotteria’s other strong competitors

that have recently entered the Vietnamese market such as *McDonalds*, *Burger King* and *Subway* would enrich the results.

Although this research essay places emphasis on the success of Lotteria Vietnam's localization strategy, it should be reminded that localization strategy is not always the cure strategy for all businesses abroad. And furthermore should not be the only strategy that firms should focus on when abroad. By all, the common goal for many firms and businesses is profit maximization, not localization. In order for firms to reach profit maximization, adapting the localization strategy may be one of the many options firms may choose to go.

Appendix

Lotteria Vietnam <Customer Survey>

Age:

Gender:

Nationality:

- 1. How often do you dine/ eat snacks/ drink in Lotteria?**
 - a) Very often
 - b) Often
 - c) Sometimes
 - d) Never

- 2. Why do you choose to dine in / eat snacks / drink in Lotteria? (you can choose more than one)**
 - a) Affordable price
 - b) Tasty food
 - c) Good service
 - d) Near location
 - e) No special reason

- 3. During what occasions do you usually visit Lotteria?**
 - a) During casual friend time
 - b) During family time
 - c) During a date
 - d) Business meetings
 - e) When alone
 - f) Others

- 4. Would you agree that Lotteria provides high quality service?**
 - a) Strongly Agree
 - b) Agree
 - c) Neutral
 - d) Disagree
 - e) Strongly Disagree

- 5. How would you rate the value of money of Lotteria's food and service?**
 - a) Excellent
 - b) Above Average
 - c) Average
 - d) Below Average
 - e) Poor

6. What would be your most favorite top three menus at Lotteria?

(1) _____

(2) _____

(3) _____

3-1. What is your reason for choosing (a)?

7. If you would rank the quality & taste of Lotteria's food on a scale of 0-10, what would it be?

Very Bad

Very Good

0	1	2	3	4	5	6	7	8	9	10
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8. Do you prefer Lotteria over KFC and Jollibee?

- a) Strongly Agree
- b) Agree
- c) Neutral
- d) Disagree
- e) Strongly Disagree

9. Compared to KFC or Jollibee, is the quality of food and service better, worse, or nearly the same?

- a) Much better
- b) Somewhat better
- c) Nearly the same
- d) Somewhat worse
- e) Much worse

10. Is there anything Lotteria could improve in?

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.....
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****Lotteria Việt Nam (Khảo sát khách hàng)****

Tuổi..... Giới tính Quốc tịch

1. Bạn có thường xuyên ăn/ăn nhẹ/uống nước tại Lotteria không?

- (a) Rất thường xuyên (b) Thường xuyên (c) thỉnh thoảng (d) Không bao giờ

2. Tại sao bạn lại chọn ăn/ăn nhẹ/uống nước tại Lotteria? (có thể chọn hơn 1 phương án)

- (a) Giá hợp lý (b) Thức ăn ngon (c) Dịch vụ tốt (d) Vị trí thuận tiện (e) Không lý do

3. Vào những dịp nào thì bạn thường đến ăn uống tại Lotteria?

- (a) Gặp gỡ bạn bè thông thường (b) Thời gian dành cho gia đình (c) Trong những cuộc hẹn hò/gặp gỡ (d) Trong những cuộc gặp đối tác (e) Khi một mình (f) Lý do khác

4. Bạn có hài lòng với chất lượng phục vụ của Lotteria?

- (a) Hoàn toàn hài lòng (b) Hài lòng (c) Bình thường (d) Không hài lòng (e) Chất lượng phục vụ rất kém

5. Bạn đánh giá như thế nào về chất lượng món ăn và dịch vụ mà Lotteria mang đến bạn?

- (a) Tuyệt vời (b) Trên trung bình (c) Trung bình (d) Dưới trung bình (e) Kém

6. Bạn hãy kể tên 3 món ăn mà bạn ưa thích nhất tại Lotteria?

(1).....(2)

(3).....

*** Lý do bạn chọn là gì?**

.....
.....

7. Nếu đánh giá về chất lượng món ăn và khẩu vị của Lotteria tại Việt Nam, bạn sẽ chọn thang điểm nào từ 0 đến 10 cho Lotteria?

0	1	2	3	4	5	6	7	8	9	10
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8. Bạn có thích Lotteria nhiều hơn cả KFC và Jollibee?

- (a) Hoàn toàn đồng ý (b) Đồng ý (c) Bình thường (d) Không đồng ý (e) Chất lượng rất kém

9. Nếu so sánh Lotteria với KFC hoặc Jollibee thì chất lượng thức ăn và dịch vụ tốt hơn, kém hay gần giống nhau?

(a) Tốt hơn nhiều (b) Một vài điểm tốt hơn (c) Gần như giống nhau (d) Một vài điểm kém hơn (e) Kém hơn nhiều

10. Những vấn đề nào Lotteria cần khắc phục để cải thiện chất lượng món ăn và dịch vụ?

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<국문 초록>

베트남에 진출하는 한국 기업들의 ‘현지화’ 전략: 롯데그룹의 롯데리아 중심으로

본 연구에서는 베트남으로 진출하는 한국 기업들의 현지화 전략에 대해서 알아보고자 한다. 그 중 가장 뛰어난 성과를 보이고 있는 기업중 하나인 롯데그룹의 베트남 시장 진출의 배경을 살피며 마케팅 전략의 성공 요인을 파악하고자 한다. 롯데그룹은 1998 년에 롯데리아 1 호점을 오픈한 이후, 20 년 동안 롯데리아, 롯데마트, 롯데호텔 등 10 여 개 계열사가 활발하게 사업을 진행 중이다. 20 년 만에 이렇게 급격한 성장을 이룰 수 있었던 이유는 롯데그룹이 베트남 시장에 적합한 현지화 전략을 구사했기 때문이다. 따라서, 본 연구에서는 베트남에 진출한 롯데그룹 계열사 중 하나인 ‘롯데리아’ 가 어떤 방법으로 어떻게 성공할 수 있었는지에 대해 연구하였다.

앞서 밝혀진 연구 결과를 토대로 하여, 다양한 현지화 전략의 유형과 개념을 알아보고, 이 전략의 네 가지 필수 구성요소들을 알아보았다. 이 중에서 롯데그룹의 롯데리아는 경영분야의 현지화 전략 속에서 구체적으로 어떤 방법으로 베트남에서 성과를 이루었는지

검토한다. 또한, 앞서 언급된 롯데리아의 현지화 전략 속에서도 네 가지 필수 구성요소의 존재 여부를 토론하여, 롯데리아가 베트남 현지 사회에서 조화롭게 융화되고 있는지 알아보았다. 또한, 321 명의 현지 소비자 조사를 통해 롯데리아의 브랜드 이미지, 롯데리아의 현지화 전략 성공 여부 그리고 시장에서의 경쟁력을 연구조사하였다. 그 결과, 롯데리아의 현지화 전략은 롯데리아의 성공요인에 큰 비중을 차지하는걸로 나타났다.

주요어: 현지화, 현지화 전략, 베트남

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