Meeting the Challenges for Franchising in Developing Countries: the Vietnamese Experience

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Presented at the 27th Annual International Society of Franchising Conference
Franchise Management School
Beijing Normal University-Zhuhai
People’s Republic of China
March 13-16, 2013
ABSTRACT
Franchising is an increasingly popular business expansion strategy. In its contemporary business format mode it is a method of business operation which has revolutionised the distribution of goods and services in virtually all industry sectors and has transformed the business landscape of most countries. It is a particularly important strategy in developing countries because the franchisor’s provision of a proven concept and system as well as training and ongoing support promotes SME development. A viable and healthy franchise sector nevertheless requires adequate and appropriate infrastructure - political, legal, economic, commercial and social-cultural. Each of these infrastructure prerequisites may pose challenges for developing franchise sectors in developing countries. While business format franchising is the industry standard for developed countries it remains an aspiration for many developing countries. Despite the attraction for developing countries of systems, training and support, and despite the economic and regulatory infrastructure being in place for the development of business format franchising, a range of commercial and socio-cultural factors may conspire to prevent its full expression.

This paper addresses franchising development in Vietnam. It considers strategies to bridge the gap between Vietnamese franchise practice and franchising best practice. It proposes that in Vietnam’s current state of development the product and trade name model may be the appropriate starting point with a move to the business format model only when, and in places where, the social-cultural, commercial and economic factors and the legal environment can accommodate more sophisticated business format franchise arrangements.

Key words
Developing countries
Environmental factors
Franchise development
Franchise models
Vietnam