

# THESIS

**Bui Ngoc Tuan Anh**  
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**Business Administration And Management ( Bachelor/BA)**

**Szent Istvan Campus**

**Hungarian University of Agriculture and Life Sciences**

**ANALYSING THE MICRO AND MACRO  
ENVIRONMENT OF KFC STORE SYSTEM IN  
VIETNAM**

**DIPLOMA THESIS**

**Primary Supervisor: Dr. Turzai-Horányi Beatrix**

Assistant Professor

**Prepared by: Bui Ngoc Tuan Anh -P87700**

**Faculty of Economics and Social Sciences**

Godollo

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# 1 INTRODUCTION

This Section is divided into four subsections.

- Section 1.1 briefly discusses the background and setting of this research.
- Section 1.2 identifies the main problem and main issues concerning the research.
- Section 1.3 indicates research questions to satisfy the problem statement.
- Section 1.4 states both the relevant general and specific research objectives.

## 1.1 BACKGROUND OF THE STUDY

Every organisation needs to adapt to its competitive environment to survive and succeed in the market. On the other hand, the world is in a constant state of change, regardless of the type of business field. The environment is constantly changing and is much more dynamic and less predictable than in the past. Changes in the environment have an exponential trend. In the past, changes were slower and much less marked by the dynamics. Today, changes are much faster and bring trends that previous generations of entrepreneurs and managers needed to learn about. Environmental change can be driven by consumer needs, technological innovation, economic growth, politics, etc. These changes can bring new opportunities for organisations' development, but also, at the same time, they mean threats. Monitoring, researching and predicting the development of the environment has become increasingly complex, and these difficulties also affect managers' decision-making. In other words, adapting to the changing environment is the biggest challenge any organisation can face. The top management of any business organisation must understand, anticipate and manage these changes to survive and achieve a competitive advantage over others. Accordingly, strategic analysis is considered an essential part of the strategic decision-making process of the strategic management process. It is one of the starting points of strategic management, which helps a business organisation to be more stable, flexible, innovative and relevant, as well as to predict the future which should be managed. The strategic analysis brings essential information about the evaluation and development of the environment and also reveals possible opportunities and threats that need to be considered in decision-making. Indeed, strategic analysis supports the organisation in identifying strengths, weaknesses, opportunities and risks, components essential for business survival and growth. A good strategy is a coherent set of analyses, concepts, policies, arguments and actions that respond to

a high-risk challenge (Rumelt, 2012) .Every organisational strategy must determine where the organisation wants to be in the future and objectively assess where it is now to decide how to get there, considering options, alternatives, available resources and necessary changes. Thereby, every business organisation should pay attention to the role of strategic analysis, as in this way, they can build their current and future position, identifying the factors of the internal and external environment. For decades, strategy and strategic management have been essential areas of management in the private sector (Grandy & Mills, 2004). Known as an “early bird” in the fast food industry of the private sector in Vietnam, the KFC system is no exception and is chosen to do research as the case study.

Therefore, the primary purpose of this research is to analyse and determine the impact of strategic analysis on strategic decision-making in the operation of the KFC system in Vietnam through the micro and macro environment analysis approaches.

## **1.2 PROBLEM STATEMENT**

The general problem addressed in this research was “the correlation between strategic analysis, organisation’s business environment (i.e. the micro and macro environment), the operation of the business organisation (i.e. strategic decision-making”. In other words, the author considered whether the micro and macro environment influences strategic decision-making and which micro and macro environment factors affect strategic decision-making. As a result, the specific problem in this research was the overall impact of the micro and macro environment on the strategic decision-making of the KFC system in Vietnam.

It is crucial to address this problem because the effect of strategic analysis on the operation of the KFC system in general and on the strategic decision-making of KFC in specific is significant. This research empirically provides specific answers to the problem.

## **1.3. RESEARCH QUESTIONS**

The following groups of research questions were identified and addressed to guide the acquisition of data required to satisfy the problem statement:

1. To what extent does Strategic analysis affect strategic decision-making in the strategic management of business organisations based on the theoretical and empirical literature?

- What is Strategic analysis in strategic management models with different perceptions?
- How does Strategic analysis impact strategic decision-making in strategic management?
- What approaches to strategic analysis in strategic decision-making?
- What are Strategic analysis types and tools used in strategic management?

Answering this question will achieve the overall aim and specific objectives 1.

2. To what extent does the microenvironment affect the operation of the KFC system in Vietnam?

- What are the essential factors of the microenvironment influencing the operation of the KFC system in Vietnam?
- How do micro-environmental factors affect the operation of the KFC system in Vietnam?

Answering this question will achieve the overall aim and specific objectives 2.

3. To what extent does the macro environment influence the operation of the KFC system in Vietnam?

- What are the crucial factors of the macroenvironment influencing the operation of the KFC system in Vietnam?
- How do macro-environmental factors influence the operation of the KFC system in Vietnam?

The answer to this question will address objective 4.

### **1.3 RESEARCH OBJECTIVES**

The general objective of this research was to analyse and determine the impact of strategic analysis on strategic decision-making in the operation of the KFC system in Vietnam. Thereby, the findings concern recommendations for strategic planners and managers. It was achieved through the specific objectives as follows:

1. To systematise the different theoretical properties of strategic analysis that can influence strategic decision-making in the strategic management of business organisations and the relationship between strategic analysis and strategic decision-making in theory and practice.

2. To empirically assess the impact of the microenvironment on the operation of the KFC system in Vietnam.

4. To empirically evaluate the effect of the macroenvironment on the operation of the KFC system in Vietnam.

## **2 LITERATURE REVIEW**

This research's theoretical framework is built on concepts and theories involving strategic analysis in strategic decision-making. The Section consists of subsections as follows.

- Section 2.1 discusses the term strategic analysis and compares it regarding different perceptions of strategic management.

- Section 2.2 highlights the essential role of strategic analysis in strategic decision-making and the importance of strategic decision-making. The strategic analysis sets the stage for the organisation to formulate strategies and make decisions.

- Section 2.3 clarifies approaches to strategic analysis in strategic decision-making.

- Section 2.4 identifies strategic analysis types and tools to evaluate the organisation's business environment, including internal and external factors. Analysing the organisation's internal and external environment can ensure that the business organisation is moving in the right direction and that all the actions align with the goals.

### **2.1 STRATEGIC ANALYSIS WITH DIFFERENT PERCEPTIONS**

Strategic analysis is defined as a process evaluating an organisation's business environment analysis which operates to formulate strategic plans for decision-making and smooth working of the organisation. In a constant effort to develop, organisations must periodically employ a strategic analysis to determine what areas need to improve and what areas are already doing well. To function efficiently, an organisation must consider how positive changes need to be implemented, how to manage the value chain better and identify its strengths and weaknesses.

Strategic analysis is necessary when a company has a goal and a mission for themselves. When performing a strategic analysis, a company should consider the main question: How is the market constituted? How are the active customers in this sector? While implementing strategic analysis, organisations must identify their competitors and define a strategy to help them become an unbeatable player in a market.

The strategic analysis aims to form a specific picture of the effects on the organisation to be informed for the strategic choice element of the overall strategic management process.

Strategic analysis has various perceptions in strategic management models. Some authors attribute more functions to it ( (Stoner & Fry, 1987); (Thompson, Fulmer, & III, 1990); (Johnson & Scholes, 1993); (Jucevicius, 1998); (Teare, 1998); (Rigby D. , 2001a); (Rigby D. , 2001b); (Analoui & Karami, 2003); (Vasiliauskas, 2005)) than others ( (Porter, 1980); (Rowe, 1994); (Clark D. N., 1997); (Grant, 1998)). Literature analysis leads to believe that the most precise definitions of strategic analysis in the process of strategic management were suggested by (Johnson & Scholes, 1993), (Clark D. N., 1997), (Jucevicius, 1998) and (Teare, 1998). (Jucevicius, 1998) suggested the broadest definition of strategic analysis, while its narrowest definition was presented by (Clark D. N., 1997). Nevertheless, although their concepts of strategic analysis are different from others by their pattern and schematic nature, they are not the same.

(Johnson & Scholes, 1993) directly associated strategic analysis with developing the strategic situations typical to any organisation.

(Miller & Dess, 1996) regarded strategic analysis as the conjugation of three processes: (1) consideration of the organisation's strategic intent; (2) exploration of the opportunities and threats presented in the immediate environment surrounding the organisation; and (3) a study of the organisation's internal strengths and weaknesses. This definition is similar or equivalent to the "Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT) "term plus any effort to define an organisation's strategy.

(Teare, 1998) stated that understanding of organisation's strategic position is the strategic analysis, and they distinguished three main components of strategic analysis that serve strategic management and provide objective information to a strategist: on the external environment of an organisation, on its internal environment, and culture and expectations of the shareholders.

The concept of strategic analysis by (Worrall, 1998) is similar to that of (Teare, 1998). Moreover, the notion of strategic analysis in the management context by (Worrall, 1998), as well as that by (Johnson & Scholes, 1993), relates to the internal and external analysis of the enterprise environment; however, they are different from that the notion of strategic analysis by (Worrall, 1998) does not consist of the elements of organisational culture and shareholders' expectations.

(Clark D. N., 1997) approached strategic analysis and its place in strategic management from various perspectives. He formed the model of the strategic management process into three activity stages. Strategic analysis is the second stage of strategic management and includes three actions: generation of alternative strategies, assessment of alternative strategies and selection of specific strategy. The procedural model differs from other authors by the simplicity of actions and logical consistency. In addition, it is distinctive because (Clark D. N., 1997) separated the analysis phase from the strategic analysis. Compare this concept to the previous ones discussed, it can be argued that before Clark's definition of the strategic management process, strategic analysis was part of a broad definition of strategy; yet Clark formulated the concept of strategic analysis so that it fits not only into a broad but also into a narrow definition of strategy.

(Jucevicius, 1998) reviewed most of the studies on a strategic analysis released in 1995 and presented different attitudes towards an integrating concept of strategic analysis. He associated strategic analysis with assessing opportunities of the external environment and the threats it poses and competition. Jucevicius's approach is associated with the position of (Johnson & Scholes, 1993) but broader. The mentioned strategic analysis model by (Johnson & Scholes, 1993) and other models reviewed so far do not reflect the sequence of strategic analysis factors. The model proposed by Jucevicius already has this new advantage. Jucevicius named three main factors that determine strategy in the model: holistic competence of an organisation, potential activity conditions (external environment), and preconditions for competitiveness. It is possible to state that when developing this model, Jucevicius integrated the concepts used in the works of (Porter, 1980), (Rowe, 1994) and (Grant, 1998). When comparing his model with the concepts of strategic analysis proposed by (Clark D. N., 1997) and other authors, as mentioned earlier, it can be argued that Jucevicius's model can be regarded as a joined model of Clark and other authors.

(Rigby D. , 2001a) and (Rigby D. , 2001b) understands strategic analysis from the perspective of management structure as follows: mission, competitive analysis of the external environment and analysis of the organisational environment. This concept of strategic analysis essentially does not differ from those by (Johnson & Scholes, 1993), (Worrall, 1998) and (Teare, 1998), except that Rigby (2001) gives prominence to the mission when attributing it to a separate phase of strategic planning. When comparing the concepts of strategic analysis by Rigby and Stoner and Fry (1987), it can be noticed that Rigby (2001), as well as (Clark &

Scott, 1995) recommend studying the mission from the perspective of analysis but not from the perspective of activity.

## **2.2 STRATEGIC ANALYSIS IN STRATEGIC DECISION-MAKING**

Strategic analysis is vital to formulate strategic planning for decision-making and the smooth working of that organisation. With the help of strategic planning, the objective or goals that the organisation sets can be fulfilled. In other words, when it comes to business planning, strategic analysis plays a crucial role in guiding decision-making. The strategic analysis process aims to form a strategy and make strategic decisions.

Strategic decision-making is crucial because it involves fundamental decisions that shape a firm's course (Eisenhardt & Zbaracki, 1992); thus, the approach to strategic decision-making should be considered very carefully. Strategic decision-making is growing in importance because of the characteristics of strategic decisions (Papadakis & Barwise, 1998), (Papadakis V. M., 2006). Decision-making has an important cross-cutting feature organically incorporated into all other management functions.

Strategic analysis is the initial step for formulating strategy and other strategic decisions. Based on the external and internal environment analysis, we can develop a strategy to guide our progress in achieving the strategic objectives (David, 2013).

Strategic analyses enable us to assess the initial situation, evaluate the situation inside and outside the company, and reveal the factors that will cause environmental changes (David, 2013). We use analyses to uncover problems, identify the underlying factors, and study their impact (Sternberg, 2011). The strategic performance also depends on the company's resources and capabilities and understanding their impacts (Volna & Papula, 2013).

The strategic management theory provides us with many tools and techniques suitable for strategic analysis and creating variants and appropriate solutions (Savanevicien, Vaitkevicius, & Merkys, 2006). In strategic management, we usually recognise a strategic management process in which strategic decisions are based on understanding and predicting environmental development as a part of the strategic analytical phase (Papula & Papulova, 2015).

If, within strategic decision-making, we want to prepare a decision which will be timely and effective in the future, it should be based on anticipation of changes in the environment. Strategic analysis, therefore, plays an essential role in strategic decision-making.

### **2.3 APPROACHES TO STRATEGIC ANALYSIS IN STRATEGIC DECISION-MAKING**

With the development of decision-making theory, managers have begun to apply analytical methods and procedures based on rational and logical thinking besides intuition. Methods and procedures proposed by theory were developed in detail and verified in practice, and therefore they are recommended by theory as trustworthy.

Many other changes and developments shape the environment, usually characterised as dynamic, unstable and unpredictable. Monitoring, researching and predicting the development of the environment has become increasingly complex, and the difficulty affects managers' decision-making. The world is becoming ever more unstable, more disordered and more uncertain. It hence requires more and more and better and better analytical tools for strategic decisions making (Bhushan & Rai, 2004) and a better approach to strategic analysis. Environmental changes have begun to put ever greater demands on the ability to predict future environmental trends. In addition to previously successful and efficient rational and logical thinking, a more suitable approach called "strategic thinking" is needed. The essence of strategic thinking aptly characterises (Ohmae, 1982), mainly by pointing out the difference between mechanical and intuitive thinking.

Managers in decision-making use all three ways of thinking. They often do not realise the positives or negatives of the application of those procedures in the framework of decision-making (Ohmae, 1982) (Papula & Papulova, 2015):

1. Mechanical thinking is based on applying rational and logical procedures generated by the theory and verified by the practice. It has many advantages. It applies scientifically developed analytical and analytical-synthetic procedures that managers engage in analytical processes. Using them, teams of professionals can develop credible and comprehensive solutions. Analytical procedures, and thus the decision-making process, are generally time-consuming, tedious, inflexible, and not innovative. In mechanical thinking, we use more rational and logical analyses that usually generate solutions to remove the problems, but the

solution itself is more conservative than creative. The application is rather still than dynamic and not on the course of environmental changes. (Bhushan & Rai, 2004) also pointed out exciting aspects, problems in which the stakes are incredibly high, human perceptions and judgments are involved, and whose solutions have long-term repercussions, calling for a rational approach to their solution. Nevertheless, the problems are usually presented as uncertain, fuzzy and confusing at the strategic level. At the same time, many problem-solving techniques are based on mathematical principles and can only be applied to systematic and well-formed problems.

2. Intuitive thinking is based on creativity and innovation, but it relies more on the intuitive skills of the manager. In intuitive solving and decision-making, managers are not performing analyses or synthetic-analytical procedures, but their solutions appear very mysteriously in the way they emerge from their heads. Intuitive thinking is based on knowledge, experience, and managers' natural features and capabilities. Since intuitive thinking does not require making an analysis or applying time-consuming analysis and analytic-synthetic methods, it is speedy. It gives the flexibility to respond to emerging opportunities and threats. On the other hand, it does not focus on a comprehensive solution to the problem but rather only on the centre of gravity of the solution. It also allows receiving even unconventional and yet unapplied solutions. In a constantly changing and unpredictable environment, many managers prefer just such a procedure in their decision-making. Its weakness is high risk because it contains subjective views and locally oriented solutions. Such a procedure causes this decision-making procedure lacks arguments; it is impossible to oppose or verify the correctness of the decisions. However, in the future, it can open the door for many unresolved specific questions within the overall problem. Therefore, many authors of strategic management books (David, 2013) suggest that intuition should be accompanied by analysis to provide a basis for strategic decisions.

3. Strategic thinking is the third type of thinking, which differs from the previous two. Nevertheless, it takes over positive aspects from the prior types of thinking. Comparing mechanic thinking, they have a standard procedure based on analysing and applying analytical and synthetic procedures. So the outcome of decision-making can be examined, reviewed and critically assessed. Intuitive thinking, on the other hand, it takes a creative approach to creating solutions. This type of thinking tries to reduce the weakness of mechanical thinking, the conservative approach and disregard for the changes occurring in the environment.

Strategic thinking is primarily thinking about the future. Mechanical thinking is also trying to predict the future, yet based only on information from the past and present. Strategic thinking is looking forward, predicting the future and finding the specificities of how the future will differ from past and present.

As an integral part of strategic decision-making, strategic analysis should be based on applying strategic thinking. Through strategic analysis, it is necessary not only to search for specific features that will characterise the future but mainly to detect the factors that will cause environmental changes. Therefore, strategic analysis primarily focuses on examining the effect of key critical factors that cause changes in the environment and, consequently, allows us to anticipate changes in the environment. The basis of strategic analysis is not only the ability to distinguish past, present and future but the ability to distinguish the weight of factor impact under the influence of time. With a simplified view of the effect of factors on the environment, it can be argued that each factor goes through phases of its life cycle.

## **2.4 STRATEGIC ANALYSIS TYPES AND TOOLS**

### **2.4.1 Internal analysis**

Internal analysis is known as the analysis of the organisation's microenvironment. The conditions and forces that exist within an organisation constitute its microenvironment. The microenvironment is an organisation's "in-house" situation and completely controls it. Unlike the external environment, the internal environment is more directly controllable. It consists of such factors as owners/shareholders, board of directors, employees and trade unions, and corporate culture. Out of all these factors, some are more important than others. So, managers must clearly understand which factors are critically significant and substantially influence the organisation's activities. They also need to predict how the importance of different factors may increase.

Resources of the organisation: An organisation's resources can be discussed under five broad heads: physical resources, human resources, financial resources, informational resources and technological resources. Physical resources include land, building, warehouses, materials, equipment, and machinery. Human resources comprise all employees of the organisation from the highest level to the lowest level, including the organised labour union members. Financial resources encompass capital financing the organisation's operations,

including working capital. Informational resources consist of usable data needed to make effective decisions.

**Owners/stockholders:** Owners of an organisation may be an individual in the case of a sole proprietorship business, partners in a partnership organisation, shareholders or stockholders in a limited company or members in a cooperative society involved in the business. In public organisations, the government of the country is the owner. Whomever the owners are, they are an integral part of the organisation's internal environment. Owners play an essential role in influencing the affairs of the business. This is why managers should take more care of the owners of their organisations.

**Board of Directors:** The Board of Directors are responsible for top-level strategy-making and providing directions to the organisation. What would be the number of directors on the board is stipulated in the organisation's Memorandum of Association. They are responsible for top-level strategy-making and providing directions to the organisation. They are strategic decision-makers and planners, overseeing and monitoring the organisation's overall functioning. Some organisations have no board of directors, and instead, they have a "Board of Trustees", "Managing Committee", or "a Governing Body".

**Organisation's culture:** Organisational or corporate culture significantly affects employee behaviour. An organisation's culture is viewed as the foundation of its internal environment. Organisational or corporate culture significantly affects employee behaviour. Culture is essential to every employee, including managers who work in the organisation. A strong culture helps an organisation achieve its goals better than a weak one. Culture in an organisation develops and "blossoms" over many years, starting from the practices of the founder(s). Since culture is an organisation's crucial internal environmental concern, managers must understand its impact on organisational activities.

**Organisation's image/goodwill:** An organisation's reputation is a precious intangible asset. A high reputation or goodwill develops a favourable image of the organisation in the minds of the public/the customers. "No reputation" can not create any positive image, and a negative image destroys the organisation's efforts to attract customers in a competitive world.

SWOT analysis is one of the most famous methods of strategic analysis, which is being made because of factors of both external and internal environment, which in turn makes

it possible to evaluate existing opportunities and potential threats of the organisation to develop a strategy for further development.

SWOT analysis is known as one of the most reputed techniques for internal strategic analysis. There is no better way to earn benefits from a strategically performed analysis than to utilise it to expose the strengths, opportunities, weaknesses, and threats the organisation may suffer. The strengths and weaknesses are related to internal organisational factors meanwhile the opportunities and threats are external elements that could influence the success of an organisation (Omer, 2018). Performing a SWOT analysis will help you create a substantial and long-term vision through strategic planning for your organisation. The important thing is to constantly assess the environment in which the organisation operates and act accordingly. An organisation needs to take into account the SWOT principle to be able to plan efficiently. Through a thorough SWOT analysis, organisations can prevent several problems without systematic analysis.

**Strengths of an organisation:** Several attributes are positive in the organisation that you can control to obtain better results; they are your strengths, making you stand out from others. Knowing this type of information is crucial because these elements give an advantage to you over your competition.

**Weakness of an organisation:** It is practically impossible for an organisation to have only strengths rather than weaknesses. Therefore, there are specific characteristics of an organisation that need to be improved to be able to perform better and compete in the market. These are called business weaknesses. Most of the factors are foreseeable, and an organisation needs to identify them well in advance and approach the problems with corrective measures.

**Threats to an organisation:** Negative factors will affect the organisation's growth, which can be analysed too. These factors must be revealed, and a risk management strategy must be conducted so that threats do not adversely impact the organisation's growth. Also, threats like multiple players in the market with the same products, the downturn in the economy, and better advertising of the same product by competitors are some threats that must be dealt with carefully so that competitors do not take advantage of the situation.

**Opportunities for an organisation:** Discover the opportunities you have to grow. Knowing the path organisations must follow is an excellent step towards success. Take

advantage of all those external factors being positive for the organisation. Identify and take advantage of all the opportunities.

#### **2.4.2 External analysis**

External analysis is known as the analysis of the organisation's macroenvironment. The macroenvironment consists of an organisation's external factors that affect its businesses indirectly, and the organisation has little or little control over these factors. The Macroenvironmental factors reside outside the organisation, which can lead to opportunities or threats. For the convenience of analysis, macroenvironmental factors can be divided into two groups:

(a) General environment (Environmental analysis), and (b) Industry environment (Industry analysis).

Environmental analysis:

The general environment encompasses the distant factors in the external environment that are general or common in nature. The general environmental factors, such as demographic factors, are common in that they affect all organisations in all types of industries, not only a particular organisation in a particular industry. The general environment of a business organisation consists of the following factors:

**1. Political factors:** The political environment has the power to change results, and it could add a risk factor and lead to a significant loss.

Politics is the first factor to be analysed, regardless of investors or managers, to predict the operational security of countries and regions where organisations have buying, selling, or investing relationships. The political environment can impact business organisations in many ways and has the power to change results, and it could add a risk factor and lead to a significant loss. A country or region's political system, stability, or political turmoil are early signals that help managers identify opportunities or risks for organisations to make investment decisions. Conduct business in national or international market regions.

Politics is a factor that affects all industries when doing business in a territory. Businesses must comply with that area's legal and institutional elements when doing business in an administrative unit. This element usually analyses the following aspects.

- Political stability: mainly related to political and diplomatic conflicts of legal institutions. Stable institutions will create favourable conditions for production and business activities. A lack of political stability in a country affects business operations, and this is especially true for international business organisations.

- Policy: Government policies will affect business organisations, and they can make a profit or challenge the business. These can include trade policies and industry development policies, economic development, tax, competition regulation policies, consumer protection, etc.

- Level of government intervention: The government is both a controlling factor, encouraging, financing and providing public services for businesses. Understanding the extent of government intervention in the areas will help businesses operate smoothly.

**2. Economic factors:** The performance of business organisations is impacted by the health of a nation's economy.

Economic factors are included in one of the bread-and-butter techniques of all business analysis. This is because economic factors play a large part in deciding how a company makes its decisions (especially financial ones). Economic factors are connected with goods, services, and money. Despite directly affecting businesses, these variables refer to the financial state of the economy on a greater level - whether local or global. Indeed, the economic environment includes a distinct variable with which management must be concerned. A country's economy can be in a boom, recession, depression, recovery or fluctuation. Managers/strategy-makers must be able to forecast the economy's state. The performance of business organisations is affected by the health of a nation's economy. It ensures the necessity of studying the economic environment to identify changes, trends and strategic implications. Business organisations do their businesses in markets involving people. These people are likely to become customers when they have purchasing power. Furthermore, purchasing power depends on income, prices, savings, debt and credit availability. Therefore, business organisations must pay attention to the income and consumption patterns of the customers.

Several economic factors affecting business include economic growth/decline, interest rates, exchange rates, recession, inflation, taxes, demand / supply.

- Interest rates: Interest rates appear in various places, imposed by various people. It is evident that the status quo for interest rates is of great interest to banking institutions. However, it might also affect business organisations whose strategies rely on taking out large loans.

- Exchange rates: Exchange rates are a complicated topic, but they must apply to those dealing with export or import. Changing exchange rates might affect how much an organisation has to pay to its international supplier to satisfy them, which can affect profit margins and take many resources to stay on top of.

- Recession: An economic recession (of whatever scale) has the potential to change the purchasing attitude of customers, which might force organisations to drop their prices or produce smaller volumes.

Economic factors are one of the many environmental, external factors which can affect businesses. Although economic factors relate to the economy on a grander scale, they profoundly affect the inner workings of every business organisation.

**3. Technological factors:** The influences of technological changes appear primarily through new products, processes and materials. Strategic managers must oversee technology developments for their particular industry when formulating strategy.

Technological factors relate to technology's existence, availability, and development locally or globally. Technology hugely dictates how many things are done, in business or otherwise. The technology significantly impacts product development, manufacturing efficiencies, and potential competition. Business organisations that face problems with changing or unstable technology are always more complicated in predictability than those with stable technologies. The influences of technological changes appear primarily through new products, processes and materials, and an entire industry may be converted or revitalised due to the utilisation of new technology. Strategic managers must oversee technology developments for their particular industry when formulating strategy. A quick and thorough research of technological changes supports managers in earning a higher market share because of the early application of new technology. An organisation must be aware of technological changes to avoid obsolescence and encourage innovation. In other words, strategy managers of an organisation must be proficient in technological prediction.

Technological prediction can protect and improve the profitability of organisations in growing industries.

Some technological factors affecting business include computer calculation speed/power, Internet connectivity, automation, etc.

- Internet connectivity: In recent years, global internet connectivity has undoubtedly been on the rise. It presents an even larger market for many organisations using the Internet to connect with customers. On the flip side, though, a global rise in internet connectivity might mean less interest in traditional communication. It is a negative consequence for some - telephone service providers must change their offerings to stay relevant. At the same time, paper-and-ink printing companies might receive less business.

- Automation: Automating many unskilled tasks can allow organisations to replace human production lines with entirely machine ones. This can reduce costs for manufacturers, distributors, supermarkets, and other businesses. On the flip side, the gradual increase in job automation might be terrible for job search business organisations.

**4. Sociocultural factors:** Sociocultural forces dictate a particular set of values and attitudes with resultant lifestyles from the cornerstone of society.

Business organisations choose an environmental analysis depending on the nature of operations. However, all of them study the social and cultural factors. Changes in social and cultural factors can impact an organisation in many ways. People that struggle financially from these changes can get some help to get back on their feet.

Sociocultural forces dictate a particular set of values and attitudes with resultant lifestyles. They dictate product demand characteristics. A society's values and attitudes form the cornerstone of society, often driving other conditions and changes. Sociocultural factors vary across countries. In many countries, worker diversity has become a common phenomenon. There are sociocultural changes in some countries, such as the increasing life span of the population, the trend toward fewer children, the movement of the population from rural areas to urban areas, more and more women entering the mainstream workforce, etc. All these primarily impact a country's social character and health. Therefore, managers of business organisations need to research and forecast the effect of sociocultural changes on the future of business operations in terms of meeting consumer needs, attitudes, opinions, and

interests. It can impact the sales of products and revenues earned. Business organisations must offer products in society that correspond to its values and attitudes.

Some sociocultural factors impacting customer needs and the size of markets include lifestyles, buying habits, education level, religion and beliefs, sex distribution, social classes, etc.

**5. Demographic factors:** Geographic environment is related to population size, age structure, geographic distribution, ethnic mix and income distribution.

The demographic environment is related to a country's population. Specifically, it is related population's size, age structure, geographic distribution, ethnic mix and income distribution. Demographic changes are apparent all over the world. The average age is generally increasing. In several countries, there is negative population growth. In several countries, couples average fewer than two children. In many countries, rural-urban migration is rampant. These trends suggest numerous opportunities for organisations to promote products and services to meet the needs of diversified groups in society.

Strategy-makers must analyse the demographic issues, especially the population's size and growth rate, educational level, ethnic mix, household patterns, age distribution, and inter-regional movements.

**6. Legal factors:** The legal environment comprising laws, government agencies and pressure groups affects business of all scales.

Legal factors are external factors which refer to how the law affects the way businesses operate, and customers behave. In other words, they are the factors that affect businesses due to, or directly related to, governmental laws. They play a big part in deciding how businesses operate, what profits they receive, and how customers behave. Legal factors can decide whether or not a business is behind selling a particular product and can also affect the mechanisms through which a company stocks their inventory or interacts with the customer. The legal environment consists of laws, government agencies and pressure groups. Many laws regulate organisations' business operations, and government agencies include different ministries. Business laws protect organisations from unfair competition and consumers from unfair business practices and even protect society at large. Business managers must thoroughly know the laws that protect business organisations, consumers and

society. Managers should have clear ideas about the actions of the pressure groups since these groups put restraints on the business managers.

Some legal factors affecting business include consumer law, employment law, copyright law, health and safety law, import/export law, discrimination law, pyramid scheme legality, etc.

- Consumer law: an alternative to consumer protection is designed to protect consumers from fraudulent companies or practices and preserve their rights in the marketplace. For example, consumer law results in large companies having to dedicate a fair amount of resources to putting out detailed information about their products and policies. On the other hand, consumer law does business for some private watchdog companies.

- Employment law: also known as labour law, dictates how companies' employees should be treated. Minimum wage laws can limit the various employment possibilities a company can offer, child labour laws can affect how tight-knit home businesses in third-world countries operate, and dismissal laws can make firing employees that bit harder.

**7. Environmental factors (or Natural environment factors):** The most relevant issues in the natural environment comprise the availability of raw materials and other inputs, levels of environmental pollution, changes in the cost of energy, and the changing role of government in environmental protection.

Environmental factors that affect business - sometimes called "Ecological factors" - refer to variables regarding the physical environment (the climate of Earth, for example). Environmental factors can affect many essential aspects of the business, including customer willingness to buy a product, employee efficiency, and crop/resource availability. Strategy-makers must analyse the trends in the country's natural environment or the region where it operates its business.

The most relevant issues in the natural environment comprise consumer health, climate change, weather, the availability of raw materials and other inputs, environmental pollution levels, changes in energy cost, the changing role of government in environmental protection, or any direct consequences.

PESTLE-C analysis (Political, Economic, Social, Technological, Legal and Environmental factors) illustrates a framework of macroenvironmental factors utilised in the

environmental scanning component of external strategic analysis. It is part of the external analysis when implementing a strategic analysis or market research. It gives an overview of the different macroenvironmental factors that the organisation must consider. Broadly speaking, PESTLE is a useful analysis tool that helps organisations know the “big picture” of the business environment in which they are operating, thereby identifying potential opportunities and threats in it.

### **Industry analysis:**

The industry environment is an organisation’s “immediate” external environment that substantially affects its operations, such as suppliers or customers. In the industry environment, an organisation competes in its performance. Every organisation operates its business in an industry, and therefore organisation’s activities are directly influenced by any changes in the industry environment. Changes in the general environment can directly affect any factors in the industry environment, and an organisation has greater control over industry-related environmental factors than general ones. A manager or entrepreneur should be able to identify the various elements of the industry environment to take appropriate steps to respond to them effectively to survive in the industry. In general, the factors that constitute the industry environment are suppliers, customers, competitors (both existing and potential), substitute products, industry-related economic forces, technological factors and the like.

**1. Suppliers:** Suppliers are sources of resources such as raw materials, components, financial support, services, equipment, and other supplies. In order to make sure the long-term survival and growth of an organisation, it is crucial to develop a dependable relationship between a business organisation and its suppliers.

**2. Customers:** Strategy managers must understand the composition of the organisation’s customers. With this end in view, they need to develop a detailed customer profile of both the present and potential customers. Managers will be better positioned to plan the organisation’s strategic operations pragmatically and anticipate market size changes and demand patterns. While creating a customer profile, managers need to use information concerning the geographic location of customers, demographic characteristics of buyers, psychographic issues and buyer behaviour.

**3. Competitors (existing and potential):** An organisation needs to analyse the competitors’ competitive position in the industry to enhance its chance of designing winning

strategies. Many companies develop a competitor profile to more accurately forecast short- and long-term growth and profit potentials. A competitor profile may include variables such as market share, product line, sales effectiveness, distribution, price competitiveness, advertising and promotion effectiveness, location and age of the facility, production capacity, raw material costs, financial position, etc.

**4. Substitute products:** In the industry, many substitute products may compete for the same group of customers. This ensures a clear understanding and knowledge of the industry's nature and the number of substitute products. The strategy managers need to develop a "substitute products profile" to understand the nature of competition from these products. The profile may comprise such information as names and brands of substitute products, nature of the market in which these products have been presented such as mass market or niche market, financial and marketing strengths of the producers of the substitute products, price ranges, distribution channels utilised, advertising and other promotional programs undertaken for each of the products, quality and demand, acceptability among the customers and so on.

Porter's Five Forces is a model identifying and analysing five competitive forces which shape every industry and determine an industry's weaknesses and strengths to explore the contribution of the organisation at the market and the level of profits.

Competition in the industry: The first of the Five Forces concerns the number of competitors and their ability to undercut an organisation. The larger the number of competitors and their tantamount products and services, the lesser the organisation's power.

Suppliers and buyers seek out an organisation's competition if they can offer a better deal or lower prices. Contrarily, when competition is low, an organisation has more robust power to charge higher prices and set the terms of deals to boost sales and profits.

Potential of New entrants into an industry: An organisation's power is also impacted by the force of new market entrants. The less time and money it costs for a competitor to join an organisation's market and be an effective competitor, the more an established organisation's position could be significantly weakened. An industry with solid entry barriers is ideal for existing organisations within that industry since the organisation could fix higher prices and negotiate better terms.

Power of Suppliers: The next factor in the Porter model reflects how suppliers can quickly raise input costs. It is influenced by the supplier quantity of key inputs of a good or

service, how unique these inputs are, and how much it would cost an organisation to switch to another supplier. The fewer suppliers to the industry, the more an organisation would depend on a supplier. As a result, the supplier gets more power, can increase input costs, and push for other trade advantages. On the other hand, when many suppliers or low switching costs between rival suppliers exist, an organisation can keep its input costs lower and enhance its profits.

**Power of Customers:** Customers' ability to drive prices lower or their power level is one of the Five Forces. It is affected by how many buyers or customers an organisation has, how significant each customer is, and how much it would cost an organisation to find new customers or markets for its output. A smaller and more influential customer base means customers have more power to negotiate for lower prices and better deals. An organisation with many smaller, independent customers will quickly charge higher prices to increase profitability.

**Threat of Substitutes:** The last of the Five Forces concentrates on substitutes. Substitute goods or services that can be utilised in place of an organisation's products or services pose a threat. Organisations that produce goods or services without close substitutes will get more power to increase prices and lock in favourable terms. When close substitutes are available, customers can quit buying an organisation's product, and an organisation's power can be weakened.

Understanding Porter's Five Forces and the way how they apply to an industry can enable an organisation to adjust its business strategy to use its resources better to achieve higher earnings for its investors.

Porter identified three main strategies that are universal and can be applied to the above competitive forces:

- + Leadership strategy directs the organisation to manufacture large quantities of goods at the large market.

- + Strategy of product differentiation is used when the organisation enters a deep market with a unique product.

- + Focus strategy concentrates on one segment of the market or the limited geographic market sector.

### **3 RESEARCH METHODOLOGY**

This Section is a detailed discussion of the methodology employed in the research. The Section is divided into three subsections as follows.

- Section 3.1 provides the research design.
- Section 3.2 presents the Case study strategy.
- Section 3.3 explains the data collection procedure.

#### **3.1 RESEARCH DESIGN**

The most popular approaches for any research are qualitative and quantitative methods based on the research purposes. Quantitative research involves collecting and quantifying data by some forms of statistical analysis, whereas qualitative methods can be unstructured and exploratory, designed using small samples. It intends to understand how people involved interpret and experience the phenomenon (Eriksson & Kovalainen, 2008). The qualitative method was chosen for this research to gain deeper insight and understand how the micro and macro environment affects the operation of the KFC system in Vietnam.

Sachdeva (Silverman, 2009) has identified the qualitative approach as an “array of interpreting techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world”. The qualitative method is applied to inform researchers about how and why things happen by describing events, situations, and interactions between people and things in depth and detail (Silverman, 2009). As a result, this method is labelled as “interpretive research” thanks to developing in-depth understanding and building theories with high involvement of all participants instead of testing them (Silverman, 2009).

The qualifications of qualitative research that fit into this research are also suggested by (Malhotra & Birks, 2007). The qualitative technique helps the researcher express personal preferences and experiences, reveal thoughts and raise sensitive questions. In addition, some complex cases and phenomena can be well understood holistically (Malhotra & Birks, 2007). This thesis aims to provide a detailed description and understanding of the researcher and participants regarding how the micro and macro environment impacts the operation of the KFC system in Vietnam rather than clarifying and measuring the characteristics of the micro

and macroenvironmental factors in the strategic analysis. On the other hand, quantitative research is preferred in testing theories and presenting facts which demand the researchers to be related to the research to keep it unbiased; therefore, it is not considered suitable for this research.

### **3.2 CASE STUDY STRATEGY**

Yin (Yin R. , 2003) has assessed case study as an effective and favourite method since the investigator obtains little or no control over all the events surrounding the focused case. Also, attention is paid to contemporary phenomena happening in real-life circumstances. Since this thesis concentrates on analysing the micro and macro environment applied in a specific market, the phenomenon no doubt appears in a real-life context that the researcher cannot change or control. Therefore, the case study is the most appropriate research strategy.

To clearly understand the advantage of the case study method, Yin (Yin R. , 1984) has clarified the case study method as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not evident; and in which multiple sources of evidence are used." As a result, the data is collected based on the context desired by the writer, meaning that it focuses solely on the circumstances surrounding the activities the author wants to investigate. The case study is officially recognised as an effective research method because researchers began to be more worried and dubious about the shortcoming of the quantitative method in capturing "holistic and in-depth explanations" of the subject matter (Zainal, 2007). The case study method appeared to be more efficient in understanding the subjects' behaviours and the reasons behind these behaviours (Zainal, 2007). This research tool is also known for its intrinsic, instrumental and collective advantage, which best supports qualitative analysis of the data (Zainal, 2007). In-depth qualitative research conducted in correspondence with a case study enables researchers to examine or generate the data in real-life situations and interpret the sophistication of the collected materials, which is impossible to manage by statistical recipes such as experimental and questionnaire methods.

Case study research can be conducted in a single-case or multiple-case. In multiple case designs, several cases are investigated to identify and match common patterns. Then the conclusions are generalised from these case studies and linked to theoretical constructs (Zainal, 2007). The single-case design aims at one or only a few cases to obtain specific

insight and the phenomenon's complexity and examine the perception and behaviours of participants involved in the case. This research is implemented through only one case company – KFC fast food system. The idea behind this choice is that unrelated and saturated external factors can be avoided from the business field by exploring one case brand. Furthermore, focusing on one case brand allows the investigators to analyse further in comparison with examining several brands in a general manner.

The primary intention of a single-case design is not to generalise results originating in theories but to discover the case from the inside operation and generate an understanding towards the issues in question based on the assessment of the people involved. According to (Eriksson & Kovalainen, 2008), the main interest embraces in the case itself dominantly and less in the pre-stated theories.

This study's case company and targeted market were carefully opted based on their significant impacts and special characteristics. KFC fast food was the first foreign fast food brand in the Vietnamese market; hence, it was an example for other business organisations. Moreover, KFC has been holding a strong market position, large scale of operation and prominent international features in its marketing strategies. Vietnamese market was chosen because it is the author's home country, which allows the author to observe the real-life situation of the fast food industry and the case company and access secondary data in Vietnamese accurately. Also, the Vietnamese market is specifically selected due to its potential fast food market.

### **3.3 DATA COLLECTION**

In this thesis, data is accumulated from secondary data and observations based on the research purposes and resource availability to enforce research data validity. Secondary data is considered an essential source of information for studies; it is time-saving and budget-friendly compared to primary data. However, due to the diversity and liberal of the data, writers should investigate and evaluate the findings' sources to ensure data accuracy. Articles, journals, company reports regarding internal policies, annual financial statements, and third-party publications offer valuable and reliable information. For this research, secondary data is collected through KFC's official website and articles from several business websites such as Business Wire, Hanoitimes, Investment Policy Hub, The Economists, etc. Besides employing secondary data, observation was adopted in this research. Observation data is gathered by

observing the phenomenon, human behaviours, expressions and interactions towards the phenomenon (Koppa, 2012). This technique requires a researcher to differentiate personal observation data from the observation results delivered by other respondents. However, the degree to which internal and external viewpoints are generated and combined depends on the research approach (Koppa, 2012). If the researchers attend the observation process and use their own viewpoints, they become active observers of the phenomenon. When the researchers decide to receive only outsiders' opinions, the study becomes objective without any research bias. Throughout this research, the author acted as an inside observer by being a Vietnamese citizen and a KFC customer; simultaneously, the researcher became an outside observer by deriving information from other KFC consumers.

The observation for this research took place from February to April 2023. The author selected three KFC restaurants for the observation, two located at the centre of Hanoi, whereas the other is in a small district. Due to the KFC restaurants' tremendous workload, the author was often allowed to observe in the morning and sometimes in the evening. The author continuously moved between three places to compare them in special holidays such as Valentine's Day (February 14), International Women's Day (March 8), and Hùng Kings' Festival (April 20 - April 29). Per the micro and macro environmental analysis approaches, the researcher noted all information evaluated.

## **4 ANALYSING THE MICRO AND MACRO ENVIRONMENT OF KFC SYSTEM IN VIETNAM**

This Section contains the following:

Section 4.1 will analyze the macro environment of the kfc store system in Vietnam

Section 4.2 will analyze the micro environment of the kfc store system in Vietnam

Section 4.3 analyzes the company's internal environment (resources and value chains).

Section 4.4: Using SWOT model to analyze kfc store system in Vietnam

### **4.1 THE ANALYSIS OF THE MACRO ENVIRONMENT OF THE KFC SYSTEM IN VIETNAM**

Political factors: Vietnam is currently a socialist country. The political system includes the Communist Party of Vietnam, the Socialist Republic of Vietnam, the Vietnam Fatherland Front and social-political organisation. All parties are closely connected to form a unified political system, operating by the principles of party leadership, national management, and people's ownership of the country. The political system of Vietnam controls the entire social power system. Therefore, the development system can be improved and implemented only with a good, reasonable, practical political system.

Political stability is one of the indispensable factors that help Vietnam adhere to its economic development policies: Stable politics have brought peace and prosperity to Vietnam. The political uncertainty between Russia and Ukraine proves the importance of this point because KFC, McDonald's, Pizza Hut and other well-known food companies are paying attention to this point and suspending operations in Russia. Russia, some European countries, and the United States have announced mutual embargoes, making it difficult to conduct business when the supply chain is disrupted. The company faces uncertain business and investment prospects.

In addition, since it acceded to the World Trade Organisation (WTO), Vietnam has updated its policy thinking, improved national management and corporate governance standards, formed a legal framework and developed economic and trade system standards. According to committed multilateral and bilateral agreements, they provide a solid legal

foundation and positive impetus for the country to gradually open up, expand the market for goods and services, improve the structure, and improve international trade efficiency. It establishes and strengthens the confidence of foreign investors/companies in the Vietnamese market.

Political factors affect the import of raw materials (typically, KFC's two most prominent ingredients are chicken and potatoes) from the global supply chain: Vietnam is paying more and more attention to health and safety issues, environmental safety and fair trade practices in business. With a developing country like Vietnam, it will be a potential market for foreign businesses to invest in. Open trade policy and stable politics promote bilateral and multilateral cooperation. Therefore, importing other foreign materials into Vietnam is much more convenient. It would be a huge plus if the fast food industry "entered" the Vietnamese market.

Diplomatic relations between Vietnam and the United States: On the afternoon of May 13, 2022 (local time), in Washington D.C., the United States took place the ASEAN-US Special Summit. During the conference, the two sides affirmed that Vietnam-US relations have achieved many remarkable achievements since establishing diplomatic relations in 1995. According to Foreign Policy, U.S. officials, including the Ambassador of The United States in Vietnam, Marc Knapper, call for upgrading the two countries' relations from a "comprehensive partnership" to a "strategic partnership" in recognition of the remarkable success of the bilateral relationship. Thanks to the excellent cooperation between the U.S. and Vietnam, moreover, in the future, there will be more "economic favours" for partners of both countries when participating in each other's markets. KFC and the Vietnamese market can also be proof of this.

Investment results in the Vietnam market thanks to stable political advantages: FDI enterprises consider Vietnam an attractive investment destination with stable political advantages, gradually opening administrative procedures, inspection and unofficial costs. Consciousness has decreased, proving the success of Vietnam's strategy in economic development based on attracting foreign direct investment and developing the domestic private sector.

Stable politics creates a favourable environment for business activities, and a government willing to meet the legitimate requirements of society will create trust and attract

foreign investors. Therefore, when entering the Vietnamese market, KFC has been assured of investment safety, rarely facing risks caused by the political situation. Instead, the company is assured of developing and succeeding in the Vietnamese market.

Economic factor: Vietnam's economy has been stable and has developed in recent times. It is reflected in the high economic growth rate, GDP per capita, stable exchange rate, interest rates and inflation under control.

Economic growth rate: Since the COVID-19 pandemic broke out in Vietnam in 2020, its economy has faced unprecedented challenges: GDP declines, unemployment rates skyrocketed, and businesses have gone bankrupt. However, Vietnam's economy generally performs well as total import and export turnover increases. The number of new enterprises and enterprises returning to operation by the end of November 2021 is 160,000; state budget revenue increased, and so on.

The year of 2020 is considered a year of great difficulties and challenges for the world economy, including Vietnam. The growth of major economies has all slowed down due to the negative impact of the Covid-19 epidemic. However, Vietnam's economy still maintained a growth rate of 3 with an estimated growth rate of gross domestic product (GDP) of 2.91% (in the first quarter, it increased by 3.68%; in the second quarter, by 0.39%; in the first quarter of the third quarter increased by 2.69%; the fourth quarter increased by 4.48%).

According to the General Statistics Office in 2021, GDP in 2021 will increase by 2.58%. That reflected the difficulties caused by the Covid-19 epidemic to all sectors of the economy, especially in the third quarter of 2021 when many key economic localities had to implement prolonged social distancing to prevent the pandemic. The 2.58% growth in 2021 is lower than the 2.91% in 2020. After two years of the COVID-19 crisis, an uneven global recovery is still underway, but momentum has weakened.

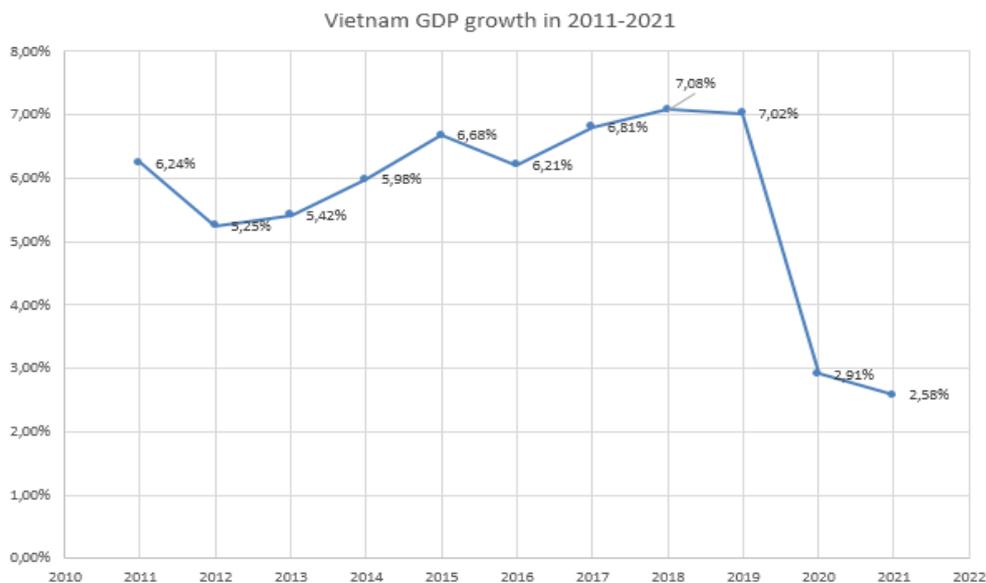


Figure 1: URL: <https://media.hanoitimes.vn/2021/12/29/abc.png>

**Per capita income:** The impact of the Covid-19 pandemic has profoundly affected the quality of life of working people.

**Inflation:** The Covid pandemic first appeared in Vietnam in 2020; after two years of the epidemic, its state has been controlled. The economy gradually recovered. However, there was an increase in the prices of some raw materials and fuels for production, and prices escalated for some essential goods. In addition, the conflict between Russia and Ukraine, along with the economic sanctions imposed by the US and other countries against Russia - the largest natural gas exporter and the second largest oil exporter in the world - have pushed Global energy prices to rise significantly sharply reducing the supply to European countries, which were significantly dependent on energy imports from Russia. Russia is also a significant exporter of fertilizer and wheat, and shortages of these two commodities raise global food prices and exacerbate inflationary pressures. The demand for the production of goods for consumption and export, together with the impact of world commodity prices, has pushed up the prices of some goods, but in general, the price level is still well controlled. In addition, when the Covid-19 epidemic is under control, the demand for food and beverage, tourism, entertainment and entertainment services will increase again, which will also significantly impact the overall CPI. The inflation rate in recent years has decreased, which is a good sign for businesses operating in Vietnam.

Interest rate: is also an essential factor affecting KFC's production and business activities in Vietnam. In recent years, interest rates have been quite stable. Interest rate support policy is one of the contents in the Action Plan of the banking industry. In particular, the State Bank will support the interest rate of 2% per year in 2022 and 2023 through the system of commercial banks for commercial loans to businesses, cooperatives and business households. The fast food industry can be a small investment, but the profits are enormous. Low-interest rates will help investors pay more attention to fast food, which is gradually gaining popularity in Vietnam.

Social factor: As of December 31, 2022, Vietnam's population is estimated at 99,329,145 people, an increase of 784,706 people compared to 98,564,407 people the previous year. Vietnam's population currently accounts for 1.24% of the world's population. Vietnam is ranked 15th in the world in the ranking of the population of countries and territories. The population density of Vietnam is 321 people/km<sup>2</sup>. With a total land area of 310,060 square kilometres. 38.77% of the population lives in urban areas (38,361,911 people in 2019). The average age in Vietnam is 33.7 years old<sup>1</sup>. Geographically, Vietnam has two large cities with high population density: Ho Chi Minh City and Hanoi. Ho Chi Minh City is the most populous city in Vietnam (8.8 million people as of July 2021). Ho Chi Minh City has a total area of 2061 km<sup>2</sup> and a population density of approximately 292 people/km<sup>2</sup>. Next is the capital Hanoi with a population of more than 8.3 million people. Hanoi has the country's second-highest population density, with 2,398 people/km<sup>2</sup>. In addition to the two big cities above, Vietnam has several large tourist cities such as Hai Phong, Da Nang, Khanh Hoa, etc.

Thereby, it can be seen that Vietnam has abundant human resources and large market size, with most of the population in the young group. It is a potential market for the fast food industry, particularly KFC. Moreover, the population is mainly workers, so the fast food industry and KFC can attract many people.

Language: Vietnam has 54 ethnic groups, each with its own language and cultural nuances, but it shares a unified culture. Vietnamese is used as a common language, a standard communication tool for all ethnic groups living in the territory of Vietnam. Along with the country's development, many foreign languages are used today to serve international exchanges, such as English, Chinese, Japanese, Korean, etc.

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<sup>1</sup> <https://danso.org/viet-nam/>

Culture: The cultural environment of Vietnam has been studied based on the Hofstede model. These indicators partly reflect Vietnamese cultural characteristics.

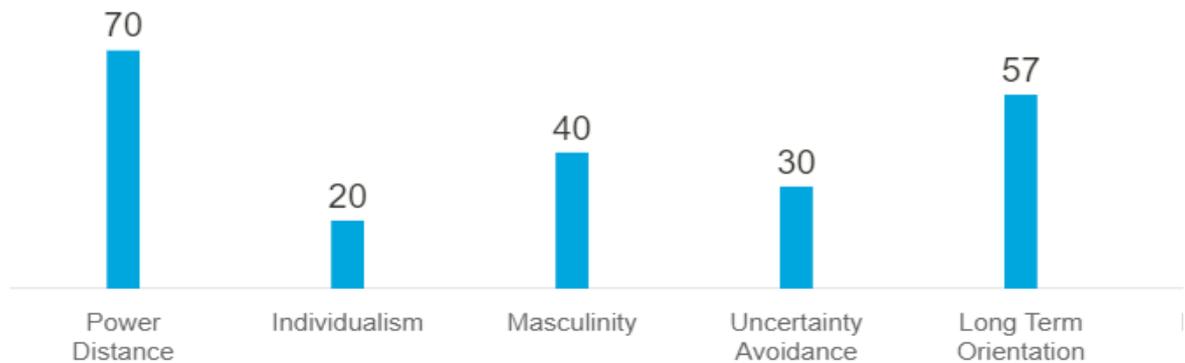


Figure 2: Hofstede model in Viet Nam. URL: <https://www.hofstede-insights.com/>

**Power Distance 70:** This high stat indicates that everyone accepts a hierarchy where everyone has their place. Hierarchy in an organisation reflects inherent inequalities; centralised management is pervasive, subordinates expect to be told what to do, and the ideal boss is an expert in human rights. It can lead to a family management style, affecting KFC's human resource management.

**Individualism 20:** Vietnam is a collectivist society, reflected in the close long-term commitment to the group of "members" - family or clan. Such a society fosters strong relationships where everyone is accountable to the group members. The employer-employee relationship is viewed in terms of ethics (like a family), recruitment and promotion considering whether the employee belongs to their group.

**Masculinity 40:** Vietnam is considered a Feminine society. In Feminine countries, the focus is on "working to live". Managers strive for consensus; people value equality, solidarity and quality in their work. Conflict is resolved by compromise and negotiation; incentives such as holidays or flexible working hours are preferred. The focus is on happiness, and status is not flaunted. An effective manager supports others, and decision-making is achieved through the participation of many people.

**Uncertainty avoidance 30:** Vietnam has little desire to avoid ambiguity. Societies with a low index maintain a more relaxed attitude, where facts are considered more important than

principles, and deviations from the norm are more easily tolerated. People believe that there should be no more rules than necessary. Schedules are flexible, people only work as hard when necessary, and since being forced, accuracy and punctuality do not come naturally, innovation is not considered a risk. It will affect the policymaking of KFC.

Long-Term Orientation 57: Vietnam belongs to the group of pragmatic cultures, and it is believed that truth depends on circumstances, context, and time. They show the ability to change tradition to adapt quickly to new conditions, the tendency to save and invest carefully in spending and the patience to get results. This factor may affect KFC's product decisions, marketing strategy or human resource management.

Cuisine: Generally, Vietnamese people taste in food and prefer crispy and chewy dishes with wine, beer, soup and salty dishes such as braised ribs to eat with rice. Vietnamese people use typical spices, such as chilli, garlic, ginger, galangal, batch, shrimp paste, etc., to increase the product's taste. In terms of colour, in addition to using the natural colour of the raw materials, food colouring agents are also used to increase the product's colour, creating attractiveness for the product. In Vietnam, we can see the interference of culinary culture. Vietnamese people are gradually changing their habits from traditional dishes that require much time to fast meals to adapt to the increasingly fast-paced life.

Besides traditional dishes such as fried chicken and hamburgers, KFC also develops other products, such as chicken rice, mixed cabbage, soft bread, shrimp burger, etc., for the Vietnamese market and other markets. In Vietnam, it can be seen that the company focuses on developing chicken rice. Because this is a dish that Vietnamese people are very familiar with and meets the criteria of "fast" with a quick and nutritious meal.

In addition, with KFC products, the company changes the taste, size, and design to suit the cuisine of Vietnamese consumers. In recent years, the company has developed more dishes suitable for the taste of Vietnamese people, such as chicken porridge, Flava Roast chicken, Egg Tart, etc.

Technological factor: KFC is still lucky to approach the Vietnamese market in the era of technological development. In recent decades, Vietnam has witnessed the rapid development of science and technology, especially in information technology, biotechnology, new material technology, etc. Significantly, Vietnam is one of the developed and promoted countries in information technology, and the number of people using the Internet and social

networks is increasing. The “fast food” boom comes with the rise of ordering and delivery apps. A Q&Me survey noted that, in 2020, “Now” was the most popular app for ordering fast food online, with 24% of respondents choosing it, followed by Grab Food (20%). ). 87% of respondents ordered online from fast food chains, with KFC being the most popular, with 52%, followed by Lotteria (30%) and Pizza Hut (21%).<sup>2</sup>

Furthermore, of course, for customers to have the most accessible access to promotions and their products, KFC has launched the KFC application on AOS and IOS platforms. It brings convenience to customers, including promotions, MENU always available and updated with new dishes, door-to-door delivery technology, and automatic searching for KFC stores near customers.

One of the difficulties that KFC and almost all food businesses face is the Covid 19 epidemic. No customer can or does not want to go to crowded places, especially the social distancing policy causing the store to close. Therefore, applying the online business form is what KFC aims for first. Along with the store’s applications, KFC cooperates with many delivery units, such as Now, Loship, Grab, etc., to help KFC maintain a part of its sales even though customers cannot come to the store to order.

Legal factor: KFC soon registered and was accepted for trademark protection by the National Office of Intellectual Property of Vietnam. KFC’s first trademark and logo were registered for protection on May 20 and March 19, 1992, under the number 0-00008257-000. It was not until August 21, 2002, that the famous logo with the image of Harland Sanders and the words KFC was registered. After that, KFC’s management company continuously submitted applications to the National Office of Intellectual Property for brands such as CHIZZA KFC, Slogan: Delicious taste on each finger. Moreover, finally, the logo with that colour on both sides of the Sanders image in the middle and the familiar KFC words at the bottom was now registered on April 11, 2019. With early trademark registration, KFC had its first store in Ho Chi Minh City in 1997. With its brand monopoly and popularity, KFC quickly attracted the first customers and came to its store without fear of being copied.

The Vietnamese law and constitution allow, respect and encourage all business activities within the framework of the law. Vietnam has been and will try to build a complete legal system to create favourable conditions for investors and promote economic

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<sup>2</sup> <https://vnfranchise.vn/da-dang-thi-truong-thuc-an-nhanh-viet-nam/>

development. Especially in the food industry, food safety is the most concerned issue. Following are the ordinances and food safety projects regulated in Vietnam: The Ordinance, published on August 19, 2003, unifies the issue of food hygiene and safety and overcomes the situation of unsanitary food affecting people's health and life. The promulgation of the Law on Food Safety is appropriate in the context of Vietnam's increasingly extensive integration into the world economy and to create a legal mechanism for Vietnam and other countries worldwide to recognise the food safety system, and standards, including those on food safety and hygiene.

To do business in Vietnam, KFC must comply with the commercial law that is to apply the form of franchising, or joint venture, with a domestic partner. Kentucky Fried Chicken after nearly 25 years of presence in the Vietnamese market in the form of a franchise from Yum Group! Brands of Thailand. KFC's restaurant system has grown to more than 153 restaurants in more than 36 significant provinces/cities nationwide. The stricter the legal content is, the more likely it is to ensure the development of KFC and the trust in the quality of the company's products and services.

Environmental factor: Vietnam has a favourable and large land area. Along with a long agricultural tradition, chicken farms are increasing. It is a plus point for KFC in finding key ingredients available in Vietnam besides the supply of imported chicken from foreign businesses and companies. Although the weather between regions across the country is somewhat uniform, Da Lat is ideal for growing quality vegetables and serving salads and side dishes. Criteria for carefully selecting ingredients like KFC must recognise this partner when entering the Vietnamese market.

The Vietnamese customer market has become very cautious about the environment and sustainable operations of business organisations. KFC is aware of this customer trend, and the company has taken many steps over the years to make the organisation sustainable and reduce its carbon footprint. In December 2019, KFC Vietnam decided not to serve plastic straws for in-restaurant or takeout meals. However, KFC still keeps several plastic straws to serve customers upon request. This decision of KFC is in response to the activity of not using straws to protect the environment. Accordingly, responding to the "Green Initiative - no straws" can help KFC reduce the amount of single-use plastic in a year. In addition, up to now, the use of biodegradable paper and recycled materials is one of KFC's sustainable steps. It has helped the fast-food chain brand reduce the amount of plastic packaging. Besides, KFC

has cooperated with Tidy Planets to create an efficient cogeneration system. It created a product called CHiP. It is a small-scale cogeneration system project to convert used/waste cooking oil into hot water and electricity on the product site. It has helped the company reduce its carbon footprint every year.

## **4.2 THE ANALYSIS OF THE MICRO ENVIRONMENT OF THE KFC SYSTEM IN VIETNAM**

**Competitors:** With success in the Vietnamese market today, KFC also went through a difficult period with seven years of loss and overcame it with prudent strategies. The year 1997 at Saigon Super Bowl Trade Center marked the appearance of KFC in Vietnam. At that time, consumers were unfamiliar with the concept of "fast food" and its taste. Therefore, KFC has suffered losses for seven consecutive years since its first store. KFC stores grew very slowly; there were only 17 stores after seven years. Vietnam is a country with vibrant and diverse cuisine. It took work to change the culinary habits of Vietnamese people, so at that time, KFC's problematic opponent was stored. Snacks, traditional Vietnamese food. To gain a foothold in the market, KFC has studied very carefully to develop essential product strategies. In addition to traditional dishes such as fried chicken and burgers coming to the Vietnamese market, KFC has processed some more dishes to serve Vietnamese food such as Big'n Juicy Chicken, Chicken Boneless Crispy, KFC Chicken Rice, Mixed Cabbage... Some new dishes have also been developed and introduced in the Vietnamese market, contributing to more diversity in the menu, such as Shrimp Burgers, Lipton, and Egg Tart.

After a difficult initial period when Vietnamese customers still did not accept fast food products due to cultural differences, fast food companies are increasingly gaining customers' trust with the determination to change their eating habits and taste. It is a fact that the demand for fast food products of consumers is increasing rapidly, especially for the young class, the future of the country. With tireless marketing strategies, fast food companies achieve results when creating a new primary need for people. Currently, more and more foreign fast-food companies are operating in Vietnam. They are continuing to penetrate this potential market deeply by opening more stores, not only in Ho Chi Minh City but also in the provinces. It means that KFC has more and more competitors in Vietnam. Highlights can include:

1. Jollibee of Phillipines: Once famous worldwide for its extraordinary success story, the Jollibee brand started modestly from two small ice cream parlours in 1975, moving to the

corporate model. This corporation has created a "revolution" of food fast in the Philippines. Fifteen years ago, when Jollibee Foods Corporation opened its first store in Vietnam, the fast food market had some formidable names in the industry. With the development strategy of "Slowly but surely", Jollibee gradually won the hearts of Vietnamese people by bringing Western fast foods that are adapted to Vietnamese tastes. During the journey to conquer the hearts and taste buds of Vietnamese people, marking the milestone of 150 stores across Vietnam, the fast food brand from the Philippines has always been loyal to the mission of "bringing happiness and spreading culinary delights for all Vietnamese families, through delicious dishes at reasonable prices and of high standards" along with the core value – "customer-centred" through serving diners in a friendly manner polite and sincere manner, always consider customers as close friends. (Jollibee, 2022)

2. Lotteria - a member of Lotte Group of Korea. Although born late, the fried chicken brand from the Asian friend country - Korea has left many good impressions in the eyes of Vietnamese people. Choosing the style of chicken with various sauces, Lotteria meets the needs of greasy diners with various flavours such as chicken with bean sauce, chicken with honey sauce, and chicken with cheese sauce, etc. Lotteria is currently the biggest competitor to the KFC tycoon.

Lotteria is a chain of fast food restaurants belonging to Lotte Group - one of the five largest corporations in Korea. This brand has been ranked No. 1 in "Brand Power" - granted by "Korea Management Association" for seven consecutive years. Lotteria was also selected as the No. 1 position in terms of brand competitiveness with the title of "Brand Stock" by the brand value assessment agency. Lotteria has been present in the Vietnamese market since 1998. This brand still leads the domestic food industry with more than 210 restaurants in more than 30 provinces/cities nationwide. Besides business activities, Lotteria strives for the Vietnamese people's cultural and physical development. Lotteria is committed to having more practical activities in the future, continuing to contribute to the development of society.

3. Bread and street food. As soon as people think of a "national soul" dish of Vietnamese with the criterion of "quick - neat - fast", people immediately think of bread. It is considered a culinary symbol of Vietnamese people.

Many experts think that Vietnam already has "Banh mi", then fried chicken or burgers will only do something in Vietnam. Vietnamese people are used to the quickness of a Banh

mi, nutrition and, importantly, convenience. There are too many shops selling bread on the street in Vietnam, and Vietnamese people are so used to that nutritious food the convenience of these restaurants extinguishes everything that KFC once boasted about fast service their own in other countries.

More unfortunately, part of the reason fast food is not popular in Vietnam is that there are too many fast food restaurants in Vietnam. Because of the unique nature of Vietnam’s history, with 20 years of “closing” the economy, Vietnamese people have formed the habit of doing “household” business. Specifically, they make a living by opening restaurants that take advantage of the roadside and front of their house. There, they sell pure Vietnamese dishes and are served very quickly to most working people. (even faster than ordering and waiting for the fried chicken to complete).

The Vietnamese culture often gathers and follows the crowd, and the family factor is always emphasized above all, so group dishes are often preferred rather than solo meals. It is even more evident in multi-generational families when they enjoy food together at the restaurant. Moreover, single-person servings or pieces of fried chicken that are hard to divide into portions are not their number one priority.

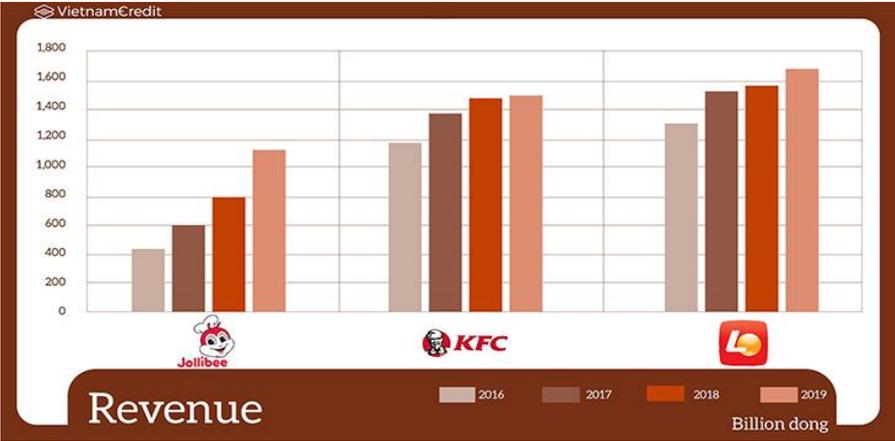


Figure 3: Three companies leading the fast food market in Vietnam. URL: [https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders\\_14142](https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders_14142)

Entering the Vietnamese market quite early, these three brands also hold most of Vietnam’s fast food market share. In 2019, the total revenue of these three chains reached nearly VND 4,300 billion, an increase of more than 11% compared to 2018. However, the growth rate of these three giants has a considerable difference, causing the gap between them to be collected and narrowed.

KFC and Lotteria lead the market. Their position was established in part thanks to their early market entry. KFC opened its first restaurant in Ho Chi Minh City in 1997. Since then, the system has grown to more than 140 restaurants in 32 provinces in Vietnam. Lotteria entered the Vietnamese market a year after KFC and now has more than 210 restaurants in more than 30 provinces and cities.

Compared to two old competitors, Jollibee - a branch of the largest fast food group in the Philippines - is considered a “newcomer” because this chain has just entered the Vietnamese market since 2005.

However, KFC is the only profitable of these three market leaders. Over the past three years, the fried chicken brand from the US has always maintained a profit of more than 100 billion dong. Meanwhile, despite the significant improvement, Lotteria and Jollibee still need to gain money.

KFC is different regarding the structure of business results compared to the other two chains. While Lotteria and Jollibee depend mainly on selling expenses, KFC's business results depend on improving gross profit margin.

Although always maintaining a gross profit margin of around 50% to 60%, similar to many other large-scale restaurant chains, the cost of goods sold by Lotteria and Jollibee is unusually high. As a result, even though revenue increased continuously, more was needed to cover operating expenses.

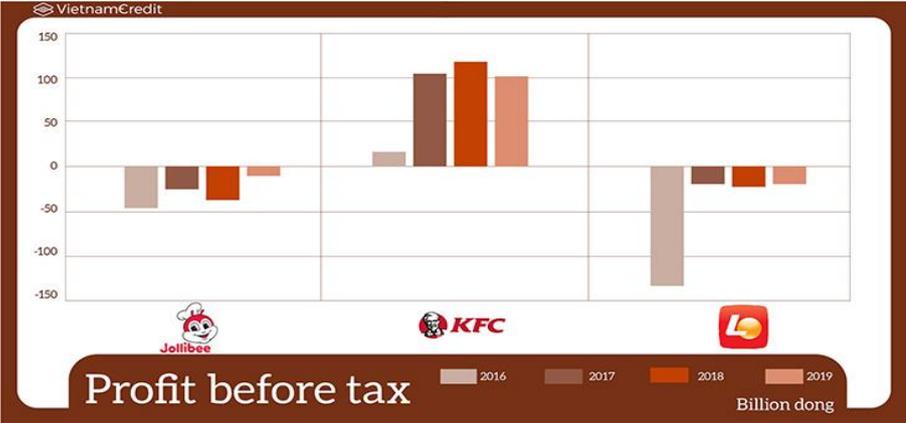


Figure 4: Profits of the top 3 fast food companies in Vietnam. URL: [https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders\\_14142](https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders_14142)

In addition, another big difference between KFC and the other two competitors lies in the ownership structure. KFC is a joint venture between an American corporation and a

Vietnamese partner (a famous and large family business). At the same time, the other two chains are subsidiaries of two foreign parent corporations. Therefore, their profit pressure is also different. (CafeF, 2022)

**Potential rivals:** According to M-Porter, potential competitors are businesses absent in the industry but can affect the industry in the future. That depends heavily on two crucial factors: industry attractiveness and industry entry barriers. Analysing each factor, we will draw some judgments about pressure from potential competitors for KFC.

The industry's attractiveness is reflected in many factors, but in short, it will be generalized in 3 criteria: profitability ratio, number of customers, and number of businesses in the industry. With more than 90 million people, the Vietnamese market is a massive market for the food industry, besides the tireless efforts of fast food companies and consumers' tastes. Viet has partly accepted this product with peace of mind from clean products, and market demand for the industry is growing. Along with that is the fact that there are currently few businesses participating in this industry; the competition is only among the three foreign giants (KFC – Jollibee – Lotteria) and a small part of Kinh Do, plus the industry profitability ratio highly appreciated by experts and shows signs of increasing year by year. From that, it can be seen that the industry's attractiveness is relatively large.

Barriers to industry entry: are factors that make entry into an industry more difficult and expensive, including the following factors: Technology, Capital, and Commercial factors (like Distribution systems, brands, customer systems, etc.) and Specific Resources (like Input Materials (Controlled), Degrees, Inventions, Human Resources, Government Protection, etc). Compared to other industries, the food industry has low capital, technology and specific resource requirements, which companies are always interested in and developing. Nevertheless, it generally has few rapid and sudden changes like the technology or IT industry. The distribution system and brand are real barriers here. However, in Vietnam, fast food restaurants are mainly distributed in big cities, densely populated and have a relatively high standard of living. Their distribution still needs to be considered developed and widespread. From the above analysis, it can be seen that the barriers to entering the industry are also not high.

Thus, it can be affirmed that the Vietnamese market is a potential market when converging factors attract investors along with a fiercely competitive environment now and in

the future when many Potential competitors can enter the market, creating tremendous pressure for KFC in the process of positioning and development.

Many competitors may appear shortly, and KFC must always be prepared. First of all, McDonald's - is the largest fast-food company in the world. Since being founded by the McDonald brothers Maurice and Richard in 1937, McDonald's has constantly grown and grown. After only 30 years of establishment, McDonald's has more than 10,000 stores across the US, completely dominating the domestic market. McDonald's is the world's largest restaurant chain by revenue, serving over 69 million customers daily in over 100 countries in more than 40,000 outlets as of 2021. (Wikipedia) With constantly growing sales, McDonald's deserves to be the big brother in the fast food industry. Today, on average, one in every four Americans visits the fast food restaurant of McDonald's, the world's largest fast food corporation. It is a number that any food company dreams of with extremely sharp strategies. McDonald's will always be the fear of competitors wherever they go.

**Suppliers:** If the pressure from suppliers is high, KFC Vietnam will be unable to actively implement the price strategy at its discretion and will have to rely heavily on suppliers. Conversely, when the pressure from this group is reduced to low, KFC will be completely proactive in implementing its strategies.

Vietnam is an agricultural country, so farming and animal husbandry are the two primary industries that are very developed in Vietnam. It has created a great advantage for KFC by using local ingredients while reducing costs. However, the question is how KFC will choose the source of raw materials to buy free raw materials at a low price or choose a guaranteed source of raw materials at a higher price. How will KFC choose sustainable development?

With a professional working style to provide quality products to customers and anticipate risks from this group, KFC has tried to minimize risks by actively building a relationship with reputable suppliers and quality assurance in the market. All materials used must have the quarantine certificate of the competent authority.

With the implementation of this product strategy, KFC has achieved two goals simultaneously, ensuring the supply of quality products to the market and reducing the risk from suppliers. Furthermore, that strategy proved effective when avian influenza broke out in

Vietnam while poultry products suffered, but KFC went ahead with essential breakthroughs. That achievement comes from the efforts and strategic vision of KFC.

In terms of labour resources, this is also a major part of the competitive environment of enterprises. In particular, the ability to attract and retain qualified employees is a premise to ensure the business's success. KFC - this brand attracts many young workers, especially students who want to work part-time or fresh out of college. Because this is considered a professional and dynamic working environment, KFC's working schedule is also divided into flexible shifts suitable for students still studying.

Regarding remuneration policy, KFC is also appreciated more than other fast food brands such as Lotteria. The satisfaction level with KFC's treatment is also high. The staff of KFC stores are all well-trained, taking advantage of their youth and enthusiasm, so KFC's staff is very dynamic and enthusiastic. Moreover, every month, KFC has a signboard to honour employees who do well - This is something that Lotteria - KFC's competitor, needs to do; This has helped motivate the employees to keep trying to improve their performance.

Renting a place to open a store in Vietnam requires relatively high costs, while the consumer demand of the people needs to be met commensurately. So instead of racing to open new stores, KFC remodels and renews stores to improve service quality.

**Customers:** A business that wants to survive, of course, needs customers. The success or failure of the competition depends significantly on the love and trust of customers and another critical issue: the ability to pay the price.

When it comes to fast food - it is literally for busy people who need time-saving and convenience. Over time, this is no longer true when people choose fast food from all walks of life and work. Self-service also gradually transformed into being serviced by the staff, improving the quality. It is no exception for KFC in general and KFC in Vietnam in particular. In Vietnam, the means of transport are mainly motorbikes, so the number of customers buying them will be lower than in foreign countries when it is not possible to eat in the car simultaneously. Instead, customers of KFC, in particular, usually come to eat at the store. KFC's customers come from all walks of life and ages, mainly young people from 17 to 29 years old and families with children. Young people are more sensitive to new things, modern conveniences and easier-to-change eating habits - and KFC has met that. The Western-style layout, cleanliness, good food quality, dynamic staff, active service, and many

regular promotion policies have brought the brand love and many loyal followers this mark. Targeting the target audience is children who also want to influence the perception of children even when they are young.

Fast-food restaurants will have to bear much pressure from customers in Vietnam. With a large population and a rapidly growing urban population, a group of young people with relatively high incomes and their willingness to pay is quite large. It is a fact that every Vietnamese family is willing to pay more for delicious and quality meals. Gone are the days when "cheap but delicious" was the slogan. Our people are increasingly aware of the price compared to the value and have had a certain change in this respect. Moreover, along with higher affordability, product quality requirements also increase over time, and most consumers have been paying attention to quality and health issues.

Moreover, for people, the need for food is always urgent every day. In a densely populated country like Vietnam, the demand for goods is huge, especially in the food industry. Simultaneously with an increasing proportion of the young population with high income, the demand for self-expression of young people is more significant. It creates a great demand for luxury goods.

Next is the taste of the Vietnamese people. The taste of the Vietnamese people is vibrant and diverse, with changes typical in all three regions. However, in general, Vietnamese people do not like the smooth taste, a characteristic feature of KFC's fast food products. It has become a tough barrier to overcome for fast food firms, typically Jollibee, when penetrating - failing - must continue to hold out and scale down.

Finally is a matter of appearance and health concerns. While Americans easily accept a fat body to satisfy their food preferences, Vietnamese people do not. For Vietnamese people, their appearance is critical to them, so they are afraid to use greasy products. Moreover, health is the top concern of consumers due to the number of consumers, and the number of people suffering from obesity, heart disease and diabetes is increasing rapidly. Besides, fast food is considered one of the reasons, and it makes consumers feel more reserved and careful when they want to use this food. It is a big challenge not only to KFC but the whole fast food industry is facing. At the same time, with many current food safety scandals, consumers lose confidence in food at restaurants. It is an issue that KFC needs to pay attention to in order to build a more substantial reputation.

**Alternative products:** Much of the new substitute products are the result of the technology boom. The pressure of having substitute products limits the industry's profit potential because the highest prices are controlled. Businesses can only catch up with tiny markets if they pay attention to potential substitutes.

Regarding KFC in particular and other fast food brands, people will immediately think of greasy fried foods with much energy. A rotisserie chicken thigh or a steak sandwich provides 800 kcal, including 80g of fat. A deep-fried breaded chicken wing consisting of 3 chicken wings provides up to 1,000 kcal; per 100g of fat, a plate of mall potato fries also provides up to 300 kcal, etc. Fast food includes two types: industrial fast food (noodles, porridge, instant noodle soup, snack cakes, chips, soft drinks, etc.) and semi-public fast food industry (fried chicken, hamburger, pizza, etc.). It is a food with high energy content, high in protein, but high in salt, low in vitamins, and lacking in fibre and minerals, so the nutrients are not balanced. People who regularly use fast food, the body will have an excess of energy and fat, creating overweight and obesity, leading to related diseases such as hypertension, diabetes, stroke, and fibrosis, atherosclerosis, myocardial infarction.

Fast food is convenient and has an attractive taste but is not suitable for health, so many people follow the opposite trend, choosing "slow food" - this is considered a safe food consumption trend. Besides, people will also choose low-fat foods, drinks, and fresh foods to ensure their health.

Vietnamese people are now preferring fast food because of its modernity and convenience. Many people know the harm of greasy fried food but cannot give up fast food. Because businesses like KFC always know how to grasp the psychology of consumers, especially young people, create habits for them, and create a luxurious modern space. This style is very popular with Vietnamese people. Nevertheless, over time, the more awareness is raised, the more society and the country go up, and people will increasingly choose fresh, healthy products for themselves and their family's children.

However, Vietnam is an agricultural country with a rich and diverse culinary culture, so the risk from this group of substitute products is not tiny for fast food companies. There are many types of products such as rice, cakes made from rice flour, etc. and especially pho and vermicelli - dishes known not only by Vietnamese people but also by the whole world.

It can be seen that the pressure from substitutes for fast food products is pronounced and not small. To reduce pressure from this group, fast food companies should know how to promote their strengths and link together, if necessary, to build a strong foothold in the Vietnamese market.

### **4.3 ANALYSIS OF THE COMPANY'S INTERNAL ENVIRONMENT**

#### **4.3.1 Main activities**

**Input activities:** KFC actively builds a close relationship with reputable and quality suppliers in the market, such as CP Vietnam. All materials used must have the quarantine certificate of the competent authority. In addition to chicken ingredients in the menu, KFC also expands to shrimp and fish ingredients, a number of soft drinks replace Pepsi soft drinks, KFC creates excitement and curiosity for young people, thereby reducing boredom in customers when only serving only chicken dishes. Especially for today's young people, they always like to find new and strange things. Advanced input devices help KFC compete with competitors. For example, KFC will bring to market fried chicken products with a microwave oven system that does not use grease.

**Operate:** KFC entered Vietnam with a master franchise through the establishment of a joint venture KFC Vietnam, so the opening of distribution stores in Vietnam will be funded by KFC Vietnam. First, KFC will be more flexible in opening restaurants in big cities such as Ho Chi Minh, Hanoi, etc. in choosing the opening time and location. This creates a competitive advantage of KFC compared to competitors. In addition, the price for a franchise contract according to the parent company's regulations is 1 million USD, not including the costs that the franchisor has to spend such as decorating the shop, purchasing equipment, and hiring the initial staff. In addition, the law on franchising in Vietnam in the early years when KFC entered Vietnam was not strict. Therefore, in order to compete with alternative fast food products in Vietnam and the big players in the world, KFC has made a difference for itself in its distribution strategy, through chain linkage.

In terms of distribution locations, unlike its big rival Lotteria, which often has stores at junctions, intersections, and large street fronts, KFC chooses locations to open stores such as buildings, supermarkets, bookstores, commercial centers such as Parkson, Diamond Plaza, Maximark Supermarket, Coop Mark, Big C... The advantage of these locations is that this is a place where a large number of people come to shop, or work, to shop or work. That's right,

the target customer group that KFC is targeting. However, the system of supermarkets and commercial centers in Vietnam is not developing fast enough, so recently KFC Vietnam had to rent houses on the street to open its own restaurant. KFC's site selection criteria are locations located in urban centers. KFC has a strong delivery team, delivering to your door in the fastest time. This is a perfect and convenient way of distribution for consumers.

Output activities: To this day, this fast food restaurant chain has expanded its presence to more than 172 restaurants in 39 provinces and cities of Vietnam, providing jobs for more than 4,000 people and making a significant contribution to Vietnam's fast food industry. KFC had a different blend of eleven spices. This is what creates a special flavor for fried chicken. KFC not only makes a difference but also diversify products to create an extremely rich menu. In addition to traditional dishes such as fried chicken and hamburger, when entering Vietnam, KFC has processed some more dishes to serve Vietnamese foods such as: boneless crispy chicken, soft bread, gravy chicken rice, Jumbo mixed cabbage... The size of the Hamburger has also changed, becoming smaller, suitable for the small stature of Vietnamese people. KFC offers eye-catching packaging to attract young people, especially creating cute cartoon drawings on product packaging to attract the attention and love of a large number of children.

#### **4.3.2 Marketing and Sales:**

The key in product development strategy is to differentiate from other products. The KFC product itself has a different blend of eleven spices. This is what creates a special flavor for fried chicken. KFC not only makes a difference but also diversify products to create an extremely rich menu. Besides traditional dishes such as fried chicken and hamburger, when entering Vietnam, KFC has processed a number of additional dishes to serve Vietnamese food such as: boneless crispy chicken, soft bread, gravy chicken rice, Jumbo mixed cabbage... The size of the Hamburger has also changed, becoming smaller, suitable for the small stature of Vietnamese people. The product list is arranged in many categories to make it easy for consumers to choose their favorite foods. In addition, a number of new dishes have been introduced to the Vietnamese market, contributing to an increase in the diversity of the menu, such as: fillet burger, shrimp burger, lipton ice tea, Evian water... With the expansion into fish and shrimp ingredients, some soft drinks replacing Pepsi soft drinks, KFC creates excitement and curiosity for young people, from which only the boredom of the chicken dish can be reduced. Especially for today's young people, they always like to find new and strange things.

From 1998 when KFC began to appear in the Vietnamese market, KFC suffered losses for 7 years until 2006 when Vietnamese people began to prefer fast food because of its convenience, at that time the KFC chain store system really exploded in Ho Chi Minh City. In the first steps of entering the Vietnamese market when people were still too unfamiliar with fast food and its taste, KFC used market penetration pricing tactics, using low prices to attract a large market share before competitors caught up. When there are enough loyal customers will proceed to increase the price. And apparently this strategy worked when in 2006 KFC started to profit and the number of customers and loyal customers skyrocketed.

KFC's advertising strategy is to focus on building a brand image, creating familiarity for consumers about a new but famous way of eating in the world: fast food. KFC not only advertises on print media such as newspapers, magazines but also advertises on electronic media such as television, internet. Besides, KFC also organizes outdoor advertising such as: billboards, posters, signs, leaflets, etc. Because KFC's target customers are dynamic and adventurous young people, KFC's advertising campaigns are always young, new and daring to exploit customers' attention.

### **4.3.3 Distribution**

As analyzed above, KFC entered Vietnam with a master franchise through the establishment of a joint venture KFC Vietnam, so the opening of distribution stores in Vietnam will be funded by KFC Vietnam. How does this affect KFC's distribution system and strategy? First, KFC will be more flexible in opening restaurants in big cities such as Ho Chi Minh, Hanoi, etc. in choosing the opening time and location. This creates a competitive advantage of KFC compared to competitors. In addition, the price for a franchise contract according to the parent company's regulations is 1 million USD, not including the costs that the franchisor has to spend such as decorating the shop, purchasing equipment, and hiring the initial staff. In addition, the law on franchising in Vietnam in the early years when KFC entered Vietnam was not strict. Therefore, in order to compete with alternative fast food products in Vietnam and the big players in the world, KFC has made a difference for itself in its distribution strategy, through chain linkage.

In terms of distribution locations, unlike its big rival Lotteria, which often has stores at junctions, intersections, and large street fronts, KFC chooses locations to open stores such as buildings, supermarkets, bookstores, and commercial centers such as Parkson, Diamond Plaza, Maximark Supermarket, Coop Mark, Big C... The advantage of these locations is that

this is where many middle-class people, many people come to shop, and most of the people come to shop and work. is the target customer group that KFC targets. However, the system of supermarkets and commercial centers in Vietnam is not developing fast enough, so recently KFC Vietnam had to rent houses on the street to open its own restaurant. KFC's site selection criteria are locations located in urban centers.

#### **4.3.4 Research & Development**

KFC's products in Vietnam are processed according to worldwide standards. Chicken is made from the same recipe that Colonel Harland Sander - the founder of KFC - invented more than half a century ago. He succeeded with a secret concoction of 11 flavors and herbs along with basic cooking techniques that are still used today. For years, Colonel Sanders kept the recipe in his head and today it is safely stored in Louisville. In Kentucky, only a handful of people know the multimillion-dollar recipe (and they've signed contracts guaranteeing its secrecy). However, KFC Vietnam is also researching to change the size, design, and taste to better suit the cuisine of Vietnamese consumers. KFC Vietnam has produced products that are closer to the taste of Vietnamese people such as: boneless crispy fried chicken, crispy chicken salad, mixed cabbage, soft bread, chicken porridge, chicken noodle soup...

KFC Vietnam only chooses reputable and quality raw material suppliers, affirming the quality of its products with quarantine certificates. KFC Vietnam has a long-term business strategy in Vietnam, so KFC has spent a lot of time building the market and building customer trust in food safety and quality to ensure its long-term operation. KFC will change its frying oil to soybean oil instead of vegetable oil, which the company believes affects heart disease, in fact, for the past two years KFC has been secretly selling soybean oil to diners and waiting for their reaction to how different people's tastes change. Low linolenic soybeans contain less than 3% linolenic acid compared to 8% in regular soybean oil. The result is a more stable soybean oil that requires less hydrogenation and thus produces less saturated fatty acids. Therefore, consumers can feel more secure when using KFC products, especially among teenagers today, when obesity is increasing markedly. This change of frying oil material will attract more people to KFC. Women will be more comfortable eating KFC without obsessing over overweight and obesity.

#### 4.3.5 Company resources

Financial resource: Having appeared in Vietnam since 1997, To this day, this fast food restaurant chain has expanded its presence to more than 172 restaurants in 39 provinces and cities of Vietnam, providing jobs for more than 4,000 people and making a significant contribution to Vietnam's fast food industry. KFC's stores are decorated in a traditional style with red as the main color, the space in the store is designed with the purpose of creating comfort for customers to be able to enjoy a meal while chatting and discussing work. KFC's chain stores are always located in convenient, central locations, right at the corner of intersections, shopping centers, supermarkets, places with beautiful locations and many people ... both to help consumers conveniently visit, while helping the business grow and attract more customers.

Human resources: As we all know, KFC is a famous fast food company all over the world in the form of franchising, so KFC's human resources are also different from domestic companies. Kentucky Fried Chicken can be considered a global organization because from a global perspective, it is defined as building staff with a productive culture that maximizes the effectiveness of existing training, increases retention, and adapts to any culture anywhere in the world. Kentucky Fried Chicken believes in efficient operations and focuses on quality customer service despite the differences of culture and language, but the principles established by the founder of the fast food are still an important factor in the success of the restaurant. KFC, The company uses foreigner policies as one of their strategies to establish restaurants that are suitable for the foreign culture's target because of the foreign culture's advantage to penetrate the foreign culture market because KFC, the company uses foreign policy as one of their strategies to establish restaurants that are suitable for the foreign culture's target because of the foreign culture's advantage. more fruitful. With KFC's unique culture - always recognizing and rewarding every individual and collective effort, more than 4000 employees of KFC Vietnam are living and working with the motto "Work hard - Play hard". KFC's formula for success is focused on enhancing the ability of its employees to satisfy customer needs and increase profits. Besides, KFC is always committed to diversity and creating the best working environment for employees. KFC has shown a professional style not only in the staff but also in operating a chain of stores that always bring the most convenience to customers.

Material resources: KFC always tries to build customers' trust in food quality and safety to ensure its long-term operation. KFC only chooses reputable and quality raw material suppliers. All materials used must have the quarantine certificate of the competent authority. KFC's products are processed according to common standards around the world.

Innovative resource: KFC is one of the leading brands in the fast food world in terms of its ability to create palatable dishes for consumers, especially fried chicken, making it the target of several competitors. Each appearance is a time when consumers have to admire the taste of the product. The source of the initiative is created by the expert chefs of KFC, always researching to find delicious dishes that are both suitable for consumers' taste, healthy and inexpensive.

Source of Reputation: Famous for its special marinade method from 11 kinds of herb flavors, KFC has become a famous fried chicken brand all over the world since the 30s. KFC mainly deals in chicken fast food and the most famous dish is Kentucky Fried Chicken invented by Mr. Harland Sanders. Coming to the stores of the KFC system, you will have the opportunity to enjoy the special fragrant roasted chicken only available at KFC. The great success of KFC is probably the image of the Southern colonel - Harland Sanders. He thought that if he wanted to make his little gas station stand out from the rest, he needed to make it different from everyone else, and he had to do something no one had ever done. And the person who helped him do this was... himself. This is also one of Sanders' business tips "Promote with your own image". When he was just starting out, he began to use his own characteristics and personal qualities to create the image of the company. Sanders became a colonel of Kentucky and he wanted to take full advantage of it. He thought, by taking advantage of the characteristics of a Southern colonel, he would make the client have a reasonable connection with the company. Instantly, things like six-foot-tall billboards to boxes of Kentucky fried chicken were covered with images of Sanders. His face has not only become the trademark of the company, but the white suit, black bow, and silver beard are also images that catch the eyes of customers when they come to stores with his fried chicken dishes. Whenever Sanders appeared on local television to promote his fried chicken, the company's sales increased. That success explains why Sanders' image continues to be part of the company's promotion even after his death.

### 4.4 SWOT ANALYSIS OF KFC SYSTEM IN VIETNAM

a. KFC’s Strengths: Great brand recognition: KFC belongs to the famous Yum Group in the world, as well as KFC is one of the most recognisable fast-food brands in the world, with its iconic logo, Colonel Sanders’ image, and the famous secret recipe. This strong brand identity has supported KFC to maintain customer loyalty and attract new customers in Vietnamese fast-food market. This strong point also helps KFC quickly expand its distribution channel network. Strong financial resources: This is a trademark of one of the four companies of Yum!, one of the largest retail technology groups in the world. This strong support creates a competitive strength for KFC in any market.

High brand value: Brand Finance - a famous global brand valuation company based in the UK, has conducted brand value studies. After valuation, they have published a list of the top most valuable global brands from 2015 to now. It is a remarkable strength when analysing KFC's SWOT model.

As of March 2023, among the 25 named brands, three fast food chains, Starbucks, McDonald's and KFC, entered the top 3 most valuable fast food brands with their legendary chicken-flavoured fast-food products. The top 3 most valuable fast-food brands in March in 2023 include Starbucks (\$53,432M, an increase of 16.92%); McDonald's (\$36,863M, a decrease of 7.20%) and KFC (\$17,662M, an increase of 0.22%).

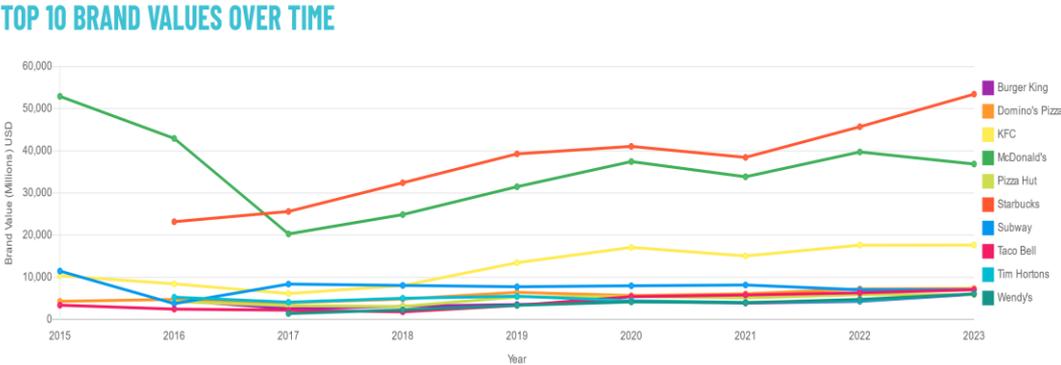


Figure 5: Restaurants overview of brand values over time. URL: <https://brandirectory.com/rankings/restaurants/overview/>

2023	2022	Logo	Name	Country	2023	2022	2023	2022
1 =	1		Starbucks		\$53,432M	\$45,699M	AAA	AAA
2 =	2		McDonald's		\$36,863M	\$39,721M	AAA-	AAA
3 =	3		KFC		\$17,662M	\$17,623M	AAA-	AAA-
4 =	4		Domino's Pizza		\$7,352M	\$7,257M	AAA-	AAA-
5 =	5		Subway		\$7,053M	\$7,054M	AA+	AA
6 =	6		Taco Bell		\$7,050M	\$6,331M	AAA-	AA+
7 ^	11		Tim Hortons		\$6,087M	\$4,399M	AAA-	AAA-
8 ^	9		Wendy's		\$6,058M	\$4,760M	AAA-	AAA-
9 ^	12		Burger King		\$5,992M	\$4,302M	AA+	AA+
10 v	7		Pizza Hut		\$5,883M	\$5,896M	AA+	AA+

Table 1: Top 10 restaurants of the Restaurants 25 ranking in 2023 and 2022 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/table>

2021	2020	Logo	Name	Country	2021	2020	2021	2020
1 =	1		Starbucks		\$38,440M	\$41,043M	AAA-	AAA-
2 =	2		McDonald's		\$33,838M	\$37,449M	AAA	AAA
3 =	3		KFC		\$15,071M	\$17,105M	AAA-	AAA-
4 =	4		Subway		\$8,181M	\$7,998M	AA+	AA
5 =	5		Domino's Pizza		\$6,089M	\$5,676M	AA+	AA
6 ^	7		Taco Bell		\$5,809M	\$5,419M	AAA-	AAA-
7 ^	8		Dunkin'		\$5,741M	\$5,214M	AAA-	AA
8 v	6		Pizza Hut		\$5,130M	\$5,434M	AA+	AA
9 =	9		Haidilao		\$4,523M	\$4,704M	AAA-	AAA-
10 =	10		Tim Hortons		\$4,054M	\$4,439M	AAA-	AAA-

Table 2: Top 10 restaurants of the Restaurants 25 ranking in 2021 and 2020 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/2021/table>

2019	2018	Logo	Name	Country	2019	2018	2019	2018
1 =	1		Starbucks		\$39,268M	\$32,421M	AAA	AAA
2 =	2		McDonald's		\$31,487M	\$24,872M	AAA+	AAA+
3 ^	4		KFC		\$13,472M	\$8,049M	AAA-	AAA-
4 v	3		Subway		\$7,767M	\$8,083M	AAA-	AAA-
5 ^	6		Domino's Pizza		\$6,439M	\$4,846M	AA+	AAA-
6 v	5		Tim Hortons		\$5,514M	\$5,033M	AAA-	AAA-
7 ^	8		Pizza Hut		\$5,359M	\$3,101M	AAA-	AA+
8 ^	9		Dunkin'		\$4,631M	\$2,677M	AA-	AA
9 v	7		Burger King		\$3,544M	\$3,150M	AAA-	AA+
10 ^	12		Wendy's		\$3,365M	\$2,285M	AA	AA

Table 3: Top 10 restaurants of the Restaurants 25 ranking in 2019 and 2018 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/2019/table>

2015	Logo	Name	Country	2015	2015
1		McDonald's		\$52,909M	AAA-
2		Starbucks		\$19,762M	AA+
3		Subway		\$11,485M	AAA-
4		KFC		\$10,381M	AA+
5		Tim Hortons		\$6,358M	AA-
6		Burger King		\$5,220M	AA+
7		Domino's Pizza		\$4,308M	AA+
8		Pizza Hut		\$3,724M	AA
9		Taco Bell		\$3,393M	AA
10		Chipotle Mexican		\$3,147M	AA+

Table 4: Top 10 restaurants of the Restaurants 25 ranking in 2015 (Unit: USD), URL: <https://brandirectory.com/rankings/restaurants/2015>

Outstanding marketing activities: Colonel Sanders was a key figure in KFC advertisements until he died in 1980. Despite his death, Sanders remains an important symbol of the company. The original official company slogans included "North America's Hospitality Dish" (from 1956) and "We fix Sunday dinner seven nights a week". The slogan "finger lickin' good" has been used since 1956 and has become one of the most famous slogans of the 20th century. The trademark expired in the United States in 2006. The first KFC logo was introduced in 1952 and featured the "Kentucky Fried Chicken" typeface with the Colonel. In 1962, Dave Thomas took Colonel Sanders' bucket and turned it into a sign in front of American KFC stores.

Advertising played a significant role at the company after it was sold, and KFC began advertising on American television with a budget of \$4 million in 1966. Kentucky Fried Chicken Advertising Co-Op was established to finance the national advertising campaigns, giving franchisees ten votes and the company three votes when deciding advertising budgets and campaigns. In 1969, KFC hired its first national advertising agency, Leo Burnett. One notable campaign by Leo Burnett in 1972 was the quote, "Get a bucket of chicken, have a barrel of fun". By 1976, it was one of the largest ad spenders in the US.

KFC uses "creative and bold" marketing campaigns that have helped lay the groundwork for becoming the valuable brand of the year, from celebrating fans' efforts to create their favourite fried chicken dishes at home to pausing the 64-year-old slogan "Finger Licking Good" for the sake of the nation's health during this time. During the COVID-19 pandemic, KFC has made a strong brand mark in the hearts of consumers over the past time.

Broad distribution system: On December 27, 1997, KFC came to Ho Chi Minh City and up to now, the company has built a comprehensive store system in all regions. In 2005, KFC had 17 restaurants; in 2008, the number increased to 44; one year later, this number was 70. Currently, KFC has more than 172 restaurants in 39 provinces of Vietnam, covering three North - Central - South and in big cities providing jobs for more than 4,000 people and making a significant contribution to the industry of Vietnamese fast food<sup>3</sup>. It shows that KFC's distribution channel expansion strategy is spread in many localities to reach the maximum number of customers. Stores are concentrated in big cities such as Hanoi and Ho Chi Minh City because this is the focus of the business's target customer group. With such extensive coverage, KFC's distribution strategy is to create more convenience for customers when they want to find the nearest KFC store for themselves. It saves more travel time, and customers can stay within their homes to get a meal at KFC. KFC's distribution system belongs to the type of door-to-door delivery, which is quick and convenient for customers; this is a perfect and convenient distribution method for customers.

Outstanding service style: Courteous, professional service style suitable for fast food style. In particular, serving equally and equally to all customers. Good business location: KFC's stores are always in the most beautiful and convenient locations for customers, right in front of a large, airy street. In addition, KFC chooses locations such as supermarkets and commercial centres with many shoppers. Good product quality: The authorities always fully guarantee KFC's products to ensure safety and quarantine standards.

Additional services: KFC stores always have free parking to make it convenient for customers to come to KFC stores. Moreover, KFC's home delivery program does not charge for shipping.

b. KFC's Weaknesses: The food is considered to be not attractive, especially in countries that like fast street food like Vietnam:

KFC has been chiefly successful in Asian markets, even countries with world-renowned cuisines. These can be mentioned as developed countries such as China, Japan, and Korea or as developing countries such as Thailand, Indonesia, Malaysia, Philippines. However, there is an exceptional country that is beyond the definition of this "big man" in Vietnam. Most fast food companies are at a loss, unable to popularize the "western style fast

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<sup>3</sup> <https://kfcvietnam.com.vn/kfc-tabs/ourresource>

food culture". West" and gave up on the eating habits of indigenous people. Meanwhile, Vietnamese street food has a wide variety of choices, is quick, is considered delicious and is much more attractive than fast food chains that are "both expensive and monotonous".

Prices are still relatively high in developing markets like Vietnam: Expert Philip Kotler said: "Vietnam is the world's kitchen" because Vietnamese food is delicious, healthy, and affordable for locals and tourists. According to a survey by Bloomberg, the average price of a meal at some fast food companies in Vietnam is as follows: KFC is 4 USD/person, Lotteria is 4 USD/person, McDonald's is 6 USD/person, and Pizza Hut is 7 USD/person. The price of the Vietnamese dong is still relatively high compared to the daily income of Vietnamese people. The average salary in Vietnam is 6.1 million Vietnamese Dong (VND) per month or 277 USD/month (according to the exchange rate as of August 2021).

KFC could not reduce costs further because it had to bear the high cost of premises, significant selling expenses, and marketing and promotion expenses. While the small shops on the street, they do not have to pay those costs, leading to lower prices. The only problem that KFC "veins" to take advantage of is the quality of food safety and hygiene. However, nowadays, Vietnamese people have given priority in this regard. They can pay a higher price to eat more delicious traditional food from reputable stores/systems, but calculated, still cheaper than foreign firms. A serving of banh mi at a famous banh mi shop in Saigon is only about \$1.50, while KFC's burger costs about \$1.90. Vietnamese can choose pho or vermicelli at that price – fuller, larger, more sophisticated dishes. According to CNBC: "Traditional restaurants serve twice the size of the meal for half the price".

The service speed is fast but slower than street restaurants: World-famous chef Gordon Ramsay once said that the Vietnamese street food system is a "matrix". Diners can find food shops on any street, anywhere, from the city to the countryside. Because of such great competition, stores must be quick; otherwise, they will lose customers to other stores. KFC abroad is favoured by convenience. Nevertheless, in Vietnam, this convenience is "led" by bread, sticky rice, doughnuts, banh gio, pho, etc. Vietnamese food stalls serve much faster, without waiting too long and still hot. Fresh, fresh, and even some foreigners have a separate term for Vietnamese stores that serve too quickly, "flash food".

Intense competition: It is easy to see that the premises of KFC fast food restaurants are located in "golden" areas or in commercial centres which have a specific "luxury", and that is

what makes this company not “fast”. Despite possessing enormous financial resources to be located in those places, KFC was "sieged" by Vietnamese retail stores and competed. Because the premises are concentrated in golden areas and commercial centres, these fast food companies are gradually considered by Vietnamese people as “playful dishes” where families and young people can spend time eating and talking. Furthermore, when entering this field, fast food companies are considered “surrendering” because they face much greater competition from chains of grilled, hot pot, buffet, traditional, European - Asian restaurants. Additionally, the fast-food industry is highly competitive, with numerous players vying for market share. KFC faces direct competition from other major fast-food chains, such as McDonald’s, Burger King, and Chick-fil-A, as well as from smaller, specialized restaurants and local eateries.

Lack of experience in human resources: Human resources have changed a lot for many reasons. Although the staffs have a professional service style, they have a limited amount of experience, limited in handling situations. It also costs much money to recruit and train employees. Lack of strong marketing activities: KFC's marketing system could be more robust, although it is a famous brand. The KFC brand is only known in big cities without high coverage. High confusion in brand: KFC is designed with red and white tones with Colonel Sander's image; Lotteria is also a red and white tone, and so is Jollibee (red and yellow), so the difference in typical tones is not too clear.

### c. KFC’s Opportunities

An increase in consumer income: The average monthly income of salaried workers in the first six months of 2022 is 7.4 million dongs, an increase of about 417,000 over the same period in 2021 and an increase of 699,000 dongs over the same period in 2020. This is a sign that Vietnam’s economy is growing positively and powerfully. The average income of male workers is 1.13 times higher than that of female employees (7.8 million VND compared to 6.9 million VND). Labourers working in urban areas have an average income of 8.3 million VND, 1.24 times higher than the average income of workers in rural areas (6.7 million VND).

Trends in healthy eating: Healthy eating is also known as healthy eating, clean eating. This is a diet towards fresh produce, healthy and balanced eating. Healthy foods are usually prepared most simply, keeping freshness and original nutrients. This diet ensures four principles: complete, balanced, sufficient and varied. You will then increase your intake of

vegetables, fruits, whole grains, barley or nut milk products, and it will also add protein to meat, fish, beans, eggs, etc. When you eat this diet, you will minimize the absorption of saturated fats and trans fats. With the increasingly hot appeal of this keyword, a series of healthy foods was born. The four most sought-after trends are fermented foods, plant proteins, anti-inflammatory herbs, nuts and nut milk.

**Fermented foods:** It is easy to see fermented foods such as yoghurt, kimchi, and pickled cucumbers increasingly appearing in meals. It contains probiotics that are good for gut health and, at the same time, help metabolism and increase other effective resistance. Especially homemade fermented foods are extremely “hot” and are loved by many young people. However, you should only add it as a side dish, do not overeat.

**Plant-based protein:** Plant-based protein is a substitute for animal protein. Since the pandemic, according to The Whole Foods, vegetable protein has been consumed more. It is safe, low in calories and fat, and aids in weight loss. At the same time, it provides abundant fibre for the body. Pumpkin, avocado, and green beans are the fruits in this group.

**Adaptogen – spices:** “Adaptogen” is the keyword for spices. Especially herbs with anti-inflammatory properties. It is easy to see that ginger and turmeric appear a lot in the spice cabinet of the Y and Z genes. Even one in basil, mint, liquorice, and mushrooms is enough to bring health benefits. It is anti-inflammatory, helps balance hormones, strengthens the immune system, and reduces stress effectively.

**Nut milk and nuts:** One last trend to be mentioned is nuts and nut milk. Nut milk, mixed fruit milk or smoothies are all good for health, and almonds are a top-priority nut. Besides, you can also use walnuts and macadamia nuts, which contain many vitamins and minerals that are good for health. For the above reasons, healthy eating is becoming more and more popular. Not only for the previous generations but for Gen Z - modern young people, building the habit of eating clean - living green is also essential. This new wave will bring positive changes to life.

**Potential fast food market:** The fast food business market comes in many forms, including pizza, hamburgers, food service, bakeries, and ice cream. Experts say that, of these, the restaurant chain specialising in chicken dishes is one of the most significant segments in terms of revenue. According to a survey by Q&ME in Ho Chi Minh City, KFC is Vietnam’s most frequented fast food chain. In Ho Chi Minh City in 2020, 45% of respondents regularly

visited KFC restaurants. Next is South Korea's Lotteria, with 17% of the 600 respondents, followed by the US chain Pizza Hut and McDonald's, with 6%, respectively. Vietnam's fast food market has shown signs of more substantial growth in recent times thanks to the rise of ordering and delivery apps such as Now and Grab Food.

The pandemic has also not significantly impacted online orders from fast food chains. Fast food chains, especially those that can be ordered online and delivered to work or home, have been less affected in some countries, and sales have increased because they are considered 'essential' businesses.

Fast food is still a potential segment in Vietnam. According to VF Franchise Consulting, the fast food industry in Vietnam has only really started to develop and grow in recent years. In neighbouring countries like Thailand, the Philippines and Indonesia, the number of fast food brands is 3-4 times more than in Vietnam, so the long-term outlook is quite good. Many international franchisors have been noted and impressed with how Vietnam has managed the economic and health crises created by Covid-19 and want to enter this market. Brands from the US, UK, Korea, Thailand and Japan continue to express interest, including Little Caesars Pizza, the third largest US pizza chain in the world, Döner Shack from the UK, Mango Tree and COCA Hotpot from Thailand, and many others.

#### d. KFC's Threats

Intense competition: The first is competition from the domestic food, the street food of Vietnam. Although Vietnamese people tend to be "foreigners", unlike the Philippines - a country that has been "assimilated into cuisine", Vietnamese people have a substantial culinary background and are ready to "assimilate against" any trend.

Part of the reason the vitality of Vietnamese food is persistent is that the Vietnamese are located at the centre of culinary interference, the North is China, the West is Thailand - Cambodia, and the South and East are bordered by the sea and marine resources abundant produce. On the other hand, Vietnamese cuisine has persisted throughout the war. Even in those years, Western food such as banh mi was also "Vietnamized" into a beautiful dish, and an example Another is coffee. As an example of choice, Vietnamese people will almost choose our chicken, chicken in the field compared to fried chicken in fast food restaurants, will choose pho, vermicelli, vermicelli, noodles instead of spaghetti, will choose pancakes, spring rolls, filter cake, spring rolls instead of pizza. Vietnamese people only come to "fast

food” out of curiosity, while Vietnamese street food provides all that Vietnamese people need: “delicious, nutritious, cheap”.

The second is “intra-industry” competition between fast food chains. About ten years ago, walking along the streets of Hanoi or Ho Chi Minh City, consumers quickly found a fried chicken restaurant. With luxurious, cool air-conditioned glass doors, these stores attract many young people. Brands can be mentioned: KFC and Jollibee entered Vietnam in 1997 and Lotteria in 1998, with dozens of stores, in many different locations.

The coverage of fast food shops is increasing in commercial centres, big cities, and many provinces. Competition becomes extremely fierce when the market converges, almost full of giants.

Entering Vietnam in 2012, Burger King had the ambition to invest 40 million USD in developing this branded store chain in prime locations and spread across provinces and cities, thereby wanting consumers to identify and access easily.

According to Euromonitor’s assessment, KFC and Lotteria in the Vietnam market will remain in the leading position. However, the growth rate will slow down because the heat of the market is no longer as “hot” as it was 10-20 years ago. In particular, convenience store chains such as Ministop, Circle K, 7-Eleven and a series of Japanese and Korean restaurants are accelerating the sale of convenient fast food products, making the market share of fast food chains fiercely competitive bouncing.

Some argue that the abundance of street food and Vietnamese dishes has been “stopping” foreign fast food brands in the future. After the Mon Hue chain of stores was disbanded in 2019, the loud and superficial appearance of the image of Phuc Loc Tho’s broken rice chain attracted attention.

Opening the first store from 2012 to 2019, Phuc Loc Tho opened ten stores. Nevertheless, from 2020 until now, this brand has continuously opened 33 stores in Ho Chi Minh City. This Vietnamese fast food brand has a “remarkable” brand identity coverage in Covid-19.

Vietnamese people are fastidious in eating and drinking: Vietnamese people have rather fastidious views about food. Although Vietnamese people joke that “you can eat anything”, the criteria “you can eat anything” must include low price, delicious food,

convenience, good service, full of nutrition, etc. is not superficial for passing. “Delicious and cheap” - The criterion that almost all Vietnamese put first, even the middle class.

The obesity rate of Vietnamese people is only 3.6%. If we calculate this figure compared to friends in the region, the obesity rate of Vietnamese people is relatively low. It comes from the Vietnamese people’s vegetable-loving diet. In almost all fast food dishes, vegetables are the main ingredient, stimulating taste, smell and sight and providing a “green” substance to the dish.

Even when Vietnamese people eat fried food such as pancakes, spring rolls, and corn ram, there is always a massive amount of vegetables. Even in the primary or side meals, Vietnamese people prioritise vegetables and soup. While fast food cuisine is not like that, there is only a little green; Vietnamese people use tomatoes to eat raw and cucumbers to play, and these two vegetables are quite “pale” compared to Vietnam’s spices. Vietnam.

According to CNBC, Vietnamese people spend much money on food. However, 78% of the money they spend on food needs goes directly to Vietnamese roadside restaurants, and only 1% goes to foreign fast food restaurants. The number of visitors to fast food chains decreased by 31% between 2016 and 2018, while the number of visitors to roadside stores increased by 70% in the same period.

According to a survey by Nielsen, the percentage of consumers who choose the element of food hygiene and safety in their daily meals is the most important, showing that Vietnamese people are willing to pay more to eat clean and healthy.

The domesticity of street fast food in Vietnam: According to Nielsen, Vietnam is the country with the highest number of fast food/street food in Asia, with over 80 dishes; of course, this is still an understated number.

There was a time when the number of fast foods in Vietnam was too much, and the way of processing needed to be simplified. People wondered whether to include vermicelli, pho, vermicelli, noodles, etc., in the fast food list and are not. Nevertheless, according to the criterion of “quickly to diners”, the units, statistics, and the press gradually default to putting those foods on the fast food list.

Each province, city, commune, and district has typical local dishes with separate and complex processing methods. Vietnamese people must change a few ingredients, such as

herbs to serve, to make a dish taste different. This is the international fast food companies need help to do. For example, Hai Phong pho differs from Nam Dinh noodle soup, Long Khanh bread differs from Saigon bread, and the Southern spring rolls differ from the Northern ones.

In Vietnam today, there is a large migration from the countryside to the city, from one province to another. With these migration flows, the culinary platforms between regions, regions and localities are intermingled and developed. Currently, in Hanoi, people can easily find spring rolls, vermicelli, and Hue beef noodles or, like in Saigon, finding restaurants specialising in Hanoi pho is also much more accessible.

Many people think that such stores do not bring the “original” from the locals, but these shop owners have done something international fast food companies cannot do: adjust the restaurant’s flavour. The taste of the food is suitable for the local business.

In addition, Vietnam has a fish sauce made from sea fish, different types of seasoning and a massive system of spices and herbs. Meeting the needs of both quality, smell and colour.

In season 4 of Masterchef America, Gordon Ramsay chose Vietnamese noodle soup as a topic. Moreover, this episode has become one of the five most famous episodes in Masterchef history. A trendy dish in Vietnam is famous for its complexity and the feat of preparation. During his Vietnam trip, he said he was just “a religious seeker” in front of famous Vietnamese chefs.

There is one thing that makes Vietnamese people “quite uncomfortable”, every morning, Vietnamese people will have to ask a question: What to eat today? And actually, this question is relatively difficult to answer because running through their heads are many dishes. Each dish has its characteristics and level of attractiveness, and the price is very reasonable and surrounds the roads Vietnamese people move every day. Then at noon, the above question continued to be repeated.

## **5 CONCLUSIONS**

Section Five finalises the main findings of this study by related literature and theoretical concepts stated in Section Two. Theoretical implications to the strategic analysis field are presented, followed by practical implications drawn from the case study analysis. In the name of practical implications, business organisations can gain a more in-depth understanding of strategic analysis and its crucial role, which is a part of business planning that has a systematic strategy and appropriate resource investment and can help the organisation reach its goal. Additionally, the limitations of this study are addressed, along with recommendations for future research on the focus.

### **5.1 DISCUSSION AND CONCLUSIONS**

The thesis provides a comprehensive insight into the overall effect of the organisation's environment on its strategies in general and its strategic decision-making in specific by making a systematic theoretical and presenting empirical case study with micro and macro environment approaches. The thesis discloses significant empirical findings that considerably contribute to addressing the research questions.

Besides the parts of Introduction and Methodology, the first research part is presented in Section 2, summarising theoretical and empirical literature on strategic analysis of the business organisation using a systematic literature review methodology. This research compiles some central reviews of strategic analysis of the business organisation in the extensive literature, and hence, the research question 1 is answered. To sum up, the research part gives a deeper understanding of strategic analysis concerning microenvironmental and macroenvironmental analysis by reviewing the existing theoretical and empirical research on the topic. It indicates different perceptions of strategic analysis and the relationship between strategic analysis and decision-making. It reveals some approaches to strategic analysis in strategic decision-making. It also presents and explains essential factors for the organisation's internal and external analysis and the suggested standard analysis tools.

The second research part is analysing the impact of the microenvironment on the operation of the KFC system in Vietnam. The analysis results and based on SWOT approach show that the microenvironment affects the operation of the KFC system in Vietnam, and thus the research question 2 is answered. The findings of this analysis align with the suggestions of

previous theoretical and empirical literature summarised systematically in Section 2. This second research part concludes that KFC has not only several remarkable Strengths (such as great brand recognition, strong financial resources, outstanding marketing activities, broad distribution system, outstanding service style, good business location, good product quality, and additional services), which indicate its positive performances, but also several good Opportunities (such as an increase in consumer income, trends in healthy eating, and potential fast food market), which reflect its potential development in the fast food market in Vietnam. Nevertheless, KFC exposes some noticeable Weaknesses (such as the food is considered to be not attractive, especially in countries that like fast street food like Vietnam; prices are still relatively high in developing markets like Vietnam; the service speed is fast but slower than street restaurants; intense competition; lack of experience in human resources; lack of strong marketing activities; and high confusion in the brand), which imply its negative performances. In parallel with its Weaknesses, KFC faces some considerable Threats (such as intense competition, Vietnamese people are fastidious in eating and drinking, and the domesticity of street fast food in Vietnam), which can affect the organisation's performance.

The third research part is presented in analysing the impact of the macroenvironment on the operation of the KFC system in Vietnam with a PESTLE and Porter's Five Forces analysis approaches. The analysis results state that the macroenvironment impacts the operation of the KFC system in Vietnam, and hence the research question 3 is answered. The findings of this third research part are consistent with the statements of previous theoretical and empirical literature summarised systematically in Section 2. For the environmental analysis, the PESTLE results present evidence that macro-environmental factors enhance KFC's growth in Vietnam. The macroenvironment focuses on five main parts, which are political, economic, social, technological, legal and environmental factors. In Vietnam, the government open its laws and regulations to attract overseas investment even though Vietnam is currently a socialist country. Besides, the economy in Vietnam is relatively stable, with the development of technology helping Vietnam become a potential market for KFC. Furthermore, Vietnamese people are gradually changing their habits from traditional dishes that require much time to fast meals to adapt to the increasingly fast-paced life, which is one of the advantages of the development of KFC in Vietnam. For the industry analysis, Porter's Five Forces results evaluate the competitive environment of KFC in Vietnam. The competitive environment mentions five factors competitors, potential rivals (threat of entrants), suppliers, customers, and alternative products (substitutes). KFC has to face many

current strong competitors and new rivals. However, KFC lacks product differentiation amongst its strong competitors. In conclusion, although KFC reveals some Weaknesses and faces some Threats, it has a good brand image in customers' minds and is invited to a potential market in Vietnam. KFC should develop its advantages as well as limit the disadvantages as much as possible to satisfy customers and enhance KFC's image in the market.

Some actions can help KFC attain good management through planning, organising, leading and controlling. Accordingly, some recommendations are made to gain more customer satisfaction and enhance KFC's image in the fast food market of Vietnam. First, KFC should make differentiated products to compete with its rivals. For instance, creating a new menu with a variety of veg food besides a regular menu, providing a variety of non-veg food like pork, lamb, etc. Second, KFC can enhance marketing activities to increase customer loyalty, such as offering various promotion programmes for purchasing KFC's products, giving birthday cards or small gifts on customers' birthdays, etc. KFC needs to care more about its customers by gathering customer information, and it is easier for KFC to collect feedback and do a customer loyalty programme.

## **5.2 THEORETICAL IMPLICATIONS**

Concerning the theoretical contributions, the thesis presents evidence of an approach towards strategic analysis in strategic decision-making in the literature in several ways. It is essential to highlight the internal and external factors influencing the organisation. By evaluating the organisation, strategies can be formulated and implemented.

First, this thesis gives a deeper understanding of strategic analysis, strategic decision-making, their relationship, and standard strategic analysis tools by systematically summarising the existing theoretical and empirical literature.

Second, this thesis empirically concedes to the external analysis knowledge on the linkage between the macro environment - including the general environment and industry environment - and the organisation's business (strategic decision-making of the organisation) by providing a case study that captures the overall impact of the organisation's macroenvironment on its strategic decision-making.

Third, this thesis empirically provides a picture of the relationship between the micro environment and the organisation's business by employing a case study.

### **5.3 PRACTICAL IMPLICATIONS**

Besides the theoretical implications, the author's study provides vital practical implications in the strategic analysis of business organisations, including the analysis in the micro and macro environment.

Firstly, the author contributes to the strategic analysis literature by systematically summarising the existing theoretical and empirical literature to capture the overall impact of the organisation's micro and macro environment on its strategic decision-making. Accordingly, strategic analysis tools, such as SWOT, PESTLE, and Porter's Five Forces, are considerably chosen to evaluate an organisation's business environment.

Strategic analysis is a part of strategic planning along with strategy formulation. The strategic analysis sets the stage for an organisation to formulate strategies and make decisions.

Secondly, from a microenvironment perspective, the author concurs on the significance of internal analysis in the strategic analysis of the business organisation. The findings can help the organisation (i.e. KFC) evaluate the potential organisation to reach its goals. Accordingly, it supports an organisation to look inside itself and define its positive and negative performances, which can be further improved with proper resource investments and enhance the organisation's image in the market.

Thirdly, from a macroenvironment perspective, the author provides significant insight and demonstrates a good understanding of external analysis in the strategic analysis of the business organisation. The findings can help the organisation (i.e. KFC) evaluate the external factors that might interrupt the organisation's growth. Accordingly, it supports an organisation in knowing how the market works and how customers are influenced by specific marketing strategies, products, and services that the competitors present.

### **5.4 LIMITATIONS AND FUTURE RESEARCH**

Like other studies, despite the theoretical and practical contributions, the author's study meets some limitations that can provide future research opportunities.

First, the use of complementary research techniques for data collection needs to be fully applied in this research to facilitate a broader understanding of the phenomenon and strengthen data reliability. The triangulation method is a suggestion.

Second, the sample of the observation is relatively tiny in research areas and seasonal periods. The data validity and reliability would be strengthened if the data collection could be implemented in different big cities throughout Vietnam from the North to the South and in different seasons in Vietnam.

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## **Annexes**

### **Annex 1: List of Figure**

Figure 1: URL: <https://media.hanoitimes.vn/2021/12/29/abc.png>

Figure 2: Hofstede model in Viet Nam. URL: <https://www.hofstede-insights.com/>

Figure 3: Three companies leading the fast food market in Vietnam. URL:  
[https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders\\_14142](https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders_14142)

Figure 4: Profits of the top 3 fast food companies in Vietnam. URL:  
[https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders\\_14142](https://vietnamcredit.com.vn/news/vietnams-fast-food-market-three-market-leaders_14142)

Figure 5: Restaurants overview of brand values over time. URL:  
<https://brandirectory.com/rankings/restaurants/overview:>

### **Annex 2: List of Table**

Table 1: Top 10 restaurants of the Restaurants 25 ranking in 2023 and 2022 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/table>

Table 2: Top 10 restaurants of the Restaurants 25 ranking in 2021 and 2020 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/2021/table>

Table 3: Top 10 restaurants of the Restaurants 25 ranking in 2019 and 2018 (Unit: USD). URL: <https://brandirectory.com/rankings/restaurants/2019/table>

Table 4: Top 10 restaurants of the Restaurants 25 ranking in 2015 (Unit: USD), URL:  
<https://brandirectory.com/rankings/restaurants/2015>

## ABSTRACT OF THESIS

Thesis title: **Analysing the micro and macro environment of KFC store system in Vietnam**

Author name: **Bui Ngoc Tuan Anh**

Course, level of education: Bachelor's Thesis in Business Administration and Management

Host Department/ Institute: Institute of Economics / Department of Business Administration

Primary thesis advisor: **Dr. Turzai-Horányi Beatrix**

Assistant Professor

Institute of Agricultural and Food Economics

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Every organization needs to adapt to its competitive environment in order to survive and succeed in the market. The environment is always changing, more dynamic and unpredictable than before. Therefore, strategic analysis is considered to be an indispensable part of the company. The main purpose of this study is to analyze and determine the influence of strategic analysis on the strategic decision of KFC system operation in Vietnam through micro and macro environmental analysis methods. The research mainly focuses on the following aspects: (1) The systematization of different reasoning characteristics of strategic analysis may affect the strategic decision in enterprise strategic management and the relationship between strategic analysis and strategic decision in theory and practice. (2) Empirical evaluation of the impact of microenvironment on the operation of KFC system in Vietnam. (3) Empirical evaluation of the impact of macro-environment on the operation of KFC system in Vietnam. The theoretical framework of this study is based on the concepts and theories related to strategic analysis in the process of strategic decision-making. Secondary data will be used in this study. Collect data from existing documents, books or studies, annual reports and online newspapers and magazines. This paper provides a comprehensive insight into the overall influence of organizational environment on overall strategy and specific strategic decision-making, through theoretical research and systematic demonstration of micro- and macro-environmental methods. It points out different views on strategic analysis and the relationship between strategic analysis and decision. It reveals some methods of strategic analysis in the process of strategic decision. The analysis also shows that both micro and macro environment affect KFC's operation in Vietnam.

**Key words:** KFC, microenvironment, macroenvironment, strategic analysis, Vietnamese market.

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### STUDENT'S DECLARATION

Signed below, **Bui Ngoc Tuan Anh**, student of the Szent István Campus of the Hungarian University of Agriculture and Life Science, at the BSc/MSc Course of Business Administration and Management declare that the present Thesis is my own work and I have used the cited and quoted literature in accordance with the relevant legal and ethical rules. I understand that the one-page-summary of my thesis will be uploaded on the website of the Campus/Institute/Course and my Thesis will be available at the Host Department/Institute and in the repository of the University in accordance with the relevant legal and ethical rules.

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