

Bringing Western-Style Cafés to Coffee-Loving Vietnam

By Sarah Aldrich and Gyscha Rendy

Vietnam is the second largest coffee producer in the world...and it has its own way of brewing beverages. But Western trends are catching on and a growing number of tourists and expats are looking for European- and American-style coffee like espresso, cappuccino, and latte, as well as classic American foods and desserts.

Enterprising expats have found that there is an untapped demand for certain Western café offerings. From buzzing Ho Chi Minh City to small, picturesque resorts on the coast, you'll find opportunities in this niche.

Canadian Charlie Ritchie, 56, and his wife, Betty, opened the Happy Heart Café in the central Vietnam hub of Da Nang in October 2015.

"There are a lot of expats living in Da Nang, and there are a lot of visitors that don't stay at high-end hotels," says Charlie. "They want to have a place where they can hang out and have good American-style cooking, good coffee, good service. We have cinnamon rolls, mac and cheese, and lasagna...what I would call comfort food."

Happy Heart is located in Da Nang's city center near many hotels, ensuring them a steady lunch crowd of business travelers. He offers a variety of vegetarian fare as well as imported drinks like Dr. Pepper and Strongbow Cider, things that aren't easily found in Da Nang. Before Happy Heart opened, most places serving American dishes in Da Nang were upscale restaurants...or resorts where the prices corresponded with the five-star ratings.

Max Kovalchuk set up Katie's Coffee Shop in Mui Ne, a fishing village six hours

from Ho Chi Minh City.

"I was a real estate broker and, after working for six years, I realized that I wanted a change," says Max, who is originally from Russia. "So I left my job, and bought a one-way ticket to Singapore. I traveled around Southeast Asia and fell in love with Vietnam.

"When I came to Mui Ne for the first time, I couldn't find a single coffee shop or hotel that offered a typical European espresso. They only offered Vietnamese coffee...I saw that as a great opportunity to run a small coffee shop, to offer not only local coffee but also international brands, with Western-style breakfast."

Max made friends in Mui Ne, and soon someone let him know about a property that was available on the town's main street.

"As soon as I saw this place...I could picture myself making cappuccino for the guests...creating a nice, warm, homey coffee house," says Max.

Jerry Wyatt, 66, spent his career in the United States Army and had the dream of returning to Vietnam, where he fought during the war, to help the Vietnamese people once he retired. He and his wife, Barbara, 63, moved from their home of Wood River, Illinois—a suburb of St. Louis—to Ho Chi Minh City in 2000.

In 2006, after two-and-a-half years of planning, they opened Master's Cup. They started out small, with a simple food menu including things like hamburgers and club sandwiches. Then, they decided to find something that nobody else in Ho Chi Minh City was doing.

"We focus on American pies, and it's been really successful," says Barbara. Master's Cup bakes classics like apple, pumpkin, and pecan pies, and they rotate in specialties like key lime pie, which expats love. They also serve Vietnamese dishes which are more affordable, ensuring that they have a mix of expat and local customers.

They signed a three-year lease for a spot in Ho Chi Minh's centrally located District 10 but when the lease was up, and the landlord raised the rent, they found a different location.



Charlie and Betty Ritchie have created a happy, satisfying lifestyle with a café business in Vietnam.

"It's away from the city center, but there are a lot of universities," says Barbara. "There's been better business out here... we've been received very well."

Getting Staff

Max traveled around Southeast Asia before setting in Mui Ne and even explored the possibility of setting up a business elsewhere. "It wasn't that complicated at all to set up a business in Vietnam, compared to Bali or other places in Asia," he says. "Vietnam is so much easier, and there's not much money under the table involved. The process was pretty fair and straightforward; it didn't take me a long time to launch Katie's Coffee House.

"The biggest challenge was finding the local talent. It's really difficult to find local people here who speak English and are passionate to serve people. But I believe it's just a matter of how you train them and motivate them.

"I'm so proud of my staff here, although they speak little English and often you have to remind them to smile to the customers. But they're always willing to learn new things. I continually train them about management and how to deliver excellent customer service."

While Charlie and Betty were in the planning stages for Happy Heart, a team of handicapped and deaf Vietnamese workers was let go from a local restaurant due to a change in ownership. Charlie hired them. "We thought, 'Let's show that these folks can run a coffee shop just as well as anyone else,'" says Charlie.

The workers at Happy Heart are paid a



Ho Chi Minh City, is a lively spot where opportunities are increasing for expats.

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Mui Ne is a traditional fishing village on the Vietnamese coast, which is destined to grow as a tourist resort.

small base salary in addition to income from profit sharing. “It’s their business,” says Charlie. “They work longer hours. They’re invested because they see themselves as co-owners.” This is part of the reason why Happy Heart was able to break even after their first month of business.

Chat in English

Charlie grew up in Montreal and was working as a successful chemical engineer in Canada when he had an epiphany. “I came to a point where I said, ‘Do I want to make plastic for the rest of my life or do I want to do some good?’” explains Charlie.

So he moved to Hanoi for a decade to run an NGO. Then he returned to Canada to put his kids through school, working as an executive in the corporate world.

“When my kids were grown, my wife and I said, ‘Let’s go back to Vietnam,’” he says.

Charlie thought that providing the Vietnamese with management and English training would help the developing country grow economically. Betty has a master’s in education, and they started their school and café as a social enterprise. It hosts an English Corner every night where their Vietnamese students who are studying English at the school can practice their skills with volunteers.

Master’s Cup Coffee House in Ho Chi Minh City integrates English language learning more formally into its business model, with a regular coffee shop on their first floor and two speaking rooms on their second floor. The speaking rooms are always staffed with native English speakers, who volunteer from the time the café opens at 8 a.m. until it closes at 10 p.m. each day.

Barbara says expat customers contribute to the humanitarian work through their purchases in the coffee shop, and the menu includes three Vietnamese dishes for the students who can’t afford to buy Western food. She estimates that their customers are half foreigners and half Vietnamese.

Having an additional attraction helps to draw customers.

“Whoever wants to open a business in Vietnam, they’ve got to think about how to make it multifaceted,” says Charlie. “If you want to start a coffee shop, it would be good to think of a deli or a grocery store or different things that would work together to make your coffee shop more successful, more of a draw.

“When I first started, I wanted to make a concept that was reproducible...that I could franchise. I already have people talking to me about a franchise opportunity. Even Da Nang could handle two more like this.”

Business Tips

All three of these business owners have opened or are researching the opening of second (and third and fourth) locations for their coffee shops in Vietnam. Max has already opened a second coffee shop in Nha Trang, a larger beach town to the north of Mui Ne that attracts many international tourists.

Charlie suggests that if you want to get into the food and beverage industry in Vietnam, there may be opportunities to franchise an existing business rather than starting from scratch.

“Most restaurant owners who are foreigners in Vietnam are interested in franchising,” he says. “So if you see something that’s successful, you can ask to run a franchise.”

Sean Ngo, a Vietnamese-American and CEO of VF Franchise Consulting in Ho Chi Minh City, says, “Franchising is a great idea, but the business must operate in Vietnam for a minimum of one year before it can be franchised. Vietnam has specific franchising laws, so they must be followed.”

He recommends working with a local expert to set up a foreign-owned company in Vietnam. This expert could be an international lawyer or a Vietnamese company familiar with international business. There is an associated fee, but both Charlie and Barbara agree that it’s worth it to pay for someone who will do the job correctly.

Vietnam requires foreigners to have an *entry visa* (see sidebar.) “If a foreigner is investing into the country (a.k.a. setting up a company), then he or she can apply for a longer term visa, typically three years,” explains Sean. But Vietnamese visa requirements change frequently, so you need to do your research on visas and figure out the best solution for you.

Location Choice

Charlie and Betty chose to locate in Da Nang for the lifestyle. “It’s easy to live here,” Charlie says. “The cost of living is lower than Ho Chi Minh City or Hanoi, and we’re closer to nature. Some of the most beautiful country in Vietnam is nearby.”

Ho Chi Minh City is more expensive than other parts of Vietnam. Rent for a Western-style apartment can cost anywhere from \$1,000 per month on the outskirts of the city to \$10,000 in the city center. Jerry and Barbara’s Master’s Cup wasn’t in the black for years. Their plan was to live off of their investments rather than rely on profits from their business. However, now that they are profitable, they are looking to expand their concept in other parts of Vietnam.

Max’s favorite aspects of living in Mui Ne are the amazing weather and the low cost of living. He’s found one-bedroom houses renting for \$300 to 400 per month. He says that opening Katie’s Coffee House was his “best decision ever.”

Charlie and Betty are equally pleased with their choice. “I’m not making as much money as I used to, but I’m really happy,” Charlie says. “I’m doing what I want to do. And making a difference.”

How Vietnam is Opening Up to Expat Entrepreneurs

Vietnam is looking good for expats at the moment. The government is proposing to extend entry visas for U.S. citizens from three months to one year, in an effort to boost tourism and investment. More than three million U.S. tourists visited in the first six months of 2015.

In addition, as of July 1, 2015, foreigners were granted the right to “own any property for a maximum of 50 years and enjoy the same rights to lease, transfer or sell the property as Vietnamese citizens.” The Vietnamese government is yet to decide what will happen after 50 years; at this time, they are planning to establish an extension process.

Both Hoi An and the larger city of Da Nang to the north have real estate agencies that cater to foreigners interested in buying or renting property (or land)—check out [Nha Toi Real Estate](#) and [Central Vietnam Realty](#), respectively.