

**Master's Thesis**

**Factors leading to Success of Vietnamese Food Search Engine Startup  
– Case of Lozi.vn**

by

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## **Certification Page**

I, PHAM Thi Thu Giang (Student ID 52115619) hereby declare that the contents of this Master's Thesis are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma.

All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

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PHAM, Thi Thu Giang

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## **ABSTRACT**

**Title of research:** Factors Leading to Success of Lozi.vn – a Vietnamese Food Search Engine Startup

By May 2016, there were approximately 1,500 e-commerce startups in Vietnam (Minh, 2016). Among numerous other business fields, the food search engine is one of the interesting areas attracting a lot of Vietnamese startups. Food search engine companies provide websites and mobile applications allowing online searching address and recommendations for foods or restaurants. Lozi.vn, henceforth referred to as ‘Lozi’, is one of the key players among a large number of food search engine startups. The purpose of this research is to answer the question: What are the factors leading to the success of Vietnamese food search engine startup? A qualitative research method (face-to-face interviews and secondary data) was applied to study this paper based on the framework of the PESTEL and 7Ss McKinsey model.

After collecting and analyzing data, two external factors and five internal factors were defined. Among the three examined external factors belonging to the PESTEL model, social-culture (sharing culture and habits of Vietnamese) and technology are two factors contributing to the success of Lozi. Thereupon, under the McKinsey model, seven factors (strategy, system, structure, skills, style, staff and shared value) were studied. Only five of them contributed to the current achievement of Lozi.vn which were strategy, skills, style, staff and shared value. Among discovered factors, two most important factors to Lozi were internal soft factors; not the external factors. They were staff (human resource, partners, group of founders and employees of Lozi) and shared value (which presents shared resolution among Lozi’s members).

**Key words:** E-commerce, Startups, Internal factors, External factors, Food search engine



# CHAPTER 1: INTRODUCTION

## 1. Research Background

According to the World Bank, Vietnam ranks 111 out of 189 economies in the Ease of Starting Business rank (World Bank, 2016). Thus, compared to other economies, Vietnam is still not a country for starting business easily. However, the index in 2016 is better than that in previous years. It indicates that it is becoming easier and easier to start business in Vietnam.

It is now easier to start a business in Vietnam. The numbers of startup in this South-East Asian country have increased year by year. One cannot deny that among these starters, there is a large number of player entering e-commerce market. Nguyen (2016) stated that “Most of Vietnam's startups are in e-commerce, a sector where sales grew around 35 percent last year to \$4 billion, and whose 2.7 percent contribution to overall retail sales indicates ample room for growth”.

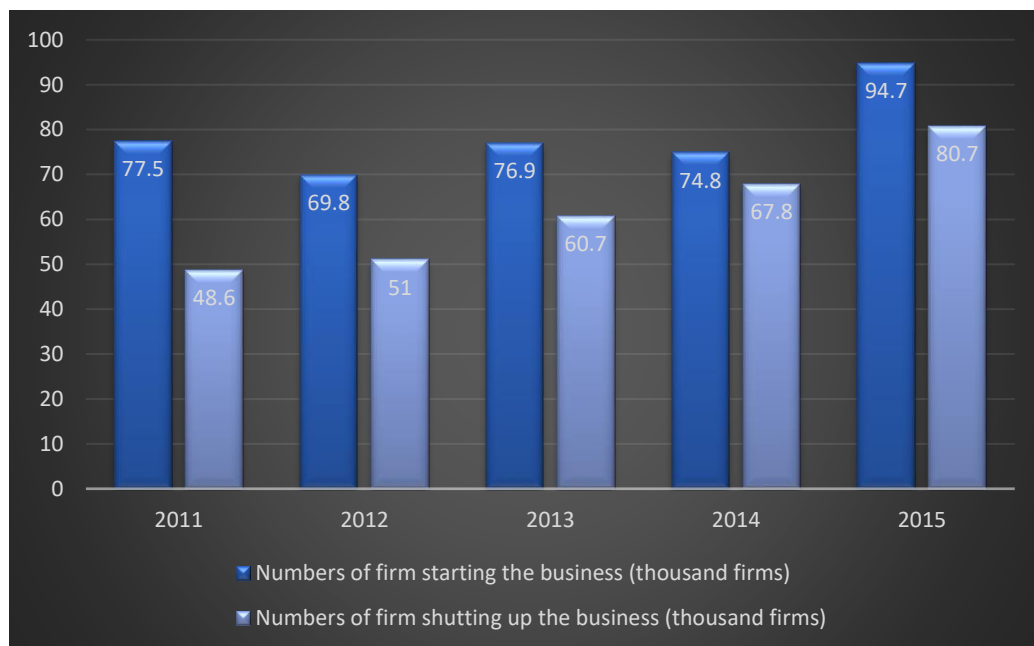


Figure 1: Numbers of firms starting and stopping operations in Vietnam. *Source:*

*Vietnam Ministry of Planning & Investment, 2015*

According to statistics from the Vietnam Ministry of Planning and Investment, a graph presented the numbers of started and stopped organizations in Vietnam from 2011 to 2015.

During that period of time, the numbers of business starters fluctuated but in general, until 2015, there were nearly 95 thousand companies just entering a market which raised over 12 thousand firms compared to four years ago. It seems like good news for the Vietnam economy. It determines development of startups, especially e-commerce startups, in Vietnam; as well as how much potential Vietnam's market has. Unfortunately, the growth in numbers of startups went along with the rise in numbers of organizations who had to shut down their business and those numbers jumped up continuously over five years. In 2011, the numbers of new born companies were almost double that of failed ones; while five years later, in 2015, that gap decreased sharply. 80.7 thousand firms closed already which meant only 15% (14 thousand) of organizations could survive compared to the 94.7 thousand just-opened organizations in Vietnam at that time.

Furthermore, the e-commerce market in Vietnam is also big because one-third of Vietnam's population is considered as potential customers of e-commerce based on the testimony of Tran Van Trong, deputy chief of the office of the Viet Nam E-commerce Association (N.A, 2016). It opens a bright picture for e-commerce startups in Vietnam. There are many fields of business which Vietnamese e-commerce startups are doing including logistics, food, agriculture, e-learning, etc. One of the interesting areas is food search engine market which has attracted more and more startups. Thanks to the popularity of high tech facilities in Vietnam, a potential market has opened for e-commerce startups.



Figure 2: Digital in Vietnam. *Source: Kemp, 2016*

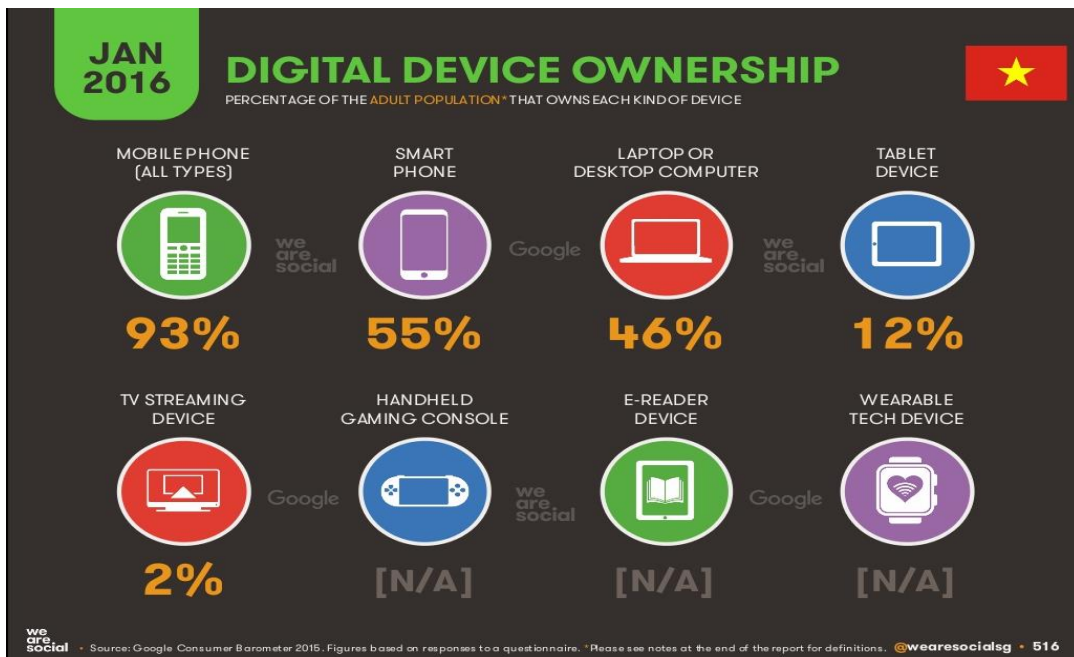


Figure 3: Digital Device Ownership. *Source: Kemp, 2016*

We Are Social is a global agency creating marketing campaigns through social media. The above statistics of We Are Social illustrate the use of digital as well as types of owned digital devices in Vietnam in last year. Vietnamese are quite familiar with technology and high-tech facilities. Most of Vietnam citizens own mobile phone (93%) and the number of smart phone users in this country is 55%. The proportion of Vietnamese who have laptops or

computers is significant too. 50% of Vietnamese being able to access the internet. Vietnamese using social media and mobile social occupy 37% and 31% of the population respectively.

## **2. Introduction of Lozi – a food search engine startup**

In 2013, the five young founders of Lozi.vn, who were just around 23 years old, raised up their idea of providing a website and mobile app to help users search and check the evaluation of the foods they want to eat in Vietnam (Nhat, 2014). They decided to introduce their idea by joining a contest, Young Creative Entrepreneurs, which was held by the Vietnamese Central Youth Union organization and finally winning the second prize (Nhat, 2014). Right after that, in January 2014 Lozi.vn was established (Nhat, 2014). Like other food search engines, if the smart phones or computers of Lozi's users have an internet connection, they can search delicious foods and nice restaurants in Vietnam using keywords. Users can customize their search results based on categories such as price, location, ranking, or types of food. After that, images of food, the comments of previous customers, and directions to the restaurant will be displayed.

## **3. Significance of the Research**

According to the previous background, the number of Vietnamese startup businesses in the e-commerce field, as well as the number of e-commerce consumers in Vietnam, increases year by year but not all of the starters can survive. Many of them can expand their business, even some can go abroad while others fail and shut down years or just months later. This situation happened similarly in the food search engine market. The author tried to search for any existed articles or journals that could explain the reason behind the success or failures of the Vietnamese food search engine market. Several key words such as 'e-commerce startup in Vietnam', 'Vietnamese food search engine market' 'food search engine', 'food search engine startup', were used to search through EBSCOhost, ProQuest, ScienceDirect and even Google.

However, no results could be found. It means that until now, there is no research about food search engine startups in Vietnam. Therefore, this study is done to identify the key reasons for the success of food search engine startup firms in Vietnam.

There is an abundance of factors which affect the performance of businesses and this research aims to categorize the factors and resources which help Vietnamese starters providing food search engine to be successful. Are they internal or external factors? Are they tangible or intangible? Which categories are they in (leadership, brand, strategy, finance, innovation, partnership or any else)? This study can answer these questions.

As mentioned above, the business areas are diversified including food industry, book publishing, education, agriculture, entertainment, logistic and so on. Thus, the scope of this research just focus on one specific field which is food search engine. Because of time and ability limitation, it is impossible to conduct a nationwide study of Vietnam. Hence, this research study a case of one representative for food search engine startups only which is Lozi.vn.

This research tends to approach people who want to start or already started their business in food search engine in order to provide the idea of how to create and manage the business for sustainable development.

#### **4. Research Questions**

This paper was done to answer one big research question which then divided into three sub-questions as bellow:

What are successful factors of Lozi.vn – a Vietnamese food search engine startup?

- What are the internal factors leading to success of Lozi.vn?
- What are the external factors leading to success of Lozi.vn?
- To Lozi.vn, what are the most important factors leading to its success, internal or external?

## **5. Research Objectives**

There are three objectives which are set up before implementation of the study. The research questions can be solved if these objectives are achieved. Three research objectives are presented as follows:

- Identifying internal and external factors help startup firms in e-commerce field in Vietnam succeed.
- Categorizing the factors under the basis of 7Ss McKinsey model and PESTEL framework.
- Figuring out and analyzing the most important factors or categories for being a successful starter in e-commerce.

## CHAPTER 2: METHODOLOGY

*A qualitative research method* was approached to identify both internal and external factors leading to the current success of Lozi.vn – a Vietnamese startup providing food search engine services. According to Bryman, a qualitative research method is a “research strategy that emphasizes words rather than quantification in the collection and analysis of data” (2011, p.386). Rather than using numbers, qualitative research method focuses on words to analyze and interpret a process and find the results of the research. This research method is conducted with opened-ended-interview questions which encourage participants to indicate their ideas freely. Thus, the collected information and data are quite thorough. Furthermore, a qualitative research method provides not only the views of participants but also contextual understanding, for instance, participants’ behavior, values and beliefs (Bryman. 2011). During the meeting or interview, researcher can observe the reaction of the participants to the research topic and interview questions which can be a source for rich data.

After contacting, the founder and CEO of Lozi denied to be interviewed and the author of this research conducted interviews with three people working for Lozi only. Before, some newspapers interviewed Lozi’s CEO in related topics, so, to recognize his viewpoint, these interviews were referenced as secondary data. *A triangulation research method* was decidedly applied. It is one of qualitative research methods to raise a comprehensive understanding of phenomena by using multi-data resources and multi-method (Carter et al, 2014). Three among five kinds of triangulation method were utilized in this research: triangulation by data source, method and theory (Paulien et al, 2002). The data was collected from interviews with different people. Besides interviews (primary data), secondary data was also collected from documents. Finally, two different theories (PESTEL and 7Ss McKinsey) were used to analyze the results and answer the research questions.

### **1. Primary Data**

To collect primary data, deep individual interviews were conducted and interviewees

were selected under the *purposive sampling method*. It is a method in which “the researcher does not seek to sample research participants on a random basis. The goal of purposive sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions being posed” (Bryman, 2011, p.386). This research selected Lozi as the representative for food search engine providers. The interviews with co-founders and executive director of Lozi were conducted. Through interviews with these founders, the reasons for the success of Lozi.vn, were discovered. Furthermore, the views of the professors as well as specialist are important too, so professors from universities in Vietnam who have deep knowledge about e-commerce startups were interviewed to figure out the situation in Vietnam. They also provided an overview of development trends of e-commerce startups in this country under an academic view. On the other hand, there was an interviewee who had their own experiences of starting an e-commerce business in Vietnam. He already experienced how to build an e-commerce startup in developing market like Vietnam, so; he could share some lessons to have successful e-commerce startups in the real world instead of in theory only. Totally, there were seven participants to interview; some of interviews were face to face interviews while the rest were implemented through skype due to the busy schedule of interviewees. Because of the interviewees’ requests, their names are undisclosed.

- Two Co-founder of Lozi.vn – the researched company
- One Executive Director of Lozi.vn
- One person who worked in the US for five years and had seven-year experience about e-commerce startups in Vietnam
- Vice Dean of Hanoi School of Business (HSB)
- One Master Trainer for e-commerce startups at Microsoft Vietnam Philanthropies
- Head of Business Administration Department of Viettronics University

## **2. Secondary Data**

To diversify the data for analyzing, data was collected online via several sources which



were provided in Vietnamese.

- Official Statistic Documents of Vietnam Ministry of Planning and Investment.
- Official website of Lozi.vn
- Interviews founder and CEO of Lozi in Vietnamese electronic newspapers.

## CHAPTER 3: LITERATURE REVIEW

### 1. Key performance indicators (KPIs) of an e-commerce startup

First of all, it is necessary to define what ‘success’ mean. Different individuals have dissimilar perspective of success. The previous researches were reviewed to figure out the indicators for ‘success’ of an e-commerce startup.

#### *1.1.Indicators for ‘success’*

There are various definitions of success and different people have dissimilar understandings about success. To make it clear and easier, KPIs (Key Performance Indicators) are initiated to measure the results. According to Parmenter (2007, p.3), KPI is a list of measurements checklist - “focusing on aspects of organization performance that are most critical for the current and future success of an organization”. KPI is also a set of checklists to define and evaluate aspects of e-commerce (Mihaela, Târnavăanu, Ion, 2016). It is stated that E-commerce entrepreneurs can use KPI, for example sales increases, website’s traffic, or the number of visitors, as a tool to measure how successful they are (Mihaela, Târnavăanu, Ion, 2016).

Nevertheless, Yang et al (2016) identified the extra indicators to evaluate the efficiency and effectiveness of E-commerce application, which were financial statement, website importance and user engagement. In financial statement, Yang et al (2016) mentioned that an efficient and effective e-commerce business should have the ability to manage the investment fund so they can minimize the operation expenses of their business but still expand the firm scale. Website importance and user engagement are also success indicators of an e-commerce organization. Market share as well as revenue can be taken into account too to measure how successful an e-commerce company is (Yang et al, 2016).

Moreover, Johnson et all (2001) developed a framework for evaluation guideline of

internet search engine by surveying students in 23 universities in the UK. The studied students were asked to evaluate their satisfaction as users of three specific search websites (excite.com, northernlight.com and hotbot.com) under the criteria of system effectiveness, efficiency, utility, and interaction. Consequently, it was stated that customer satisfaction was one of the key performance factors to measure the success of an internet search engine. Becker et al (2016) had another finding about how to understand 'success'. According to him, without investors, a startup cannot survive for a long time due to lacking of capital and limited resources.

The common point in the above reviewed literatures is that for e-commerce firms, the more customers who used the service or good, the more successful the firm was. Additionally, the researchers agreed that the number of website visitor per day can be also considered as a measurement for the success of an e-commerce firm. Thus, in this research, to identify whether Lozi.vn is successful or not, the number of mobile application and website users are primary concern. Besides their similarities, each previous study contributed some new success indicator for small and medium e-commerce companies. It could be profit, quality of provided information, time of website processing (Yang et al, 2016), customer satisfaction, capital investment (Becker et al, 2016) or popularity of website (Yang et al, 2016). Because the information of the profit of Lozi.vn is not published, the profit indicator was not selected. Quality of provided information is difficult to measure without studying about Lozi's customers, so, it was ignored. Instead, level of capital investment is considered to measure the success of Lozi.

In summary, the above researchers listed out several criteria for the success of the an e-commerce company which were sales increase, website's traffic, number of visitors, customer satisfaction, capital fund, quality of provided information, time of website processing and popularity of website. Among these indicators, three aspects were chosen to observe the success of Lozi.vn: *Number of user*, *Number of user satisfied with Lozi's service*, and *amount of*

*Investment capital.*

### ***1.2.Success of Lozi.vn***

In 2014, at the same year of establishment, Lozi.vn was given the investment of \$10,000 by Vietnam Silicon Valley; organized by Vietnam Ministry of Science and Technology (Nhat, C, 2014). In 2015, Lozi.vn became famous in the startups community by receiving 7-digit funding as an investment (more than one million USD) from Golden Gate Ventures and Design One Japan venture capital (To, 2015). At present, Lozi.vn was reportedly valued at \$2million by investment funds (To, 2015).

By November 2015, the company has had 7.530.743 ‘happy users’ among a total of 8.482.400 Lozi users in Vietnam. Lozi provides the information and reviews of 250.320 eating places, as well as co-operates with restaurants and coffee shops (Golden Gate Restaurant Group, the Coffe House, Pepsi), and social channels, such as Yan TV (Vietnamese entertainment television channel for youth) and Zalo (Zalo, as similar to Line, it is mobile messaging app which is popular in Vietnam) (Lozi, 2015). Now, the market of food searching and review engines is quite competitive when many players try to jump in like thodia.vn, diadiemanuong.com, place.vn, dendau.vn, foody.vn, Onone.vn, Lenken.vn, ProGuide.vn, anan-vietnam.com, amthuc365.vn, vnnavi.com, amthucgiaitri.com, monngonvietnam.com, ohyeap.vn (Vu, 2014). However, Lozi still is one of the most popular names when Vietnamese think about food.

## **2. Factors affecting e-commerce adoption of SMEs**

To define what e-commerce is, Efraim and Linda (n.d) stated: “E-commerce is the process of buying, selling, transferring, or exchanging products, services, or information via the public internet or private corporate networks” or E-commerce is “the use of electronic means and technologies to conduct commerce, including within business, B to B and B to C

interaction. Delivery of product or service may occur outside internet.” (Manzoor, 2010, p.2).

### ***2.1.E-commerce adoption of SMEs in the world***

Ndayizigamiye (2014) identified some general internal factors for the e-commerce adoption of SMEs as “firm’s characteristics, firm’s organisational culture, owner/manager characteristics, and internal IT capabilities”. According to the review of other researches, that author recognized firm size as one of the factors belonging to firm’s characteristics which affect the e-commerce application of an organization. There is a negative relationship between the firm size and e-commerce adoption when the larger firms tend to apply e-commerce rather than small firms. Besides, an organization’s culture is also a factor influencing a firms’ adoption of e-commerce because e-commerce cannot be applied if organizational culture does not encourage innovation and new technology using (Ndayizigamiye, 2014). E-commerce application and its success requires SMEs various skills and resources such as internal IT skills, strategy or routine of e-commerce application, availability of technology within and outside the firms, as well as availability of financial resources (Ndayizigamiye, 2014). “If e-commerce is core to the business, the company might resort to develop in-house experts to set up and maintain the company e-commerce infrastructure” (Ndayizigamiye, 2014, p249). “The allocation of IT budget is meant to be proportional to the role that IT plays in the company core business” (Ndayizigamiye, 2014, p249). On the other hand, Chong (n.d) also mentioned the pressure of industry and trading partners as well as the infrastructure of a country and government support as factors impacting the adoption of electronic commerce SMEs.

### ***2.2.E-commerce adoption of SMEs in Vietnam***

In case of Vietnam enterprises, the data analysis showed that 66.8% of Vietnamese SMEs did not adopt e-commerce (Le et al, 2012). Le and his partner applied logistic analysis in their research in 2012 to test the determinants of E-commerce adoption in transition in Vietnamese SMEs. They created 16 hypotheses related to the topic and the significance of the

regression coefficients of the independent variables was used. As a result, the regression supported 11 out of 16 hypotheses. Among them, there were 2 negatively supported measures or 2 factors preventing the adoption of e-commerce of SMEs in Vietnam. They were ‘complexity of the innovation’ and ‘the risk of applying e-commerce’. Furthermore, the research of Le et al (2012) also defined challenges preventing Vietnamese SMEs from adopting and using e-commerce in Vietnam which involved not only financial shortage, technological development, and human resources, but also intense competition, complex external environment, transitional legal and administrative framework, barriers in communication, and constraints in infrastructure.

However, factors that supported e-commerce adaptation of Vietnamese SMEs also existed which were employees’ knowledge of e-commerce, resources of the enterprise, size of firm, attitudes of managers towards innovation, competition, support of industries as well as government, comportment of suppliers and buyers, and compatibility of the innovation (Le et al, 2012). In Vietnam, e-commerce adoption by SMEs is increasing due to the supporting of key elements such as financial resources, technologies, and qualified human resources (Le et al, 2012).

### **3. Success factors for e-commerce startups**

Researches of other researchers were looked through to identify if there were any prior studies about factors affecting the achievements of e-commerce startups worldwide and in Vietnam. Finally, the number of researches about success factors for e-commerce startups was found out. They can provide potential framework for this paper and will be a basis for discussion later.

Blumenthal, Warby Parker’s cofounder and co-CEO came up with a definition of startups: “A startup is a company working to solve a problem where the solution is not obvious

and success is not guaranteed” (2013). On the other hand, The American Heritage Dictionary states that “a startup is a business or undertaking that has recently begun operation.” (Natalie. 2013). “A startup is the largest group of people you can convince of a plan to build a different future” is another definition about startups from Thiel and Masters (2014, p.1). Similarly, all definitions agree that a business is called a startup if it starts the first stage to run a business based on an innovative idea. According to Johnson et al (2014), starting up a new venture is the best way to push up innovation. He and his partner also considered a startup as the first stage in the entrepreneurial life cycle.

### ***3.1.Success factors for e-commerce startups in the world***

Worarat K et al (2014) identified inter-organizational success factors for any organization including how an organization selects appropriate business partners, how it shares internal information and quality of information, adaptability and flexibility of the firm, product/service quality, as well as reliability of the organization.

It was stated that there were 7 successful factors for companies in startups phase. They are committed to innovation; content (ability to present products/services offered over the internet); price sensitivity; convenience (convenience of finding information, track process, buying or selling on the internet); control (management of trading process); interaction (building relationship with customer by pre-sale information and after-sale-services); and brand image (Sylvie et al, 2002). Among them, content, convenience, interaction and control were essential factors for all e-commerce ventures since they start from zero and the importance of the rest of the factors are dissimilar when comparing different start-up companies (Sylvie et al, 2002).

O'Leary (2003) researched about factors separating e-business winners and losers. Based on his review of other previous research, the framework of factor selection was created including 7 factors. All of them are internal factors which are the management factor,

entrepreneur factor, product/service factor, marketing factor, market factor, financial factor, and finally the web site design and efficiency factor. After doing deep interviews with CEOs of enterprises, the result illustrated that the management and entrepreneur factors were two major factors contributing most to the success of young businesses. Lack-of-experience-managers with poor management skills, unrealistic business models and plans are reasons preventing an organization from success, but if a CEO of entrepreneurs has experiences in the past, adopted flexible management policies and can recruit a good team, they can achieve good results. Besides, marketing factors, which involve poor marketing strategy, lack of time to understand and test the market's needs, are also popular reasons leading to the failure of entrepreneurs. The research of O'Leary in 2003 presented that successful entrepreneurs seem to have adequate marketing skills. Instead of brand or market share, they pay more attention to profitability as well as the needs and requirement of the market so they can provide products or services which customers are willing to buy. The financial factor is another crucial factor when the success of a young organization is mentioned. And also as the research suggests, even though design and efficiency of the web site had contributed to repeat visits, it is not a critical factor that brings success to entrepreneurs.

### ***3.2.Success factors for e-commerce startups in Vietnam***

Through interviewing thirty four interviewees from Vietnamese IT startups in software, hardware, and the gaming industry, similarly, Kasabov (2013), recognized that factors preventing Vietnamese IT startups from success were resources as partners or employees, lack of trust from customers, and risk avoidance of entrepreneurs. Risk is the factor many startups fear, but the research shows that risky startups who are facing a high uncertainty will more easily get attention from investors and can receive higher investment funds because the more risky they are, the higher profit and revenue they receive in the future (Becker et al, 2016).

Not only mentioning internal factors as previous researches, the study of Kasabov E



(2013) also illustrated that external factors, for instance, poor infrastructure, weak public sector assistance, state-level inaction and inadequate public policy, and lacking of IT universities could be seen as barriers for the success of early-stage IT ventures in Vietnam. The above conclusions match the statement that the Vietnam E-Commerce market is lacking in “information and official guidance from government on what is allowed and not allowed” (I-WAY, 2003, p42).

#### **4. Search engine competition**

Previous researches about search engines were approached to understand measurements of a good search engine. As mentioned before, the satisfaction of search engine users can be considered as one of the success factors for search engine providers. A search engine can be seen as successful if it can satisfy users.

Nowadays, to internet users, one of the most important activities is searching (Pavlou, Fyngensen, 2006); and next to email, search engine use is the second most popular internet activity (Deka, 2008). A larger number of users will be attracted if the search engine can provide better and more relevant search results (Sung and Choi and Ryu, 2016; Deka, 2008). It means that improving the quality of search engines can be considered as a key ambition to increase the number of users since the users are free in selecting whatever search engine they want. In that battle of quality between search engines, the significant element that needs to be focused on is the culture dimension. For instance, while global search engines come up with various search methods and languages, the local search engine providers just use local search technology and the language is available in the local language only. Based on the review of previous research, Sung and Choi and Ryu (2016) realized the advantages of this localized strategy of search engine providers over the global ones such as Bing or Google. When the local search engines can assess localized private content databases more easily, they can fulfill the needs of

local consumers and then be able to attract more users. Moreover, the ability to create, collect, and manage information circulating inside one's own country of search engine providers, which is known as “information sovereignty”, needs to be enhanced too in order to improve the quality of information. Nevertheless, in parallel, the result of the above study also presented the opposite of domestic search engines. If they just use local language only, the online advertising revenue may be affected negatively. The limitation of research of Sung et al (2016) is that they still have not yet solved the question of “what factors have contributed to the existence and success of domestic search engines in particular countries”.

Most of the the journals being reviewed pay more attention to internal factors but ignore the external factors which affect the success of search engine startups. To a developing industry like e-commerce and the high-technology industry in Vietnam (a developing country too) the external factors such as infrastructure, market potential or government policies also play an important role in the success or failure of an adventure-providing search engine. Futhermore, this research aim to examine if the success factors Lozi pay attention the most, are internal or external. Hence, in this research, not only internal factors but also the external ones will be concered to define whether the key successful factors will belong to inside or outside the organization. That is what the previous researchs did not approach.

## CHAPTER 4: THEORETICAL FRAMEWORK

It is curious whether the success of a Vietnamese food search engine startup is supported by factors inside or outside the company. Hence, the objective of this research is to study both the impact of internal and external factors on the achievement of Vietnamese food search engine startups. After that, This research aims to discover if the most important factors come from the internal or external environment under the eyes of the researched company.

There are many models to analyze the internal and external environment of an organization. Among of them, the 7Ss McKinsey model will be chosen to categorize the internal factors that help the studied company achieve success while PESTEL will be applied to examine external factors. 7S and PESTEL model are selected because they include important aspects needed to be covered when study about internal and external of any organization. The factor criteria of two models are general but clear and easy to understand enough to categorize the internal and external success factor of researched company.

### 1. McKinsey's 7S framework

Examining the consequences of internal factors to the achievement of a firm is one among several purposes of this paper. Internal factors are factors inside a company which belong to, are set up by, and are organized by the company. Numerous models for internal analysis exist and one of them is the 7S model of McKinsey.

In the 1908s, Tom Peters and Robert Waterman developed the 7S model for “analyzing organizations and their effectiveness” (Singh, 2013, p.40). An article of Peters (2011, p.7) about the 7S model stated that “There is surely no one-size-fit-all solution that can guarantee success. However, the 7-S framework offers a combination of all the essential factors that sustain strong organizations: strategy, system, structure, skills, style, and staff – united by share values” and this is the tool for organizations to identify and analyze their affective internal factors to allow them to achieve their goals and objectives (Ravinia, 2015). It was claimed that an effective

organization cannot be built by any single factor, but the connection and interaction between all of the seven factors above (Robert et al, 1980). The factors and their connections are presented in 7S model of Mc Kinsey below.

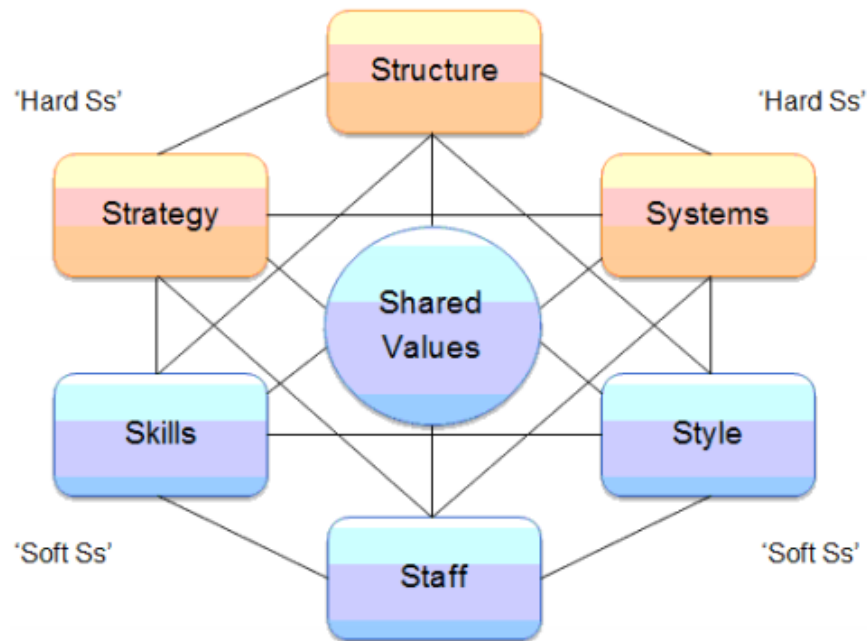


Figure 4: 7S Mc Kinsey Model. *Source: Ravanfar, 2015*

The elements in the 7S model are divided into the ‘hard’ part and the ‘soft’ part. The ‘hard’ side includes Structure, Strategy and System - the backbone of any organization which is related to the organization’s shape and how an organization works. The structure of a company means the flow of the distribution of information, activities, as well as duties inside the company (Kaplan, 2005). Strategy is the plan and actions taken by a company to utilize its resources for adapting to any change of environment in order to achieve the company’s objectives (Kaplan, 2005). To explain about System, it includes procedures in both a formal and informal way to manage the organization for instant system of controlling, system of resources allocation, or system of performance measurement (Kaplan, 2005). Additionally, ‘soft’ factors are also mentioned which focus on Skills, Staff, Style and finally, Shared Values. One of the mentioned elements is Skill which is about “distinctive competencies of the organization”. The skills can relate to the technology, communication or management area

(Kaplan, 2005). Staff, or the human resource factor, is also recognized in terms of how staffs are recruited, trained, managed, and promoted (Kaplan, 2005). Each manager has a different leadership style, so, the Style/culture factor is about the method the manager of a company uses to deliver the rules, policies, as well as encouraging culture and spirit within the organization. Finally, Shared Values, also known as “fundamental set of values” concludes common vision, mission, and other value statements of an organization which all employees approach and share with each other inside the organization (Kaplan, 2005).

The model provides seven aligned internal aspects which an organization should focus on to be successful (Singh, 2013) and when organizations attempt to integrate and harmonize these 7S factors, they will achieve success (Kaplan, 2005; Palatková, 2011). Because of that, the 7Ss model of McKinsey was decided to be used as the base to categorize the factors leading to the success of a startup in food search and evaluation engine like Lozi. Based on the deep interview, this research can identify how many elements out of the 7 ones from McKinsey Lozi has and what they are.

## **2. PESTEL framework**

Not only internal factors, external factors - the factors outside organizations which organizations cannot control, are also given attention in this research. In this situation, a popular model for external environment analysis called PESTEL model was used. The model is known as the common tool for analyzing an external business environment (Gupta, 2013). PESTEL stands for Political, Economic, Social/Culture, Techology, Environment and Legal. The concept of this framework is examining how the external environment affects an organization’s achievement and in return, how an organization reacts to the changing of the external environment to approach its own objectives.

Political is the factor about the domestic political system such as the government policies as well as the legislation and regulation of a country (Gupta, 2013). Vietnam has had a stable political system when the country is controlled by only one Party, Vietnam Communist Party, which can protect Vietnam from civil wars. Because economic this is a complicated aspect and the time and ability for doing the research is limited, the Economic factor will not be studied in this research. The Environment factor will not be focused on in this thesis either.

Because of that, only three factors of the PESTEL model, which are Social/Culture, Technology, and Legal, are used as the basis to analyze the external factors leading to the success of Lozi.vn. In this research, Social/ Culture is recognized as the norms, habits, and behaviors of a social community when searching for and reviewing the foods, and how they affect the success of the studied company. On the other hand, the Technology factor is mentioned in terms of the influence of technology development and infrastructure in Vietnam to the success of the company. Because e-commerce has boomed in Vietnam just in recent years, it would be important to discover if the Vietnamese government developed acts or policies (Legal) for firms running business in the e-commerce industry, as well as demonstrating whether startups providing engines for searching and reviewing foods like Lozi have faced legal difficulties or not.

To sum up, there is the linkage between success factors of e-commerce startup in previous researches and proposed theoretical framework. This connection is presented as below diagram

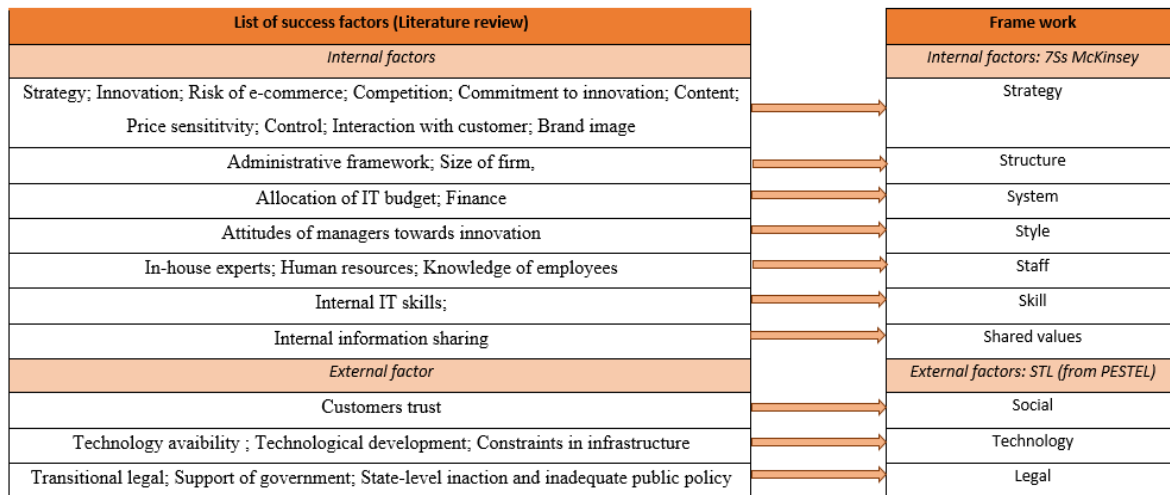


Figure 5: Linkage between literature and theoretical framework. *Source: Author (based on research of other authors)*

The success factors studied by previous researchers are too detail and unsystematic. It is not easy to study all of them in case of food search engine startup like Lozi.vn. However, these factors can be covered by 7Ss McKinsey and PESTEL model. 7Ss McKinsey and PESTEL model are classification of all referenced factors but in systematic way. By using these general criteria of two frameworks during interview and data analysis, researcher is able to discover the objective and new viewpoints of interviewees related to success factor of Lozi.vn.

## **CHAPTER 5: SUCCESS FACTORS OF LOZI.VN – A FOOD SEARCH ENGINE STARTUP**

Each sub-part below will identify the influence of internal and external factors to the achievements of e-commerce startups in Vietnam in general, and then study if these factors have similar effects on food search engine startups using the example of Lozi.vn.

### **1. Current situation of e-commerce startups in Vietnam**

#### ***1.1. Situation of general e-commerce startups in Vietnam***

When evaluating the general situation of e-commerce startups in Vietnam, interviewed professors had the same opinion that starting e-commerce business has been an explored trend in recent years in Vietnam. Vice Dean of Hanoi School of Business (HSB) identified Vietnam as a new potential market for e-commerce where most startups follow e-commerce to run the business. Similarly, a trend of starting a business under the basis of Intelligent Technology (IT) has been essential for any fresh-firm. “Because everyone has entered the game, the ones who do not follow will be eliminated automatically. And in the future, e-commerce startups in Vietnam will continue to boom explosively” said a Master Trainer at Microsoft Vietnam Philanthropies.

However, while the numbers of founders choosing e-commerce to start their businesses are huge, the figures of failure starters are not small either (Interviewee, 2017). According to Minh (2016), Vietnam has 1,500 e-commerce startups; however, only 10% of them could be successful while 30% of the startups failed and 60% of the startups became ‘zombies’. ‘Zombies’ are startups who already called for investment successfully but after a period of time, they cannot develop or introduce any product or service, and they have a lack of money again. In other words, their companies are not closed yet, but customers do not know that the companies still exist. To sum up, 90% of e-commerce startups in Vietnam have faced failure. There are many reasons for failure of e-commerce startups in Vietnam. Firstly, one of



interviewees shared that Vietnamese young people are very creative, have various interesting ideas about products or services, and want to provide, but real customers are not interested in these products/services. These e-commerce startups do not think seriously about the need and wants of customers as well as the real demand of the market. Another interviewee mentioned a lack of good teamwork as the reason for the losing of e-commerce startups. Vietnamese are not so good at teamwork. To run an e-commerce startup, the founder cannot do it alone, but needs to find suitable partners who can work well together. If a founder cannot find co-founders who can go together for the whole journey, startup projects will fail. Lacking of capital and not having a clear and concrete business strategy is also a cause for the losing of Vietnamese e-commerce startups (Interviewee, 2017).

### ***1.2. Situation of e-commerce startups in food search engine in Vietnam***

Narrowing down to the development of startups entering the food search engine market, according to Vu (2014), a long list of players in this market are “thodia.vn, diadiemanuong.com, place.vn, dendau.vn, foody.vn, Onone.vn, Lenken.vn, ProGuide.vn, anan-vietnam.com, amthuc365.vn, vnnavi.com, amthucgiaitri.com, monngonvietnam.com, ohyeap.vn, lozi.vn”. Until now there is no official rating of food search engines, but when authors tried to search a list of top search engines for food in Vietnam via Google, Coc Coc, and Bing, which are three common search websites in Vietnam, only Foody.vn, Lozi.vn and diadiemanuong.com were websites and mobile applications have been appeared. Vu, again, stated that the food search engine market in Vietnam at present is quite competitive, both the demand and the supply for food searching is surging. Users have a lot of choice, so; users are screening and selecting the search engines carefully (2014).

It is competitive, firstly, because there are numerous rivals and new entrants in the food search engine market as mentioned above (Lozi.vn is also a new entrant of this game). Secondly, it is because of the high power of the customer or user. The market, after customers’ filtering,

is even becoming smaller and smaller since diadiemanuong.com is gradually being eliminated by user's hard evaluations. Consequently, Foody.vn and Lozi.vn are two key players in the researched market (Vu, 2014). Until now, the food search engine websites and mobile apps are free for users, so there are no switching costs for users of food search engines. Users can try one or more food search engines at the same time then have a comparison between engines. The food search engine which can satisfy users providing more useful information and being easy to use compared to others will be selected. The worse ones will be deleted.

In such a competitive market, it is curious how survivors can beat others and win the game. The below findings will show what and how factors in both inside and outside an organization providing food search engine services contribute to the success of that organization.

## **2. External factors leading to success of Vietnamese food search engine startup**

External factors cannot be ignored when mentioning the achievement of any organization because external factors directly affect the way organizations run their business. Without concern about outside-factors, companies cannot understand the market situation which can blind the company from making appropriate business plans and strategies to fit the changing environment outside the organization. In this research, the effect of three external factors (Social/Culture, Technology and Legal) on the achievements of a Vietnamese food search engine startup, in the case of Lozi.vn, is examined below.

### ***2.1.Social/ Culture***

Since the basis of food search engine comes from the power of sharing information within society, social/ culture factor is attended to significantly. Social/ Culture in this research is about social problems, social networks, using habits, as well as the information and emotion

sharing culture of Vietnamese. According to an interview with Lozi's founders and secondary data collection, the effect of this factor to the success of Lozi.vn is not small.

### *2.1.1 Effect of Social/ Culture to Vietnamese e-commerce startups*

When interviewees were asked about the social/culture factor, all of them agreed that in Vietnam e-commerce market, this factor brought difficulty rather than supporting a startup. The author interviewed a person who worked in the US for 5 years and had lots of experience in e-commerce startup in Vietnam. "I had a conversation with Vietnam Country Head of Google Marketing Solutions. And when I asked her to describe Vietnamese e-commerce organizations in one sentence, she said that one sentence was too long, one word was enough – it is 'fraud'" said he. He explained that the 'fraud' rate of e-commerce companies in Vietnam was much higher than other countries. It could lead to actions preventing the development of e-commerce, especially an e-commerce startup, such as Cash-on-Delivery (COD) (Interviewee, 2017). COD is the common method of online transactions in Vietnam where sellers pay cash directly to buyers or shippers when he or she receives goods. The reality has shown a lot of examples about companies utilizing the internet to cheat buyers. For example, in 2012, one Vietnamese company found a wood provider in Cameroon through a website. A company then signed a contract and transferred a 40,000USD deposit to the provider; however, that provider did not exist and the Vietnamese company lost all their deposit. Such kinds of fraud causes negative effects on customers' behavior and make consumers lose their trust in e-commerce.

Furthermore, using credit cards and online payments are not popular yet in Vietnam. Until 2014, only 36% of online buyers in Vietnam paid online while the rest of them preferred paying by cash (Thin, 2016). Vietnamese consumers prefer shopping in the real shop where they can touch and see the goods by their own eyes, then, cash will be paid directly to the seller. This is the traditional business method of Vietnamese for a thousand years, said the Head of Business Administration Department of Viettronics University, Vietnam (Interviewee, 2017).

However, e-commerce means online exchange activities in which everything (information of products, information of buyers, payment, etc) just exist online. Vietnamese feel like their safety is not guaranteed by e-commerce. Running e-commerce by a startup is even more difficult in Vietnam. Vietnamese consumers tend to purchase goods from big and famous sellers and providers. However, most of e-commerce startups in this country were established by young people with a small capital amount. Thus, they have difficulty in persuading purchasers to use their unbranded products/services. Another culture of Vietnamese in commerce transaction is bargaining, but they cannot do that if shopping online where price is published and fixed.

Lozi, as a food search engine startup, also faced one of the above problems caused by Vietnamese Social/ Culture factors. Moreover, this is a specific market so startups in this market have gotten particular difficulty from social/ culture. Besides barriers, opportunities that this factor brings to food search engine startups cannot be ignored either. The below findings will present the difficulties and opportunities Social/ Culture factor have brought to Lozi.vn.

### *2.1.2. Effect of Social/Culture to Vietnamese food search engine startups*

In the food search engine market, even though startups do not face barriers from the buying and payment behaviors of users as general e-commerce ones, startups providing food search engine services must cope with the consequences of ‘fraud’ too. ‘Fraud’ started when some food search engine provider tried to fake the number of a website visitor or the number of app download times to make the engine be more popular. Basically, users choose food search engines based on their popularity in the community. The more website visitors or app download times there are, the more popular the search engine is. The fraud can happen if restaurants’ owners hired people to write positive comments for their restaurants. Food search engines allow users to leave their evaluations and comments about foods and places they ate. Normally, users rely on these comments and evaluations to select any food or eating place. Thus, if the

users come to a restaurant that got a high score ranking and realized the food is not as good as the recommendation in the food search engine, they will have a bad impression about this search engine and will not want to use it anymore. This happened in reality. The author tried to search about the cheating of restaurants and found one page for Vietnamese travelers. The administrator of this page had some bad experiences when he went to some restaurants suggested by Foody and Lozi but he was so disappointed because the foods were not as good as the ratings. Consequently, he posted to his page visitors that they should not believe in food search engines like Foody and Lozi. Because of the above reasons, at the beginning, Lozi had difficulty in convincing people to use the company's website and application. People were not sure if Lozi.vn was a good choice for searching food information and locations. They also suspected Lozi might have been paid by restaurants to give them good comments (Interviewee, 2017).

On the other hand, another problem arises from social/ culture. Lozi.vn provides a website and mobile application which use shared information like pictures, rates, comments, and locations to help users find foods they want to eat. Hence, the sharing culture is crucial. Nonetheless, according to one of Lozi's founder, one of the biggest barriers to run the model of food search engine in Vietnam is sharing culture but not technology (Interviewee, 2017). In America and Western countries, this business model developed fast and sturdily because they have a strong sharing culture. "In Vietnam, information and emotion sharing culture is unpopular. Vietnamese do not know how to share information and emotion correctly" (Interviewee, 2017). After searching and finding the place they want to eat through food search engines, users are often asked to rank the place and food. Nonetheless, Vietnamese users do not have habit of rating after searching, or they just rate only and do not leave any comment. Vietnamese often hesitate to speak out about their own opinion. "Basically, they are too shy to rate and publically comment about something. Or if they share information and evaluate the foods, they just leave a general comment, for example, 'good' or 'bad' without focusing on

details and their true feeling when enjoying that food”, said by one of Lozi’s founders in an interview. Lozi realized how important the content of the comment is. “To Lozi, the quality of user’s comments is much more important than its quantity”, he said. To overcome that disadvantage, users must be oriented and guided how to share information correctly. To do that, Lozi’s members write the very first comments by themselves as the samples which include the color and taste of foods, staff’s behaviors, unique characteristics of the food shop, their experience in that shop, or even the range of food prices (Interviewee, 2017).

However, beside troubles, the social/culture factor also contributed a lot to the current success of Lozi. There are so many kinds of food shops in Vietnam, but when people want to chill out with friends, they spend lots of time to decide ‘what and where should we eat’. The idea of Lozi came from this fact (Vu, 2014). The founder of Lozi recognized the potential of the food search engine market when he observed that eating outside in small food shops or street shops has been the culture of Vietnamese. And before going out, their habit is checking the food and place they want to go. Additionally, the more users Lozi has, the more successful they are. Thus, utilizing word-of-mouth power in social networks, such as Facebook, is the way Lozi has done to get its current results.

Summarily, as the interview with the founders of Lozi showed, social/culture is an important factor which both supports and prevents companies in regards to reaching success. Lozi utilizes social networks as marketing and recruitment channels so the fame of Lozi came from word-of-mouth and the popularity of social networks in Vietnam like Facebook, Instagram (photo-sharing app), or Zalo. It is the first and most basic factor leading to the success of the company. However, this factor is also a big challenge for this startup in the food search engine market. If the company can guide the information and emotion sharing habit of Vietnamese young people, greater success will come closer. This is the incentive for Lozi to improve itself in the future.

## ***2.2. Technology***

The degree of coverage of Hi-tech facilities and technology infrastructure in Vietnam was studied to see if they contribute directly and significantly to the success of Lozi as a food search engine startup. Based on interviews, it can be seen that the development of technology in Vietnam is an opportunity for the booming of e-commerce startups in general, and food search engine startups in particular.

### *2.2.1. Effect of Technology on Vietnamese e-commerce startups*

The professors in the interviews had the same opinion about the fast development of technology in Vietnam. According to them, the exploration of new high technology and internet in Vietnam in recent years has levered e-commerce startups up. The application of high technology in business, especially online commerce transactions, has become popular among Vietnamese organizations.

The population of Vietnam in 2016 was almost 94 million people so it is not difficult to imagine how huge the e-commerce market is. This is a great chance for startups to enter the game. In the interview with the man having numerous experiences in Vietnam e-commerce startups, he mentioned a speech about e-commerce made by Jack Ma – founder and CEO of Alibaba, the largest e-commerce organization in China. Jack Ma said, “E-commerce is just dessert in the US, but it is the main dish in China”. The reason is that infrastructure and retail system in US is developed. Even if Americans live in urban or rural areas, it just takes them ten to fifteen minutes to go to retailers (Wal-Mart, Cosco, Target) and buy whatever they want. Therefore, e-commerce businesses do not have too strong of an advantage compared to the traditional retail system. Oppositely, in Vietnam, retailers are limited and located only in big cities. In parallel, traffic and technology infrastructure in rural areas are under-developed. Hence, people in these regions do not have many choices for shopping and they need to pay

higher prices for goods and services. If e-commerce can approach this market, they will gain a competitive advantage and succeed. This is also the idea of the Vice Dean of Hanoi Business School about technology infrastructure in Vietnam.

Popularity of internet and high-technology devices in Vietnam creates a great opportunity for e-commerce startups to run a business. It can be said that technology development and the infrastructure of technology is the very first stair for Vietnamese e-commerce startups to reach success.

### *2.2.2. Effect of Technology on Vietnamese food search engine startups*

Founder and CEO of Lozi confirmed the above contribution of technology development in Vietnam to the growth of the company as well. The technology development trend in food search engines contributed to the product improvement of this startup a lot. For example, Lozi aims to simplify their technology and product. A lesson was learned when many points, which need to be improved, have been drawn. Before, 70% of users gave up at the ‘Sign up’ step because it was too complicated. Thanks to a new approach, this startup is now applying ‘Sign up 3s’ technology to make the sign up step more convenient and fast to increase the number of customers (VYE Blog, 2016). Besides, new technology in the search engine was applied for Search Engine Optimization (SEO). As a startup in food search engines, the optimization of search tools is compulsory. NodeJS and Scala Foundation are technology platforms being used by Lozi which allow the company to expand and develop its website avoiding problems of web visitor spiking (Vu, 2014).

Despite advantages, co-founder and executive director of Lozi also pointed out the difficulty of high-tech startups in developing countries such as Vietnam. “Obviously, the more internet and smartphone people use, the more potential users Lozi has. However, it does not mean that technology development in Vietnam helps the company approach customers better. The increased number of high-tech devices does not equal the improvement of users’



consciousness. It should be paid attention to more.” (Interviewee, 2017). According to him, although the numbers of smartphone and internet users in Vietnam are huge, Lozi cannot be successful if users do not have information sharing and searching habits which was discussed in the previous social part. In this association, regardless of how good and modern Lozi’s product is, the company can still fail.

To sum up, to Lozi, technology is important and its support to the improvement of the company’s product cannot be denied. This is one of the aspects that has helped Lozi attract customers and become increasingly popular in the food search engine market.

### ***2.3. Legal***

In the legal aspect, most of the interviewed professors stated that the Vietnamese government is fostering incubators and startups in Vietnam. There were many circulars and decrees being published to support startups. For example, the 52/2013/ND-CP decree about e-commerce, the 26/2007/ND-CP decree about e-commerce transactions and e-signatures or the 72/2013/ND-CP decree about management, providing and using internet and online information.

To Lozi.vn, at present, the legal factor is not an important factor and its contribution to the success of the company is negligible. One of Lozi’s founders said in the interview “the legal system and procedures for startups in Vietnam is still developing. Until now, legalities are not a big problem because Lozi is just in its very first step of running business. This factor will be of concern when the company is listed in IPO”.

Among three examined external factors which are Social, Technology and Legal, only two factors (Social and Technology) influence the success of Lozi, based on interviews with its founders and executive director. It is seen that the effect of the Social factor is significant and cannot be ignored. Technology is also an important catalyst for enhancement of the company.

Beside external factors, internal factors are also essential factors which need to be considered when mentioning the accomplishment of an organization. Even if e-commerce startups receive big support from the government, from investors, or other outside factors, if they do not try their best to have a good strategy, great product/ service or believe in their startup ideas, their startup organization cannot live for long. The below part will present the role of internal factors to the current achievement of Lozi under the framework of 7Ss McKinsey.

### **3. Internal factors leading to success of Vietnamese food search engine startup**

#### ***3.1.Strategy***

It seems that strategy is one of the main factors contributing to the current outcome of Lozi.vn. “One of the reasons for making venture capital funds to invest in our project is that we have a clear picture of our company in the future. We know exactly who we want to be and have a distinct strategy and plan to do that”, said co-founder and executive director of Lozi (Interviewee, 2017).

In the interview, the head of the business administration department of Viettronics University commented that strategy factors and business plans play a decisive role in the success and survival of an e-commerce startup. Having appropriate business strategies and a detailed plan of business will contribute to the achievement of the short-term and long-term goals of the business. It helps startups avoid the phenomenon of losing their business direction (Interviewee, 2017). Two other interviewed professors also gave prominence to the necessity of a business strategy to an e-commerce startup. Many startups thought that because they are just new-born organizations, having a good business strategy and plan is a macro challenge for them and it does not require having a good business strategy at the beginning. However, this is incorrect. Many e-commerce startups lost because lacking effective business strategies although they have great startup ideas (Interviewee, 2017) The failure of vnnhahang.com is

one example. It was the first food engine startup in Vietnam which was established by the founder of Foody.vn. At that time in Vietnam, vnnhahang.vn was the only search engine for food, but this project still failed because it had an unsuitable strategy. Instead of focusing on one service only, vnnhahang.com tried to diversify its services at the same time by including a search engine, social network, and delivery service. This startup was so young to take all of the above responsibility. Consequently, vnnhahang.com could not satisfy customers by any service and the project was closed.

In the case of Lozi, this startup completely understands the importance of a business strategy to the success of a company. Hence, since the beginning, Lozi has had a clear vision, mission, and strategy to go further. Lozi judged itself as a food search engine startup which has a methodological and concrete business strategy (Interviewee, 2017). The founder and co-founder of Lozi.vn shared their company's business strategy as follows.

### 3.1.1. *Vision and mission*

Since Lozi.vn was still an idea, the founders of Lozi drew a very explicit *Vision* for the company in the future which was: “becoming the number one food search engine for Vietnamese youth” (lozi.vn, 2016). This is the bench-mark and incentive for Lozi to continue their business despite various bottlenecks. “Anytime we feel despondent because of difficulty, we sit together and review our vision. It reminds us about our dream and raises us up”, said Lozi's co-founder (Interviewee, 2017).

There are three key *Missions* which go along with any plan and activity of a company. *Firstly*, Lozi wants to help the Vietnamese younger generation find food to eat more easily (lozi.vn, 2016). Lozi, stocking numerous beautiful pictures and thousands of pieces of information about foods, tried to answer the question “what and where should we eat”, given by young people when they hang out. *Secondly*, Lozi wants to be an effective bridge between food buyers and sellers in Vietnam utilizing a simple but modern life style to make users' lives

happier (lozi.vn, 2016). *Finally*, Lozi wants to create a society of Lozi's users who 'own less, share more' (lozi.vn, 2016). Lozi has tried to open channels for Vietnamese youth to exchange their knowledge, information, habits, as well as experiences about foods and food shops.

The CEO of Lozi shared the *Objective* of Lozi in the future, which is "becoming the first name Vietnamese youths think about when they want to find foods and places to eat" (Huu, 2015)

### 3.1.2. *Marketing strategy*

Even just being a very young player in the food search engine game, Lozi has been aware of the importance of marketing to an e-commerce startup and thought seriously about its marketing strategy. Since the beginning, Lozi defined its *target users* as Vietnamese young people who are from 20 to 35 years old and have high a demand of searching and sharing food information. People in this age range can earn income and have the ability to pay for their habits by themselves (Interviewee, 2017). The population of young people from 20 to 25 years old in Vietnam is 25,977,621 people, occupying 27.8% of the population (Vietnam Department of General Statistic, 2016)

Besides, because the target users are young people who do not have too big of a budget for outside eating, the *target customers* of Lozi are small and medium food shops who sell foods at not too expensive prices. "50% of shops have food prices less than 100,000 VND (\$5) / 2 people, and 35% of restaurants sell foods between 100,000 and 200,000 VND (\$5-\$10) / 2 people. Only 15% of the partners are restaurants that charge more than 200,000 VND (\$10) / person such as Golden Gate, Redsun, etc. The number of this group of restaurants is the largest in Vietnam in which demand of users is extremely high" said founder and CEO of Lozi (Lam, 2015).

Furthermore, the *brand positioning* of Lozi is focused too. The logo of this startup is a cute pink cat drawn in cartoon style named 'fat cat'. This 'fat cat' and website interface

(packaging) is adorable and attractive. According to the CEO of this startup, the company was named Lozi – the phonetic variant of the Vietnamese word ‘lo gì’, meaning ‘don’t worry’. This slogan serves to express: if you are confused about what food to eat and where you can eat, don’t worry, just go to our website and let us solve it (VYE Blog, 2016).

### *3.1.3. Product development*

Customer behavior is observed and researched frequently to check product quality. Based on that, the product is improved and upgraded to fit users’ needs. The co-founder of Lozi stated in an interview: “we understand technology application is very important to the product development process, but it is not everything. In Lozi, we believe that the number of users we have gotten until now is not only because our technology is optimal compared to others. Instead, this is the result of providing a product which can satisfy the demand of users” (Interviewee, 2017).

### *3.1.4. Other strategies (focus and differentiation strategy)*

Lozi already set up its own strategies for the growth of the company which are ‘focus’ and ‘differentiation’. Lozi entered the food search engine market when it was turning into what is known as ‘Red Ocean’. At that time in Vietnam, there were so many participants that the market became increasingly competitive. “We understand the basic rule in business. If you come late, you must be different to survive” stated the CEO of Lozi (Interviewee, 2017). The difference of Lozi is presented in its startup idea, market segment, and marketing campaign. While other rivals create the website for users to search for the restaurants, Lozi goes for the food. Lozi realized that when people want to go out to eat, they often ask the question ‘what should we eat’ rather than ‘where should we eat’. Other food search engines post names and pictures of the restaurants to their website. If users want to choose one restaurant, they will click that restaurant to see the menu of that restaurant, so users have information about

restaurants before foods. Oppositely, Lozi decided to approach users by posting beautiful pictures of foods and beverages, and users can select what food they want. After choosing and clicking that food, a list of restaurants selling the selected food will appear and users can pick out one of restaurants.

Another strategy followed by this startup is the Focus strategy. Lozi emphasizes on the connection between buyer and seller only, which is its strength and brand's imagination. At first, it concentrates on food only, in the future, the company will extend horizontally to clothes and cosmetics too. However, the company will not diversify its service, for example food delivery, as its competitor. Lozi's co-founder shared the reason behind this strategy in the interview: "Lozi just does what the company really understands and has enough ability to do. We cannot be too greedy. For instance, even though we really want to add food delivery into our service, we understand that we do not have any specialty in logistics, and we also lack the human resources and capital necessary to do it. In this case, the best choice is not doing it and focusing on developing our current product only" (Interviewee, 2017).

### ***3.2. Structure***

Organizational Structure is another factor which was studied in the case of Lozi. The structure of the company is quite simple and it seems to not affect success of the company very much.

According to the Vice Dean of Hanoi Business School, normally, the size of a startup is small, so the organizational structure of a startup is not complex. However, Master Trainer at Microsoft Vietnam Philanthropies also weighed in on the structure of e-commerce startups. Basically, if an e-commerce startup wants to run its business, it needs to set up the organization as a combination of at least five functions: technology development, administration, sales, investment fundraising, and creative department.

The organizational structure of Lozi has similar characteristics to the above comments.

Co-founder of Lozi said in the interview that the aim of the company is building a simple and compact organizational structure as much as they can. Thus, the number of Lozi’s staff will not exceed 50 (Interviewee, 2017). This number is perfect to a startup like Lozi. It allows the CEO and directors, who do not have enough management experience, to manage the company more easily. The flow of information and tasks is smooth too. Based on the interview, the organizational structure is drawn as the diagram below.

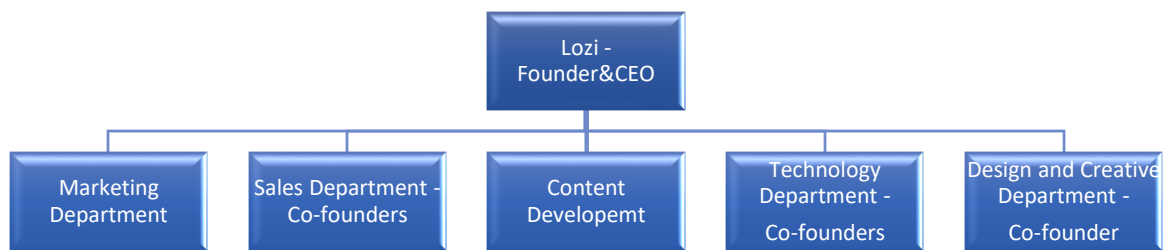


Figure 6: Organizational structure of Lozi. *Source: Created by author based on interview*

There are five main departments in Lozi. One of the four Lozi founders was assigned as CEO. He is also a person who takes responsibility for finding and contacting investors, as well as seeking for investment funds. Other founders are the executive directors of key departments, which are sales and technology. The duty of the marketing department is creating and planning marketing campaigns and events to attract users while the sales department tries to sell space in the website or in events to shops who want to advertise their shop through Lozi. The content development department will take responsibility in writing the content of marketing activities, for example PR posts. The design and creative department will design the appearance of the website, create videos and materials for marketing, and other activities (Interviewee, 2017).

A representative of Lozi pointed out that the organizational structure is not a concern of the company at present because the scale of the company is still small and it does not contribute much to the company’s outcome. In the future, if the scale of this startup is expanded, this factor will be paid more attention to (Interviewee, 2017).

### ***3.3.System***

The system factor, as defined in the literature section, includes formal and informal procedures (for example, resource allocation systems or performance evaluation systems) to manage the organization. Interviewees who are both outside and inside Lozi concluded that the System factor is not important to an entrepreneurial operation. Lozi confirmed that the company even has its own rules and policies, but the official system does not exist yet. For example, to measure the working outcomes of Lozi's staff, KPIs have been used and the ones who do not work effectively would be eliminated. The duties of staff have been divided simply based on tasks and projects. The company is too young to mention this factor (Interviewee, 2017).

### ***3.4.Skill***

The Master Trainer at Microsoft Vietnam Philanthropies and the Head of the Business Administration Department of Viettronics University have similar opinions about the role of the Skill factor in the success of an e-commerce startup. They agree that having good skills helps startups work more effectively and efficiency. Nonetheless, startups often do not care about this factor (Interviewee, 2017). To e-commerce startups, skills are not only hard skills (technology skill, specialized skill), but also soft skills (team working skill, presentation skill, communication skill). In particular, Vietnamese lack soft skills which hampers them from success in a modern working environment.

The CEO of Lozi also admits the importance of the Skill factor to the current success of the company. The founder and his partners learned a valuable lesson from past failures. "Because of weak communication skills, Lozi met immense difficulty in calling for investment even though the product of the company was highly recognized by young people at that time" (Cong, 2014). Until now, communication skills and teamwork skills are required skills for any



employee of Lozi. Running any project in Lozi requires the cooperation of all departments. For instance, an event is planned by the marketing team, and then the content of that event will be created by the content team. Based on the content, the design and creative team can design the required materials for this event. After that, the sales team will receive all materials to prepare for selling. It is obvious that every department is connected and needs to work with each other several times to finalize the event. In this association, if the departments' members could not work together as well as communicating well, the job could be delayed (Interviewee, 2017).

Presentation skills are of concern to Lozi too. The time to meet potential investors is limited and Lozi has a lot of ideas to present. Thus, if the founders of Lozi cannot attract these investors by their presentation in such a short time, it is possible to lose the chance and investment funds will go away (Interviewee, 2017).

### ***3.5. Staff***

It cannot be denied that the Staff – Human resource factor is always essential for every organization. Without human resources, the idea of a startup cannot come true. Running a startup requires a big effort from a group of people. The Vice Dean of Hanoi Business School stressed that lots of e-commerce startups have to shut down their businesses because of human resource problems. At the beginning, everyone puts 100% energy and ability into their job, but gradually the pressure comes ever more and some of them just stop their dream (Interviewee, 2017).

In Lozi's case, the human resource factor is the core competence of the company which leads to success at present. "Individuals working separately cannot make a great company. Only teammates can do that! Luckily, I received invaluable support from my three friends who co-founded LOZI" stressed the founder and CEO of Lozi (VYE Blog, 2016). They together experienced the most difficult time and spent their youth for Lozi. In the first days, this startup had similar human resource problems to others. "At the beginning, we did not

receive salaries at all from this project, and needed to use our savings. At that time, all team members were under a financial burden. Sometimes, it was thought that the project was broken” one of Lozi’s co-founder recalled (Cong, 2014).

Lozi’s employees are all young who are aged from 20 to 25 years old and have diverse characteristics (lozi.vn, 2016). They are the same age as target users of Lozi, so employees of Lozi can understand the needs and wants of users. Based on that, Lozi can create more attractive events and develop more suitable products to users compared to its competitors. Thanks to the great Lozi team, this startup is one of two biggest players in the food search engine market. Lozi’s product is also more and more popular with the Vietnamese young generation. CEO and founder of Lozi asserted that “Being in the top 5% of successful startups or falling into the group of 95% losers completely depended on the decisions and efforts of our Lozi team today” (Cong, 2017).

Because of its importance, Lozi set up strict rules for employees. Being an e-commerce startup requires company to renovate continuously. Employees have new challenges to solve every day in Lozi and they need to use 100% of their ability to stimulate the growth of the company (Interviewee, 2017). An executive director of Lozi stated that Lozi’s staffs were also required to adapt fast to the changing of the working method. The ones who did not fit the working style of the company and did not work effectively would be eliminated quickly (Interviewee, 2017).

### ***3.6.Style***

While interviewed professors think leadership style and working style are not too important to an e-commerce startup, Lozi’s people have the opposite opinion. During the interview, co-founders of Lozi shared that in a new organization such as Lozi, everyone is very young. Because of that, sometimes they are all promoting their idea as the best and trying to

protect it. In that case, the leader must come and decide.

The founder and CEO of Lozi judges himself as an aggressive person who uses an aggressive leadership style. “Since we worked in teams of four, conflicts were always happening, but I think it is normal. At least we are all brave to speak out and protect our idea. And after debating, it was time for us to sit together and discuss the best way for Lozi. There were some non-ending arguments which required me to play my role as CEO. I must make decisions and force others to follow. It is quite negative, but I think it is the best solution” (Huu, 2015).

Because Lozi is a company of young people, the working style and working environment are fresh and comfortable too. As a food search engine provider, food is indispensable to Lozi’s staffs. The Lozi office is always full of foods and snacks to satisfy the demand of employees. Besides, Lozi’s ambition is making employees enjoy their job so the company often has surprise parties, cuisine tours, and interesting trips for employees (lozi.vn, 2106). However, the CEO of Lozi is a highly demanding person and requires employees to work hard and seriously (Interviewee, 2107).

### ***3.7.Shared values***

The interviewees were asked whether shared values (in terms of organizational culture and organizational spirit) are necessary to an e-commerce startup or not. Interestingly, all answers were ‘yes’. According to the Master Trainer at Microsoft Vietnam Philanthropies, organizational spirit and organizational culture is essential for any startup. They will go along with a startup during the evolving process. An organization cannot be recognized if they do not have its own culture and spirit. Culture and spirit are the unique traits which differentiate a company from others. Moreover, “organizational culture is considered as the common norms for every employee to follow. Thus, as long as a company has organizational culture, the organization will have standards to develop” explained the Vice Dean of Hanoi Business

School.

The common characteristics of the Loziers are their sense of humor, responsibility for work, and their desire to learn new things (lozi.vn). Because of these similar characteristics, members of Lozi can coordinate well in teamwork and they quickly become friends. Thank to these common values, the union of Lozi's employees is encouraged and becomes the basis of great teamwork in Lozi. The connection between Lozi's people is not profit or salary because the company is not big enough to provide high salaries for employees. "Instead of salary, we would like to share our zeal and startup mentality to our partners" said Lozi's CEO.

"Love for foods and desire to share, to create value for the Vietnamese community" is the spirit of Lozi. "People choose to work for Lozi foremost because of passion, interests in food, or just because of the habit of sharing beautiful photos of foods every day". "Besides, the wants of sharing different experiences about foods and restaurants also helps us find great employees" shared founder of Lozi (VYE Blog, 2016).

Based on this finding, among the seven internal factors of the 7Ss McKinsey model, only five out of seven factors, which are Strategy, Staff, Skill, Style, and Shared values, contributed to the success of Lozi at present. However, the contribution proportions of different factors are dissimilar. It is seen that in Lozi, the Skill and Style factors are appreciated, but they are not as important as the other three factors.

After the finding of the influences of both internal and external factors to the success of Lozi.vn, the below graph was created. It presents an overview about the factors inside and outside Lozi which support this startup in getting a high position in a competitive market like food search engines.

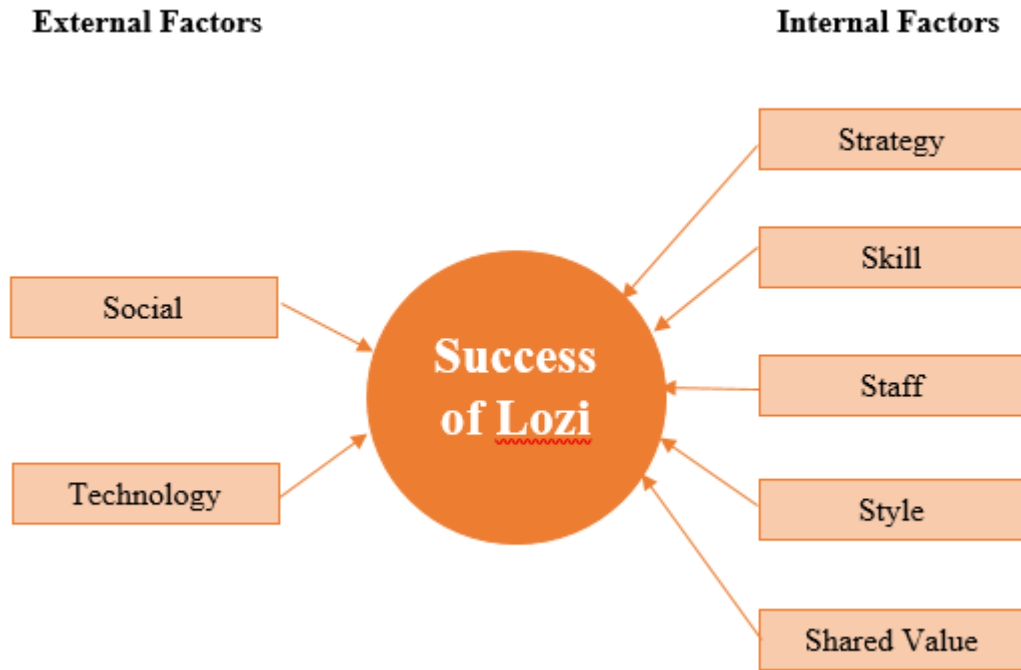


Figure 7: Factor leading to success of Lozi. *Source: Author, 2107*

Two out of three examined external factors led to Lozi' success while five out of seven internal factors were found.

#### **4. The most important factor(s) leading to success of food search engine startups**

Among these above crucial factors, it is of interest to the author which one contributes the most to the outcome of Lozi.vn at present. Thus, interviewed Lozi's members were asked to select the most important factor(s) influencing the current achievements of the company. There were two factors mentioned. Remarkably, both factors are internal rather than external factors. Six out of seven interviewees agreed that the pivotal factor leading to the successful outcome of an e-commerce startup must come from inside company (Interviewee, 2017). The reason is that every e-commerce startup is born and grows up in the same market with similar conditions but some of them can develop continuously while others are not successful. Hence, the crucial factors causing the different results should be internal factors which are dissimilar depending on the startup. Furthermore, the two most critical factors are 'Soft' rather than 'Hard' factors.

The first one is *Staff* or the Human Resource factor. One of the co-founders stated that human resources are a valuable asset of Lozi. Without Lozi members, all ideas, planning, strategies, and products of Lozi are just in paper and cannot be launched into reality. “Having a great team gives Lozi a 50% chance to go to the next step. Going further in the future or being stuck at same point forever depends much on the creativity and working ability of our people” stressed one of the co-founders.

Endurance behavior was also named one of the two most important factors. One of co-founders said that even if starters have a fantastic startup idea, they cannot be successful if they are not patient and persistent enough (Interviewee, 2107). The founders of Lozi got a scholarship and were studying abroad when the idea of Lozi came up. However, three of them quit the university and came back to Vietnam to pursue their dream. Obviously, that decision led them to face strong disapproval from their parents and doubt from others. They were denied by numerous investors because these investors doubted how realistic and feasible the project would be. Pressure from family, finance, and competition caused heaped up difficulties to the founders of Lozi at that time. However, they believed in themselves and did not allow themselves to give up. Another co-founder claimed that young starters tend to abandon their project easily. This is the biggest reason for the failure of many e-commerce startups (Interviewee, 2017). The endurance may also somehow be considered a *Shared Value* because one of the interviewees affirmed that in a startup team only one member persevering with the project is not enough. The success of an e-commerce startup requires the perseverance of all members. Thus, perseverance should be regarded as a common value to share amongst team members. In Lozi, the perseverance of the founders is their own motivation to overcome difficulties, and that behavior is also shared by their employees to spur everyone to push the company up.

## CHAPTER 6: DISCUSSION

One cannot deny the significant influence of both internal and external factors on the achievement of e-commerce startups (Dragnic, 2013; Ndayizigamiye, 2014; Le et al, 2012). However, between internal and external factors, which one is more important than the other to an e-commerce start up; especially food search engine startups? That question was not answered by any of the above reviewed research. To solve the question, interviewees were asked to evaluate which factor is more important to an e-commerce startup. Interestingly, only one out of seven interviewees stated it was an external factor. The Dean of Hanoi Business School commented that Vietnam is still a developing country where technology and infrastructure are not completely developed yet. However, in recent years, the government has tried to improve infrastructure and encourage incubators by providing investment funds for startups. That situation in Vietnam creates a great chance for founders to establish their own businesses. Thus, he came up with idea that to Vietnamese e-commerce startups, an external factor is more important. Nonetheless, other interviewees had opposite opinions. One of the participants gave the example of Alibaba. He shared that at the time Jack Ma decided to build an online shopping channel, the technology system and infrastructure of China, especially in rural areas, was extremely poor. However, Alibaba still could survive and become the huge empire in China it is now. As a result, the participant concluded that an internal factor, not external factors, is the essential key for any success of an e-commerce startup. Lozi's co-founders also stressed in the interview that to Lozi, internal factor is concerned more than the external one. "Food search engine startups, for example vnnhahang.com, were born since before e-commerce startups rocketed up in Vietnam. This startup failed but because of reasons inside the company, not because of outside factors. And even if until now food search engines had not been popular in Vietnam, Lozi would still be developed and introduced to the Vietnamese. So, running an e-commerce startup and being successful relies one hundred percent on internal factors", claimed one of Lozi's co-founders. The above arguments illustrate

contrary opinions about the contribution of internal and external factors to Vietnamese e-commerce startups. It seems that in theory, the success of Vietnamese e-commerce startups is based on the changing of the external environment, but in reality, internal factors are the ones determining the achievement of an e-commerce startup; particularly food search engine startups.

Among internal factors, the findings of this paper identify human resources as one of the two most important factors to Lozi – a food search engine startup. Yadollah (2005) and Sisnuhadi (2014) implemented a research about factors related to the success and failure of entrepreneurs of a small industrial business and got the same result. Some differences between successful and unsuccessful ones were figured out. They stated that human resources in successful entrepreneurs were developed better than in failed ones. Employees in successful young companies were provided training programs and know-how to complete the tasks. Evan and Lindsay (2008) also determined that the most important component in achieving a company's goals is employees. The two above studies were done in developing countries too (Yadollah's research is in Iran and Sisnuhadi's study is in Indonesia) so it is relevant to compare their results to the findings of this paper.

Another one of the most important factors leading to the success of Lozi is the perseverance of the founders and Lozi's members. In *Fostering Innovation and Entrepreneurship*, Schwarzkopf asked 47 entrepreneurs to rate the importance of success factors to their company. After analyzing, 'determination and motivation of the founder' was defined as the most important factor. The average value of that factor is 5.6 which is nearly 6.0 (extremely important). It is somehow similar to the perseverance behavior which is one of the two most indispensable factors for the current success of Lozi.



## CHAPTER 7: CONCLUSION

After conducting the interviews with the founders of Lozi and experts having knowledge of e-commerce startups, as well as secondary data analysis, it is concluded that the current success of Lozi comes from both internal and external factors. However, the influences of dissimilar factors to the achievement of this startup are on different levels. The three external factors of the PESTEL model (Social/ Culture, Technology and Legal) and the 7 internal factors of the 7Ss McKinsey model (Strategy, Structure, System, Staff, Skill, Style and Shared Value) are used to examine if all these factors contribute to the success of the company or not. The final findings illustrate that not every studied factor leads to the current achievement of this food search engine startup.

Among the internal factors mentioned above, Staff (human resource) and Shared Value (endurance behavior of Lozi's members) are the two most pivotal factors leading to success of the researched food search engine startup. Without partners and staffs, Lozi could not be established and run smoothly. Without the common endurance behavior, the founders of Lozi would have given up many times under the burden of finance and family pressure.

The findings also show that in the case of Lozi, these above factors do not separate but connect to each other. To external factors, social trends spur technology innovation and,thereupon, new technology will help satisfy social needs and wants. To internal factors, shared values can help Lozi recruit suitable staff who have enough required skills and abilities. Then, the business strategy will be implemented by human resources under the management of leaders (CEO and executive directors). Although in the case of Lozi, some factors are more important than others, this startup could not get such success without the combination of all necessary factors both outside and inside the organization.

## **LIMITATION OF RESEARCH**

The research just studied one startup as a case study of Vietnamese food search engine startups so the findings may not represent all startups in the food search engine market. Also, the number of interviewees who work for Lozi.vn is quite small, so it prevents deep analysis and understanding of the company.

Customers and employees are important stakeholders who contribute to the success of any company. Due to time limitations, the researcher was unable to conduct the interview with Lozi's users and employees. It is another restriction of the research. In the future, the success factors of Lozi under the viewpoint of different stakeholders (investors, restaurants, employees and users) should be studied to diversify and deepen understanding.

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## APENDIX

### INTERVIEW QUESTION

1. Please introduce about yourself and your position.

#### **Internal factor:**

2. What is organizational structure of e-commercial start-up like Lozi? For example, number of departments company have, people taking responsibility of department.
3. What are business strategies (vision, mission, marketing strategy, business tactics, etc) which company have used since the 'seed stage' until now? What are contributions of these strategies to company's development?
4. As an e-commercial start-up in food search engine, what are required ability and skills of Lozi' staffs. How human resource contributes to success of company?
5. To what extent management and leadership style of Lozi's founders and managers effect to growth of company? (for example, style of CEO and directors in delegating tasks, in controlling and motivating people)
6. Is there any shared value (norm, spirit, common characteristic of employees, etc) inside Lozi? If yes, what is the role of that share value?

#### **External factor:**

7. How can 'social' factor affect to development of an e-commercial start-up in food search engine like Foody/ Lozi? (for example, social trend, habit of users)
8. Establishing as an e-commercial start-up, what are difficulties or supports from Vietnamese Technology infrastructure and Legal system?
9. Among factors above, what are the most important factors which lead to the recent success of Foody/ Lozi?

Thank you very much for doing this interview.