

**CASES OF SUCESSFUL LINKS
BETWEEN
SMALL-SCALE PRODUCERS AND MARKETS**

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FOREWORD

In the 20 years since *Doi Moi*, the entrepreneurial spirit of the Vietnamese people has resulted in a blossoming of small-scale private enterprises. These enterprises form the basis of the emerging private sector in Vietnam. The confidence and skill shown by millions of small scale entrepreneurs has contributed greatly to the astonishing growth of the Vietnamese economy and the rapid reduction of poverty.

In 2004-2005, the ADB-DFID-ADB I project “*Making Markets Work Better for the Poor*” commissioned NISTPASS - an institute of the Ministry of Science and Technology - to conduct a research study based on the identification and documentation of **50 Case Studies of Successful Linkages with Markets**.

This book is the final report of that research effort. The cases all report the actual stories of entrepreneurs setting up in business in Vietnam, and developing successful links to markets. The cases cover a wide variety of geographic settings and a diverse range of agricultural and non-agricultural goods and services.

Having a flexible, dynamic and vigorous approach to business could help small producers access the market, establish themselves firmly in the market and thrive. To prepare for this, entrepreneurship is a must for firm owners. Entrepreneurship cannot be created, but can be identified, nurtured, and encouraged to grow from inside potential business owners.

The entrepreneurs in this book come from varying backgrounds, including soldiers, artisans, and government officials. They have varying educational levels and work experience and have different motivations for starting their business activities. One thing that they all have in common, however, is that they have started from a position of disadvantage and poverty and through a combination of hard work, self-education, and dedication, have become successful. In doing so, they have not only provided benefit for themselves and their families, they have also generated many jobs and assisted their local communities.

In addition to this book, the 50 case studies have also been published as a two volume coffee table book set: “Entrepreneur: Overcoming Poverty Through Enterprise” and “Entrepreneur 2: On the Road to Success”. The case studies and books in Vietnamese and English are also available for download at <http://www.markets4poor.org>.

THE ANALYTICAL OVERVIEW OF SMALL PRODUCERS SUCCESSFUL IN ACCESSING MARKET: 50 CASE STUDIES

Tran Ngoc Ca and Nguyen Vo Hung

I. Introduction

The ADB is implementing a regional project covering Vietnam, Laos and Cambodia entitled Making Markets Work Better for the Poor (MMW4P). The purposes of the project are to (a) conduct analytical work on the functioning of markets and the extent to which the poor are able to benefit from them, and (b) to build capacity to support pro-poor market development through research activities, networking and the promotion of policy dialogue in the three project countries.

One of the areas of research that is being supported covers the participation of the poor in global and local value chains. The current work of 50 small firms case studies is part of this work.

In addition to the specific products-focused studies, such as on tea or cassava, implemented by different teams, this study aims at understanding better the way and behavior of small producers in getting to the market, in adopting different business behavior and become successful in business.

The research team has conducted field work, interviews and desk research and to generate a set of 50 actual case studies of successful links between small-scale producers and markets in a variety of geographic settings and covering a diverse range of agricultural and non-agricultural goods and services.

II. Research issues/questions and methodology

The study team worked with researchers, government officials, non-governmental organizations, business associations, the media, representatives of donor agencies and most importantly, producers and producer groups themselves to conduct the research. The main responsibilities of the team are:

1. Desk research and interviews to identify a range of suitable case studies that are geographically disbursed and that involve a range of different products and services.

2. Development of a standard checklist for a semi-structured interview that covers, amongst other things, the following items:

- Location
- Nature of product and positioning within the value chain
- Brief history of growth of production, sales, employment effects, profits (if available)
- Nature, source and location of raw materials
- Brief description of production process (to indicate ease of entry to business)
- Number of people employed in production processes (past - present - future)
- Nature of sales contracts e.g. fulfilling orders or market sales? Cash or credit? Point of sale (house; local market; distant market; trader; direct supply etc), role of intermediaries
- Location of intermediary and final markets
- People involved in trading process
- Knowledge of trends in intermediary and final markets
- Obstacles for doing business
- Growth strategy of the business and plans for the future
- Future threats for doing the business
- Factors explaining successes
- Lessons learnt
- Sustainability and reliability of the firms' experiences.

3. Preparation of the questionnaires and relevant questions to clarify the checklist and conducting the actual interviews

4. Editing the results into a standard format; and

5. Conducting analyses with identifying the emerging patterns in terms of firms' behavior, owners' access to the market and the position in the value chain.

The research team has members coming from different organizations like NISTPASS, CIEM, Infobiz, S&T information center of HCMC Department for Science and Technology, Institute of Economics of Ho Chi Minh City, and others.

To assist the team, especially in methodology and refinement of case structure, there are international consultants involved.

III. Project implementation

There are several issues to be discussed in relation to the project implementation. The study team has completed 50 case studies and

the division of cases is as follows:

3.1 Geographical areas

In the North, 17 cases are located in following provinces: Hanoi, Bac Ninh, Hai Duong, In the

Center, 12 cases located in Da nang, and Quang Nam province.

In the South, 21 cases located in HCMC, Can Tho, Dong Nai, and Binh Duong provinces.

3.2 Areas of activities:

The cases studied are mainly divided into three main categories:

- agriculture (A), including aquaculture: 13 cases
- non-agriculture (Non-A), or more specifically, manufacturing activities. Manufacturing could be related to more industrial business or craft-related manufacture like bamboo, wooden furniture, ceramics, art objects, etc. This category includes 30 cases.
- services (S) of various kinds (transport, tourism, restaurant, etc.) is the smallest group with 9 cases.

In the Table 1 below, the structure of firms in terms of activity areas has been provided.

Table 1. Structure of firms in business areas

No	Code	Firms	Agriculture	Non-Agriculture	Services
1	CC01	An Khe Bamboo and Rattan Cooperative	x		
2	CC02	Marble Sculpture Nguyen Hung.		x	
3	CC03	Le Hien shrimp Hatching Farm	x		
4	CC04	Manh Hao Co. Ltd.		x	
5	CC05	Phuc Lam Rock – Work and Rock Sculptural Art		x	
6	CC06	Mai Tan Co Factory	x		
7	CC07	Bac Dau Company Ltd			x
8	CC08	Thien Kim Steel Production and Commercial Company		x	
9	CC09	Nha Ban Design Consultation, Trade and Service Company.		x	
10	CC10	Viet Tin Co. Ltd.			x
11	CC11	Thu Dung Trade, Service a Electrical Engineering Company		x	

12	CC12	Van Loi Fine-art furniture business		x	
13	CN01	Binh Thom Farm	x		
14	CN02	Nhung Ceramics		x	
15	CN03	Sinh Farm	x		
16	CN04	Anh Dung Mushroom Farm	x		
17	CN05	Kim Lien Food Processing Company		x	
18	CN06	Trung Kien Company Ltd			x
19	CN07	Hoang Long Private Company			x
20	CN08	Huynh Long Cactus Co. Ltd	x		
21	CN09	Tieu's turtles farm	x		
22	CN10	Ngoc Bich's Fine Art Furniture		x	
23	CN11	Sans Souci Tourism Cyclo Services Company Ltd.			x
24	CN12	ALPHANAM Co., Ltd		x	
25	CN13	Nam Son Beverage production enterprise		x	
26	CN14	Duong Malt Company Limited		x	
27	CN15	Chau Giang Co., Ltd.		x	
28	CN16	Hamico Ceramic Export Co. Ltd.		x	
29	CN17	Hanoi Star Hotel			x
30	CS02	Ba Tran Individual household business	x		
31	CS03	Soltech Technical Solutions Company Limited		x	
32	CS04	TDS Company Ltd.		x	
33	CS05	Son Vinh Phong Ltd. Company		x	
34	CS06	Vinh Cuu Sculpture Decoration Co. Ltd		x	
35	CS08	Hasa Fine Arts production company		x	
36	CS09	Minh Hùng Private Enterprise		x	
37	CS10	Minh Chau Furniture Shop		x	
38	CS11	Ba Moi Vine Farm	x		
39	CS12	Humix Organic Company Limited	x		
40	CS13	Thuan Hung Aquiculture Co.LTD	x		
41	CS14	Hiep Thanh Ltd.	x		
42	CS15	Nhon Hoa Private Enterprise		x	

43	CS16	Hoang Quan Production and Trading Ltd Co.		x	
44	CS17	Signal Technologies Trade – Service – Technical Company Ltd		x	
45	CS18	Sai Gon Palm Trade and Manufacture Co. Ltd		x	
46	CS19	Duc Quan Commercial and Manufacturing Private Enterprise		x	
47	CS20	Ut Kieng Copper Urns		x	
48	CS21	Center For Technology and Equipment Development LIDUTA		x	
49	CS01	Duy Loi co.		x	
		Total	13	30	7

Notes: CC: Companies from the Centre; CN: companies from the North; CS: companies from the South.

3.3 Background of the owners:

Although the cases representing wide range of different business format (cooperative, small firm, or just unit of family-based small business, for the purpose of this report, from now on the cases are referred to as firms).

The owners of firms in the study are coming from very *diversified background*. Before becoming owners of their business, they were farmers, scientists, teachers, and accountant in private companies, artists or merely artistic apprentice in a service company, military servant (soldiers) and ex-government officials. Some owners were even a handicap from the war time with great difficulties, during the pre-renovation (*doi moi*) period. Some held quite important positions in previous works as director, head of section or in charge of some key operations in these organizations. Certain owners were having quite extensive training in engineering, technical knowledge, financial background as accountant or professional artistic business.

Many owners have changed their jobs and position many times until they became successful ones. One of the common ways to become business persons was to quit

government job, due to many economic structure, difficulties during the studied period (80-90) and for having better and freer working atmosphere.

Education background of the owners of firms is also very different. Some graduated from universities with degrees, some are not and many even did not have full secondary education. This points to a fact that to become a successful entrepreneur, it might not be necessary to have university education. However, majority of firms' owners have university education which is an asset for them in learning new knowledge.

Ages of the owners are mainly mid-30 to mid-40. Some are older than 40 or 50. There is an exceptional case where a man at the age of 81 years old became a successful businessman (Tieu Turtle farm). One another case show an example of a man of 78 years old, who is also doing quite successfully.

As for *gender*, majority of the firms' owners were male, with some exception were female. Table 2 gives more details of firms' owners in terms of education background, age and gender

Table 2. Firms' owners background

No	Code	Firm	Education			Previous career	Age	Gender	
			U	H-sch	lower			F	M
1	CC01	An Khe Bamboo and Rattan Cooperative	na	na	na	famer	na		x
2	CC02	Marble Sculpture Nguyen Hung.		X		schoolboy	33		x
3	CC03	Le Hien shrimp Hatching Farm	x			working for an Agro-export company	48		x
4	CC04	Manh Hao Co. Ltd.	x			employee of Ministry of Defense	54		x
5	CC05	Phuc Lam Rock – Work and Rock Sculptural Art		x		unemployment	44		x
6	CC06	Mai Tan Co Factory	x			retired	78		x
7	CC07	Bac Dau Company Ltd			x	worker	52		x
8	CC08	Thien Kim Steel Production and Commercial Company	na	na	na	trader	45	x	
9	CC09	Nha Ban Design Consultation, Trade and Service Company.	x			student	33		x
10	CC10	Viet Tin Co. Ltd.	x			IT engineer	43		x
11	CC11	Thu Dung Trade, Service a Electrical Engineering Company			x	pharmaceutical dealer	48	x	
12	CC12	Van Loi Fine-art furniture business			x	retired officer	53		x
13	CN01	Binh Thom Farm			x	Government employee	45		x
14	CN02	Nhung Ceramics	x			Artist	29		x
15	CN03	Sinh Farm			x	farmer	47		x
16	CN04	Anh Dung Mushroom Farm	x			Farmer and soldier	40		x
17	CN05	Kim Lien Food Processing Company	x			Electrical engineer, trading	52	x	
18	CN06	Trung Kien Company Ltd	na	na	na	Chief accountant	44	x	
19	CN07	Hoang Long Private Company	na	na	na	driver	51		x
20	CN08	Huynh Long Cactus Co. Ltd	na	na	na	Soldier, newspaper seller, trader	46		x
21	CN09	Tieu's turtles farm		X		farmer	81		x

22	CN10	Ngoc Bich's Fine Art Furniture		X		soldier	46		x
23	CN11	Sans Souci Tourism Cyclo Services Company Ltd.		x		soldier	56		X
24	CN12	ALPHANAM Co., Ltd		x		confectioner	39		X
25	CN13	Nam Son Beverage production enterprise	x			tobacco quality supervisor	39		X
26	CN14	Duong Malt Company Limited	na	na	na	Solder	na		X
27	CN15	Chau Giang Co., Ltd.	na	na	na	farmer, trader	30	x	
28	CN16	Hamico Ceramic Export Co. Ltd.	na	na	na	na	48		X
29	CN17	Hanoi Star Hotel			x	street vendor	26	x	
30	CS02	BA TRAN INDIVIDUAL HOUSEHOLD BUSINESS	na	na	na	farmer	62		X
31	CS03	Soltech Technical Solutions Company Limited	x			deputy director	48		X
32	CS04	TDS COMPANY LIMITED	x			office employee	43		X
33	CS05	Son Vinh Phong Ltd. Company	x			student	32		X
34	CS06	Vinh Cuu Sculpture Decoration Co. Ltd	x			student	45		X
35	CS08	HASA FINE- ARTS PRODUCTION COMPANY		x		mason assistant	30		X
36	CS09	Minh Hùng Private Enterprise	x			tour guide	40		X
37	CS10	Minh Chau Furniture Shop		x		none	28	x	
38	CS11	Ba Moi Vine Farm	na	na	na	farmer	na		X
39	CS12	Humix Organic Company Limited	na	na	na	businessman (Viet kieu)	na		X
40	CS13	Thuan Hung Aquiculture Co.LTD	na	na	na	na	na		X
41	CS14	Hiep Thanh Ltd.	x			employee of a state-owned company	na		X
42	CS15	Nhon Hoa Private Enterprise			x	flower and vegetable plant	42	x	
43	CS16	Hoang Quan Production and Trading Ltd Co.			x	worker	38	x	
44	CS17	Signal Technologies Trade – Service – Technical Company Ltd		x		Technician of Ho Chi Minh city Television	47		X

45	CS18	Sai Gon Palm Trade and Manufacture Co. Ltd	x			Craft-man	43		x
46	CS19	Duc Quan Commercial and Manufacturing Private Enterprise	x			chemical ngineer	43		X
47	CS20	Ut Kieng Copper Urns	na	na	na	same	37		X
48	CS21	Center For Technology and Equipment Development LIDUTA	x			Engineer in SOEs	40		X
49	CS22	Duy Loi co.	na	na	na				X
		Total	18	9	9			10	40

Notes: Education:
na – 14 cases

U: university;
H-schl: High school

Age

U40 12

U50 21

O50 10

na 7

3.4 Size of businesses

Most of firms were small to very small at the start. However, after few years in operation, some of them grow into quite substantial companies in terms of size (revenue as well as labor). Table 3 provides details of firms in size of business with data on revenues and labor.

Table 3. Firms size in revenues and labor

No	Code	Firms	Revenue (VND)	Labour
1	CC01	An Khe Bamboo and Rattan Cooperative	2,200,000,000	300
2	CC02	Marble Sculpture Nguyen Hung.	9,480,000,000	55
3	CC03	Le Hien shrimp Hatching Farm	250,000,000	14
4	CC04	Manh Hao Co. Ltd.	200,000,000	130
5	CC05	Phuc Lam Rock – Work and Rock Sculptural Art	250,000,000	15
6	CC06	Mai Tan Co Factory	500,000,000	250
7	CC07	Bac Dau Company Ltd	800,000,000	100
8	CC08	Thien Kim Steel Production and Commercial Company	2,400,000,000	80

9	CC09	Nha Ban Design Consultation, Trade and Service Company.	1,000,000,000	50
10	CC10	Viet Tin Co. Ltd.	2,500,000,000	50
11	CC11	Thu Dung Trade, Service a Electrical Engineering Company	5,800,000,000	100
12	CC12	Van Loi Fine-art furniture business	2,000,000,000	180
13	CN01	Binh Thom Farm	920,000,000	20
14	CN02	Nhung Ceramics	2,000,000,000	100
15	CN03	Sinh Farm	1,200,000,000	50
16	CN04	Anh Dung Mushroom Farm	47,000,000	12
17	CN05	Kim Lien Food Processing Company	500,000,000	6
18	CN06	Trung Kien Company Ltd	15,000,000,000	200
19	CN07	Hoang Long Private Company	240,000,000	200
20	CN08	Huynh Long Cactus Co. Ltd	600,000,000	12
21	CN09	Tieu's turtles farm	900,000,000	3
22	CN10	Ngoc Bich's Fine Art Furniture	10,000,000,000	300
23	CN11	Sans Souci Tourism Cyclo Services Company Ltd.	36,000,000	167
24	CN12	ALPHANAM Co., Ltd	82,000,000,000	350
25	CN13	Nam Son Beverage production enterprise	200,000,000	25
26	CN14	Duong Malt Company Limited	na	30
27	CN15	Chau Giang Co., Ltd.	500,000,000	24
28	CN16	Hamico Ceramic Export Co. Ltd.	na	150
29	CN17	Hanoi Star Hotel	800,000,000	20
30	CS02	BA TRAN INDIVIDUAL HOUSEHOLD BUSINESS	3,000,000,000	20
31	CS03	Soltech Technical Solutions Company Limited	600,000,000	7
32	CS04	TDS COMPANY LIMITED	43,000,000,000	5000
33	CS05	Son Vinh Phong Ltd. Company	2,000,000,000	60
34	CS06	Vinh Cuu Sculpture Decoration Co. Ltd	10,000,000,000	300
35	CS08	HASA FINE- ARTS PRODUCTION COMPANY	23,700,000,000	2500
36	CS09	Minh Hùng Private Enterprise	180,000,000	30
37	CS10	Minh Chau Furniture Shop	180,000,000	20

38	CS11	Ba Moi Vine Farm	2,000,000,000	20
39	CS12	Humix Organic Company Limited	1,500,000,000	95
40	CS13	Thuan Hung Aquiculture Co.LTD	na	100
41	CS14	Hiep Thanh Ltd.	50,000,000	900
42	CS15	Nhon Hoa Private Enterprise	8,685,057,776	180
43	CS16	Hoang Quan Production and Trading Ltd Co.	4,403,000,000	78
44	CS17	Signal Technologies Trade – Service – Technical Company Ltd	4,000,000,000	20
45	CS18	Sai Gon Palm Trade and Manufacture Co. Ltd	3,000,000,000	80
46	CS19	Duc Quan Commercial and Manufacturing Private Enterprise	25,000,000,000	54
47	CS20	Ut Kieng Copper Urns	400,000,000	20
49	CS21	Center For Technology and Equipment Development LIDUTA	na	40

Notes: revenues in italic are for 2003; the rest is for 2004.

To have better picture of ranking of firms in revenues and labour, two more specific tables are provided below.

Table 4. Revenue ranking

No	Code	Firm	Revenue (VND)	Labour
1	CN11	Sans Souci Tourism Cyclo Services Company Ltd.	36,000,000	167
2	CN04	Anh Dung Mushroom Farm	47,000,000	12
3	CS14	Hiep Thanh Ltd.	50,000,000	900
4	CS09	Minh Hùng Private Enterprise	180,000,000	30
5	CS10	Minh Chau Furniture Shop	180,000,000	20
6	CC04	Manh Hao Co. Ltd.	200,000,000	130
7	CN13	Nam Son Beverage production enterprise	200,000,000	25
8	CN07	Hoang Long Private Company	240,000,000	200
9	CC03	Le Hien shrimp Hatching Farm	250,000,000	14
10	CC05	Phuc Lam Rock – Work and Rock Sculptural Art	250,000,000	15
11	CS20	Ut Kieng Copper Urns	400,000,000	20

12	CC06	Mai Tan Co Factory	500,000,000	250
13	CN05	Kim Lien Food Processing Company	500,000,000	6
14	CN15	Chau Giang Co., Ltd.	500,000,000	24
15	CN08	Huynh Long Cactus Co. Ltd	600,000,000	12
16	CS03	Soltech Technical Solutions Company Limited	600,000,000	7
17	CC07	Bac Dau Company Ltd	800,000,000	100
18	CN17	Hanoi Star Hotel	800,000,000	20
19	CN09	Tieu's turtles farm	900,000,000	3
20	CN01	Binh Thom Farm	920,000,000	20
21	CC09	Nha Ban Design Consultation, Trade and Service Company.	1,000,000,000	50
22	CN03	Sinh Farm	1,200,000,000	50
23	CS12	Humix Organic Company Limited	1,500,000,000	95
24	CC12	Van Loi Fine-art furniture business	2,000,000,000	180
25	CN02	Nhung Ceramics	2,000,000,000	100
26	CS05	Son Vinh Phong Ltd. Company	2,000,000,000	60
27	CS11	Ba Moi Vine Farm	2,000,000,000	20
28	CC01	An Khe Bamboo and Rattan Cooperative	2,200,000,000	300
29	CC08	Thien Kim Steel Production and Commercial Company	2,400,000,000	80
30	CC10	Viet Tin Co. Ltd.	2,500,000,000	50
31	CS02	BA TRAN INDIVIDUAL HOUSEHOLD BUSINESS	3,000,000,000	20
32	CS18	Sai Gon Palm Trade and Manufacture Co. Ltd	3,000,000,000	80
33	CS17	Signal Technologies Trade – Service – Technical Company Ltd	4,000,000,000	20
34	CS16	Hoang Quan Production and Trading Ltd Co.	4,403,000,000	78
35	CC11	Thu Dung Trade, Service a Electrical Engineering Company	5,800,000,000	100
36	CS15	Nhon Hoa Private Enterprise	8,685,057,776	180
37	CC02	Marble Sculpture Nguyen Hung.	9,480,000,000	55
38	CN10	Ngoc Bich's Fine Art Furniture	10,000,000,000	300
39	CS06	Vinh Cuu Sculpture Decoration Co. Ltd	10,000,000,000	300

40	CN06	Trung Kien Company Ltd	15,000,000,000	200
41	CS08	HASA FINE- ARTS PRODUCTION COMPANY	23,700,000,000	2500
42	CS19	Duc Quan Commercial and Manufacturing Private Enterprise	25,000,000,000	54
43	CS04	TDS COMPANY LIMITED	<i>43,000,000,000</i>	5000
44	CN12	ALPHANAM Co., Ltd	82,000,000,000	350
45	CN14	Duong Malt Company Limited	na	30
46	CN16	Hamico Ceramic Export Co. Ltd.	na	150
47	CS13	Thuan Hung Aquiculture Co.LTD	na	100
48	CS21	Center For Technology and Equipment Development LIDUTA	na	40

note: in italic – 2003

This table shows that most of firms have revenue under 10 billion VND (around 600, 000 USD), with some exceptional cases which have revenues more than 1 mln USD. In these criteria, some firms may not be qualified as a small producer anymore.

The same can be said for labor as shown in Table 5.

Table 5: Labor ranking

No	Code	Firm	Revenue (VND)	Labor
1	CN09	Tieu's turtles farm	900,000,000	3
2	CN05	Kim Lien Food Processing Company	<i>500,000,000</i>	6
3	CS03	Soltech Technical Solutions Company Limited	600,000,000	7
4	CN04	Anh Dung Mushroom Farm	47,000,000	12
5	CN08	Huynh Long Cactus Co. Ltd	<i>600,000,000</i>	12
6	CC03	Le Hien shrimp Hatching Farm	250,000,000	14
7	CC05	Phuc Lam Rock – Work and Rock Sculptural Art	250,000,000	15
8	CS10	Minh Chau Furniture Shop	180,000,000	20
9	CS20	Ut Kieng Copper Urns	400,000,000	20
10	CN17	Hanoi Star Hotel	800,000,000	20
11	CN01	Binh Thom Farm	<i>920,000,000</i>	20
12	CS11	Ba Moi Vine Farm	2,000,000,000	20

13	CS02	BA TRAN INDIVIDUAL HOUSEHOLD BUSINESS	3,000,000,000	20
14	CS17	Signal Technologies Trade – Service – Technical Company Ltd	4,000,000,000	20
15	CN15	Chau Giang Co., Ltd.	500,000,000	24
16	CN13	Nam Son Beverage production enterprise	200,000,000	25
17	CS09	Minh Hùng Private Enterprise	180,000,000	30
18	CN14	Duong Malt Company Limited	na	30
19	CS21	Center For Technology and Equipment Development LIDUTA	na	40
20	CC09	Nha Ban Design Consultation, Trade and Service Company.	1,000,000,000	50
21	CN03	Sinh Farm	1,200,000,000	50
22	CC10	Viet Tin Co. Ltd.	2,500,000,000	50
23	CS19	Duc Quan Commercial and Manufacturing Private Enterprise	25,000,000,000	54
24	CC02	Marble Sculpture Nguyen Hung.	9,480,000,000	55
25	CS05	Son Vinh Phong Ltd. Company	2,000,000,000	60
26	CS16	Hoang Quan Production and Trading Ltd Co.	4,403,000,000	78
27	CC08	Thien Kim Steel Production and Commercial Company	2,400,000,000	80
28	CS18	Sai Gon Palm Trade and Manufacture Co. Ltd	3,000,000,000	80
29	CS12	Humix Organic Company Limited	1,500,000,000	95
30	CC07	Bac Dau Company Ltd	800,000,000	100
31	CN02	Nhung Ceramics	2,000,000,000	100
32	CC11	Thu Dung Trade, Service a Electrical Engineering Company	5,800,000,000	100
33	CS13	Thuan Hung Aquiculture Co.LTD	na	100
34	CC04	Manh Hao Co. Ltd.	200,000,000	130
35	CN16	Hamico Ceramic Export Co. Ltd.	na	150
36	CN11	Sans Souci Tourism Cyclo Services Company Ltd.	36,000,000	167
37	CC12	Van Loi Fine-art furniture business	2,000,000,000	180
38	CS15	Nhon Hoa Private Enterprise	8,685,057,776	180
39	CN07	Hoang Long Private Company	240,000,000	200

40	CN06	Trung Kien Company Ltd	15,000,000,000	200
41	CC06	Mai Tan Co Factory	500,000,000	250
42	CC01	An Khe Bamboo and Rattan Cooperative	2,200,000,000	300
43	CN10	Ngoc Bich's Fine Art Furniture	10,000,000,000	300
44	CS06	Vinh Cuu Sculpture Decoration Co. Ltd	10,000,000,000	300
45	CN12	ALPHANAM Co., Ltd	82,000,000,000	350
46	CS14	Hiep Thanh Ltd.	50,000,000	900
47	CS08	HASA FINE- ARTS PRODUCTION COMPANY	23,700,000,000	2500
48	CS04	TDS COMPANY LIMITED	43,000,000,000	5000

Some companies have very few employees, with only less than 20 people.

Most of firms are qualified for being an SME with less than 300 employees. Three cases have more than 350 employees, with one exceptional case having very large number of staff. Still this case experiences might be interesting in starting small, if not being qualified as an SME.

3.5 Criteria for success

There are several criteria for success. For most common theme, the success in this study is considered as owners starting from poor background and grew into more profitable business, some could be quite large now, and having strong access to current market, domestic or international. As such, these criteria have been used:

- Continuous growth of revenue
- Employment expansion
- Product diversification
- Market diversification
- Export growth

IV. Findings from cases: emerging patterns

4.1 General notes: creation of firms

Cases in the study are very different in terms of history of establishment, ways of setting up and behavior of owners/managers. All firms can be considered as successful in accessing market, domestic or export.

Firms' establishment was mainly dated during the end 1980s and mid-90s, which is the choice of the study to see the patterns, related to the economic and social changes for the last decade or so. Also, this period is known for the consolidation of private manufacturing firms in Vietnam in terms of size, capital intensity and labor productivity (Ronnas, 1998; Hemlin et al., 1998).

Interviews and other data of cases helped to identify patterns in creation of firms, for example:

- *when* firms were created? in what circumstances?
- how many in each group: *distribution* (A, non-A, S)?
- how did they form firms (*mechanism or channels*): spin-out of previously existing firms; totally new firm in new kind of business; or new firm but in the same area of business, competing with the old one?
- Any *connections and relationship* with *previously existed firms* (family, friends, previous employers, etc.) to the new firms: collaborators, subsidiaries or competitor?

Following these considerations, in general, findings show that firms were mainly created during the 1990s. Some firms were established as direct impact of Enterprise Law in year 2000.

The *initial investment* for firms to be created came mainly from saving and loans by the owners. They did not rely much on the official

banking and credit system but borrowed money from friends, relatives. This is obvious situation when the credit system in general has not been easy access for the small and very small start-ups. However, there were some inherited certain assets such as piece of land and some money from their family to start with, but these are not numerous. The amount of financial loan tended to be small at first, in around less than 10 million VND, which was still a large sum for poor people. Some cases like Nguyen Hung even started at very little money (200,000 and 100 kg stones as material). Non-financial resources also were important for firms to start, either a house, or a piece of land of family. Without these preconditions, it maybe proved insufficient for firms to begin with.

The turning point for firms seems to be end of 1980s and beginning of 1990s, when there were two factors co-existed: difficult economic hardship of many people in the society, no matters where they are working (government staff or simply farmers, military officers); and at the same time start of the liberalization of the economy, when many new actors could come into economic scene, and private sector got some signals that they were encouraged to exist and thrive. This co-existence of factors made many future owners of private business seems to grasp the opportunity and try their luck in get out of poverty (or at least earn some better living). It is in this period, many owners of firms studied were government officials, workers, office staff (and ex-soldiers) and left this difficult job to have more free enterprises. Trung Kien service was one example, where female owner left her job as chief accountant to build new her empire (in the local context) of service providers, ranging from one thing to another.

Firms not formed just by itself but after some long process of learning and acquisition of certain skills (manufacturing, sales, marketing, even accounting) by the owners before they became confident enough to set up their own business.

4.2 Business behavior, approaches and growth strategies

In addition to the determination of becoming business owners, the real motivation that pushed them to create a firm is the detection

of some business opportunities that may or may not lead to business result and profits. Relying on their intuition and preliminary calculation, these business options present a good chance of entering the market with products that are not yet met by other producers or forgotten at all. Some cases show that the detection of market opportunity based even on very simple reasoning: demand for roses was higher during the holiday or special occasion (Binh Thom case), or demand for packaging when rice for export or fertilizer production is thriving business (Trung Kien case).

In fact, this market identification was not supported much by the education and formal training of the owners. Most of their decision-making was based on experiences gathered during previous work, from apprenticeship kind of learning and learning by doing themselves, with many trial and errors.

In selected cases, especially when owners were more or less educated, relying on technology, learning skills and expertise of specialist could be a critical strategy for firms to be distinct among many similar ones. ICT has been used for various purposes such as design, and marketing. Gathering, collecting information and expertise via various activities such as exhibition, talking to experts, doing something together were also important practice.

There have been observed two distinct strategies adopted by firms. The first is *specialization* and focusing on selected products and services. The second is the *diversification* into different kinds of products and services. Some firms followed one strategy, then changed to another. However, firms have not adopted the same strategy at the same time, even for those that *combining these two strategies* or switching them from time to time. Depending on circumstances, firms may change from one to another direction, this may be called as flexible specialization strategy. Nguyen Hung marble, for example, after specialization on certain customer, it diversified into others kind of customers with new way of designing its products. Trung Kien service in the meanwhile is diversifying into range of complete services in one stop: petrol,

restaurant, parking, entertainment, etc. Binh Thom moved from roses to sweet bamboo is another example of moving from one product to new one.

No matters what strategies were adopted, gradualism in business building was obvious in cases. No firm that took leapfrog radically and all step by step accumulated wealth and knowledge, experiences to become better and better. This *incremental accumulation with cautiousness* could be termed as another strategy for firm growth.

4.3 Specific features of owner personality

Critically, the personal traits of the owners-businessmen were key to many actions leading to success or failure of the firms. These owners are full of *determination and tenaciousness* to succeed. Hardship and difficulties did not make them gave up.

Curiosity and keen to learn is another feature for firm owners. More than this, some owners even displayed the purposeful *nature of intelligence collector* that helped them to get even know-how needed for their whole business operation. This learning ingredient in owner behavior made some of them different from others. In some instances, learning could change and revive the whole existence of a firm (An Khe Bamboo and Rattan).

All of them contained a great deal of *entrepreneurship* that made them more inventive and creative in combining different approaches and tactics for business in constantly changing environment. Sinh farm's case in negotiating and renting land from the local authority to start a business is an example. Innovative business behavior plus some risk taking attitude also were characters of these owners. Even for simple services of cyclo transport, it took the initiative and strong determination of one man to start (San Souci Cyclo)

Dynamic flexibility certainly played a role in their behaviour where firm owners were ready to change their way of thinking and action to suit the circumstances. *Hardworking* was also key factor, where most of them started from very low end, without resources and in spite of being an owner, most of them worked like any other employees, if not harder.

4.4 Success factors

The idea of *sharing the benefit by working and cooperating* with each other can be observed in many cases. By doing so, these firms *created* their own *constituencies or value chain* that member could all be benefited. Art based manufacturers for example cooperated with tourist companies and travel agencies (Nguyen Hung marble) to attract tourists or even worked to cooperate and develop its whole material zone for supply (An Khe Bamboo and rattan in Danang).

Constant learning is one of the most important factors explaining the success of firms. First of all, self-learning decisive factor (Le Hien shrimp case). Knowledge accumulation, and using it for business is key to most cases in the study. Partnership and personal cooperation with people who have expertise working in R&D institutions is useful for even simple production like mushroom (Anh Dung case). Owners of some firms even learned from their link with foreign buyers companies (Nhung ceramics) or from scientists and domestic association like Farmer Association (Tieu Turtle farm). Learning is not exclusive and it might be relevant to anyone, even at the old age. Case of 78-years old man (Mai Tan Co) shows that even at that age, he can still learn and use continuous knowledge for agriculture business.

Learning behavior can be also extended to the next generation by many firms' owners investing in their children education, with a plan that they would come back to run family business (Sinh from Sinh farm sends daughter to study even in China).

One of the learning modes is constant gathering information on business trends, technology, buyers and competitors in various setting. Trade fairs and exhibition are among the most popular places for firms to do this. Some cases experiences (Sinh's farm) also revealed that not only learning by themselves, but to teach and encourage learning attitudes of other involved in production and trading relationship are no less important.

Next to this, reliance on external expertise (Vietnamese or foreign) is important methods to acquire new knowledge and experiences. Some firms even invested in hiring foreign

experts to work for them (Sinh farm paid 1,000 USD per month for a Chinese consultant).

All in all, *entrepreneurship* is key to all successes that these firms in the study enjoyed. This perhaps inhibited in the owners for them to become successful.

Tenacity and perseverance are the must for firm owners to overcome difficulties and more over, learning from their own mistakes and make it better (Kim Lien case is one example).

4.5 Current obstacles and future threats

Weak technological base is one of the problems preventing firms from doing better and compete successfully, especially for those relying more on technology for manufacturing.

Lack of training, formal and informal channels was an impediment for learning new knowledge to take place by firm owner and staff. This created shortage of skills in services and manufacturing. More specifically, skill and expertise in designing, and trouble shooting experiences in manufacturing are the most lacked by firms. Firms also complained they lack management skills and expertise, so far what they used was more instinct for business.

For many firms, *unstable market factor* is seen as an important issue, especially the increased cost of production input. Changeable business conditions and uncertainty is always existed in any areas. For those firms that were based of artistic demand and tastes (like ceramics, furniture, art based products), this could be fatal if and when tastes changed. To maintain the good performance and competitiveness, firms need more skills, and training that not always available or affordable to small businesses.

Facing *competition* coming increasingly from both domestic and international suppliers is the most serious threats. The competition could also come from the one who learned from their success and became imitators.

New *constraints related to environment* pollution could pose new kind of threats to small firms like An Khe Bamboo and rattan began to face.

For those firms whose business depends on *weather and climate condition* (most applied to agriculture and agriculture-based service business such as turtle raising, farming), this is another added burden that they have to face in very changeable environment.

Specific *business culture* in Vietnam relying a mere trust is noteworthy factor, where sometimes tradition has more influences than ordinary business customs. In case of Binh Thom, for instance, products given on loans without credibility led to bad debts made the firm many difficulties.

4.6 Policy issues

Surprisingly, firm owners did not complain explicitly very much on the policies that may impede their efforts. It is very likely that they have got used to the fact that the policy environment has not been very much supportive for private and small business in general. However, among their wishes, they could have been some factors of policy environment that remained to be improved.

For some firms working in manufacturing, weak local R&D capability seemed an issue to deal with. There has not been in place *technology policy to support small firms* in negotiating with or obtaining support from the scientists (Kim Lien, Soltech) in solving their problems. This is particularly in need for combining imported equipment and technology with domestic expertise.

Developing *supporting industry* for small businesses is some time identified as one policy issue as well as other activities like quality control, standard, design, consultancy, information provision, etc.

However, for obvious reason, capital shortage and associated with this, *financial and credit policies for small start-ups* is the most common problem. Lack of suitable mechanism that supports these almost family-based and even individual-based business, that relying merely on entrepreneurship of few people, was strongly preventing them from becoming widespread phenomenon. Many firms have to forget about formal credit channels and borrow money from families and friends (F&F). This F&F, in fact became the most crucial lifeline source for small firms in

starting up, sustaining or even expanding business.

Some firms also pin pointed to the *policy for supporting export* and market access in general (such as certification issue and quality control) for small start-ups, especially when they need to explore the overseas market for export (Ngoc Bich furniture). This policy could cover training programs for firms in both technical and management issues. Among others, IPR issue begins to emerge even for small producers, most of all for those firms working in design and artistic creative works like ceramics, furniture, bamboo and rattan craft, etc.

Some firms complained about the *land policy* when shortemism of this policy by the end of 1990s cannot let them to have longer land use rights and this uncertainty about the future affected the prospect for business expansion. Inconsistency and frequent change of laws were argued as among most disturbing factors for business. Land Law and related regulations indeed had strong impact on firm behavior and intention to expand business (Huynh Long Cactus, Hoang Long green bean cakes,).

In this overall policy environment, the *role of the government* seems utterly crucial in providing small producers with more conducive context for doing and sustaining their business success. This is very much in line with what some other studies have found and recommended (Carlier & Tran Thanh Son, 2005). The findings of this study point to some similar studies. A study on maximizing the value chain (Le Thi Phi et al., 2004), for example, also emphasized the problems in tax and multiple fees, weakness in government policy implementation and over focus on technical assistance at the expenses of support in information and marketing are main barriers for farmers and small traders in mountainous areas of Vietnam. Firms in urban and near urban areas may experience less extent of these, but problems remained.

In addition to the government, the *role of business and professional associations* is noteworthy. In some cases (Ngoc Bich fine art furniture,), it is associations that brought new ideas, knowledge and connection for firms to do business and get new market

opportunities. To promote the activities of these organizations should be a focus of any small-producers related supporting policies.

Analysis

5.1 Lessons learned

Constant saving and gradual accumulation of not only finance and material assets, but also expertise, experiences and knowledge are key factor in accumulation wealth and resource of these small firms

Nurturing entrepreneurship and relying on this key factor to compete in the difficult market is very critical for firms to thrive.

Flexibility in business decision and tactical approaches also contributed significantly to good performance of firms. For example, in some cases, firms put on going activities as collateral for further expansion, and one after another they could build up a bigger business. However, to avoid this becoming a bubble business, they grow slowly, making sure that each of business in the chain is firmly established and operated.

5.2 Types and ways of market access

First way of getting into the market was most visible by finding the *niche* and get into the niche:

- For example, art-based manufacturing is one of the niches for firms to enter (Nguyen Hung marble; Nhung ceramics)
- Another niche could be high end customers that few could satisfy their specific needs, certain firms deliberately focus their activities on serving this market segment (Nguyen Hung marble);

This *niche market or product* may not be necessarily for the whole country, but could be only provincial niche, or a niche in the specific context. The localized niche has been good enough opportunity for firms to take (Trung Kien took chance to supply petrol in not very populated area of Highway 5 between Hanoi and Hai Phong).

At the same time, the firms could share their low end of market segment to other weaker partners (Nguyen Hung marble case), by doing so creating a network and value chain for all members to enjoy its benefits. Some more or less successful cases even

developed their own network and cluster of activities that serve the common goals of making profits to be shared by all. Trung Kien owner has gradually built up her own chain of various business formats.

Some firms entered market directly with their own direct sale effort to end-users. Others were relying on intermediary market channels such as hotels, supermarket, distribution agents, and travel companies (Nhung ceramics). However, case of Binh Thom revealed that going through intermediary market might not be good option if the product (sweet bamboo) is too new to buyers and market outlets also are reluctant to accept it. This firm has to come back to direct marketing but provided many extra value in its after sale services.

Relying on traditional strengths (such as background knowledge in certain key areas, or accumulated experiences, existing network of relationship, etc.) did help firms to get into certain types of market. In particular, cases that were based on art and craft business could use special channels for marketing such as art exhibition, like Nhung ceramics did. This did help in even accessing export market. On the other hand, this strength seemed also limit them to work and sell for only few market segments that familiar to them. To expand into new market segments or new buyers may take time or even impossible for this kind of small business. Strength of firms sometime is related to its core competence. Some firms are more technology-based than others (like Soltech) and this is contributing to unique kind of products and markets.

To improve market relationship with potential buyers, firms did use various inventive methods of attracting customers or such as sale on credit (use first, pay later), donation and free trial (Anh Dung case), offering unique business package (Sinh Farm case), etc. This seemed to work in infant market conditions of Vietnam.

Concerning the market conditions, one emerging issue is *China factor*. In many cases (Ngoc Bich fine art furniture,), the emergence of China as an important market destination for their products is strongly visible. Proximity and easiness (less demanding) in terms of

quality of this huge market area some favorable factors for small producers in Vietnam. This could be come a huge potential and opportunity for poor background of firms from Vietnam. But for those who still not found to way to access this market, this could become a threat rather in domestic market, rather than an opportunity (Soltech).

5.3 Positioning in the value chains

Answering the question 'Where are these firms in the value chain?' findings of the study show that:

- Many firms were merely producers and sold their products to retails or sale /distribution channels;
- Some first started with sales via middle or intermediary channels, after some time, they moved into direct sales.
- Development of own value chain is seen in practice of many firms, using various methods. Some created link for value added network of producers and subcontractors, this is backed up by technology and skills training and credit provided by firms for their members of network (Anh Dung case). This partnership with subcontractors began a whole new value added network run by firms themselves. Interestingly, some chain even led and coordinated by one man.

Why are firms in this position? Surely, firm need to begin their existence first on production of something saleable to customers. Only when they accumulated resources, and desired to expand, firms would begin to develop their further links in the market (Hoang Long private company)

In principle firms could change the position in the value chain by moving from production to sale only, or subcontracting major part of the operation and focus only on core competence. But in the context of small producers, volatile market conditions, probably they would not, due to relative successful operations they enjoyed so far and the need for stability.

Another observation comes out of this study, however, is that some firms already began to climb up the ladder of international value

chain, by engaging in some networks of production and supplier of big international firms. These firms are working in craft related manufacturing, such as ceramics or household furniture, etc. Case of Hamico in supplying high quality ceramics products to firms such as IKEA or Habitat pointed to this possibility. Still, it is difficult to see which types of value chains governance these firms may be involved in at this stage (Gereffi et al. 2005).

5.4 Sustainability

In general, the cases in the study would be sustainable without difficulty. Most firms have got some kind of core competence or assets that they can maintain in the future. Many of them have grown up out of the poor raking and became quite substantial and key players in their own market. It is difficult to envisage that they would not continue to be in the market.

However, to replicate these cases is another matter. In principle, every one and every small starter could follow and imitate the ways these firms entered the market. But these cases were a combination of several unique features specific to each individual. This might be difficult to replicate. In addition, the context in which that firms succeeded was changed quite frequently. The followers in the future certainly can learn lessons, but to replicate in the same business, the same geographical areas and same success may not be viable. In any case, successful business is indeed a matter of entrepreneurship, which is linked to individuals in specific circumstances.

Training on entrepreneurship, nurturing it and provision of more favorable condition for business to take place is what can be done to support growth of small firms.

Having mentioned the strength of firms, now should also note the weakness or vulnerabilities. One of these sometime is related to the basic material on which the firms built their business. For instance, for most of firms working in wood-based furniture business, the supplies of raw material is an increasingly concerned problem. With aspects of environment, and forestry protection and others coming into the focus, they found more and more difficult to have sufficient source of supplies (Van Loi furniture).

V. Conclusion

The 50 case experiences revealed that as small producers, it is possible and feasible to establish them in the market, finding the way and get it done. Using knowledge for poverty reduction in general and for accessing market and operating in a market in particular is possible and necessary. Knowledge system one way or another is helpful, maybe informally to owners of small business. Learning in most cases is a key factor that help firms established, revitalized, grew and succeeded. In fact, learning for success is never too late, as the case of 81-year old man (Tieu turtle case) has shown.

Having flexibility, dynamic and vigorous approaches and business behavior could help small producers access the market, establish themselves firmly in the market and thrive. To prepare for this, entrepreneurship is a must for firm owners. The entrepreneurship cannot be created, but can be identified, nurtured, and encouraged to grow from inside potential business owners.

Doing business in Vietnam in general is not easy, more even so for small producers with little resources, not very well prepared background, and lack of supportive environment. They need more support than anyone else in business and government policies should and could do better to provide these small producers with required incentives and support, first of all in learning. To multiply the cases in this study is not necessarily right thing to do, bearing in mind their uniqueness of each product, market and entrepreneurial owners. But it is reasonable to create better business environment for others to follow their business philosophy and culture.

One thing worth to mention. This study is not a survey and therefore, the experiences of cases might not be sufficiently representative for all small producers in Vietnam. However, their real stories and practice are good lessons and examples for other to learn on what works and what not works in the context of a transitional economy like Vietnam.

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BINH THOM FARM

Introduction

Nguyen Van Binh is a 45 year-old farmer. He became widely successful over the past decade through his efforts in the flower and plant nursery business, a business that was inspired by his desire to use his skills and inherited land to better the lives of his family. As a testament to his success, in 2003 Binh was awarded with a Certificate for Prominent Farmer Household in Production and Business on the basis of accruing total annual revenues of more than dong (D)100 million. He received praise in the mass media (such as the *New Ha Noi Newspaper*) and has a well-earned reputation in the marketplace for high-quality products. This is quite an accomplishment for a man who was previously a low-level government worker with the Ministry of Agriculture and who was having difficulties making ends meet before starting this business.

This case demonstrates that success can be derived from careful attention to consumer demands and quality products. While hard work, a personable and friendly demeanor, expertise in his field, and the good fortune of inheriting land to begin his business all played key roles, Binh has been able to sustain his success through a carefully planned, proactive, customer-oriented strategy that pays close attention to market trends and keeps him one step ahead of his competitors. At the same time, he has been cautious with his finances and has innovated only after successful experimentation. The case highlights the need for nascent entrepreneurs to continually innovate and upgrade their production efforts in line with emerging consumer trends in the industry.

Background

Binh and his wife, Thom, are owners of two plant seed farms of more than 3 hectares each in Soc Son and Dong Anh districts, and a 1,000 square meter nursery garden in Tu Liem district. Born in 1960, Binh joined the army after finishing secondary school. From 1982 to 1990, he worked for the Husbandry Institute of the Ministry of Agriculture and became a Grade-5/6 husbandry worker. His wife also worked as a Grade-2/6 worker for

this institution at the same time. Like many other households in the village, the couple faced many financial difficulties; their combined wages were not enough to support their daily expenses for food, electricity, etc. With only D30,500 (US\$3 at that time) in monthly income from his salary, Binh's family was in extreme difficulties; this was compounded by the fact that in 1985 Binh's wife had just given birth to their first child.

Binh began his current operation in 1990, shortly after the introduction of *Doi Moi* in Viet Nam. In 1984, he inherited a wooden house with a 1,300 square meter garden and pond from his relatives near Chem Temple by the Red River. However, Binh and his wife had neglected this property, as both Binh and his wife were government workers and had little time to manage the field. In an effort to obtain more income, in early 1990, Binh tried to plant some cross-bred roses from seeds he received from one of his wife's relatives in the nearby Phu Thuong village. On the occasion of Teacher's Day (20 November 1990), he brought dozens of his roses to the open market and was able to sell them all for a total of D20,000 (equivalent to US\$2 at that time), a relatively large amount of money compared to his monthly income of US\$3 from the Government. Moreover, he observed that there was a great demand from urban inhabitants for roses using Da Lat seeds with large and thick petals, which were rather rare in the market at that time.

With this inspiration, Binh decided to leave the Government in November 1990, according to Decree 176,¹ to start gardening and growing flowers at home. As part of his severance package from the Government, Binh received a lump sum of D500,000 (US\$50) that he used as a downpayment to purchase 200 seed plants from Nhat Tan village. He made a deal with his brother to gradually pay back the

¹ Decree 176 was issued by the Government in 1990 and provided for a severance allowance for employees who voluntarily resign. Under the Decree, an employee receives 1 month of salary for each working year multiplied by the number of years worked (for example, if you worked for 10 years, you would get 10 months of salary times 10, or 100 months of salary in total severance).

remaining money at a later date. His wife also left her job a few months later and, like Binh, received a lump sum of D1,000,000 (US\$100) (half was a retirement allowance and half was a maternity allowance) from the Government. She stayed at home and used the D1,000,000 to grow flowers with her husband.

At the beginning of their business, the couple had very little capital and usually had to either borrow from D5 million to D7 million from their relatives in order to buy seeds, or had to purchase seeds on credit under deferred payments. The duration of these loans was always 2–3 months; during the first 3 years, they had to borrow five times from their relatives. After they sold their plants, he paid all the debts to his relatives immediately. Fortunately for the business, Binh's wife came from Phu Thuong village, which has a good reputation for its flowers. Her relatives had been growing flowers for years and had a lot of experience in this field. Binh and his wife learned many techniques from them. They were careful to observe whether a new seed would be successful before adopting it. Moreover, Binh's garden, which is near the Red River's dike, has similar conditions and features to Nhat Tan, Phu Thuong, and Tu Lien areas and is very good for planting.

The first types of seeds he planted were white roses (with large petals) and red roses. He continued growing roses from Da Lat seeds through to 1992, which during this time were a bestseller in the market. At first, he went to the market and sold all the flowers by himself; gradually, customers came to his farm directly to buy flowers. The sale of such roses was quite lucrative. For instance, a Da Lat rose could be sold for D2,000 per rose, while in comparison a kilo of rice was just D1,700. Binh benefited further from a reduction in the price of seed plants from D15,000–20,000 each to D7,000. This prompted Binh to expand his seed plant purchases for growing roses and provines. By 1994, Binh was able to expand his sales in both roses and provines at a price of D4,000 (US\$0.40) per provine. Indeed, in 1994, his family's revenue from roses and rose provines was over D100 million (US\$10,000), a significant amount of money at that time. This allowed him to undertake a number of tasks, such as repairing his house, improving his garden,

and purchasing a Honda Dream motorbike and a color TV set.

Binh was not content to just sell roses, particularly since he observed numerous new entrants into the industry, which reduced the profitability of rose production by the end of 1995. As a result, Binh decided to diversify and upgrade his product offerings in three areas based on trends he had observed in the market. First, Binh noticed that a number of wealthy people had an interest in decorative plants. This led Binh to begin production of various types of decorative plants (mainly cycads and tea flower trees). These products were rather popular in the market and quite lucrative. Second, Binh had observed that, with increased urbanization in Ha Noi, there was rising demand from many institutions and organizations for green, environmental trees. He cooperated with a friend who had about 1 hectare of land in Dong Anh district, to grow and multiply King Areca trees, a kind of areca with a large and very tall trunk. He sold these trees to the Ha Anh Company (a sub-branch of the Dong Anh General Trading Services Company), which distributed trees to many buildings in Ha Noi, such as the Daewoo Hotel and the Hanoi University of Health, and along the roadside to the National Sport Complex, at a price of D4 million per tree. Finally, Binh mass-produced provines for sale, after gaining experience from experimentation and consulting with other experts.

These investments, particularly in seed plants, paid off and Binh's family gained a strong reputation in the marketplace. Many people from other provinces came to his house to buy seed plants; as a result, he stopped selling seeds in the market.

In 2001 Binh made a number of important business decisions related to expanding his business. After visiting a friend in Soc Son District, he learned that the local authority was inviting bids for the right to use some plots of land in the district. He decided to bid for a 3-hectare plot in Xuan Giang Ward, Soc Son District, with the aim of using the area for expanding his production of environmental trees. While the purchasing of this plot of land was not smoothly solved, he was finally able to obtain the legal right to use it.

Since 2001, Binh has diversified into the production of sweet bamboo. In 2003, Binh harvested about 20–30 kilograms (kg) of bamboo per cluster (there are 500 clusters at Soc Son farm). The quantity has since increased to 70–80 kg per cluster at the present time. Binh can produce up to 120 tons per year. Sweet bamboo is relatively lucrative, with a price of about D5,000/kg. He has also started to produce seed plants for bamboo in response to greater consumer demand for bamboo. Now, Binh is concentrating on the production of bamboo, with about 87% of his production (in value terms) dedicated to either seed bamboo (11%) or mature bamboo (76%); the remaining production is in decorative plants.

Success Factors and Lessons Learned

Binh always works out his business plan carefully before making his investments. He always seeks experience and advice from experts who can assist him to successfully grow plants or bamboo, for instance, prior to making a big investment. Moreover, he keeps track of market trends through television, newspapers, and market surveys. For example, he learned about bamboo from a program on VTV1 that later inspired him to search for bamboo seeds.

On the day of the interview, we met a man from Dan Phuong who had come to Binh's farm to buy grapefruit seeds. This man said that he knew of Binh from a television

program. He wants to learn from Binh in order to help his own production as he too has a small garden at his house and is currently buying seeds for his own initial trials.

The case of Binh Thom Farm provides several lessons for entrepreneurs in Viet Nam. It highlights the need to pay careful attention to trends in demand and to identify market opportunities. In Binh's case, he has constantly adapted his production and markets to meet evolving customer demands for high-quality products. He has had some luck in this process by correctly timing trends in the market, but has nevertheless been able to exploit these trends to the fullest extent possible. His creativity and innovation have kept him one step ahead of the competition and enabled him to succeed in a competitive business.

Binh has also made the most of limited resources to develop a growing, successful business. While he has been fortunate in being blessed with skills in horticulture, access to land and having personal contacts in this sector, Binh has seized these opportunities through a careful, patient growth strategy. He has been cautious with his finances and has innovated only after successful experimentation. His determination has served him well in the market, as has a customer-oriented, even-mannered demeanor that inspires confidence from his customers and makes him a trusted salesperson.

NHUNG CERAMICS

Mr. Vu Huu Nhung is a 29 year-old man representing the youth of Phu Lang village in Bac Ninh province. From a poor, rural background, he is now the director of North Star Ceramics Company Ltd. His company's trade name, Nhung's Ceramics, is becoming famous not only in Viet Nam but also in overseas markets. He has received many important awards in arts and already has been awarded the great prize of the 'Vietnam Star' – the top prize of the Vietnamese Traditional Career Festival of Competition. In addition to being successful in his business and individual art exhibitions, he is also known as a great person, who contributed to the revival of the traditional ceramics village by his creative handmade pottery. He is credited with bringing about new vitality for ceramics products in Phu Lang village, reviving traditions and maintaining one of the traditional villages of the Red River Delta, which would have been likely to have fallen into oblivion. In 2003, Mr. Nhung was selected by Vietnamese Television for a documentary film about Phu Lang's ceramics.

Born in 1975, when the country was reunited after the war, Mr. Nhung had to struggle with many difficulties. His family was very poor, and there was no assurance that the ceramic business could sustain even minimum living conditions. Products were frequently sold in his village's market at dirt-cheap prices. Being the oldest child in his family, Mr. Nhung at that time had to go to school and help his mother with the housework because his father died at an early age. After finishing secondary school, Mr. Nhung hung around the village and worked for a few local ceramic makers to earn a living, but this was only enough for the bare essentials.

Through his hard work and aptitude for painting, Mr. Nhung was admitted to the Faculty of Sculpture, University of Applied Industrial Arts, in 1994. During his five years at the university, Mr. Nhung had to earn money while studying because his family had no resources to support his studies. He performed numerous types of jobs such as designing exhibition stands and working as advertising staff. Nhung and his friends took a

job to design exhibition stands for a Singaporean company and other well-known firms, notably Castrol and BP. This experience was a good chance for him to get practical experience in doing business with professional foreign companies.

Mr. Nhung graduated from the University of Applied Industrial Arts in 1999 and was one of the few university graduates from Phu Lang village. Bat Trang pottery village was very active at that time, with strongly developed ceramic manufacturing and trade. Mr. Nhung decided to find a job there so he could learn more about design, kiln baking technology, customer's tastes and the development trends of traditional products, as well as marketing approaches. Mr. Nhung worked there for six months as a potter and product decor worker.

Mr. Nhung always reflected on the special characteristic features of Phu Lang's pottery while he was working in Bat Trang. In 1999, he returned to Phu Lang and started experimenting in a completely new method of manufacturing: the application of painting techniques and modern sculpture on traditional ceramics. He discovered the close relationship that exists between sculpture and pottery and he wanted to explore this relationship further.

Starting with very little of his own money and additional loans, Mr. Nhung began to make his idea come true by producing ceramic arts using his own designs. In addition to round pottery products, such as jars or bottles with unique designs, Mr. Nhung also created flat pottery products and paintings. At first, Mr. Nhung tried to design some vases and pots with enamel colors. However, these were not accepted enthusiastically by the market as he did not base his designs on customers' demand.

Mr. Nhung received great fortune in 1999 with the arrival of a Vietnamese Australian that returned to his home village. He had heard about these items of Mr. Nhung and paid 35 million VND for all of them (100 ceramic products). Over 20 products from his experiments were chosen, bought and exported to Australia with prices ranging from USD 20 to 50 each. After this successful sale,

by early 2000, Mr. Nhung and a friend who lived in the village decided to invest VND 50 million in a pottery shop at his home. In the beginning, the shop had 10 employees. Mr. Nhung acted as both a designer and direct instructor to the other potters. He focused on pottery for décor, which was completely different from the traditional products made by other ceramic makers in the village. He decided to take his products in a new direction by applying his complete knowledge of sculpture into ceramic production. From this, Nhung's Ceramic trademark was born.

However, Mr. Nhung's products failed to attract customers at first due to his overemphasis on the elements of fine arts. These did not satisfy his customers' simple needs. This made him lose confidence for a long time. As a result, Mr. Nhung was faced with two options: either to produce fine art products or engage in mass production. It was not clear at this stage which direction he should pursue.

The direction he chose was decided for him after gaining an award at the National Art Exhibition held by the Ministry of Culture and Information in 2000. He received the Consolation prize for a 'Comrade in arms' piece made with terra-cotta. This is a significant award to be given to a newly graduated student like Mr. Nhung. The Vietnam Museum purchased his prized work for their collection; this is the pride and dream of many artists. More importantly, the prize increased Mr. Nhung's confidence in his work and revealed to him that he did not have to choose between those two strategies: he felt that he could be successful in combining both.

His next step involved visiting handicraft shops in towns, looking around the markets and gaining experience from teachers at the University. This experience led him to begin designing ceramic décor using patterns of flowers, leaves, grass and trees, and designing other functional ceramic pieces which are common domestic items.

In December 2000, Mr. Nhung was determined to hold his own exhibition by collecting all the best products made within the past year. It was a very successful exhibition. Over a hundred products from the exhibition were sold. Most importantly, the

exhibition provided an opportunity to increase consumer awareness of Nhung's Ceramic trade mark from Phu Lang village thanks to his product's attractive appeal and reliance on national characteristics in its decor. The success from the exhibition not only gave Mr. Nhung money, but also helped introduce his products to new markets. He started receiving orders from many different shops. He found that his combined strategy of blending unique, artistic designs with mass production was popular in the market, especially given the rise in consumer income that has led to greater demands for home décor.

Further awards and recognition for his work have followed. In November 2001, Mr. Nhung received the 'Artisan with Gold Hands' award from the British Council, in an exhibition co-organized by the Sweden-Denmark Cultural Assistance Fund, Alliance Francaise and the German Embassy. Early in 2003, with his 'Harvest Festival' and 'Soil Flower' works, Mr. Nhung received the top prize of 'Vietnam Star' at the Vietnam Traditional Handicraft Contest. Vietnam Television selected Mr. Nhung to make a documentary film on the Phu Lang pottery village with the title 'A person who rebuilds a traditional pottery village'. Along with this event, his work 'Meeting' won third prize at the National Sculpture Exhibition 2003, which was subsequently picked out by UNESCO to decorate its head office. Most recently, 50 fine art products from Nhung's Ceramics were selected as the gifts for the ASEM 5 Summit in Ha Noi.

In 2002, Nhung's Ceramics expanded to 30 employees and a 200 m² shop. Mr. Nhung has worked with and guided his workers to conduct each step in the production process. Almost all of his products were sold from the shop, though later on he also received orders to export overseas. At this time, he started marketing his products by printing leaflets and advertisements.

With the advice and support of the Bac Ninh Center for promoting trade and tourism, and recognizing the need to further develop his ceramic shop, Mr. Nhung founded his own company - the North Star Ceramic Company, Limited - in February 2004. In March 2004, Mr. Nhung paid VND 100 million for a 3,000 m² plot of land and invested an additional

VND 300 million to build an office area, a manufacturing area of 2,000m² and a pottery kiln. Mr. Nhung plans to develop this place as a trade village for tourism, so that visitors can stay at guest-houses, relax and participate in ceramic production. He also moved his shop to a larger place in order to widen the manufacturing area and to differentiate his business from others in Phu Lang.

Currently, North Star Ceramic Company, Limited has 100 employees, who are mainly local workers receiving an average income of 750,000 to 1,000,000 VND/person/month. Export volumes reach one-20 foot container every month. Its market has expanded to the USA, Japan, Italy, South Korea, etc. Revenues in 2004 are estimated at over 2 billion VND, with debts being relatively low (the largest being a few tens of million VND).

Mr. Nhung's success and mentality have had a strong effect on the local pottery business, with local people starting to follow his lead. More people from the village are letting their children attend university. Two more ceramic companies (Tan Tinh and Thieu's Ceramics) have been founded since North Star Ceramic's success and these businesses focus on the export of ceramic products. Each of these companies has 30 to 40 employees and the directors are all young, especially Director Nguyen Manh Thieu from Thieu's Ceramic who is just 25 years old and in his final year at the Ha Noi University of Applied Industrial Arts. Moreover, this trend has spread even outside the village with other families trying to replicate his success for the production of export products.

Success factors

All of Mr. Nhung's products arise from his creativity and from a combination of modern and traditional knowledge. What makes Mr. Nhung successful also makes him unique. While using clay as a basic material, he adds his soul to those products to create art. The key to Mr. Nhung's creativity lies in the way he expresses his ideas within Phu Lang's traditional ceramic techniques. Mr. Nhung has the uncanny ability to produce various works of art which are the reproduction of other natural materials such as wood, stone, fabrics, rattan, bamboo, flowers and leaves under various ceramic appearances and formats. These products are consciously created using traditional forms and creative emotion, but sometimes they are also produced by chance. Each of Mr. Nhung's products is a work of art, conveying his constant initiatives. As a result, Mr. Nhung has received many art awards for his talent. These awards inspire enthusiasm in himself, and make him self-confident in his business. To achieve this level of performance, constant learning, both in formal and informal environments, is a special feature of this farmer-artist.

Being an educated man, and having an aesthetic sense, Mr. Nhung knows how to exploit traditional art, restore ancient crafts and make a success of selling ceramic products. Each village has its own tale. Phu Lang has its ceramics and Mr. Nhung - a man who works quietly to bring back the traditional values and skills to a craft-village which was once famous for ceramics in the North.

SINH FARM

Introduction

Vu Van Sinh is the 47 year-old owner of two farms, a 20-hectare farm located in Yen The and another 50-hectare farm in Bac Ninh. After an unpleasant start from failed efforts with an agricultural cooperative, he has become very successful since 1996 with a strategic move from traditional farming to raising nursery plants for public areas (parks) and decorative purposes. Over the past several years, he and his family have been honored annually with Certificates of Merit from the People's Committee of Bac Ninh and the Bac Ninh Peasant Association for their contributions to agricultural production. He is currently the largest supplier of park trees in Bac Ninh province, with 2003 revenue reaching dong (D)1.5 billion.

Background

Born in 1957, Sinh had to leave his schooling quite early, after the completion of secondary school, in order to help his family during tough times. He joined Phuong Vy Cooperative in 1984, at a time when cooperatives were not an efficient way to organize agricultural production. The Cooperative managed 90 hectares of cultivated land, though over 36 hectares was left idle. It produced one crop each of rice and fish per year, but their productivity was very low. Like other households in the commune, his family lived in poverty, with a monthly income for the whole family of just D50,000 for himself, his wife and their three children.

In 1987 as part of an effort to remedy the inefficiency of the Cooperative and to help himself and others, nine households, including Sinh's, negotiated with the People's Committee of his commune to rent the 36 hectares of idle land to convert it into a pond for breeding carp. After reaching an agreement with the People's Committee, the households worked hard to begin this new activity. Due to Sinh's knowledge and experience in aquaculture and skills in management, combined with the hard work of the households, the group was immediately profitable. In 1990, he was promoted to be the Head of a production group within the

Cooperative. This position gave him a number of opportunities to work with the technical staff of Agriculture University No. 1 on some of their experimental projects. Here, he picked up useful knowledge in agricultural production techniques that proved to be critical to his later success. From 1987 to 1992, on average, the business brought the group about D100 million (after tax) every year, or D10 million for each family, a significant amount at that time.

After 6 years of success, Sinh and his partners decided to upgrade their business in 1992. They invested D200 million in baby fishes with an expectation that revenues of D500 million would be realized by the end of that year. However, their hopes turned sour. Observing the success of this group of farmers, the local People's Committee, misled by some people, thought that the land would be worth more if used for other activities. As a result, they decided to break the contract and took back the pond, citing as an excuse that they were planning to use the pond for other purposes. Sinh's group was forced to harvest early and lost a lot of money. Sinh himself ended up with D34 million worth of debt. His Production Group was dissolved and one of their members even became mentally disabled because of this. Phuong Vy Cooperative was also disbanded in 1992.

Unfazed by his defeat, Sinh swore to stand up again in his own commune. Despite his debts, he decided to rent 3 hectares of fallow land close to his house at a rate of D15 million per year for a period of 12 years under a well-drafted contract with the People's Committee. This decision further indebted Sinh to the tune of D97 million in total debts. Nobody in the commune believed that he could pay these loans back, though Sinh proved everyone wrong by repaying everything by 1999.

From 1992 to 1996, he began work in various income-generating activities. He started by working on land enrichment, planting trees and selling his products in the marketplace. At first, Sinh planted bean trees and apple trees. The first year's turnover was nearly D30 million. In the next year, he switched to sales

of apple trees since prices were good. With the money earned previously, he also invested in pig husbandry and poultry farming. All of the profits earned in this period were saved to buy new seeds and to pay for his debts via installments. His ability to survive in these difficult years gave him confidence in his later business activities.

In 1996 the urbanization process had begun to take root in Bac Ninh province. Sinh recognized the emergence of a market for public trees. After a short time spent learning nurturing techniques for these trees, he decided to start a business in this new field. In July 1996, he won a bid for 5 hectares of farmland over a period of 20 years. He concentrated on land enrichment, dug a pond for fish breeding and established a center that provided baby plants and park trees. Sinh is very proud that he has invented his own way of digging ponds and using mud for planting trees in a manner that is very efficient. Moreover, he also paid many million dongs for alluvia soil. Over the past several years, he has invested more than D1 billion in his farms, which quickly became the largest ones of their kind in Bac Ninh province.

These investments and his hard work have borne fruit, so to speak. The young trees from Sinh's farms have a surviving ratio of 90%, much higher than similar trees from other farms. As part of his marketing efforts, he offers a 1-year warranty on his trees and is able to provide formal receipts to institutional buyers, for which he has to pay a 10% value-added tax. He also allows his customers to keep 10% of the contract value during the warranty time (this is returned to Sinh after the warranty period) and spends some money to develop relationships with key customers and potential clients; these promotion efforts cost him D30–50 million each year. As a result, Sinh has become the largest supplier of public trees in Bac Ninh. The Urban Environmental Company of Bac Ninh decided to make a contract with him to provide all public trees for Bac Ninh's systems of precincts and planning areas. Some local government departments also contract him to look after all public trees around public buildings.

Not satisfied with the success of public trees, Sinh has been working hard to prepare for his

new business. In October 2000, he went to an International Flowers Fair in Kunming, People's Republic of China for the first time. There he realized that there is not only a demand for public trees for shaded areas, but also beautiful trees which help to develop tourism and decorate luxury houses. Since then, he has returned to Kunming every year, a land famous for its annual flower and plant fair. In Kunming, Sinh visits large flower farms, investigates new flowers and plants, and learns new farming techniques. He also participates in information and technical exchange programs in flower farming and large-scale flower auctions. These activities have helped him considerably to find new directions for his farm.

His second daughter is currently taking a 6-month course in flower planting in Kunming. Her tuition fees of D6 million/month is financed by Sinh. In 2003, Sinh established a garden of orchids in his farm to experiment on the feasibility of mass-produced orchids. The seeds were imported from the People's Republic of China. In addition to his businesses in flowers and decorative trees, Sinh has recently expanded his activities into timber. In 2002, he bought 20 hectares of land for reforestation in Yen The to experiment in the planting of timber.

His farms currently have about 40 different varieties of trees and flowers and provide the market with approximately half a million plants. The farms create jobs for 30 full-time and 50 part-time employees. The markets for Sinh's plants are mainly in the North of the country (Bac Ninh, Ha Noi, Vinh Phuc, Viet Tri, Thai Nguyen, Quang Ninh, Lang Son, Ha Tay, etc.), but recently he has made sales to the People's Republic of China. The model of Sinh's farm has been written about in newspapers, radio, television, etc., and is viewed nationwide as a model for others to follow.

Success Factors and Lessons Learned

Sinh's success comes from a combination of hard work, firm determination, continuous learning, strong marketing efforts, and good service. Given the difficulties he faced at the onset of this business, many people would have been likely to give up, but Sinh has stood firm. He has shown his talents for

learning by quickly replicating difficult techniques with an even higher success rate than his trainer. Sinh has the ability to foresee market demands, discover opportunities, and take the necessary steps to efficiently exploit them. Sinh pays in both time and money for market surveys at home and abroad which provide him with better information about market trends and trends in agricultural technology. His emphasis on providing good service is surprising given his rural upbringing and limited schooling and is often associated with highly trained businessmen (e.g., those with MBAs). Nonetheless, Sinh has implemented this strategy quite well. Indeed, his emphasis on service was the key for Sinh to win contracts from institutional buyers such as the Urban Environmental Company of Bac Ninh.

Four lessons can be drawn from this case. First, this case shows the value of determination, demonstrating that others can succeed with their own efforts and support from outside. Sinh's case shows that the banking system does not work very well for the poor, especially those in debt. It is obvious that the banks are more willing to give money to the rich rather than to the poor and that the credit market for the poor is not developed. There should be some special arrangement to help the poor out of financial difficulties.

Second, the need for continued and active learning is crucial and proves that technical

knowledge can make the difference between poverty and prosperity. Sinh has taken up training and learning opportunities, and has utilized most of what he has learned. More efforts should be placed on developing appropriate attitudes to learning by farmers rather than simple technical training. At the same time, Sinh may be a special case given that the hardships that he initially faced may have increased his resolve and better focused his learning efforts.

Strong marketing efforts are the third lesson learned from this case, though these are not easy to replicate. In Sinh's case, he provides a total package of services to customers, but is able to do so because of his strong technical knowledge, good understanding of market trends and canny sales tactics. What Sinh's case shows is that success is realized not just by marketing or technical expertise alone, but also through a combination of these skills. These skills may be unique to Sinh, though can still be a lesson for enterprising entrepreneurs eager to replicate Sinh's success.

Finally, a clear vision and implementing the necessary steps to realize that vision is also a good lesson from this case. Here, what is needed is some degree of good luck in order to be successful, in addition to the virtues of determination, learning, and marketing that have been crucial to the success of Sinh's business.

ANH DUNG MUSHROOM FARM

Introduction

Luyen Huy Hung is a 40-year old former soldier and small farmer who over the past 10 years has become a successful large farmer of mushrooms in Hai Duong. His military service and farming background convinced him of the income-generating potential of mushroom farming even though, when he started, demand and consumer awareness of this product was extremely low. Starting from a small, experimental production base and utilizing a creative promotion strategy of donating mushrooms to local festivals and teaching local residents how to use them in their cooking, Hung succeeded in tapping into a new market for a high-value product. Initial returns from mushrooms exceeded that of paddy and his business rapidly expanded. Today, he employs 12 workers and signs contracts with over 100 households inside and outside Hai Duong province, transferring technologies and providing credit in advance for those households, to expand his production base. As a testament to this forward thinking, Hung seeks to expand his business into mushroom processing in the near future.

Anh Dung is an interesting case study of commercialized agriculture as it demonstrates the successful diversification from low value crops for home consumption (paddy) to higher value commercial crops. The experience proves that farmers can raise their incomes despite their small farm size and without the need for large investments. At the same time, the experience of Hung shows that this type of diversification requires creativity in marketing and promotion, an eye for identifying potential markets, constant innovation and risk-taking. Nonetheless, the case shows that diversification is possible with the right attention to potential market demand.

Background

Born and raised in a rural area, Hung was a farmer before going to university. In 1987, he graduated from the Academy of Military Technologies, specializing in geodesic topography, and served in the Commando

Service of the Ministry of Defense. During his service, an import-export department of the Commando Service existed that specialized in producing mushrooms for export to the former Soviet Union and Eastern Europe countries. Given his agricultural background, he quickly realized the potential of the mushroom business, since rice straw, the main material for producing mushrooms, is plentiful in rural areas. Due in part to the low salary of a soldier in that period, he left the army in April 1993 to work for the Institute for Investigation and Plan Designing as a geodesic topography worker. Although the new post offered him a higher income, it also meant that he still had to live far away from his family. Moreover, he was unhappy working under the direction of others he longed to work for himself in his own business. As a result, he returned home in 1994 to resume farming (paddy and other crops production, and animal husbandry) and to help his wife who had a small sewing shop.

Once he returned to the farm, he rekindled his earlier idea of growing mushrooms. He first went to the Central Mushroom Company that had transferred mushroom growing technology to the import-export department of the Commando Service where he had previously served. However, their mushroom growing business had closed due to the collapse of the Soviet Union and Eastern European market in the early 1990s. However, he was determined to pursue this business, given that he had information that the mushroom business was well developed in Thai Binh province, but had not yet reached its potential. However, when he visited the province, he found that most mushroom production was simply for home consumption and yielded little income for farmers.

In a television program broadcasted on VTV2 at the end of 1994, Hung learned that the Center for Biotechnology of the Institute for Agricultural Genetics had successfully developed a new technology for mushroom growing. He soon visited this center and some households that grew mushrooms in Thai Binh. He observed that only households that were close to Ha Noi could profit from the mushroom business, given that Ha Noi was

the main market for mushrooms at this time; in other regions, mushrooms were not as familiar a food for most people. He realized that a process to increase people's awareness of mushrooms as a good food in Hai Duong would need to be instigated and that this would take both time and effort toward developing the business.

At the end of 1995, after a year of preparation to accumulate experience and knowledge, he started growing mushrooms in a tiny area in his garden to pilot the technology. Anh Dung farm was formally established with startup capital of only dong (D) 500,000 obtained from the sale of 500 kilograms of paddy crops produced earlier in the year. This capital was used to set up a tent and to purchase mushroom varieties from the Center for Bio-Technology.

Initially, Hung experimented with mushroom production in an area of 50 square meters (m²) in his garden with his own family's workers. At this time, he grew only three types of mushrooms using just 1 ton of his own production straw. With the mushrooms produced from this experiment, Hung gave some of them as gifts to people he saw as potential customers and those he could cultivate relationships with so that he could eventually introduce his products to a larger population. He also donated some mushrooms to many parties in the local area (wedding feasts, festival parties, etc.) and demonstrated how to cook them with the hope of familiarizing mushrooms as a nutritious food that can substitute for bean sprouts in some recipes. These initial marketing efforts allowed him to sell his first commercial crop of mushrooms² for D2 million. After deducting input costs, he received a net income of D1.5 million. In the second crop, Hung doubled his production capacity by using 2 tons of straw and earned D2.8 million in net income for the crop. These initial successes clearly demonstrated to Hung the potential for the market for mushrooms.

He gradually expanded the land area for production from 50 m² to 250 m² in his own garden. In the beginning of 1997, the capacity

of one crop reached 5 tons of straw and he started to buy straw from local households as part of his expansion efforts. The price of straw was D300,000 per ton at that time. The byproducts of straw after their use in mushroom production can be used as an organic fertilizer for vegetable production and were sold back to farmers for D100,000 per ton, thus giving Hung an additional source of income. Workers during this time were mainly his relatives, with Hung taking responsibility himself for selling mushrooms to local customers. Gradually, people became more familiar with mushrooms as a food, prompting Hung to further expand the business.

In 1997 when most local residents had accepted Hung's products, Hung rented 1,500 m² of land from three households for 3 years to expand production. At the same time, he hired 12 workers, of which four were permanent workers and the remainder worked on a temporary basis. His first workers were relatives and local residents that Hung trained personally. The increase in the scale of production forced him to sell many of his products via retailers and cooks that specialized in the local entertainment business (wedding and festival parties, for example). Roughly 60% of total sales were sold via these retailers and specialized cooks, with direct selling accounting for the remaining 40%.

Since 1998, in order to secure materials for production, Hung has contracted (orally, not through formal written contracts) 40 households to provide him with straw. He paid 50% of the straw value in advance to those households and paid the remainder upon delivery. Since 1999, he has managed to produce mushroom varieties by himself.

In 2000 he rented 1 hectare of land in order to expand production. He further expanded his business to include the sale of mushroom seeds to other farmers accompanied with technology transfer of such inputs to these growers. He signed a contract with over 100 households inside and outside of Hai Duong province in which he transferred mushroom growing technology, provided some credit and in return purchased their products. Two types of contracts are used:

² One crop of mushrooms takes 3 months to grow so that a farmer can grow up to four crops per year.

- (i) a non-exclusive contract in which he sells seeds and technology to each household, after which they can either sell their products on the market or to Hung; and
- (ii) an exclusive contract in which Hung provides seeds, credit, and guarantees to purchase their products as contracted. He prefers to have a non-exclusive contract with the households since this is more flexible and can significantly reduce financial risk. The purpose of the contracts is to form a material base for his projected canned mushroom production in the near future.

In 2000 he also expanded his product line from three types of mushrooms to five, and participated in the Viet Nam Large Farm Club. This membership status enables him to participate in some training courses on farm management and farm production, as well as some field trips to learn the best practices of farm households in other specialized fields. During this time, he also registered his trademark as Anh Dung and Hung Nam (Hung Mushroom). The trademark of Anh Dung comes from the names of his son and daughter, but it also has another meaning: adventure (risk taking). Relatives and local people usually call him an adventurous man.

In this most recent period, direct sales account for only 25%, while indirect sales via retailers have increased to 75%. Most recently (November 2004), Hung submitted an application to rent land for long-term use. He also plans to set up a private firm in 2005 to formalize his business and expand into mushroom processing activities (canned mushrooms and the production of mushrooms as starch for a food processing company). These value-added activities will significantly increase future revenues and profit.

Success Factors and Lessons Learned

Hung considers his success to have derived from three factors. First, he has always

looked for specific and new ways of doing business, as attested by the constant innovation and upgrading achieved in his business. Second, he has not been afraid of taking risks given that the mushroom business was not well developed when he started. Third, Hung has played close attention to technological innovation. Indeed, it was his viewing of VTV2 in 1994 that helped him start his business. He has continued this improvement in innovation throughout the course of his business, establishing creative ways of expanding production through contracts and looking ahead to the production of processed mushrooms.

There are four lessons learned from the case of Anh Dung mushroom farm. First, it is important to recognize the potential demand for new, innovative agricultural products in rural areas. The key is to discover what types of demand exist in the market and how to develop them. In Hung's case, he discovered a potential demand for a nutritious food from one kind of product (mushrooms) and successfully developed the market to a much higher level. Second, the development of such production does not require a large farm size. Rather, the issue is how to increase the value from one's current farm size. Hung began his production in only 50 m² in his garden and he created much higher value by growing mushrooms compared with paddy production. Again, this suggests that careful attention needs to be paid to potential demands that could be met within the existing resource base of producers. Third, marketing is extremely important. In Hung's case, he had to develop a market from scratch, necessitating creative ways of promotion that generated new opportunities. Fourth, innovation is extremely important. Linking oneself with new technologies and scientists in agriculture is very important for growth and development. Innovation is also important in order to continue to add value, as Hung achieved through his expansion of both production and technology.

KIM LIEN FOOD PROCESSING CO., LTD

Introduction

Le Thi Tuyet is a successful 52 year-old businesswoman in the small-scale food processing sector. After her initial failed attempts in the food processing industry, she has overcome all difficulties over the past 10 years to become the director of another successful food processing company. This company has received two golden prizes in international fairs and Tuyet was recently praised as a talented businesswoman in the field of small and medium enterprises by the SME Association in Hanoi.

The case of Tuyet highlights that success can arise from patience and passion in one's chosen career. Her determination and resolve have shaped the success of her current company. From the standpoint of her business strategy, the case reveals the importance of adapting one's company to rising competition by combining increased quality, product and retail diversification, and cost-cutting measures. She has been creative in the use of her often limited technology and raw material supplies to respond to such competition and astute in not only imitating products, but also improving them and at lower costs. Moreover, she has adopted high quality and food safety standards in an industry where formal certification is often costly and not well recognized. The challenge for Tuyet will be to make that next step to export to high-value markets. While her experience shows that she has the talent to succeed, the case illustrates that improved government regulation could be a big boost to such efforts.

Background

Tuyet worked in the Hanoi food department from 1975 to 1989 after graduating as an electrical engineer in 1974. Between 1989 and 1992, she went to a number of Eastern European countries for trading purposes, but also used this opportunity to learn more about doing business and market trends in general. By 1992, the economic environment in Viet Nam had changed significantly with more

open policies, new economic mechanisms, the removal of subsidies, and the opening of many economic activities to the private sector. Tuyet thought that this would be a good time to do business, and with an accumulated savings of about dong (D)100 million (quite a fortune for any individual at that time), she returned to Viet Nam. While living abroad, she observed that processed foods are very common in more developed economies, but that the market had not yet been developed in Viet Nam. She thus thought there may be potential in this area and did not consider it to be that risky, since food and clothes are some of the more basic demands of human beings.

In 1994, she joined with two friends to found Hai Dang Company Limited with an initial investment of US\$78,000 in an Australian production line to produce smoked foods. However, given their relative lack of knowledge in food processing, the production line could not produce anything that met market requirements. For example, during the first 15 days of their first pilot run of the plant, 500 kilograms (kg) of low quality output that was derived from 1 ton of inputs had to be given away to her friend in Ha Nam province for feeding to pigs. After nearly a year of unsuccessful operation, the company was shut down in July 1995. Tuyet left Hai Dang Company with a loss of US\$6,700.

Despite this loss, with her remaining capital of about US\$2,000, and some money borrowed from friends at an average interest rate of 1% per month (and sometimes even at 8% interest per day for overnight loans!), Tuyet expressed her determination to recover her food processing business. Over the next 2 months after leaving Hai Dang, without any production facilities and well short of capital, she maintained relationships with her customers by selling smoked meat of another food processing company in Haiphong at a price of D5,000/kg; interestingly, Tuyet took a loss on this deal as she had to pay the company D5,200/kg. However, this short-term solution allowed her to not only to keep

her clients but also, in the role of a buyer, gave her access to smoked food technology.

In a visit to the food processing company in Haiphong, she and two other engineers had the opportunity to pick up the secrets behind the smoked food technology. Three months after this visit, she established a smoked food production line with 100% local technology. The equipment operated well, and indeed is still in operation after some upgrading. This initial success was the foundation for her to set up the Kimlien Food Processing Company in 1996, almost 1 year after her first failure. Kim Lien has a very simple organizational structure with one owner and several workers who are mainly her relatives. Production activities are located on 100 m² of her family's land.

In the first year with the new company, Mrs. Tuyen focused on smoked meat, things that she knew best. This cautious strategy allowed her to investigate the market and gain more experience. Within 2 years, after gaining more experience, she gradually became successful and built up a reputation and market position with some key smoked products such as pork fillet, beef, sausages, salami, and ham. Since 2002, in order to satisfy the growing demand of customers, the company launched a number of new products such as smoked trotters of pigs, smoked chickens, smoked legs of chickens, chickens wrapped with ham, crammed trotters of pigs, salted shredded fish, salted shredded meat, sugar-canes wrapped with shrimp, pies (pork, chicken), and fried-pies. With their high quality, delicious taste, cheap price, and hygienic conditions, her products have found their way to many large supermarkets and hotels.

At present, there are more than 20 varieties of products made by her company. After her initial start with just a few products, by 2002, her smoked products had achieved a 30% market share. The products are now available not only in Hanoi but also in Quang Ninh, Nghe An, Ho Chi Minh, and elsewhere throughout the country. The company developed a number of very flexible selling methods such as delayed payments, monthly payment, etc. Production capacity has increased from 350 kg/day to 500kg/day.

Revenues have increased from a modest amount of D200 million/year to D8 billion/year. Profits have also increased gradually, with an initial profit to capital ratio of less than 3 percent that has since increased to about 10% recently. The salary of her employees has tripled from D250,000/month to over D700,000/month. While her staff initially comprised of only relatives and friends, she now employs some skilled workers with an engineering background.

In recent years, her success has been acknowledged by customers, the Party, and the Government. Party and Government leaders have visited her company and congratulated her achievements, particularly given that her smoked food production line was developed locally. The company has received two golden prizes for smoked tenderloin in two international fairs on food processing technology and safe hygienic food. In 2004, the company received an honorable mention of talented businesswomen by the SME Association in Hanoi.

Success Factors and Lessons Learned

The success of Kim Lien has relied very much on Tuyet's ability to combine local equipment with imported machines to set up a production line that allowed her to reduce costs while maintaining good product quality. She is also quite successful in substituting imported materials and ingredients with local ones. Her talent in tasting allows the company to imitate products of other producers, often at a lower cost. Moreover, she is also creative in developing unique products with a special flavor.

Tuyet's resolve during the difficult times is also a major factor in her success. Not many people would risk running a loss-leading business simply to maintain a customer base. A final factor underpinning her success is her background, both from her university skills and her accumulated experience in working for food companies in the past.

Like many other entrepreneurs who start a new business from the ruin of previous ones, Tuyet has managed very well short-term

activities to prepare for longer-term activities. The case of Tuyet demonstrates that determination and persistence are essential for success in business.

The case also highlights the importance of adapting one's company to rising competition by combining increased quality, product and retail diversification, and cost-cutting measures. Tuyet has demonstrated

remarkable acumen and creativity in not only imitating other products, but also improving upon them in a low-cost way that is well received in the market place. She has also been creative in the face of limited technology and raw material supplies. Her experience and contacts overseas have helped in the process, but Tuyet has made the most of these opportunities.

TRUNG KIEN SERVICES

VI. Introduction

Vu Thi Van used to be the chief accountant of a district commercial company. In 1990, due to her difficult living conditions as a government employee, she decided to leave the company and set up her own business to improve her livelihood. From the development of her first business in retailing nitrogen-based fertilizer products to farming households in the district, Van has since diversified her activities to trading in animal feed, rice, petrol, gas, packaging material production, and a restaurant business. The Trung Kien's business philosophy is to continuously create new business ideas and realize them in real life.

VII. Background

From 1981 to 1990, Van was the chief accountant at a district commercial company. In the late 1980s, Viet Nam's underwent a transition from a centrally-planned economy to a more market-oriented one. Upon this change in market orientation, commercial companies were forced to shift their activities from the distribution of goods produced by state enterprises to becoming more financially self-autonomous in business. As a result, many commercial enterprises that did not adapt were stuck in a very difficult situation. Van realized that continuing her work with such companies would leave her vulnerable with a very low level of compensation and threaten the livelihood of her family, so she decided to quit.

Given her business experience and personal contacts through her family, Van applied for a job as a sales agent with a subsidiary in Hai Phong City. There were three reasons why she chose this particular business. First, operating as a sales agent did not require much operating capital, as she received credit from the master agent of the subsidiary. Thus, start-up costs were low. Second, she observed that the growing of paddy is one of the main production activities in the district of Kim Thanh, so she reasoned that there must be strong demand for fertilizer. Finally, the retail business, compared to other types of business, was a favorable environment for

new entrepreneurs as competition was still fairly low.

In 1993, detecting the increasing demand from food companies that purchased rice for export, Van bought rice from dealers in the district and resold them to food trading companies. Van succeeded in establishing business relationships with those companies thanks to her previous contacts from her job at the district commercial company; under the planned economy, food trading companies belonged to the old distribution system.

Van's trading activities continued through 1995, when she saw the rapidly growing demand for animal feed in the province. Van contacted Con Co Company, an animal food production company to apply for an opening as a sales agent in the area of the district. The company quickly hired her, as they saw the entrepreneurship in Van. She soon established a distribution channel that not only covered her assigned district but also neighboring regions as well. However, due to complaints from other agents in the province, the Con Co Company limited Van's sales to just her district. Evidently, Van was too successful for her own good!

At the same time, while business development was not the expectation of Van, she recognized that her business scope as a sales agent with the Con Co Company was limited within rural areas, thus leading also to limited chances for improvement and development. Consequently, by 1997, she decided to look for new business opportunities. This new opportunities came due to increased automobile transportation through the district after the completion of highway No 5. (The district Kim Thanh is located on the way to Hanoi-Haiphong). Van decided to move from her sales and trading activities to establish her own registered business, the Trung Kien Company Ltd, to retail petrol, gasoline, and lubricants to take advantage of the increase in traffic from the newly constructed highway.

In 1997, employment in the company grew to 10 employees. Two years later, the company succeeded in renting another 2,000 square

meters for the second petrol station and further development into the gas retail business. The investment required for this expansion was D1.5 billion that was financed with a bank loan using the first petrol station as collateral. By 2000, the number of employees increased to 30 while profits were D1 billion.

Such smooth business development met her expectations to some extent. However, once she had stabilized this business's operation, Van continued to look for new challenges. While running her business as a sales agent for distributing fertilizer, rice, and animal feed under the Con Co brand name, Van knew that all packages used by the production company had to be ordered from Ho Chi Minh City at high transportation costs. She decided to seize the opportunity to manufacture packaging materials in her local area. In 2000, she decided to establish a plant to manufacture packaging material and began to learn about this new business area, given that she is not familiar with the packaging industry. She was introduced by a relative to visit a packaging material production facility at a Taiwanese enterprise located in Ho Chi Minh City and from that she started to set up her plant in 2001.

In 2001, the company rented a piece of land of 1 hectare for a period of 25 years for construction of the packaging material plant with an initial investment of D3 billion. The funds were mobilized by the contribution of founding members and bank loans from the collateral of the two petrol stations. The company's strategy was to undercut prices of rivals, reasoning that by offering cheaper prices than their competitors, she can get into this difficult business.

The plant was put into operation in 2002. The first types of products of the plant included packages for rice packing, packages for animal feed, and mill powder. Of course, the first customer of the plant was the Con Co Corporation, with 30 percent of total production output sold by sale contracts with the plant. The remaining packaging items were distributed to food selling outlets and animal feed outlets in Hai Duong, Ha Noi, and Hai Phong.

The first workers employed in this company were low-skilled workers and plant mechanics that were trained by workman invited from Sai Gon. The number of employees increased over time: 60 in year 2001, increased by 60 in 2002, 130 in 2003 and at the moment the total number is 180, of which 20 are temporary and 160 are on long-term contracts.

Since 2002, the skills of the workers have significantly improved, while more investment has been made in machinery and equipment to produce better-quality packaging material for animal feed. At present, total invested capital is D12 billion, which includes the capital contribution of company members and bank loans by collateral of the existing packaging plant. All of the plant's products are manufactured to meet orders and contracts with animal feed processing plants, private companies, and state-owned enterprises in Hai Duong, Ha Noi, Hai Phong, Ha Nam, Nam Dinh, and Thai Binh.

Van has continued to diversify her business activities. In 2003, the Trung Kien Company moved into the restaurant business with an establishment located next to the first petrol station of the company. The Trung Kien restaurant's strategy is to target higher income customers by directly competing with other existing restaurants through higher-quality food, good hygiene standards, luxuriousness, greater variety of dishes, and convenient parking places. The restaurant was constructed to meet the demand of "passengers" on the Hanoi-Hai Phong route and other guests from industrial areas being developed in Hai Duong province. At the moment, the business is not so profitable because it is still new to customers.

In 2004, the total revenue from all activities of the company is D15 billion, of which D11 billion was generated from packaging material production. Total earnings are estimated at D2.38 billion, of which D1.1 billion was derived from the packaging business. The company has achieved stable production and profit growth rates that have exceeded expectations expected rates of return on investment were supposed to be around 7-8% of total investment, but are actually 14%.

Success Factors and Lessons Learned

In addition to Van's self-determination, several factors explain the success of the company:

- Motivating and encouraging employees to work their best for the company's performance.
- Continuous improvement in knowledge and new business ideas
- Persistence in confronting difficulties in doing business
- Constant searching and seizing of new opportunities
- Building up a network of connections and using these connections effectively to achieve the desired goals is also seen as a strong component of the company's (or its manager's) business practice. Involving local authorities has been a tool for Van to get support, by sharing the interest and benefits of the company. In fact, she acts like a face of the local government employees to businesses who cannot do it by themselves.

Some lessons can be learned from the case of Trung Kien company. First, one needs to actively take initiative in finding customer demand that is brought about by changes in the business environment. Second, there are

always good alternatives to mobilize resources and capital to realize one's business ideas.

Van has constantly innovated and expanded her activities to expand and also to meet perceived changes in demand in the marketplace. Her early sales activities coincided with the rise in demand for animal feed products. When she established her own business, she did so by seeing an opportunity created from the construction of a new transport route. Further expansion into packaging was a natural extension from her earlier activities and again met potential demand that she saw in the market. Each activity of Trung Kien Company has been supported by good business and social relationships that had accumulated over time or by inviting investors to become partners in her business. She has successfully taken advantage of available capital and existing business relations and contacts.

This process shows that the main strategy for a firm is to find a market niche, which could even be a local niche in a specific province or district. She has shown that this can be a springboard into other activities through the combination of good ideas, access to willing investors, and good management of re-invested profits.

HOANG LONG PRIVATE COMPANY

Introduction

Pham Huu Ty put up Hoang Long Private Company in 1998 after he left his father-in-law's company, Que Huong Ltd. Initially, Hoang Long produced traditional green bean cakes like Que Huong did, but Hoang Long concentrated its marketing in the People's Republic of China (PRC). From the beginning, Hoang Long exported over 90% of its product to the PRC. From a micro company with 30 workers and dong (D)300 million capital in 1998, Hoang Long grew very fast to become a small company with 200 workers and D7 billion capital. Sales also increased quickly, from D1.5 billion in 1998 to D24 billion in 2003. Besides fast growth in sales and capital, after starting out with just one product, Que Huong launched three new products for the PRC market within 5 years.

Hoang Long is an interesting case because the company's production focuses only on the export market. As it is a newcomer in the competitive, highly saturated domestic market, Hoang Long focuses its production on the PRC. With competition in the PRC increasing, Hoang Long quickly rolled out new products.

Background 1993–1998

Before 1993 Nguyen Huu Ty worked as a driver for the state-owned Hai Hung Transportation Company. After the economic renovation began in Viet Nam, the transport company fell into difficulty, attracting few customers. Ty could not support his family on the salary he earned.

In 1993 when conditions were favorable for development of the traditional green bean cake industry, he left Hai Hung Transportation Company and together with his father-in-law started Que Huong Ltd., which specialized in green bean cakes for the domestic market. His wife's family had long been involved in green bean cake production. All Que Huong Ltd.'s capital came from his father-in-law. In Que Huong Ltd., Ty worked as a deputy director, in charge of distributing products to wholesalers and retailers. This post was

relevant to Ty's experience as a driver, with many contacts in provinces throughout the country. Ty's salary at Que Huong Ltd. remained low, just adequate to support his family, because Que Huong was a micro company with only eight workers. While working at Que Huong, Ty sought out information about the demand for green bean cakes in the PRC market.

In 1998 perceiving unmet demand in the PRC market, Ty left Que Huong Ltd. to start his own company. He founded Hoang Long Private Company in 1998, with an initial capital of dong (D)300 million (equivalent to \$21,400 in 1998), which he borrowed from his relatives and friends.

Ty started with 30 employees, mostly students and underemployed people working second jobs. All the workers were local residents. Because Hai Duong is a traditional green bean cake-producing province, many of the residents know how to produce the cakes. The company took advantage of their skills. The number of workers on the job could be adjusted flexibly depending on production needs.

Hoang Long initially produced traditional green bean cakes for the PRC market. Ty chose this market because the domestic Vietnamese market was highly competitive, close to being saturated.

In the first year, Hoang Long had to hire land from a state enterprise in the city. The location was far from Ty's house, so he could not control material losses due to employee theft. He planned to move the workshop to his house in order to control material loss.

In the first year, when Hoang Long could not find buyers in the PRC, the enterprise had to sell its products to Vietnamese traders in the border provinces between Viet Nam and the PRC, including Lang Son, Quang Ninh, and Lao Cai. In 1998, Hoang Long exported over 90% of its products to PRC; the rest it sold to small shops in Hai Duong city.

Starting in 1998, in order to sell products directly to buyers in the PRC, Hoang Long

participated in exhibitions organized in provinces in the PRC close to the Viet Nam-PRC border. The company brought its products to exhibitions in 1998, 1999, and 2000, generating orders from PRC companies. In addition, in 1998, Hoang Long built a website to advertise its products.

Annual sales were about D1.5 billion in the company's first year of operation. In 1998 Hoang Long's profit margin was very low for four reasons; material losses due to theft, the high cost of renting production space, low prices from Vietnamese middlemen selling to the PRC, and low labor productivity due to primitive and out-of-date equipment. In this period, Ty could not invest in new and modern equipment because of a credit shortage. After borrowing start-up funds from relatives and friends, he had no other sources for borrowing the additional D300–400 million needed to improve the equipment.

Ty's expectations for the company's first year were only to gain the awareness of customers, and he was satisfied with his performance although his profits were very low.

1999–present

In 1999, Ty moved the company to his house in order to reduce theft. His house was small, just 500 square meters, and inconvenient for production, but material theft no longer occurred.

Thanks to participation in exhibitions in 1998, 1999 and 2000, Hoang Long received many orders from enterprises in the PRC. Therefore, beginning in 1999, the company only produced for contracts with PRC buyers. The company's market development strategy was to increase its brand recognition and perception by customers in the PRC and to continue to penetrate other PRC provinces besides those close to the border.

Since 1999, Ty had perceived a strong demand from this market for new products when participating in trade exhibitions. In addition, to maintain competitiveness when other green bean cake enterprises from Hai Duong province began moving to the PRC market as the domestic market became

saturated, Hoang Long invested in research and development (R&D) in order to launch new products. Ty himself did the R&D activities. From 1999 to 2003, Hoang Long introduced three new products; red bean cakes, lotus seed cakes, and peanut cakes. To date, these three new products are produced only by Hoang Long.

Following the introduction of its new products, Hoang Long's average order sizes as well as its number of orders increased rapidly. Sales increased quickly from D2.7 billion in 1999 to D4 billion in 2000 and D24 billion in 2004.

To boost production in order to meet the increasing demand from the PRC market, Ty invested D300 million to purchase new equipment (milling and press machines) from 1999 to 2003. Most of the equipment was made in Viet Nam and available in Hai Duong. The capital for this investment was come from the company's revenues. In addition, Hoang Long increased its number of workers to 200. In 1998, when production was irregular, the enterprise hired only part-time workers. Since 2000, to ensure more regular production, the enterprise has hired full-time workers in addition to part-time. Most of the full-time workers earn retirement benefits. Full-time laborers have expertise and skills in monitoring and training part-time workers.

The increase in production demand forced Hoang Long to lease land long-term to expand its workshop. The land area leased is 1.1 ha, still small to meet the demands of the enterprise in the near future. The capital for leasing land and building new workshop space were generated from revenues and by borrowing from the Development Assistant Fund. However, the credit from the fund is not adequate for the enterprise's investment demands.

Hoang Long's profits during 1999–2004 remained low despite the increase in sales, because of high marketing costs and the cost of launching new products. Most of the profits were retained for reinvestment.

The enterprise was not fully satisfied with its performance during this period due to supply constraints in terms of capital shortage and lack of land for workshop expansion.

Success Factors and Lessons Learned

- **Know the market well and understand the company's situation.**
- **Be decisive and patient.**

There are two major lessons to be learned from the case of Hoang Long enterprise. The first is to devise ways to avoid competition, especially as a newcomer to a saturated market. Hoang Long avoided competition in

the domestic market by focusing on a foreign market. As competition in the foreign market increased, the company quickly introduced new products. The second lesson is that marketing through attendance at exhibitions is an important method for enterprises to introduce their products to customers in new markets. Hoang Long received many orders from its participation in exhibitions.

HUYNH LONG CACTUS COMPANY, LIMITED

Mr. Huynh Xuan Long is a successful 46 year-old businessman in the field of cactus planting. After returning from the war with a handicap and facing difficulties such as bad health and lack of money, Mr. Long had a strong determination to overcome his difficulties in order to build up his own company, a specialist in cactus planting with a firm position in the market for potted plants. In an extraordinary manner, he has not only created jobs for many other wounded soldiers and venders but also became the 'Cactus King' in Vietnam. He has recently been praised as a talented businessman by the SME Association in Ha Noi.

In 1977, Mr. Long became a soldier in the North. Two years later, he moved to the South-western border and was shot and injured in a battle there. As a result, he was admitted to an army hospital, which he left in 1980. Upon leaving the sanatorium, his weak health meant that he could only do light work and he thus chose newspaper selling as a way of earning his living. In 1982, with a little savings accumulated from selling newspapers, he decided to try his luck as a trader in fish sauce and the dried fish business. However, due to the low level of income generated from all of these activities, he had to turn to other fields. In 1980, he founded a production unit for gravely wounded soldiers, named Huynh Long, and employed mainly wounded and handicapped former soldiers, most of whom use wheelchairs and have weak health. This production unit specialized in various types of odd chores and services, such as newspaper selling and collecting and selling old newspapers and books. In 1984, on one occasion when he was collecting old books, Mr. Long accidentally picked up a book about cactus planting that contained many beautiful cactus pictures. He believed this was fate. The cactus is a symbol of extraordinary power because this type of plant can live in harsh desert conditions, yet can still bloom wonderful flowers. He saw himself as being like this plant, as he has overcome many difficulties to reach happiness.

From that point on, he resolved to learn how to plant cactuses. The book was in English and he had to ask his friends to translate it into Vietnamese. It was reported in the book that the most common way to create a new type of cactus is by grafting one variety of cactus onto another. He thought at first that this would be simple and feasible. Moreover, at that time the number of people who chose cactus for potted plants was still small, but he believed that there was high potential for this product, especially since such potted plants are well suited for apartment blocks and high-rise buildings where many people will live in the future.

He planted cactus as a hobby at first. He tried to collect as many cactuses as possible mainly from his relatives, friends and neighbors. He did not need to spend much money to collect cactuses in this way. At that time, he could just afford this way of collecting cactus due to the limited money he earned from his production unit. Day by day, the number of cactuses he acquired increased, along with his love for the cactus. Based on the instructions written in the book, he spent a lot of time practicing such things as planting, grafting, creating crossbreeds, watering, etc. The number of cactus he owned increased so much that he had to plant them on his roof as well as on his neighbors' borrowed roofs. When the number of cactus varieties he had was in the hundreds, he began thinking of developing this into a new business.

In 1987, he got his start in planting cactus in the Huynh Long unit as a new production with an initial capital of about VND 6 million. He taught other members in the Huynh Long unit how to plant and take care of, as well as transplant, new varieties of cactus. In the beginning, the members of the unit peddled cactus in the surrounding areas. His initial earnings from cactus sales were not significant. Until 1993, when the potted plants business was booming, the beauty of cactus flowers started to be acknowledged by consumers and the demand for it increased. In 1994, in order to have the necessary

capital to expand his business, he raised VND 200 million in capital from various sources. This capital enabled his unit to be successful in buying as well as transplanting thriving new types of cactus. This also helped him to meet market demands in good time. After these changes, his business began to go well. His unique cactus plants, with the catchy slogan 'play, play and play with cacti', attracted even more customers. These customers developed more and more love for the cactus, with its mix of both luxurious and plain beauty and its marvelous vitality.

At first, he planted the cactus on his roof and the roofs of other members of his unit, as well as on his neighbors' roofs. This area was about 300 square meters in 1987, growing to 1,000 square meters by 1996. In 1997, to meet the growing demand for cactus, he expanded his cactus area by borrowing more than 1,000 square meters of land in the Metri district. A shack, fenced with netting for planting cactus, was built there.

In 2000, the Vietnamese government introduced the Enterprise Law, the legal basis for business dealings. Mr. Long thought that this would be a good time to formally develop his business. As a result, he transformed his production unit into the Huynh Long Cactus Company Limited. The legal status afforded by registering as a company and owning its own seal has allowed him to obtain larger supply contracts, many of which were from supermarkets and nurseries. These larger contracts have helped him to rent more production land for planting cactus. In 2002, his land for planting cactus was expanded to about 33,000 square meters in Gia Lam district, including 11,000 square meters of rented land and 22,000 square meters contributed by local farmers.

The market before 2000 was mainly confined to Ha Noi. After 2000, and especially since 2002, his products have found their way to other regions such as Hai Phong, Quang Ninh, Nha Trang and Ho Chi Minh City, and to other countries such as Thailand, China and especially Japan, the latter of which is his largest single market. Some markets such as Ho Chi Minh City, Thailand and China are

both output and input markets that have bought his cactuses and also exchanged varieties of cactus with him. As a result, from a VND 40-50 million turnover in 1999, turnover increased in 2000-2001 to VND 60-70 million. During 2000-2001, the local market accounted for 40% of sales, with exports making up the remainder in the following proportions: Japan (30%), China (15%) and Thailand (15%). His market expanded significantly, from just a few occasional buyers to many regular customers. He signed many large contracts with offices, restaurants, hotels, supermarkets and business centers such as Trang Tien Plaza. Due to these contracts, he has had to adjust and transplant several new types of cactus to satisfy his customers. This has given him many opportunities to communicate with foreign customers and keep in contact with them. This helped him not only to expand his market but also to diversify types of cactus through exchanging cactus. His cactuses are priced at all levels, each suitable for a different class of customer, from a few thousand VND for the poor to a few million for better-off customers, and even hundreds of US dollars for the wealthy. In 2002, he owned more than 1,000 different varieties of cactus and employed about 70 employees.

Success factors and Lessons learned

The success of Huynh Long has come about mainly because of Mr. Long's passion and persistence in his chosen career. Certainly, it began with his luck in accidentally finding the book on cactus planting. However, his acumen in business and creativity in adopting production techniques suited to the agro-ecological conditions in Viet Nam (which are not ideal for cactuses) are key factors of his success. In addition, he has also benefited from the unity of his staff to build up his business and make it through the most difficult days. Mr. Long's resolve during the difficult times is also a major factor in his success. Not many people would risk starting a new business with limited knowledge, capital or land. A final factor underpinning his success is his intelligence, which helps his

success through learning by doing and contributes to his talent in marketing with his unique slogan: 'Play, play and play'.

Mr. Long is a person who knows how to seize opportunities. From the moment of accidentally picking up a book about cactuses, he has turned what was written in the book into his life. With his acumen in business, he transformed cactuses from a product with latent market potential to one that is very profitable and demanded by consumers. In addition, he has been

determined to overcome such difficulties as lack of knowledge, problems in finding suitable planting areas, poor health, etc. Mr. Long has managed his short-term activities (e.g., running Making Friends Co. Ltd) to prepare for longer-term activities (e.g., maintaining his business in cactus planting) very well. The case of Mr. Long proves that determination and persistence are essential for success in business. His creativity and continuous passion for learning are also lessons for any businessperson.

TIEU'S TURTLE BREEDING FARM

Mr. Nguyen Van Tieu is an 81-year old veteran of two wars against France and the United States. After leaving the army, he spent many years struggling to make a living as a farmer in his commune before starting his turtle-raising business in 1990. After an initial failure that almost devastated his nascent business, he gradually adapted his production techniques to become successful in raising turtles. Since 2002, he has continuously received Certificates of Merit from the People's Committee of Bac Ninh Province for the Best Household in Business and Production.

Mr. Tieu has become successful from his patience and creativity in doing business. Although he has met with some failures in the past, he has not been discouraged. He has patiently investigated raising turtles for his farm. The case of Mr. Tieu shows that patience, hard-work, perseverance and targeting niche markets are important success factors for business at any age. At the same time, while this type of business remains a growth area, Mr. Tieu will need to find ways to pass along his knowledge to his family or other entrepreneurs in order to grow and succeed in the future. Mr. Tieu's success in turtle-raising has tried to be imitated by others in his village who seek to emulate this model.

For 14 years, from 1975 to 1989, Mr. Tieu worked for the Cooperative Due Khanh, growing two rice crops each year. But the productivity of rice was very low and his family did not always have enough to eat. He engaged in pig husbandry to earn extra money. Realizing that the Cooperative land was often left fallow after harvest in October, he asked permission to grow pumpkins on 1,800 m² in order to use them as pig feed. This allowed him to raise 30 pigs at a time, with sales up to three times a year. As a result, he managed to save VND 4 million and relieve the financial burden on his family.

In early 1990, owing to the VAC movement throughout the province, Mr. Tieu and some households were provided with financing from the Province's Peasant Association to visit

and learn from other province's households which had become successful through animal husbandry or the raising of alternative livestock products. This included learning about raising turtles from Mr. Cuong in Hung Yen and raising frogs from Mr. Son in Dong No, Ha Tay. Mr. Tieu took care to take notes about their experiences.

At this time, turtles were very scarce. Mr. Tieu believed that raising turtles would bring him more benefits than raising fish. In addition, the dishes processed from turtle meat were very tasty and can assist in recovering one's health. Mr. Tieu had investigated some restaurants in the province and found that the demand from restaurants was quite large. He invited professor Nguyen Lan Hung, a member of the Vietnam Peasant Association, to stop by his house and teach Mr. Tieu more about raising turtles. He learned that there were two types of turtles that were sold on the market at that time, one with a rough carapace and the other with a flat carapace. Mr. Tieu determined that turtles with rough carapaces living in rivulets could better withstand the harsh climate of the North, but grew slower than turtles with flat carapaces that lived in the delta and were less tolerant of cold weather. He decided to invest in raising turtles with flat carapaces.

By the end of 1990, he invested VND 14 million, of which VND 4 million was from his own savings, VND 6 million from a loan from his relatives (repaid in installments without interest over three years), and VND 4 million was from a loan backed by the guarantee of the Commune's Peasant Association (payment in one-year with an interest rate of 0.5 percent per year). With this initial capital, he bought 324 baby turtles from some farms in Hung Yen and Ha Tay. Unfortunately, over one-third (123 in total) of the turtles died after two weeks. Mr. Tieu and Professor Hung operated on the dead turtles to find out the reason. They discovered that these turtles had previously been raised in different conditions with different foods and were unaccustomed to the new conditions on Mr.

Tieu's farm. Moreover, the turtles were of different sizes and health, so that the strong trampled the weak to death.

Households who raised turtles at that time encountered the same problems, with their turtles dying or failing to thrive. Mr. Tieu observed that those households usually fed their turtles with rice soaked in water for a long time or with the meat from dogs, cats, chickens, ducks, etc. However, turtles do not naturally eat these foods and such feeding techniques polluted the water; consequently turtles died *en masse*. This discouraged these householders, who generally left the turtle-raising business after this initial failure.

Mr. Tieu was not discouraged. He tried to use fresh meat cut into small pieces to feed turtles many times over many days. This method was more effective because it did not pollute the water. In addition, he split the pond in two parts, with one part growing water-hyacinths in order to clean the water. In this manner, he raised the 201 remaining turtles over the next 20 months.

In early 1992 (after nearly two years of hard work and Mr. Tieu's inventive approach to turtle raising), he sold the first brood of turtles and obtained a profit of VND 12.7 million. He only sold turtles which weighed more than 1 kg. However, he also realized that some of his turtles, weighing about 3 kgs, were actually turtles with a rough carapace (he had wanted to raise the flat ones but actually had a mix of turtles). This presented Mr. Tieu with a dilemma. At that time, the per-kilogram price for turtles with a flat carapace was VND 265,000 while the price for a turtle with a rough carapace was only VND 215,000. However, the weight of Mr. Tieu's turtles with a flat carapace after 20 months was only 1 kg, while turtles with a rough carapace were 3 kg. Thus, economically, raising turtles with rough carapaces brought about 1.5 times more income than turtles with flat carapaces. As a result, he kept the rough carapace turtles for breeding. At present, he has nearly 100 breed turtles and 10 breed turtles of 10-15 kgs with good reproductive ability.

From 1993 to 1996, Mr. Tieu's farm regularly earned VND 500 million per year, enabling him to repay all of his debts and loans. He

continued to re-invest and expand the turtle farm. He paid special attention to selecting the best food for his turtles, which was a key ingredient for his success.

Since 1997, Mr. Tieu annually sells 600-700 turtles, 10 breeders and 100 reserve breeders from his farm. Mr. Tieu is focusing on turtles with rough carapace including 10 breeders. A turtle with a rough carapace lays eggs three times a year. On each occasion, it lays 20 eggs which will hatch within 54 to 60 days. One or two weeks after hatching, the baby turtles can be sold. He keeps half of them for breeding and sells the rest to pay his costs. Every year he regularly sells 600 turtles with an average weight of 3 kgs per turtle for VND 500,000 per kg, earning revenue of VND 900 million per year. His annual revenue from selling breeders is VND 75 million. His customers are very fond of the turtles as they can rely on their consistent weight and good health. His buyers – mainly from Nam Dinh, Ha Tay and Hai Duong – often place orders two or three months in advance, usually to supply restaurants in the provinces. At present, Mr. Tieu's supply is only able to meet 20-30% of market demand. Some of his customers, who know that turtles with rough carapace are preferred in China, have tried to order a large number of these but he cannot meet their demands. Mr. Tieu and his wife are the main workers on the farm, as his four children have their own families and do not live with them.

Success Factors and Lessons Learned

Two of the key factors of Mr. Tieu's success are patience and constant study. Mr. Tieu turned his first unsuccessful experience (which was disastrous for others) into a valuable lesson. Mr. Tieu took further steps in the right direction when he decided to invest in turtles with rough carapace at the right time. In addition, Mr. Tieu and his wife are very strong and hard-working: they spend six to seven hours per day in taking care of their turtle farm, despite the fact that they are both 81 years old. Mr. Tieu regularly observes the turtles in his pond and tries to find different ways to raise them in terms of food, pond conditions, facilitating breeding and egg laying, etc.

The third factor of his success is the consistent quality of the turtles and the on-time delivery, which has brought substantial customer trust. In addition, Mr Tieu always pays attention to the unexpected weather changes as well as the coming market trends in order to facilitate the most effective business plan.

Patience is the first requirement for this type of business, while perseverance in the face of adversity was the key to the success for this

farm. In addition, the ability of Mr. Tieu to find a niche market, through the development of a special kind of turtle with a rough surface rather than ordinary turtles, also helps to explain how Mr. Tieu was able to further expand the farm. Mr. Tieu has been cautious with his finances and savings, and careful to re-invest profits into growth and expansion activities. The most striking lesson from this case is that it is never too late in life to start a business and be successful.

NGOC BICH WORKSHOP OF FINE ART FURNITURE

Introduction

Ngo Ngoc Bich, the owner of Ngoc Bich Fine Art Furniture workshop, was at one time a wounded and sick soldier returning home empty-handed after completing his military service. However, he went on to make a good fortune by strengthening and developing his family's traditional business. This workshop has been producing fine art furniture for 20 years; now it has expanded its scale to 300 employees and earned dong (D) 10 billion in revenue in 2004, 20% of which was earned from exports.

Notably, in 2002, Ngoc Bich Fine Art Furniture won a gold medal in Viet Nam's High Quality Products Competition. Bich has also received many certificates of merit for successful households in production and business from the Bac Ninh Veteran's Association and the President of the People's Committee of Bac Ninh.

Background

Ngo Ngoc Bich was born in 1958 in Me Ca Hamlet, Huong Mac Commune, Tu Son District, and Bac Ninh Province. His village is well known for its traditional production of fine art furniture, also found in Dong Ky and other nearby villages. Bich gained invaluable knowledge of fine art furniture from his elders. After graduating from secondary school, he joined the army, and was slightly wounded in battle. In 1985, returning from military service, his only source of income was the small stipend of a wounded veteran, which was insufficient to support his family. With the encouragement of his friends, he decided to establish his own workshop to produce fine art furniture.

At the beginning, with initial capital of gifts from his father including 1.2 ounces of gold and an area of 200 square meters, Bich opened a household workshop. Initially, he employed only himself, his wife, and two others. He worked as a designer while his wife polished the surface of the furniture and painted it with varnish. Their two employees made parts for the furniture and inlaid mussel shells. At first the products were very simple,

made from ironwood, ebony and rosewood. They included carved beds, cabinets and long benches and were made mainly to serve local demand. Local people would come to the workshop to order the pieces that they needed. The first year's income was 12–16 ounces of gold (1985).

Much of Bich's precious knowledge was inherited from his father, who was a skilled craftsman of fine art furniture. His father had preserved many ancient drawings and illustrations of furniture carvings, which were handed down to Bich and used in his products. Customers liked the carvings and chose his products over those of other workshops in the village. Customers also often had their own styles and designs that they asked him to follow, and he was able to satisfy their requests. He took note of the modern styles and trends for furniture, and gradually transformed his products. Thus, his products were always responsive to market demand. His best-selling products were carved disks that depicted the four precious animals—dragons, lions, turtles and phoenixes; folding screens which depicted the four seasons spring, summer, autumn and winter; and carved panels which depicted four precious plants pine tree, daisy, small bamboo and peach, or the transformation of a carp to a dragon. For chairs, desks, and long benches, he mainly produced inlaid works with images of peaceful village landscapes, fields with plowing buffalo, fairyland views, and fishermen sitting on the edges of ponds angling for carp. It took quite a long time to make a piece of furniture of his style; for example it took up to 2–3 months to make a set long bench, which he then sold at a price of D20 million at his workshop. During the 7 years from 1986 to 1992, his annual income of 20 ounces of gold was mainly used to buy materials and repair his house. Apart from those expenses, he managed to save some money for the future.

In early 1992, Bich took a 1-year loan of D20 million with 3% annual interest from the Agriculture and Rural Development Bank. To qualify for the loan, he pledged his household workshop as collateral. He invested this

money and an additional D20 million from his savings from the past 7 years into expanding his workshop by 1,500 square meters through a land purchasing contract. He bought machines such as power saws and planers, and hired 20 skilled workers and 30 assistants with monthly salaries of D700,000 for a skilled worker and D400,000 for an assistant.

Bich's products pass through four stages. First, the assistants set simple shapes of the products, called basic pieces. Second, the engravers carved these pieces into more sophisticated shapes like dragon heads and flowers. The carvers inlay mussel shells into other pieces. Finally, the carpenters assemble the three parts together, and polish and paint the products with varnish. Initially, Bich mainly bought raw materials from Thai Nguyen, but this source of wood was so unstable that he had to sign contracts to import wood from the Lao People's Democratic Republic and Cambodia instead.

From 1993 to 1996, Bich's annual income was D500 million, and he always made his loan payments on time. Now, he does not have to borrow money to invest. Furthermore, his annual profit from exports to Cambodia was about D1 billion.

In early 2000, Bich participated in a business people's conference organized by the Vietnam National Veterans Association for 10 Provinces in the North. He took this opportunity to exchange experiences as well as to advertise his products and seek new customers. Through the conference, he found new customers from other provinces and learned about modern furniture design.

In 2000, through a dealer who ran a business at the Vietnam-People's Republic of China (PRC) border, Bich sold folding screens, carved panels, carved disks, carved beds, cabinets and other products at the Nanning Annual Furniture Fair Exhibition in Nanning, PRC. The customers from the PRC proved to be very fond of his inlaid salons. In 2001, he again attended the fair, bringing many new products that depicted Vietnamese landscape scenes such as markets and wedding celebrations in the countryside. His showroom attracted many people at the fair and he received many more orders afterwards. Some experts from the PRC even came to his

workshop to discuss his styles, and asked for his cooperation in reproducing similar products. From 2001 to 2003, each year Bich exported about 70 salon sets at a price of D35 million each.

In 2002, Bich participated in the Vietnam High Quality Products Fair Exhibition. Two of his products, the Ancient Bed and the Minh Quoc Salon, won gold medals. These have become his most popular products and bestsellers. In order to protect his design and copyright he registered these products with the State.

Bich estimates his 2002 income at D3 billion, of which exports contributed 30%. His domestic customers were mainly from Hanoi, Hai Duong, and Hai Phong. Early in 2003, he opened a representative office in Hai Duong province and 2 showrooms in Bac Ninh town.

Now Ngoc Bich's workshop has more than 300 workers, of which 50 are skilled workers with monthly wages from D700,000 to D1.5 million. At year-end peak times and when big orders come in, Bich has to hire about 100 additional workers. His employees are mainly the sons and daughters of Bac Ninh veterans.

In the year 2004, Bich's income was estimated at D10 billion and his workshop occupied an area of 2,500 square meters. He invested more than D7 billion in buying computers and installing a modern assembly line. The assembly line increased productivity and in turn, his profits. Bich considers the PRC to be a large potential market, and he plans to sell his products in Guangzhou, Samquin, Beijing, and Shanghai. He has already begun export negotiations with entrepreneurs from those cities, with only technical details and signatures remaining.

Success Factors and Lessons Learned

One of the factors of Bich's success is that he has always guaranteed the quality of his products. His warehousemen sell only perfect goods, and return flawed items to the workshop. If a customer finds a shortcoming in any of the products, Bich will exchange it for a new product, and will pay for the transportation costs. In addition, he learns all he can from his father, his elders, and others so that his products are of very high quality and very sophisticated. Customers find that

his furniture is very durable. Satisfied customers are the best advertisement for Bich's workshop.

The second factor for Bich's success is that he always selects the best workers, so that his products are produced at a higher standard than those of other workshops in the village. His customers are highly particular in their taste for quality, sophisticated fine art furniture produced by skilled artisans. Bich is concerned with his skilled workers' lives, paying attention to their needs and creating good working conditions at his workshop.

The third factor of his success is that he engages in marketing to attract customer interest. Bich brings his products to fairs and exhibitions in Viet Nam and abroad, and he opens permanent showrooms where customers can view his products. Therefore,

his workshop is well known and he attracts many orders.

The fourth factor is that Bich was fortunate enough to inherit beautiful and precious models of fine art furniture from his father. He also learned how to make use of and improve traditional styles to capture market trends, earning more and more success for his business.

Bich's case shows that it is important to develop customer trust and high quality standards; the main success factors for his business. Human resources also play an important role in this success; it is the skilled workers who create high quality products for Bich's workshop. And finally, his enthusiasm and eagerness for knowledge have helped him in expanding his market and developing his business.

SANS SOUCI CYCLO

Mr. Do Anh Thu, 56 years old, is the director of the Sans Souci Tourism Cyclo Services Company Ltd., (Sans Souci Sarl). He was a driver soldier of the Truong Son Battalion in the Vietnam War. He then completed his Bachelor of Teaching, but life took him in another direction and he became a professional cyclo driver. Overcoming the preconceptions about his job as a cyclo driver, and other impacts of urbanization, and owing to his will and enthusiasm, he has found his position in the market. More importantly, he has helped many other colleagues who share the same plight to earn an income: to 'have bread and cheese'. He has also preserved a beautiful symbol of Hanoi, which is the image of cyclos running in the old streets.

In May 1975, he retired from military service and began working at the Suburban Bridges and Roads Company owned by the Ha Noi Traffic Department. At this time, he attended night school in order to complete his high school level. In 1976, his company sent him to the College of Traffic Theory for vocational study. After graduating from this course, he was offered a job as a teacher, but he refused because he had just passed the examination to enter the Teacher's Training College. In October 1977, he resigned from his job at the Suburban Bridges and Roads Company to study at the Faculty of History. He made his living by extra tutoring after study time and by a scholarship that was paid by the Ministry of Education.

In 1981, he graduated with the highest marks. The Teacher's Teaching College then sent Thu's file to the Ha Noi Education and Training Department, and required this Department to assign him a job. After three or four years of keeping contact with the Department but with no reply from them, Thu acknowledged that he should find his own way to earn a living. During the time he waited for the Department's reply, Mr. Thu earned money by teaching history to students who wanted to join the entrance examination for college. The rumor about this good history teacher meant that he attracted more and more students. Depending on each year's

demand for history education, the number of students would be either high or low.

In 1983, Mr. Thu got married. At that time, his history tutoring declined. Money from teaching could not provide for the family's everyday living expenses. Mr. Thu then worked at the Bridges and Roads Enterprise which belonged to the Professional College of Water Police, and his wife worked as a construction worker. His wife and her brothers and sisters produced hand-made products such as crowns for bride, linen flowers to wear on delegate's breasts, etc.

The conditions of life, however, never remain the same. In 1985, his wife gave birth to their first daughter. In 1986, because of the Economic Innovation Policy, the standard of living improved but, along with it, diversification of business areas and free competition increased too. The revenue from Thu's and his wife's labor (including both their main jobs and the extra jobs) could not provide for as easy a life as they had previously enjoyed. Mr. Thu knew that it would be better to find another job.

In 1990, when his wife gave birth to their second daughter, he quit his job as a worker to start driving a cyclo. Those requiring transportation mainly relied on cyclos, and cyclos, in turn, seemed to be suitable for good transportation in the narrow and tortuous streets of the old city. At first, his relatives, even his wife, all objected to his decision. Their opinions were that a cyclo driver was a man who worked in an inferior job, and this job was only for illiterates. A man who had a Bachelor Certificate in Education, like Mr. Thu, should not do this job.

However, Mr. Thu decided to buy a cyclo. Its price was about two ounces of gold. He had one ounce of gold which he and his wife had saved for many years, and he had to borrow the remainder from his friends and relatives. Once he had purchased the cyclo, he was able to transport goods in his neighborhood. Early in 1991, he served a foreign woman who he met in front of the Metropole Hotel.

She seemed to be pleased to meet a cyclo driver who was perfectly capable of taking care of their guest, thoroughly knew the roads

and had a little French to make a conversation. She asked him many times to carry her to the relevant authority for the adoption procedures, travel or go shopping around Ha Noi. Owing to these tourists' recommendations, his job became more rewarding. He not only paid off his debts but he also had an easy life and was able to save some money for the future.

With the advantage of his French-speaking ability and the word-of-mouth advertisements, Mr. Thu had a rather stable source of foreign customers, and therefore had a higher income than other cyclo drivers. He thought it was time to upgrade his cyclo. Mr. Thu paid a considerable amount to improve his cyclo according to two criteria: beauty and usefulness. The result was that, even though the expense of conversion was high, he found more clients as a reward.

The beautiful cyclo brought about a little trouble. Vietnamese people, who were accustomed to cyclos with ugly iron covers, felt uncomfortable with the inox covered cyclo. To make them feel easier, Thu picked up some customers and charged them with the lowest fare: only VND 500. Gradually, petty traders became fond of his cyclo, and they asked for his custom again as ever.

The increasing numbers of foreign tourists was a clear sign that he was on the right track, but he was not able to serve all of them at the same time. He assembled his friends in order to form a group which was ready to serve larger demands. His colleagues believed in him and voted him as their leader because he was the only one who could speak French with the foreign customers. He suggested that the group upgrade their cyclos in the same way he had done. But, the expenses for each cyclo's upgrade were too high for them. Mr. Thu decided to assist them financially, and he offered a solution under which all men contributed money monthly to a fund which paid for the upgrade of one of the group's cyclos every month by drawing lots. In this way, all of his group's cyclos were finally upgraded.

The group then decided to give themselves a name. Mr. Thu suggested the name 'Sans Souci', and explained that it meant 'don't worry'. According to his experience, a foreign

tourist in a cyclo often worried about the traffic conditions in Ha Noi. The cyclo driver should understand that psychology in order to make appropriate comments or give encouragement. The most reasonable term in this context is 'Sans Souci'. Tourists would be fond of that term and would easily realize the meaning of it. As he had predicted, foreign tourists became very fond of Sans Souci cyclos. They felt satisfied with cyclo drivers who understood their fears and encouraged them at the appropriate time. Sans Souci cyclos became familiar with foreign tourists, and were a popular symbol of Hanoi's streets.

The business was going like clock-work until 2001 when the Ha Noi People's Committee banned the use of cyclos in the central city. The ban, however, did not apply to cyclos which were registered as part of a tourism business. Mr. Thu therefore discussed with his wife the possibility of establishing a tourism cyclo services company. In July, 2002, the Sans Souci Tourism Cyclo Services Company Ltd. opened with registered capital of VND 100 million.

His friends returned and signed labor contracts with his company. At this time, the number of cyclos serving in his company was 167. According to the labor contracts, each cyclo driver had to pay VND 5,000 to the management of the company for each client, who was charged VND 20,000 per hour. Mr. Thu then paid the tour guide, who brought the clients to his company, VND 2,000 per hour per client, and the driver of the tourist company VND 1,000 per hour per client. Sans Souci became famous. At first, its name was recommended among European tourists only. Gradually, tourism companies, hotels and restaurants began to pay more attention to this type of service as it was attracting more and more tourists. These companies signed contracts with the Sans Souci Company. Sans Souci cyclos even appeared in the well-known American film 'A Quiet American'. They have served some heads of state when they have come to work and/or visit Ha Noi.

To enhance the competitive edge of his company, Mr. Thu managed to expand his business relationships with many tourism companies and hotels from many parts of the country, complementary to his existing relationships with hotels and tourism

companies in Ha Noi for which he already had serving contracts. He even found partners from China, Taiwan, Singapore, Thailand, etc. This meant that he could enhance his competitive ability with the introduction of many service contracts, and he could also avoid the limited fee which had been determined in the contracts he had previously signed. The more his business relationships expanded, the more that souvenir and gift shops and enterprises signed advertising contracts with him because they understood that one of the best ways to reach customers was through the cyclo driver's oral advertisement.

Lessons Learned

Although the Sans Souci Tourism Cyclo Services Company Ltd. (***Sans Souci Sarl***) has gained success in some respects (particularly it has become popular through some television programs), it is hard to say whether Mr. Do Anh Thu is a successful businessman. But he deserves to be considered as a good man who has the nerve to think and to put these thoughts into action, who has eagerness, creativeness and enthusiasm. Without these qualities, he and his company would not be able to find a position in the market.

ALPHANAM CO., LTD

Introduction

Mr. Nguyen Tuan Hai, 39 years old, is the director of ALPHANAM Co. Ltd., headquartered at 79 Mai Hac De Street in Hanoi. As a man who is always on the lookout for business opportunities, he earned success in producing electrical boxes and panels that are used in power distribution and supply, and assembling elevators for buildings. His products now appear in almost every province of the country. His factory in the Pho Noi A Industrial Zone in Hung Yen Province is nearly five hectares, and employs more than 200 workers.

Background

Born in 1965, Hai joined the army in 1982 after he graduating from secondary school. In 1987, he returned home from military service and then married. In 1988, his wife gave birth to their first child. At that time, she was a weaver with a salary of 200,000 VND per month, and Hai stayed at home to make candy, which he delivered to retailers. His family had many difficulties, sometimes having to borrow money from friends and relatives to pay for their daily expenses.

Because at that time the Vietnamese currency always lost its value, Vietnamese people were in the habit of buying gold to hold onto rather than lending money to banks or investing in business. Understanding that trend, at the end of 1988 Hai decided to open a gold shop at home. His capital was 40 ounces of gold; eight ounces of which his wife had reserved before being married, eight ounces of which he had saved from his candy business, and the rest of which he borrowed from his friends and relatives without interest for 5 years. His business was successful. He bought gold nuggets from miners who dug and brought gold from Nghe An to Hanoi, then he selected and melted those nuggets into pure gold which was marked 999 or 9999 for sale to customers. He paid off his debt in only one year. Early in 1990, he bought several precious stones at a cost of twenty ounces of

gold, which he then sold to a Thai customer for several times more than he paid.

Finding himself with a great deal of money in hand, he decided to do business in something rather than gold. He thought he should invest in hotels because at that time the foreigners who came to Vietnam were mainly businessmen. There were some tourists but they were mainly rich men, and stayed at hotels. In Hanoi, there were some big hotels such as the Metropole and some State-owned hotels like the Electricity Hotel and the Dawn Hotel in operation. Demand for hotels was very high. Hai invested 900 million VND to buy 100 square meters of land on Mai Hac De Street, and built a mini hotel with 9 bedrooms. He put his hotel, The Sun, into operation in 1992. He hired 10 employees including receptionists, guards and waitresses with salaries ranging from 500,000 to 2 million VND per month.

In the beginning, Hai and his wife stayed at big hotels such as the Metropole and the Dawn, in order to learn their service styles as well as find sources of customers for his own hotel. He met other hotel managers, and suggested cooperative arrangements in which they would point their potential guests to his hotel when their hotels were full in exchange for a share of the fees, but no managers agreed with the plan. Once, a guest could not stay at Dawn Hotel because he had booked the wrong day, so the Dawn directed him to The Sun Hotel. Hai took this opportunity to establish his hotel's fame. His hotel served this guest very well. The man was satisfied with his stay, and after checking out, he introduced The Sun Hotel to some of his friends in Hanoi. The Sun found regular guests who returned repeatedly. Hai also cooperated with travel agencies, which directed tourists to The Sun. His hotel's guests were mainly specialists for the 500 Kv Project, specialists working on building the Hanoi Hotel and HITC Building, and employees of representative offices in Hanoi such as LG. Hai always tried to create a

family environment in his hotel by organizing small parties, events and karaoke competitions. He established a friendly relationship with his guests, and through them he learned about upcoming trends in investment in Vietnam. This information was to prove useful in the future. Hai has kept contact with those specialists through email, which helps him get new information about foreign markets.

By 1992 and 1993, his hotel was always full, earning 35 USD per room per night on average. Its annual turnover reached USD 113,400. His business operated like clockwork until 1995. In addition to the big hotels such as the Hanoi Horison, Hanoi Tower, etc., which attracted more and more guests, mini hotels seemed to spring up like mushrooms. The number of guests coming to Hanoi increased day by day, but with the pace of construction, Hai thought the demand for hotels would reach its saturation point within five years. But he realized that the market for supplying construction equipment was still open. He decided to seize this opportunity.

At the end of 1995, Hai established ALPHANAM Co., Ltd with early capital of VND 5 billion. At first, Hai worked as a reseller for Schneider of France, Utilux of the United States and Enerpac of Australia, which specialized in producing electric boxes and panels which were used in supplying electric power for buildings; control boxes, automatic transformer stations which were used by electric companies; hydraulic presses which were used in construction, etc. Hai distributed pamphlets and brochures about those products to electric companies and invited them to the showroom he opened on his company's first floor. At the showroom, electric companies such as Hanoi Electric Co. and Hai Phong Electric Co. asked him if he had made-in-Vietnam versions of the same products because the prices of imported products were too high. Hai decided to find a way to produce the products that he was an agent for. He employed some good engineers, and invited foreign specialists to Hanoi to teach those engineers on the spot. He bought production technology from Schneider Co. of France.

In 1996, Hai rented a 2,500 square meter space in Bo De Commune, Gia Lam District, Hanoi, to establish a factory that produced electric boxes and panels under the orders of Hanoi Electric Company. He hired 50 employees with salaries ranging from 300,000 to 400,000 VND per month, bought an assembly line at a cost VND 1.7 billion, and registered quality control under the ISO 9002 standard. The company's 1996 turnover reached 4.73 billion VND.

ALPHANAM's principal products included: first, electric boxes and electric spare parts, such as parts of electrical distribution and transmission system, power supply and industrial illumination systems, and electrical transmission and automatic control in industrial enterprises. Second, mechanical products such as specific machines for machinery manufacture, shipbuilding, communications and transport, railways, hydraulic presses, experimental rolling-presses, and uniform assembly lines. Third, products made of composite such as meter covers, stadium seats, post equipment, desks, chairs, etc. Fourth, PP and PE wrappers. Last, the company produced and assembled elevators.

In 1997, after one year of production, his factory met ISO 9002 standards. He decided to attend the Industrial Products Exhibition Fair in order to introduce his products to customers. He received more and more orders. The company's 1997 turnover was 6.75 billion VND.

In 1998, realizing that electric meter boxes made of metal were ugly and unsafe, he imported some electric meter boxes made of plastic composite, produced some equivalent boxes at his factory, and displayed them at the company's showroom. In mid-1998, Hanoi Electric Co. invited bids to change all the electric meter boxes in Hanoi. ALPHANAM made a competitive offer, bidding half the price of foreign companies, but lost the bid because its products did not meet the requirement of three years of company experience. Despite that, Hai invested 4 billion VND to buy an assembly line that produced electric meter boxes made

of composite. He also produced composite desks, chairs, post equipment, stadium seats, and basket panels. The company's 1998 turnover was 9.65 billion VND. After 6 years of operation, Hai's products appear in nearly all provinces of the country.

From 1999 to 2002 ALPHANAM's annual income grew from 13.78 billion to 40.18 billion VND. Its customers included the Starbowl Building, the City Opera, An Dong Bank and the Nikko Hotel. In 1999, Hai received the Red Star award for excellence from the Young Businessmen's Association of Hanoi.

In 2001, ALPHANAM opened representative offices in Ho Chi Minh City and Singapore. Demand for elevators was growing. Urbanization accelerated the trend of building tube houses, which were so narrow that it was difficult to arrange staircases. But imported elevators on the market were quite expensive, so Hai decided to invest into this area. In early 2002, through its representative in Singapore, ALPHANAM negotiated with a Singapore based FUJI Elevator of Japan to create a joint venture at a 53,000 square meter site in Pho Noi A Industrial Zone, Hung Yen Province, to produce elevators with capital of 30 billion VND. ALPHANAM hired 200 employees to work at the factory with salaries ranging from 1 billion to 1.3 billion VND per month. This factory produced mechanical parts for elevators such as cabins, pallets, etc., and then assembled them with parts imported from Japan such as control systems and rotors. Its elevators were tested by the Technique Centre for Quality Measurement Standards, and were recognized as meeting IEC and TCVN standards. The elevators were safe, saved power in operation, and were designed to suit the space available for

them. The factory produced 30 to 40 elevators each month, which sold for 300 to 400 million VND per elevator. ALPHANAM also registered for legal protection of its trademarks FUJI Elevator and FUJIALPHA Elevator. ALPHANAM now has many elevators in operation. The company's 2004 turnover was approximately 82 billion VND.

ALPHANAM now has five plants under its control, including Alphanam Electrical Equipment Plant, Alphanam Mechanic Plant, and the Composite Production Plant and Elevator Production Plant. The company has three representative offices, in Hanoi, Ho Chi Minh City and Singapore. The system of plants and representatives employs about 500 people, with salaries ranging from 700,000 to 4 million VND per month. ALPHANAM pays social insurance for 100 percent of its employees; regularly invites doctors to examine all employees for good health; and praises and rewards effective workers. The company's employees have peace of mind and care about the company. Every year, ALPHANAM selects outstanding workers and offers them a trip abroad.

Success factors

Some of the factors of Hai's success are that he looks to the future to foresee business trends, takes timely advantage of opportunities, and makes wise decision in business. He also successfully applies ISO 9002 quality control systems. His company always manages the production process closely and effectively to ensure the quality of its products. Hai always takes an interest in his workers' lives and happiness, so that his employees care about the company. This means that ALPHANAM has a stable source of experienced human resources, the greatest momentum for the company's development.

SON BEVERAGES

Introduction

Mr. Nguyen Nam Son, 39 years old and from Hanoi, is the owner of a beverage production enterprise in Hai Duong City. His products are consumed not only in Hai Duong but also in Nam Dinh, Bac Ninh, Hai Phong, and even in rural Lang Son. His career is interesting not because of his economic success but because of his decision to quit a stable job as a civil servant to take on the risk of entrepreneurship. His knowledge of beverage production and his business capability are the main factors helping him to be active and self-confident in his choice.

Background

As a resident student of Polytechnic Institute of Hanoi, Son, like many of his friends, experienced difficulty during his 5 years of study. His parents were teachers in Nam Dinh, a province south of Hanoi. Their salaries were just enough for living expenses, with nothing left over to pay for their son's education. At that time, Son knew nothing except for his lessons. In order to improve his standard of living and earn money for books, he and his friends brought glutamate to Tuyen Quang, exchanged it for forest products, and then sold them in Hanoi for profits. Although he earned only a little, it was his first lesson in business.

Upon graduating in 1988, Son was assigned to the Tobacco Institute of Vietnam as a civil servant with a salary of dong (D)50,000 per month. His daily life was as routine as clockwork: supervising tobacco quality standards at the Institute, then returning to his home of 12 square meters, which he shared with a roommate. Three years later, his life was exactly the same: supervising the quality of tobacco and living in the same small room. He decided to do something new. He did not know what but he knew anything would be better than his current situation.

In 1992, Son and his parents moved to Hanoi, living in a relative's house on Nguyen Huy Tuong Street for more than a year. His parents had some savings, but not enough to

buy a house in Hanoi. Therefore, Son's duty became harder than ever. At that time he began to study the beverage production line. He volunteered to work at a beverage production workshop owned by Polytechnic Institute of Hanoi, eventually being promoted to head of the brewery unit. These experiences as well as his educational background in food chemistry helped him learn beverage production techniques. He traveled from Viet Tri to Kien Giang, Vung Tau to exchange experiences in beer production. After 2 years of hard work, he finally bought an apartment with his family members' savings.

From 1993 to 1998, Son worked as a consultant on some small technology transfer contracts and as a collaborator for an equipment consultation company. In 1992, he used his savings of D2 million, together with D10 million in interest-free loans from friends and relatives, to buy of 60 square meters of land in Thanh Xuan. In 1997, he started building his own house on the land, with an initial budget of D70 million. He had to work for 3 years to pay off this loan.

In 1999, Son decided to quit his job at the Institute. He signed a contract with Hai Duong Food Plant to lease its beer production line. It was an adventurous decision because the plant had suffered losses for many years. The line was located in an area of 1,000 square meters and had a production capacity of 3,000 liters per day. Under the contract, Son had to pay D200 million per year to lease the line, plus salary and social insurance for 25 ex-workers of the plant. Yet, Son had only D30 million in hand for the project. "How did I know that this project would not fail? I did not have to pay a large amount at once. The yearly lease amount of D200 million could be settled in two phases. I already knew the capacity of the line; therefore, I was able to carefully estimate the profits I could earn. The problems for me to consider were how to operate the production line efficiently and how to market the products." He planned a strategy to develop his own sales agent

network by supplying equipment to them, delivering his products to their places of business, and rewarding them for high sales. He also set very competitive prices for his products.

Two years later, Son invested D300 million to upgrade his workshop's infrastructure and improve production capacity to 5,000 liters per day. He signed another 5-year contract with the plant and bought two 1.5-ton capacity delivery vans. There were nights he had to drive a van to deliver products himself. The average salary of a worker including bonus was D1 million per month. Every year, all workers were given paid summer holidays by his enterprise.

Each year, Son got D200 million as net interest. It was just a small amount of money but it earned a high return on investment. In 2003, Hai Duong Food Plant was transformed into a stock company, and Son decided to buy shares in it. "I wanted to diversify my investment," he said.

Success Factors

Son did not consider himself to be a successful businessman. He got into the beer business for his family's sake rather than for his own success. But to accomplish anything, especially in business, one should work hard and be active. Son realized this, working hard alongside his employees, recognizing their needs and appreciating their contributions. Furthermore, carefully planning and calculating his investment before making it was a key factor in making sure his products would have a chance to compete with other popular beers.

Son has a unique personal communication style. He knows how to make his partners and customers feel friendly and confident. He pays attention to the needs of his customers, organizing annual parties to meet them. Winning his customers' loyalty is an important strategy for his success.

DUONG MALT CO. LTD

Introduction

Duong Malt Company was founded in early 2002 with the mission of supplying malt to the Vietnamese beverage industry with acceptable quality at affordable prices. It was jointly set up by three founders who have rich experience in beverage manufacturing, especially in trading raw material for beer production.

Duong Malt is currently the only company producing and distributing malt in Vietnam. The company's factory is located in Bac Ninh Province, in a new industrial zone in the north. After 2 years of preparation and a period of trial and error, the company's first batch of malt was successfully brought to the market. The factory is expected to reach full capacity by the end of 2006.

The company's strategy in 5 years is to build another factory in the south to complete its commitment to the national beverage industry.

Background

Nguyen Huu Duong was a soldier in the anti-American war. After leaving the army, he returned home and started to earn a living. His life was not easy; Duong had to work hard at many different jobs to live the difficult life of the countryside in the north of Viet Nam. He joined a collective specializing in beer and soft drink distribution. He learned that beer production could be highly profitable so he decided to set up his own beer production company to make fresh, low-quality beer. In keeping with the era's trend of collectivization, his company merged with a mechanics collective, with plans to make equipment for beer production. The merger enabled the company to equip itself but also provided an excellent location for selling beer—on Doi Can Street, Ba Dinh District, Hanoi.

Malt, together with yeast and water, is an essential ingredient for beer production. Malt determines the taste and quality of beer. Duong, having been forced to purchase imported malt for beer production, faced many challenges such as exchange rate fluctuation,

delivery delays, and quality issues. While quality of malt decides quality of beer, Viet Nam has imported malt from many sources, including Australia, France, Belgium, the Czech Republic, Denmark, and Canada. Brewers must always stock considerably high quantities of malt to avoid uncertainty and preserve output quality.

To be more proactive in production, Mr. Duong set up a company to import malt for his brewery and, later, for other breweries. He became one of Viet Nam's biggest malt traders, dominating the country's market in the north.

Mr. Duong had confidence in the idea of producing malt, thanks to his long experience in beverage manufacturing and malt trading. With 5 years' experience in distributing imported malt to local brewers, he knew that many of them shared the same issues. They would be willing to buy malt produced in Viet Nam with acceptable quality at a cheaper price. It was clearly an unfulfilled and profitable market waiting to be exploited. He knew the market and was determined to get a foothold before foreign investors did.

Investing in malt production was considered very risky. Malt production requires complex technology, heavy capital investment, strict maintenance of a climate of 25°C and 45% humidity. Most importantly, an entrepreneur must be experienced in beverage manufacture and the beverage market, and must have a malt distribution network to make sure that his product will reach potential buyers. Duong had seen a painful example of a Thai company that failed due to lack of knowledge of the market.

From the many candidates who were attracted to the bold idea of malt production in Viet Nam, Duong wisely chose two people: Mr. Thanh and Mr. Thaxivay.

Mr. Thaxivay, who is from the Lao People's Democratic Republic, has good relationships with banks, which could offer the company generous credit with favorable conditions. The project was so risky that most banks hesitated to finance it—85% of the investment required

came from Bangkok Bank, with a term of 8 years.

Mr. Thanh, Director of Thanh Tung Co., attracted Duong's attention with an even more persuasive argument. He controls the malt distribution network north of Viet Nam. With a long history of trading malt together in the 1990s, Duong thought that Mr. Thanh would have deeper commitment to Duong Malt if he were an official partner of the company. Now, Thanh takes responsibility for product distribution as the company's director of marketing.

Effective technology choices are vital for every company. With experience in the field, taking into consideration factors such as technology stability, market volume, and capital mobilization, Duong decided to buy mid-range German equipment from Lausman. German beverage technology is widely recognized as having the most stable and persistent output quality. It has been proven that a 100-year-old German beer chain can preserve the taste of beer as if it was in its first days of operation.

The founders had considered the modern German technology called Seeger, but decided that it did not suit the Vietnamese market. First, although the technology has a high capacity and produces premium quality malt, Duong Malt could not afford it. It was not only too expensive but also required a difficult-to-build plant in the form of a 25-meter-high pyramid. Last but not least, the beer market of Viet Nam is divided into three categories: premium beers such as Carlsberg and Heineken; mainstream beers such as Tiger and Halida; and fresh and local bottled beers. However, the market for premium beer is relatively small, thus demand for premium-quality malt is low. With this consideration, Duong Malt selected a mid-range technology that would meet the demand of the large mainstream and local beer markets. The capacity of the equipment in its initial 2 years is 35,000 tons of malt. After that, the company expects to obtain full capacity of 70,000 tons per year.

Taking advantage of pro-business government policies, Duong Malt built their plant in Tien Son Industrial Zone, Bac Ninh

Province. This area is in the planned raw material zone for malt production, and is under a national secured food program. Although the company has so far received little favorable treatment from local governmental bodies, it is able to take advantage of geographic features in the form of reduced transportation expense and from the national Government's policies and local treatment.

After 2 years of plant construction and production chain installation, the company commenced operations in early 2004. Their first three batches of malt failed. The initial reason for failure was primarily the weather. Viet Nam has a tropical climate with high temperatures and humidity. Though the founders and the German consultants forecast the impact of the climate, they had not considered all the elements. The standard condition for barley is a temperature of 25⁰ Celsius and humidity of 45%, and they installed a wetting system watering aisles of sprouting barley. However, water flowing from open-door pipelines became so hot in 40-degree midsummer temperatures that the barley seed was cooked and died before sprouting. To assure appropriate conditions for production, the company had to invest additional money to repair and rebuild stocks. The spoiled malt was sold as cattle feed to recover part of the cost.

On 27 April 2004, input material went into the chain and after 7 days, the first batch of malt was brought to market in early May 2004. Fortunately, the summer of 2004 was one of the hottest seasons ever recorded in Vietnam. The temperature continuously exceeded 38–40⁰. Demand for beer increased. In addition, imported malt was delayed off the shore of Singapore due to storms. Many breweries met with difficulties in production since malt was delivered late. They turned to Duong Malt Ltd and 2,500 tons of malt were sold out immediately.

This was also a good chance for the company to promote its products. Duong Malt is only a medium-sized company with moderate investment and no history; it does not have a modern lab for quality control. Hence, it sent samples to brewery producers for quality trials and approval. At the moment, Duong Malt has

little chance to enter the market of malt for premium beer, which requires malt of the highest quality.

Success factors and lessons learned

The time for establishing Duong Malt and its location were consistent with Government policies to promote internal power to develop start-up ventures. In the first product launch, the company gained advantages in selling its malt due to favorable weather conditions. At the moment, there is no competitor in the region other than a manufacturer in Guangzhou that is unable to expand in Vietnam. Furthermore, the barriers to market entry are high.

The essential factor of Duong Malt's success is its distribution policy. The company formed a Marketing Board that includes directors from breweries. The more malt they buy, the lower their price is. Above all, the company was able to dominate malt distribution channels, thanks to long-term relationships with agents that Duong and Thanh formed when they were involved in malt trading. As a member of the Management Board, Thanh specializes in distribution, covering the system in the north of Viet Nam. This is one of the main factors ensuring that all their malt will sell. Distribution is extremely important for Duong Malt in its first stages, together with increasing capacity;

the company must always preserve this advantage.

Duong Malt is a vivid example of a company that set out to capture an opportunity. One of the critical first steps for any business is deciding which market segment to target. The company positions itself as an economical choice to the national beverage industry and focuses on the largest segment of beer producers—fresh and bottled local beer.

Duong Malt learned from painful lessons and is successful today. Initial failures were caused partly by the technical design of the production chain, which did not take into account the effect of tropical weather. A second reason was that the company did not fully take advantage of existing techniques and expertise in the research and production of malt.

The company adopts a client-centric, issues-based approach to business. By listening to the unique needs and expectations of its target clients, and sharing business insights and ideas, Duong Malt works with its customers to develop the most appropriate solutions to help them attain their goals. The company's ultimate goal is to strengthen existing distribution channels to prepare for the severe competition the future is likely to bring.

CHAU GIANG CO., LTD

Introduction

Do Thi Nhuong is a successful businesswoman in the medicine production, supply and processing field. Starting as a farmer, she has overcome difficulties to become the director of her own company. Her company has won favor from both customers and colleagues. Ms. Do's case study proves that she earned success by knowing her abilities, being loyal and living for other people.

Initial Period

Descended from farm families, Ms. Do engaged in small trade to earn a living since income from farming could not support her family. In 1982, her small business mainly handled clothes, garments and some agricultural products. After a year of working as a peddler, she rented a stall in order to stabilize her business and to win her customers' favor. Though she did business with just her regular customers, she gained lots of experience, especially in loyalty, stability and the advantages of knowing customers' tastes. She often communicated with her customers to learn about their needs and tried her best to meet their demands. In addition to increasing her capital, she gained more experience and confidence in doing business.

With experience in business and in meeting customers' demands, and after spending time investigating the market, Ms. Do realized that while her area was favorable for agricultural products, many problems in product supply and demand existed, especially in input and output of the products. As a result, in 1986 she decided to focus her business on agricultural products. With her experience, she also realized that natural medicine products had high comparative advantages and that demand for these products was increasing. Knowing that the farmers in her area had advantages in supplying those products, she decided to start a business in this field.

Take-Off Period

In 1987, many cooperatives were created to foster better business conditions for farmers

and small traders. Ms. Do joined a cooperative to take advantage of community power. In 1988, she was chosen to be a group leader owing to her experience, keen intelligence and ability to form good relationships.

During this time, her group supported farmers in their work, purchasing and supplying agricultural products, working as a bridge between farmers and the cooperative agricultural product and medicine processing plants in the region as well as in adjacent regions. She accumulated further business experience, found resources for input and output products and created good relationships with her business partners.

Having solved some initial problems, the group's business gradually became more stable and productive. Realizing high comparative advantages of the medicine products, the increase in market demand for these products, and the advantages of her homeland, Ms. Do focused on doing business in these products. Her decision was also motivated by other factors such as the increasing demand for medicine derived from botanicals. Vietnam's farmers are good potential exporters of medicinal herbs due to their ability to actively respond to market demands. Vietnamese farmers rapidly adapt their production towards to high-value products, and Vietnam's climate is favorable for highly productive growth of medicinal herbs. Moreover, Ms. Do had established relationships with the suppliers of those products from Hung Yen and other Red River Delta provinces while working in the cooperative.

After spending ten years working with the cooperative group, the group encouraged its members to join by assisting them in acquiring knowledge and capital, and Ms. Do decided to participate in 1998, hoping that she could enlarge her business with the support from the cooperative. She was first a cooperative member, and then promoted to group leader. With her experience in management and business, she was elected head of the co-operative in 2000.

In 2003, she realized that the cooperative was not meeting the development requirements of her business, especially in meeting the demands of large customers and struggling against competitors. Furthermore, she received an offer from the Vietnam-America Medicine Company to cooperate in a large-scale business. In order to take this chance, she opened her own company. She resigned from her position as head of the cooperative, and worked as a member of the business group.

Chau Giang Co., Ltd was founded in 2003 as a result of the cooperation between Vietnam-America Medicine Company and Ms. Do. The company's primary areas of business are medicine, farming products and medicine end-products. Her company and the cooperative operate a peer-to-peer relationship in which the cooperative supports input and output products by instructing their farmers to grow and cultivate products and guiding them to highly productive plants. Her company, meanwhile, had contracts with the cooperative to buy those products. The cooperative plays the role of a bridge between the buyer, Ms. Do's company, and the sellers, the farmers. Having bought material from the farmers, Ms. Do is in charge of processing, marketing and sales.

Her company was created with two founders. She is the company's Director while the director of Vietnam-America Medicine Company is the Chairman. Among the initial charter capital of 2 billion VND, Ms. Do contributed 70 percent of the capital, 60 percent her own capital and 10 percent borrowed from her friends. Vietnam-America Medicine Company invested 30 percent of the capital in the form of technology and machines.

In 2005, the company's capital increased to 2.7 billion VND, 85% of which is from the owners, Ms. Do and Vietnam-America Medicine Company in unchanged ratios, and 15% of which was borrowed with interest.

Ms. Do took more than 6 months to establish her company in Hung Yen district. Based on customer and supplier information supported by the cooperative, her company processes medicine material into final products. The cooperation with Vietnam-America Medicine

Company helped her reach new customers, supplementing the relationships she had built with corporations.

Since its inception, the company has been located on 12,300 square meters of leased space, including administrative and production areas. In 2004, the company operated with 24 staff, including four administrative and management personnel, 12 production personnel, and eight marketing personnel. In 2005, the company added six additional production employees and six marketing employees, bringing the total number of staff to 36.

Ms. Do's primary staffing resource is friends and relatives. She found that there was lack of skilled employees when her company was young and small-scale with low salaries. Therefore, she decided to train fresh employees as long as they were nice and hardworking. Most of her employees were farmers.

Her major products are attar materials (essential oils) and oriental medicines. Her initial customers were medicine processors, processing units, centers, and corporations in Hanoi, Ho Chi Minh City and China. China is an enormous market for medicine. The company also has orders from Vietnam-America Medicine Company and other large companies to supply customers from Japan, England and America. In 2005, her products entered the Indian, South Korean and African markets. Its input materials are mainly sourced directly from farmers in local areas, or in the midland plains and northern mountainous areas. The company normally pays suppliers immediately, while it collects payments according to terms specified in contracts or delivery terms.

Success factors and Lessons Learned

The most important factor of Ms. Do's success is keeping customers and suppliers satisfied. Thanks to their support, her company has a sound position with increasing market share.

Ms. Do thinks that to earn success, businesspeople should evaluate their own power and live for others. She says that her success has depended mainly on her persistence and enthusiasm for learning,

accompanied by community support. Her company also pays attention to community support issues and contributes to changing planting structures towards agriculture development policies. Thanks to the cooperation between her company and the cooperative in terms of information, seeds, fertilizers, technology and equipment and dissemination of government policies, farmers gain an understanding of what to plant and how to plant effectively. Ms. Do also contributes to reducing the local unemployment rate. Therefore, she receives

appreciation from farmers as well as local authorities.

Ms. Do advises precise evaluation of one's own competitiveness. Due to shortages of capital, businesspeople should estimate their own capacity and make use of every chance for growth, and look at failure as a learning experience. Communications and relationships should be used to gather information. Businesses should form close relations with state corporations base on mutual interest.

HAMICO CERAMIC EXPORT COMPANY LTD.

Hamico is a family company which was set up in 1994. Its main activity is ceramic production. After 10 years of operations, Hamico has become fairly well known in the ceramic business. The company has three main businesses in:

- i. Purchasing ceramic products in bulk as an intermediary for export. The stock is in Bat Trang with a 3, 500 square meter base.
- ii. Ceramic material production at premises of 1,500 square meters.
- iii. Production for export as agreed with foreign partners such as Habitat (UK) and IKEA (Sweden) in a base of 24,000 square meters in Hung Yen province

Hamico exports its products to Australia through the distribution network of K-mart, and to the United Kingdom, Japan and Korea through big corporations such as Indochine Habitat and IKEA.

The company has established solid relationships with many scientists, consultants and customers both domestically and abroad.

Mr. Quy was not native-born to Bat Trang. He married a girl from Bat Trang village and was asked by his father-in-law to take over control of the family business.

The family used to specialize in ceramic products such as bowls, plates and vases. The products were mostly sold for export through traders who came to the village to buy at the source. Products were seldom sold directly to tourists or to a single customer. When Mr. Quy was first introduced to the business, he acquired a good deal of useful experience in ceramic production and business management after working for the family.

However, due to different management skills and points of view concerning the business, Mr. Quy encountered difficulties with his wife's cousin. He therefore decided to set up his own business. Using careful consideration, he finally started up his business in 2000 with initial capital borrowed from his family, friends and his own saved money. Mr. Quy insisted

that he did not copy his father-in-law's model or exploit the business relations of his wife's family. In the beginning, his company made traditional ceramic and porcelain products skillfully modified and improved, mainly for the domestic market.

After getting to know the demands of some big foreign companies for the supply of ceramic products for supermarkets, Mr. Quy decided to invest in a new ceramic burning technology that used gas instead of coal. The technology could make higher quality products with features that would fit foreign customers.

Fifteen new enterprises joined the export market in Bat Trang between 1997 to 2000 and this has created fierce competition. The enterprises competed with each other directly by reducing prices, resulting in an ever-diminishing profitability and increased risks.

In the area of international competition, enterprises in Bat Trang village failed to attract big importers due to their fragmented and unorganized production, high costs and the unstable quality of their products. The short-term trading vision badly affected the quality and prestige of Bat Trang's products. Though the products had been decorated with distinctive Vietnamese traditional characteristics, they were still less competitive than those produced in China, Thailand, Portugal and Turkey.

Mr. Quy, now the Director of the Board for the Company, therefore decided to make essential changes in both the production and business sides in order to adapt to this new context and differentiate the Company from other competitors, as well as increase its competitiveness. It was decided that it would be difficult to attract big customers if the company continued to use the old traditional production model. The combination of a traditional style with modern technology was believed to be the most significant solution to improving and maintaining quality and reducing production costs.

It was decided that the production process would be based on Vietnamese natural

materials and Bat Trang's know-how in order to create a differentiation with products of the same style from other suppliers in China and Thailand. The key point was to apply modern equipment in different stages, notably material processing, formation, drying and firing. The process would not only create better quality input material but also higher productivity. Furthermore, the new technology made the firing stage more stable, reduced production costs and minimized environmental pollution.

The Company was given the project 'the high-end ceramic products for export factory', approved by the Hung Yen provincial committee in late 2000. The factory was located in Pho Noi A Industrial Zone, Trung Trac Commune, Van Lam district, Hung Yen province with an area of 24,000 square meters. The project started in early 2001 but it immediately faced difficulties in selecting the equipment for the ceramic kiln (the furnace). In the North areas, and in Bat Trang in particular, the furnaces produced in Vietnam in 2001 to early 2002, containing a deoxidizing environment, commonly had a small capacity of less than 6 cubic meters. This created low quality outputs and high energy consumption. The duration for firing the ceramics was long, lasting from 14 to 18 hours, or even 22 hours for one batch. The operation of the kiln was complicated and required hard work.

The leaders gathered technology information from many sources, including customers, as well as traveled to many countries to explore the technology market. Finally, they decided to buy the technology of Korea and China. It had some advantages, notably popularity, high technology and high quality. Some disadvantages were the high cost (equipment and installation, technology transfer), complicated and time consuming procedures and scarce spare parts.

As a result of the technology search, Hamico imported an 8 cubic meter gas furnace from Korea that is semi-automatically controlled at a cost of USD 43,000. They were determined to hire consultants and lease large-scale gas furnaces with 18 and 24 cubic meter capacities. The initial trial production had positive results, with high quality firing

outputs, uniform quality, energy savings and especially low production costs. The Korean partner sent five groups of experts to Vietnam for the installment and technology transfer. However, eight months after the transfer, operations began and gave unexpected results. The quality of outputs failed to meet the export conditions that had been committed to the technology supplier. The Company was confronted with the threat of losing capital, holding untradable products and indebtedness. It was on the brink of bankruptcy.

The Company would have been better off at that time if it could find a better furnace. Mr. Quy eventually decided to find a strong partner in Vietnam in order to manufacture the furnace based on the existing furnaces in Bat Trang, but making some improvements to ensure higher quality outputs. Mr. Quy found an effective partner to carry out the project in 2002 using reasonable expenses. Hamico cooperated with the Bat Trang Design and Production Joint-Stock Company to build a large-scale deoxidized ceramic furnace with a capacity of 18 cubic meters. The investment capital was over VND 1 billion borrowed from a bank.

It was considered to be a brave decision, though Mr. Quy's family protested and complained. Mr. Quy however was still determined to change to a completely new technology with the hope of making new products that the old technology was unable to make. Several scientists from the Silicate Material Department of the Technology University in Ha Noi supported the courageous decision. In 2002, two large-capacity furnaces of 18 cubic meters came into operation at Hamico. Technical indexes proved positive: the furnaces saved energy and time, used less material consumption and minimized pollution. Hamico was able to reduce their production costs significantly thanks to the new technology. The products made were high quality with special enamel features, and they were awarded the Vietnam Gold Star prize.

As a consequence of this innovation, Hamico strengthened its competitiveness and reached sales revenue in millions of US dollars.

Hamico continued its co-operation with scientists and partners to make new big furnaces of 18 and 25 cubic meters. The company has five furnaces of 18 cubic meters, two of 24 cubic meters and three others of 14, 3 and 0.3 cubic meters. The total investment capital of the factory is VND 37 billion. The area is 24,000 square meters of which 13,000 square meters is for production premises, 2,000 for subordinate facilities and 4,000 for trees and gardens.

The company decided to invest in big projects and sell products at a low price to large customers such as IKEA, Habitat, K-mart and Pier 1 because it could make use of the low gas-consuming furnace effectively.

Lessons learned

A decisive and adventurous character in an entrepreneur is a vital element for the success of any company. Mr. Quy was able to find a niche market for high-class quality products produced by Hamico and avoid the popular market which was beginning to be saturated. For Hamico, a key success was the ability to successfully apply new technology to its production. Technology and firm relationships with business and other partners are the reasons that have led the Company to greater competitiveness, even in a traditional business like ceramics.

HANOI STAR HOTEL

Introduction

Duong Thanh Binh is a successful businessperson in the hotel industry in Hanoi. She owns Hanoi Star hotels in the Old Quarter, at 16 Hang Bac Street and 25 Hang Mam Street and Hanoi Plaza Hotel at 26 Hang Cot Street.

Binh's success has come from her eagerness to learn, hard work, some luck in business, and the help of good people, friends, and relatives.

Background

Born in 1979, Binh struggled with many difficulties. Her parents were unable to afford her schooling so she dropped out of it at the age of 12 to earn a living by street-vending in Hanoi. The first commodities that she traded were small wares such as soaps, shampoos, toothpastes, toothbrushes, towels ... which derived from her early capital of Viet Nam dong (D)50,000. During day time, Binh put them all in a basket, and carried them around Hanoi as a street vendor. At night, she came to Phuc Tan village for a small room with a bed at D1,000/night.

During her 2 years of working as a street vendor, Binh followed routine tasks of buying small wares in Dong Xuan market in the morning, carrying them around Hanoi during day time and returning to a boarding house in Phuc Tan village at night. She came back to see her family every 2-3 months. Owing to her activeness and observation, Binh upgraded her business to sell pictures, photos, books, papers, maps, and souvenirs to foreign tourists around Hoan Kiem lake and the Old Quarter of Hanoi. With her enthusiastic and friendly manner, she got the affection of many of her customers. Sometimes, she also became voluntary tourist guide to guide tourists in exploring Hanoi as well as shopping and familiarizing them with Vietnamese dishes. Some tourists learned about Binh's circumstance, they suggested that she complete her interrupted study, especially foreign language, and offered to pay her tuition. Study was really what Binh

desired. Taking that opportunity, every day at 5:00 in the afternoon, Binh went to Nguyen Van To School to complete her studies, and later went to Language Center at N° 33 Nha Chung Street to study English. Striving for a living and studying at the same time, Binh had to repeat the courses 4 times to finish the 12th grade and have English skills at C level.

Acquiring some English skills, Binh applied for a job at a restaurant owned by an Australian. This helped her improve her English as well as her understanding of tourists' demand. Her boss found that she spoke English fluently, work hard, and behaved well with customers, and he decided to transfer her to another unit where she worked as a tourist guide. Binh was not a very experienced and skillful tourist guide, but she had the enthusiasm and cleverness to make all the tours succeed. To upgrade her skills and knowledge, she continued her college study. During the following 2 years, Binh went to college and worked as receptionist at Hoa Linh Hotel at the same time, she earned D1.2 million/month from that job.

Binh's opportunities came when one day she met Mr. Ohno Kenichi, her educational benefactor. Respecting her strong will and energy, Ohno asked her to cooperate in doing business in the hotel industry in the Old Quarter of Hanoi. He invested 75% of the early capital while the rest 25% came from Binh's savings. In 2001, Binh took out a lease on the area of 16 Hang Bac Street and opened her first Hanoi Star Hotel. Mr. Ohno wanted Binh to run the business and profits were shared in the proportion of 50/50%. She ran the hotel business with all her heart and mind and absolutely won her partner's confidence. Her business gained success earlier than expected.

Business went so well that in 2003 she opened her second Hanoi Star hotel then Hanoi Plaza Hotel in 2005. Binh also cooperated with other partners to organize domestic and international tours as well as other travel services regarding visa, passport, travel tickets, air booking, car rental ...

In the beginning of 2004, Binh joined the Young Enterprise Association of Hanoi, which helped her learn about business. She has gained knowledge, skills, and experience from her sisters and brothers in the association.

Difficulties

Born to a very poor family, Binh's study was interrupted. At the age of 12 she had to find a way to support herself. She did not have any life skills. Going into business at the age of 20, she had so little knowledge and experience that she had to work and learn by herself.

Strategy and Development Plans

Binh has many plans for the future, mostly for the hotel industry that she loves. She has leased one new hotel location as Hanoi Plaza Hotel.

Success Factors

Everyone has his fate and ability. But Binh thought that she should decide her own fate, and above all, hard work and determination were the main factors that changed her life. It could also be said that good luck was an important key in her success.

AN KHE BAMBOO AND RATTAN COOPERATIVE

Introduction

An Khe Bamboo and Rattan Cooperative was established in August 1978. Before *Doi Moi* (the economic reforms initiated by the Socialist Republic of Vietnam in the mid-1980s), the cooperative processed and procured bamboo and rattan screens for the Da Nang Bamboo and Rattan Export Company, which sold products to the former Soviet Union and Eastern European countries. The collapse of the former Soviet Union and Eastern European markets forced the An Khe Bamboo and Rattan Cooperative to focus more on quality and develop strategies that add value to production in order to remain commercially viable. Over the past decade, it has carefully expanded its production base by investing in its workshops, raising its quality, and upgrading into higher value handicraft products. Last year, the cooperative succeeded in diversifying away from its traditional sales to the Da Nang Bamboo and Rattan Company by notching an export deal with an Iranian buyer that purchased 50% of production in 2003.

Background

An Khe is a small village in the suburban area of Da Nang City. Before 1975, a few households in the village specialized in the semi-processing of bamboo and rattan screens to supply intermediate inputs for medium-scale rattan handicraft households in Da Nang City. In 1975 the Handicraft Cooperative of District No. 2 was established under the wave of cooperatization in the South after 1975. This cooperative was integrated into the cooperative union of Da Nang Province. The cooperative had three main activities: (i) exploiting bamboo and rattan raw materials, (ii) bamboo-based processing, and (iii) carpentry.

In 1978 the Handicraft Cooperative of District No 2 was restructured into three cooperatives according to the above activities. The An Khe Bamboo and Rattan Cooperative was established in August 1978. The main activities of the An Khe cooperative were to process and procure bamboo- and rattan-based products for the state-owned Da Nang Bamboo and Rattan Export Company.

The cooperative followed orders from the state company and took the responsibility for purchasing raw materials from households living near the province. Member households of the cooperative received raw materials from the cooperative and individually processed them into semi-final and final products, which were all delivered to the cooperative. All bamboo- and rattan-based products were later delivered to the Da Nang Bamboo and Rattan Export Company for export to Eastern European and former Soviet Union markets. The cooperative's main products during this period were rattan screens, handbags, and rattan brooms.

During the late 1980s, the Soviet Union and Eastern European markets collapsed. At the same time, the Vietnamese economy was transforming itself from a centrally planned economic system to a market economy. Consequently, state-owned enterprises in general and cooperatives in particular had to find their own customers without any support from the state. As a result, many cooperatives (including those in handicrafts) collapsed during the late 1980s and early 1990s.

During this period, the An Khe cooperative faced many difficulties due to poor and outdated equipment and low product quality. Essentially, the An Khe cooperative existed in name only. It could not sell any products and its stock was filled with large amounts of low quality bamboo and rattan screens. Many skillful workers left the cooperative. Only a few cooperative leaders and members, who lived on pensions and veteran subsidies, stayed in the cooperative. Their main activities were to try and seek any buyers of their accumulated inventories, but they mostly failed. It raised the need for a new direction for the existence and development of the cooperative.

In 1992, a new management board was elected. The new chairman, Nguyen Ba Tuong, and other members in the management board used their own assets as collateral to borrow about dong (D)25 million (equivalent to US\$2,500 at that time) from their friends. The loan was used both for trading of construction materials, a high profit business at that time, as well as for traditional

production of bamboo and rattan products in an effort to revive production in bamboo and rattan handicrafts.

After the election, the management board sent staff to Ho Chi Minh City-the most dynamic market center in Viet Nam-expecting to learn useful lessons for a new development direction for the cooperative in a market economy. After meeting with successful handicraft producers in Ho Chi Minh City, the cooperative learned three key things: (i) quality standards for new export markets other than the Eastern European and former Soviet Union countries, (ii) techniques for polishing and trimming rattan screens, and (iii) sources of technical experts who could deliver training to the cooperative workers.

After the trip to Ho Chi Minh City, the management board decided to focus on export markets for polishing and trimming rattan screens. Furthermore, by using new techniques, the cooperative also planned to provide polishing and trimming services to other handicraft units. With loans and retained profit from its trading activities, the An Khe cooperative opened a new polishing and trimming raw material and rattan screen workshop. This workshop remains unique in Da Nang City.

All products of An Khe were exported through the Da Nang Bamboo and Rattan Company to the People's Republic of China for further processing into final handicraft products. The establishment of a polishing and trimming workshop not only helped the cooperative find outlets for its inventories, but also utilized the redundant stock of other collapsed bamboo and rattan cooperatives in Da Nang City.

During the mid-1990s, the cooperative generated a stable income for its workers, which reduced member turnover. The total number of workers at the time was about 60. However, total sales and profit remained low during the mid-1990s. For example, revenues in 1996 were only D3 billion for the cooperative, while average salaries were just D300,000 per month.

By 1997, the An Khe cooperative transformed itself into a shareholding cooperative following Decree 16/CP of the Government³. This

enabled the An Khe cooperative to restructure its management and operation system. In 1997, the An Khe cooperative bought 1.4 ha of land from a former kindergarten. With the new land, the cooperative opened a new workshop for the production of final handicraft products. The new workshop was conceived to increase the value-added of the cooperative because the export of semi-processed bamboo and rattan screens generates very low income and employment. Furthermore, supplies of rattan raw materials, which naturally grow in the mountainous area in the center of Viet Nam, were limited, so the cooperative could not rely only on the export of natural resources.

At the same time, the rattan handicraft workshop of the Da Nang Bamboo and Rattan Company was closed due to inefficient operations. This workshop had employed 500 workers, of which 300 were highly skilled workers. In addition, this workshop had set up close business relations with the Da Nang Rattan and Bamboo Company. The cooperative seized this opportunity to take over the workshop and utilize the workers, business contacts, and facilities of the bankrupt workshop.

With the new workshop, the cooperative recruited the most skillful workers laid off from the bankrupt one, and continued to hire experts to train its workers to upgrade the quality of its products. The level of employment increased from 105 in 1998 to 150 in 1999. By 2003, the cooperative employed 300 workers. The average income of workers increased by D50,000 per year on average. At present, the average income for a worker ranges from D600,000 to D1 million per month.

In addition to the 300 workers working in the cooperative, the cooperative also subcontracts rattan semi-processing and screen weaving to many households in rattan material zones through cooperative representatives in the material zones. At first, the cooperative trained such representatives, after which these representatives could transfer techniques to other households in the raw material zones. As a result, the cooperative only had to control the quality of the screens, and it could save on the transportation cost and avoid pollution from the semi-processing of rattan.

³ A legal framework which allows cooperatives to change their legal form.

Sales of the cooperative increased sharply from D4 billion in 1997 to D12.3 billion in 2003. Of this over D12 billion in sales in 2003, rattan screens accounted for 24%, handicraft products for 27%, and semi-processed rattan thread for 49% of sales. Profit margins are roughly 20%. Though handicraft products accounted for just over a quarter of total sales, they have increased very fast recently. The cooperative will concentrate on the development of final handicraft products in the future.

From 1997 to 2002, all products of the cooperative were produced under contract with Da Nang Bamboo and Rattan Company and other handicraft enterprises. Since 2003, the cooperative has exported many of its handicraft products directly to Iran (50% in 2003), after an Iranian businessman visited and placed an order with the cooperative, thanks to the recommendation of the Da Nang Bamboo and Rattan Company.

All production is under contract. Customers always deposit 30–50% of the contract value. Since 1995, the cooperative has procured raw materials through traders in order to reduce transaction costs. After procuring raw materials from households in the material zone, traders transport raw materials directly to the cooperative.

The cooperative itself invests very little for marketing since the majority of its production (50%) is exported under the name of the Da Nang Bamboo and Rattan Company. For its own marketing, the cooperative brings its products to only two exhibitions in Da Nang Province. The customers highly appreciate the quality and sales services of the cooperative.

Success Factors and Lessons Learned

The cooperative views its success as coming from its united and cooperative approach. The management board and workers strive for the existence and development of the cooperative. Its long past has taught it to value constancy and provided it confidence to face difficulties.

It ensures the timing and quality of products delivered.

There are three major lessons from the case of An Khe cooperative. First, product quality is very important in the handicraft sector. The investment in its polishing and trimming workshop has helped the cooperative meet the requirements of production for export. As a result, the cooperative has been able to sell its products while other low quality product cooperatives have since collapsed.

Second, diversification in production lines is also crucial to add value. An Khe's experience of moving from semi-processed products to handicraft products helped the cooperative add value to its products and improved the cooperative's competitiveness. While handicraft products require more labor time and skillful workers than semi-processed products, they are also more profitable.

Third, partnerships with foreign markets are important. The cooperative has strived to maintain its relationships with its recent Iranian client through its delivery service and high product quality. The An Khe cooperative only signs contracts with clients that it can assure of on-time delivery and product quality. Just recently, it refused to accept an order from a French company, because the cooperative felt that it cannot meet the order.

NGUYEN HUNG MARBLE SCULPTURE

Introduction

Mr. Nguyen Hung started his marble sculpture unit in 1991 after working as an apprentice for his uncle. From a small unit that produced a few types of small products for sale to small local shops, Nguyen Hung has become the largest marble sculpture unit in Ngu Hanh Son (Five Mountains) district, Da Nang city. Mr. Hung's philosophy of success centers on his own creativity and innovation.

Nguyen Hung Marble Sculpture is an interesting case for two reasons. Firstly, Nguyen Hung took advantage of the increase in domestic and foreign tourism to Ngu Hanh Son, when it was recognized by the central government in 1990 as a site of historic and cultural significance, and also the increase to Hoi An, when it was given status as a world cultural heritage status in December 1999. Secondly, Mr. Hung has been innovative with his production style by combining traditional and new designs (particularly Italian ones) in his sculptures that have met fast-changing customer demands.

Mr. Hung grew up in a very poor family and was unable to enroll in university after finishing high school in 1989. Since his parents had made it clear that they could not afford to finance his university study, he did not even sit for the university enrollment exam taken by almost all high school students. After his schooling, Hung worked as an apprentice sculptor in a local marble sculpture unit owned by his uncle, a skillful sculptor in this region.

In 1991, after having worked for three years as an apprentice sculptor, Hung opened his own marble sculpture unit in his parent's house, with a land area of 50 m². The initial capital he used to start up this activity was only VND 200,000 (equivalent to USD 20 at 1991 prices) and more than 100 kg of stones he obtained from his uncle as additional compensation for his three years of work in his uncle's workshop. He hoped that his sculpture unit would help him and his family move out of poverty and prove that, despite

not attending university, he could become rich in his own way. He did not want to see his mother ashamed of their poverty.

Initially, Hung produced only small marble sculpture products such as the Buddha or animal sculptures by himself and distributed them via local small shops, who in turn sold them as souvenirs to tourists. Through the combination of his skills in producing quality products and the boom of the tourist sector, Hung's products sold well in the market and he received many orders from local shops. While he was happy with these developments, he experienced bottlenecks in his production capacity because all of his marble sculpture products in this period were handmade with very primitive equipment.

In 1993, Hung opened a small shop in his house to sell his products directly to domestic and foreign tourists. With higher quality products and innovative ideas, he started to obtain direct contracts with growing numbers of foreign customers. He was also able to recruit apprentice sculptors to work in his workshop and started to produce larger marble sculpture products that also generated higher profits. In 1995, Mr. Hung decided to expand the area of his workshop and the shop to 400 m²; this was still situated on his parent's land, however.

The capital needed for the expansion was VND 195 million, which was his entire savings. His apprentice sculptors became his very first employees and more workers were recruited, which increased the number of workers to 40. By this time, he had switched to the production of large marble sculptures geared toward higher-income customers. To increase labor productivity, he also purchased new and used equipment for use during certain work stages and for sculptures that were not produced by hand.

At this time, he advertised his products by cooperating with travel agencies and tourist guides. He offered attractive commissions to travel agencies and tourist guides to introduce his products to domestic and foreign tourists and to bring tourists to his shop. At the same time, he committed himself to making higher

quality products. All of these efforts enabled him to secure more orders and contracts from foreign tourists. Sales and profits during 1995-1998 increased sharply.

By 1998, he started to carve Roman-style marble sculptures using pictures downloaded from the Internet as models. At this time, Mr. Hung purchased 0.3 ha of land next to his parent's house to expand his workshop and build the very first local show garden for displaying his marble sculpture products for sale. His initiative to build a show garden has helped his Roman-style sculptures look much more attractive than if they were displayed in a small shop. Moreover, it really differentiated his marble sculptures from those of other marble sculpture producers.

In 2000, having obtained orders and suggestions from a foreign customer, Mr. Hung imported gemstones from Iran to produce luxury marble sculpture products targeted at high-income clients for the first time. These new products were quite profitable since they sold very well and he could enjoy a type of monopoly power with this new material. While other producers in the region also wanted to follow Mr. Hung's move into this area, they were unable to find sources for gemstones. So far, his workshop is the only one in the region that makes sculptures from gemstones and now most of his sales come from high-quality, gemstone marble sculpture products. At the same time, he has continued his traditional business by subcontracting to other marble sculpture units to produce small and lower-quality products.

In recent years, Mr. Hung has further developed his marketing activities. Besides the traditional methods of advertising products through travel agencies and tourist guides, Mr. Hung has also brought his products to international exhibitions in Da Nang city and other provinces. He also purchased an

additional 0.15 ha of land in 2002, at a cost of 7 billion VND, with plans to build the largest showroom in the region.

Mr. Hung presently has the most well-known marble sculpture unit in Ngu Hanh Son district, Da Nang city. In 2003, total sales were USD 1.5 million of which exports accounted for 80% of total sales. All exports are via contracts with tourists that come to his show garden and workshop. His products are also directly exported to the American and European Union markets. Profit margins in 2003 were about 30% to 40% of total sales.

Success factors and lessons learned

- **Always be creative and ahead of his competitors.**
- **Have a decisive character in doing business**
- **Maintain high standards in business and product quality.**

There are three major lessons from the case of the Nguyen Hung marble sculpture unit. Firstly, Nguyen Hung has seized opportunities that have emerged from the rise in domestic and foreign tourism to Ngu Hanh Son and in Hoi An. Secondly, in the handicraft industry in general and in the marble sculpture industry in particular, it is difficult to keep up with fast-changing customer demands. Nguyen Hung has diversified out of traditional handicraft products and continually changed and upgraded its product designs, even making use of Italian designs. This has helped it stay ahead of the competition. Finally, the case of Nguyen Hung illustrates that market segmentation and product differentiation are very important, even in the marble sculpture industry. Hung has differentiated his products in the market by concentrating on high-quality and luxury marble sculpture products for high-income customers.

LE HIEN SHRIMP HATCHING FOR BREEDING AND FOOD FARM

Le Hien's farm for hatching shrimps was set up in 1993. Initially, the farm raised shrimps for breeding for the Mekong Delta region, where the shrimp hatching industry had been developing rapidly. As the production scale increased, the farm actively sought markets in Da Nang and nearby provinces, to diversify the risks associated with concentrating on only one market. The farm also raised shrimp for food in order to further diversify their risk and gain experience that would enhance their ability to raise shrimps for breeding.

Le Hien Shrimp Hatching Farm is an interesting case because, having been established in 1993, it is one of the few farms that has been able to remain viable for more than 10 years. Shrimp hatching, and particularly hatching shrimp for breeding, suffers from high levels of difficulties and risks and the Le Hien Farm has not been immune to these difficulties during the course of its business life. However, this farm has always maintained risk prevention mechanisms by investing in technology, accumulated experiences and capital, and by diversifying its markets. This has ensured that the business has minimized the risks associated with shrimp hatching.

After six years serving in the military as an automobile technology lecturer at Quy Nhon auto and motor driver training center, Mr. Hien returned from military service in 1983 and began work as an assistant to the director of the Agricultural Products Export Company, part of the Da Nang Agricultural Department. In 1992, the Company was merged with other companies, and Mr. Hien took early retirement and began setting up his business.

When he first left his job, Mr. Hien used the connections he had established while working for the company to research the Mekong River Delta market and to establish contacts with local shrimp dealers and breeders. Once he had completed his market research and studied shrimp raising techniques, Mr. Hien set up his own shrimp hatching for breeding farm in Phuoc My ward, Son Tra district, Da Nang city in 1993. This ward has a shrimp

hatching tradition and is near to the sea so it is a favorable environment for the business, also hosting an abundance of skilled workers.

In the beginning, Mr. Hien rented a state-owned land area in Phuoc My ward, Son Tra, Da Nang and built 12 cement tanks to hatch shrimp for breeding. Because the shrimp hatching for food industry in Da Nang was not developed, Mr. Hien aimed his market at the Mekong River Delta, where shrimp for food hatching was a rapidly developing industry. The initial employees included one technological worker and three general skilled workers who lived in Phuoc My, Son Tra, Da Nang. Living in the shrimp hatching area, these workers had acquired experience in general shrimp hatching. However, they had little experience with shrimp hatching for breeding.

In the first year, Mr. Hien failed. The shrimp he bred did not meet the required standards and this was directly due to his lack of experience and lack of technology. Mr. Hien lost up to VND 40 million. After this failure, Mr. Hien and the technical worker further researched shrimp hatching and borrowed more capital (60 million VND) from his friends and relatives so that he could continue hatching shrimp for breeding. At that time, Mr. Hien couldn't borrow from the bank because he was not able to pay back his loan.

Thanks to the experience he gained in the first year, Mr. Hien succeeded in the second year and his shrimp for breeding met the required standards. Mr. Hien brought his shrimps to the Mekong River Delta himself and sold them directly to the shrimp hatching for food farms. Because there were so few shrimp hatching for breeding farms at that time, it was easy for him to sell his products. The second year, Mr. Hien gained a net profit of VND 100 million, which was enough for him to pay back his debt to the bank, friends and relatives.

In September 1995, because the land area he rented for his farm in Phuoc My was taken back due to a land clearance policy, Mr. Hien

had to move his farm to Bac My An ward, Ngu Hanh Son district, Da Nang. At the new farm, Mr. Hien maintained the area as he did in Phuoc My. During this period, he encountered many difficulties arising from: (i) many new competitors from other provinces; and (ii) the government's prohibition to reclaim virgin soil to hatch shrimp. In this period, his annual turnover was only VND 150 million without any profit, but Mr. Hien continued to hatch shrimp for breeding in order to maintain relations with his partners in the Mekong River Delta. In this period, due to the stable relationships he had with customers in the Mekong River Delta, Mr. Hien did not have to deliver his shrimps to customers himself but instead sent them by air.

In 1998, the Ministry of Fisheries resumed its policy that allowed inhabitants to reclaim virgin soil areas to hatch shrimp. This resulted in a high demand and higher prices for breeding shrimps. In 1998, the turnover of Mr. Hien's farm reached VND 300 million with a profit of VND 100 million. The high price of breeding shrimp encouraged Mr. Hien to expand his production. In 1999, he rented the premises of a bankrupt breeding shrimp hatching farm in Dien Duong ward, Dien Ban district, Quang Nam province. Mr. Hien employed four more local workers, raising the total employment to eight people.

In 2001, the number of orders from the Mekong River Delta region reduced in size. Mr. Hien traveled to the region to again conduct some market research. He realized that, because shrimp were mainly dying from diseases, farmers were refusing to raise shrimp. Returning to Da Nang, Mr. Hien conducted his own research in order to set about producing a disease-resilient type of breeding shrimp. After successfully producing this type, Mr. Hien brought it to the Mekong River Delta region and was able to assure his customers of the quality of his shrimps. Because Mr. Hien's shrimps proved to be disease-resilient, he continued to receive orders from customers in the region.

Realizing that concentrating on one market could be very risky, Mr. Hien reduced his dependence on the Mekong River Delta region by finding customers in his local and neighborhood provinces. At first Mr. Hien

traveled himself to food-related businesses in order to introduce his products. Later on, customers in his own province and neighboring provinces came to his farm to place orders. At present, the local market and nearby provinces account for 30% of the turnover of his breeding shrimp business.

In 2003, Mr. Hien again had to move his farm from Bac My An to Nam O, Hoa Hiep ward, Da Nang, because his farm at Bac My An had to be cleared away for urban development. In 2002, Mr. Hien rented 2 hectares of land in Hoa Quy, Quang Nam to set up a shrimp hatching for food farm. The purposes of setting up this farm were to: (i) hatch shrimp for food in order to gain more experience in order to better hatch shrimp for breeding purposes; and (ii) to salvage the shrimps for breeding that were left after selecting superior shrimp for customers.

Setting up the farm required an investment capital of VND 300 million. This capital was gained from hatching breeding shrimps. Mr. Hien himself researched the techniques to raise shrimps for food through books and magazines and through visiting other farms. Mr. Hien employed six more local workers.

In the first year, he lost VND 100 million because: (i) he did not fully understand the techniques associated with raising shrimp for food; and (ii) he practiced low-intensity farming. After further research through books and magazines, he then invested VND 100 million to upgrade pools and to purchase equipment so he could practice semi-intensive farming methods.

Due to his technological investments, Mr. Hien succeeded in hatching shrimp for food, and in 2003 the annual turnover of shrimp for food reached VND 500 million and the annual profit reached VND 200 million. Realizing that his turnover and profit could increase by investing in upgrading hatching shrimp technology, Mr. Hien invested a further VND 100 million in order to purchase water sterilizing equipment, medicine and the feed necessary for adopting an intensive farming method. As a result, the turnover of the shrimp for food side of his business reached VND 700 million and his profit reached VND 300 million in 2004.

Success factors and lessons learned

- Be consistent and willing to take risks since shrimp hatching is a risky business. If you fail one or two times and drop out, you will fail for good.
- Always learn from experience and accumulate capital.
- Always invest in shrimp hatching technology.

Three lessons can be learned from the Le Hien shrimp for breed hatching case.

- (i) Capital is an important factor to the farming of shrimp for breeding and for food. Large amounts of capital are crucial, not only for investment in infrastructure but also to act as a standby fund because shrimp hatching is a risky business.

- (ii) Experience and technology is important for shrimp farming. Although Mr. Hien visited other farms and learned through books and magazines by himself, he had to spend one year mastering shrimp hatching technology. Mr. Hien has continuously gained experience through books and from shrimp hatching practices.

- (iii) In order to be successful, it is necessary to have direct contacts with customers. Farmers will find it difficult to understand a customer's demand if they sell through intermediaries. Thus, a shrimp hatching for breeding farm will be unsuccessful if they don't produce the kind of shrimp for breeding which matches customer's demand from time to time.

MANH HAO COMPANY, LIMITED

Introduction

The specialty of Manh Hao Company, Limited is producing handicrafts from bamboo. Having participated several times in exhibitions, together with an artist living in the same town who taught the owner handicraft-making skills, Bui Xuan Du became aware of the increasing demand for handicrafts by foreign tourists and visitors to Viet Nam. He decided to start a handicraft production unit using bamboo materials in 1997. At the beginning there were only three members, all war invalids living in the town. They produced handicrafts for souvenir shops that sold to foreign tourists and to exporters, who in turn sold their products abroad. In 2003, foreseeing the potential market demand in 2004 when the Southeast Asian Games was to be held in Viet Nam, Du began to look for sufficient capital in order to establish a company. In early 2004, Du merged his handicraft production unit with a household carpentry production unit and established Manh Hao Company, Limited. The household carpentry production line plays an important role in supporting the production of bamboo handicrafts.

Manh Hao's success is a typical example of the successful development of traditional handicraft villages in rural areas, a success based on taking advantage of market opportunities brought about by integration and tourism. In rural areas, particularly where there is a shortage of land as in the Red River delta, the development of traditional handicraft trades assists in releasing labor from agricultural work without the need for intensive capital and technical investment. In addition, this case is very special since majority of workers in the Manh Hao are war invalids and handicapped who are not able to engage in most agricultural production activities.

Business and Employment History

Activities before 1997

After graduating from the Institute of Military Technology in 1971, Du worked for the Department of Military Response under the Ministry of Defense. During this time, besides

his job at the Ministry, Du collected woolen carpets from military attachés working in embassies abroad. In 1991 he was injured in action and released from the military, rating 1/4 on the injury scale.

Du returned to his home village and began to participate in the veterans association in his hometown district, where he is presently the President.

Due to the meager subsidy for war invalids, his family had a lot of difficulties. At the end of 1991, Du decided to set up the necessary facilities to produce fresh rice noodles and tofu at his house. His initial capital was dong (D)1.5 million (at that time equivalent to US\$135), which came from his savings while working at the Ministry of Defense. The income generated from producing fresh rice noodles and tofu was barely enough to cover his daily living expenses and thus he was unable to set aside any significant savings.

During this time, he frequented the house of an artist, his father's friend, who made handicrafts from bamboo. The artist liked Du and so he taught him the trade.

During his apprenticeship, Du was able to make several high-quality products and the artist took these products to exhibitions together with his own products. Foreign customers who saw his products then asked their intermediaries in Viet Nam to place orders for his products. The intermediaries, who included owners of souvenir shops and commercial attachés at Vietnamese embassies abroad, used the contact address written on the products to place orders with Du. He closed down his fresh rice noodle and tofu production unit to focus on these orders.

1997–1998

As the number of orders increased, Du decided to establish a handicraft production unit in 1997 to meet the rising demand. He expected that once the unit was established it would provide employment for him and his friends. The initial capital available for the production unit was only D18 million, of which D8 million was his savings from working at the Ministry of Defense and from making fresh

rice noodle and tofu, and D10 million came from bank loans for which he used his farm as a collateral.

At the beginning, the production unit was at Du's house with an area of 50 square meters. The first three employees of the unit were local war invalids. Du himself taught them the handicraft-making techniques.

The first products made by the unit were bamboo birds and animals ordered by souvenir shops and staff working for Vietnamese organizations and embassies abroad. These customers were able to contact Du via his address written on the products displayed at exhibitions. Du had to travel to Ha Noi, Cao Bang, and Bac Ninh to source the bamboo materials.

In the first year, the total revenue was D25 million with a net profit of D5 million. The revenue and profit did not meet his expectations because production during this period was mainly for small orders that were initiated by the customers themselves. As a result, the volume of production was unstable.

1999–2002

In 1999 in order to lessen his dependence on small orders initiated by customers, Du actively sought customers by participating in all international trade fairs and exhibitions in Ha Noi and Hai Phong. The purpose was to advertise and promote his products to foreign customers as well as to souvenir shops. At the same time, he attempted to make use of the connections he had made with military attachés in overseas embassies during the time he worked for the Ministry of Defense, and with sailors in Hai Phong, in order to advertise his products. In return, he gave these intermediaries a premium of 25% on the sales value.

Thanks to his active customer policies and a high discount rate for intermediaries, the number of orders rose rapidly during this period. In 2002, in order to meet these orders, Du rented an area of 300 square meters to expand production capacity. He employed 17 workers more, raising the number of workers to 20. Most of the workers were war invalids, the handicapped, and the offspring of war invalid families in Thanh Mien town, Hai Duong Province. Du himself trained these workers. The use of these workers is an

advantage because, though handicapped, they are still able to do the work and, more importantly, they have a high work discipline and are consequently more industrious than others.

During this period, due to his increased production scale and having established trusted relationships with suppliers, he did not have to travel to buy materials. Instead he was able to place direct orders with the suppliers, which significantly cut input costs.

Revenue and profit during this period grew at 50% per year and met his expectations.

2003–2004

In 2003, thanks to the efforts to lure customers during the previous period, the number of orders continued to increase. At the same time, Manh Hao also expected an increased demand for handicrafts in general and bamboo handicrafts in particular due to a sharp increase in the number of tourists during the Southeast Asian Games. Therefore, Du called for a capital contribution to establish the Manh Hao Company, Limited and to expand production. The company was established in 2004 by merging two production units, one of which was owned by Du, the other was a household carpentry production unit. The total capital of the company was D650 million in 2004, to which Du contributed 20%. Besides the bamboo handicraft business, the company is also engaged in household carpentry production. These two lines of businesses complement each other in terms of making full use of labor and machinery.

The current total land area is 600 square meters. The number of workers has increased to 130 people. Majority of them are still war invalids, the handicapped, veterans, and their offspring.

During this period, the company continued to sell and advertise its products to foreign customers through souvenir shops, diplomatic attachés, and sailors. In order to raise its reputation in the market and to cut its dependence on intermediaries in the long term, the company registered the Manh Hao trademark and printed it on its own products. It also introduced new products and actively participated in international fairs and exhibitions in Ha Noi and Hai Phong.

The turnover in 2004 was D1,415 million with a net profit of D200 million. The growth and development during this period met the expectations of the owner.

Strategy

During the initial period, the company did not have a business strategy but rather produced according to irregular and small orders placed by souvenir shops and diplomatic attachés. The company tried to improve its production techniques through these orders.

During the period 1999–2002, the company's strategy was to expand its market, and to reduce its dependence on small and infrequent orders. It actively sought customers through its intermediaries — souvenir shops, diplomatic attachés, and sailors. The company offered a high premium rate to encourage them.

During 2003–2004, the strategy was to expand its market and make full use of new opportunities brought about by foreign tourists to Viet Nam during the Southeast Asian Games. At the same time, the company intensified its efforts to build up trust and reputation and to limit its dependence on intermediaries in the long term. The company registered the Manh Hao trademark on its products and introduced new products.

Future Obstacles

The company's biggest obstacle in the future is the lack of information about end-user customers' demands and needs. This is because the company sells its products through intermediaries and does not have

direct contact with end-users. This obstacle will be overcome in part by the fact that the company has registered its trademark and branded this trademark onto its products.

The inability to rent adequate land to install equipment, expand production, and improve productivity and product quality is another major obstacle. Although the company has applied for long-term land rent from the State, it is difficult for such a small enterprise like Manh Hao to secure a long-term land rent contract since local authorities give priority to large projects and enterprises.

Success Factors and Lessons Learned

- Persistence in business.
- Be patient and persistent when faced with challenges and difficulties.

Two important lessons can be learnt from the Manh Hao case study:

1. In any handicraft business, connections in the market are very important. For small enterprises whose capacity to maintain direct contacts with their end-users is limited, intermediaries are an effective solution to sell and introduce new products. Participation in international trade fairs and exhibitions is also an efficient way to introduce products to foreign customers and domestic intermediaries.

Market development requires (i) capital accumulation to improve productivity and product quality, and (ii) better connections with the market.

PHUC LAM ROCK – WORK AND ROCK SCULPTURAL ART

Introduction

Phuc Lam Rock – Work and Rock Sculptural Art specializes in the design and construction of rock for rock work, interior and exterior decoration, flower garden, reliefs, and sculptural images in Da Nang and throughout the country. After studying rock work, sculptural images, reliefs and flower gardens, Hoang Ngoc Dong at first designed only for friends and relatives. Many people admired his works and immediately placed orders.

Dong opened the Phuc Lam facility in order to meet the increasing demand from customers. Phuc Lam's customers are mainly government agencies, private enterprises, and families who want to have a rock work or garden that shows a traditional style with a high cultural and artistic value. What makes Phuc Lam different from its competitors are its special architectural styles that combine classic, philosophic and the yin and yang elements. Its philosophy of development makes the artistic difference in its works.

Phuc Lam is a good example of a successful small enterprise that uses knowledge as a useful tool to provide products and services that are uniquely different from others.

Background

Pre-1994 operations

Before establishing the Phuc Lam facility, Dong went through a difficult period. After 2 years at the Hue Fine Arts College, he had to give up his studies to follow his family to the Dien Khanh new economic zone. During his stay in Dien Khanh, Dong continued to pursue his study of Eastern philosophy. He joined the military forces in 1985 and continued his research on Eastern philosophy.

He returned home in 1988. He had to go to Phan Rang to study statue sculpture with his brother because he failed to land a job. He was only able to attend this 1-year course for 5 months because of the lack of money. However, his teacher commented that he had reached the same level as the 1-year students. Afterwards, he worked for statue sculpture facilities in Ngu Hanh Son but did not give up his study of statue sculpture and ventured into rock work and garden design.

Because the income from sculpturing was very low, he got a transfer to drive a lorry. He also looked for ways to incorporate Eastern philosophy into rock work and garden design.

1994–1999

While studying statue sculpture, he designed rock works and gardens for friends and family. Recognizing the high value of his works, his friends introduced him to other enterprises and families.

In 1994, after accumulating sufficient knowledge and experience, especially when a lot of customers admired the rock work and garden he did for the Hon Ngu Hotel in Cua Lo, Dong gave up driving and opened a rock work and garden designing facility at his brother's house. At the beginning, he only offered consulting services and designs of rock work and gardens with a high traditional and artistic value. Being different from other competitors, Phuc Lam's customers were mainly government agencies, enterprises, and families who wanted to have a rock work or garden that shows traditional styles with high cultural and artistic value. Phuc Lam customers value its unique architectural style that embodies philosophic and yin and yang elements.

As consulting and designing services seem to be unseen, it is very hard to persuade customers to accept his ideas. For this reason, Dong's marketing strategy is to persuade customers through his completed works. Dong asked old customers and the Da Nang Association of Garden Art to introduce his products to others. He also became a member of the Association.

At the beginning, Dong did not employ any laborer and did everything by himself. The establishment of the facility also did not need much money because his products were almost entirely based on knowledge and skill capital.

The turnover and the average profit during this period was dong (D)50 million and D15 million per year, respectively. These incomes were not high enough and did not meet Dong's expectations. However, they did help his family have a better life.

2000–2004

Dong realized that if the facility only supplied consulting and designing services: (i) it would be very hard to achieve the same level of art as it appeared in his designs. It is simply because the person implementing the design cannot fully express the designer's ideas. In addition, customers also require some other kinds of decoration in their garden; and (ii) profit will be very low. Hence, along with his desire to create large and highly artistic works, Dong decided to supply service packages that include consultation, design, and implementation.

In order to expand the scale of business and diversify his products and services, Dong rented a 250-square meter lot to open the Phuc Lam Rock – Work and Rock Sculptural Art workshop. He also added 10 more employees who are very skillful and are members of the Danang Association of Garden Art. They received further training from Dong. Dong also has a number of collaborators in the Association and cooperates closely with a construction team that builds the raw parts of works.

Because the sources of capital for opening this facility are mainly knowledge and skills, Dong only needed a small amount of money to rent a house and to buy equipment.

During this period, Dong continued to market the workshop through his old customers and the Association. Because of the unique style he employed in designing the Truc Lam Vien tea bar in Da Nang, many new customers came to his workshop to place orders. In

addition, the Da Nang municipal architect office gives his workshop a very high credit and refers a lot of customers to him.

Success Factors and Lessons Learned

- Accumulate a good background in art
- Love the job and indulge in art and knowledge
- Always create works of art with a unique style.

Dong shares these three lessons that he learned from running the Phuc Lam facility:

- (i) Knowledge and creativity are vital factors to be successful nowadays because customers have higher incomes and education. Dong spent a long time doing research on philosophy, art, and classic works and he was successful in combining these influences in his products and services.
- (ii) As for art, in order to meet customers' demands, you must have a unique style that is appreciated by customers. Marketing products by showing practical works and through the Da Nang Association of Garden Art are the best ways to persuade customers to come to the Phuc Lam facility.
- (iii) For small enterprises with a limited capital, cooperation plays a crucial role to survive and to continue development. Through networks, enterprises can multiply their sources and meet their customers' needs on very little capital.

MAI TAN CO BUSINESS

Introduction

Mai Tan Co is a business enterprise operating under the VACR (garden, pond, cage, and forest) farm model designed by the Ministry of Agriculture and Rural Development. This is a large-scale farm with a total land area of 66.9 hectares, employing 250 workers consisting of both general and bachelor-level ones. First established in 1991, the farm was already large scale, with total land and water area totaling to 65 hectares. The farm has managed to achieve continuous and sustainable development for the last 15 years due to the efficient adoption of the VACR farm model.

The success of the Mai Tan Co business is a good example of the development of a large-scale farm model in Viet Nam. It proves that the combination of large-scale land accumulation and adoption of the VACR model will help businesses enhance their competitive advantages and lower risks that attach to market volatility and nature in agricultural cultivation activities.

Background

Pre-1991 Operations

Before the establishment of the farm, Mai Tan Co was a revolutionary senior. He joined the military forces in 1944. In 1954, he was transferred to the North.

In the North, from 1957 to 1961, he was selected to become a student at the Faculty of Breeding and Planting, University of Economy and Planning. After graduation, he was assigned to go to Phu Xuyen District, Ha Tay Province to engender the movement of cooperative establishment.

As many Phu Xuyen villages specialized in paper production and aquaculture, hence during his working period in this district, he managed to acquire vast knowledge and a great deal of experience in paper production and aquaculture.

In 1975, after the South was fully liberated and the country unified, Co was seconded to Da Nang to reconstruct his homeland in the

postwar period. During 1975–1978, he was assigned as head of the Agricultural and Forestry Products Processing Cooperative in Da Nang. The relations established during this period helped him a lot in opening a paper production and aquaculture business afterwards.

After his retirement in 1978, he formed a paper production workshop to generate income and employment for his family members. His eight children put his family in financial difficulty after his retirement. Initially, Co established a manual paper production shop in his home and employed his own family members. He utilized the knowledge and experiences learned during his stay in Phu Xuyen, Ha Tay. His first customer was an import-export company in Da Nang, who used paper to package its export products. The linkage with this company was established by Co while he was the head of the Agricultural and Forestry Products Processing Cooperative in Da Nang.

Under the centrally planned economic system, private production was totally outlawed, thus Co was not bold enough to expand his production base and only limited employment to his own family members and adoption of manual equipment. Since 1986, Viet Nam's economic system was fundamentally transformed from a centrally economic system into a market-oriented one, which allowed private entrepreneurs to form production businesses. As a result, Co spent a huge amount of money to purchase new and sophisticated equipment and recruited up to 120 workers to expand the production.

During this period, his business focused on producing paper which was recycled from waste paper and his main customers were households that purchased his product to create firecrackers, a traditional item in Da Nang.

1991–1995

The Mai Tan Co business was established in 1991. The initial business activities were

- (i) paper production,
- (ii) freshwater fish and meaty tortoise culture,
- (iii) livestock and poultry breeding, and
- (iv) fruit farming and timber planting. The total investment in aquaculture, animal husbandry, and tree planting amounted to dong (D)2 billion, of which D1 billion was his own money and the balance of D1 billion was a bank loan.

In 1991 besides the high profit-earning paper production, he decided to invest in farming. The following reasons led him to this decision:

- (i) in 1990, he was granted the right to use 14 hectares of forestland and 51 hectares of lake for 15 years in accordance with Resolution 10 that was issued in 1988;
- (ii) Co was keen on farming business, and acquired vast knowledge and experiences when he studied and worked in the North;
- (iii) his prediction of intense competition in the paper industry; and
- (iv) Co's financial position is sound from the capital he accumulated from his paper business since 1978.

After improving lakes and forestland, Co decided to develop farming in line with the VACR model, and adopted the combination of freshwater fish and meaty tortoise culture, livestock and poultry breeding, and fruit farming and timber planting. The combination allowed his business to utilize the idle time arising from the seasonality of agricultural cultivation, and at the same time to diversify risks as agricultural activities are contingent on the market and forces of nature.

At first, Co purchased breeders of fish and meaty tortoise from Phu Xuyen, Ha Tay where he worked before. Then, he did pig husbandry and raised poultry to feed chicken manure to the fish and to utilize the laborers' working time. Fruit farming and timber planting also helped his business to fully utilize the working time.

During the initial period, the business sold its commodities through a friend who was an

intermediary trading in agro-products. Subsequently, Co continually appeared on the public media as a good entrepreneurial farmer and as a knowledge propagator for other farmers, thus many customers became aware of his business and placed orders with him directly. The agriculture production of the business during this period was totally based on the customers' orders.

The total number of workers during this time reached 150. Apart from unskilled laborers, the business recruited technical and highly qualified workers to implement scientific applications in aquaculture and animal husbandry.

The average revenue at this time was D1.8 billion, of which the profit was D256 million. Despite the modest profit earned during this period due to the high investment in the new business line, the development already lived up to the expectations of the business.

1996-2004

Since 1995, the paper production operation was hampered as the Government imposed a ban on firecracker production and usage. Not being able to switch to the production of other high-grade papers due to backward technology and unwilling to produce votive papers, Co shut down his paper production shop and focused on his agri-business and aquaculture.

In 2000, after being granted 1.4 hectares for shrimp hatching under the 773 Project of Da Nang City, his business expanded the business lines to include tiger prawn culture. During this time, in order to lower the uncertainty owing to the high dependence of production on orders, his business established its own agent system in Da Nang. All the products would be marketed through such agents. With regard to tiger prawns, the business provided directly to agents of factories that process frozen shrimps for export.

Success Factors and Lessons Learned

- High resoluteness and determination
- Knowledgeable and experienced, continuous learning and investment in technical issues

- Annual planning; review and learn experiences yearly

There are three lessons that can be learned from the case of the Mai Tan Co business:

- (i) Knowledge and technology are critical success factors in developing farming under VACR model. Co is a well-educated entrepreneur in agricultural production. He also has a lot of experiences in this field as a result of his working time in Phu Xuyen, Ha Tay. Concurrently, Co also employed well-

trained and highly skilled workers and together with them undertake continuous learning with a view to update and enrich knowledge and technology;

- (ii) The expansion of the VACR-modeled farm involves enormous funds to be spent for not only investment but also for risk provision as agriculture is a highly risky area; and

Market development for agro-products requires close ties with the market as agro-products are highly seasonal.

BAC DAU COMPANY, LIMITED

Introduction

Bac Dau Company, Limited is engaged in two business areas: (i) offshore fish catching and (ii) aquaculture products purchasing. These two areas complement each other, which give the enterprise a stable and regular source of inputs for its frozen fishery export processing units and at the same time facilitate the distribution and sale of its catches. In addition, combining these two areas helps diversify the risks for the enterprise.

The company is a good showcase for the following reasons: (i) it is one of the few efficient offshore catching enterprises in the Government's offshore catching program; (ii) although the company was only registered in 2002, it has been in operation for over 34 years. During the life of the enterprise a lot of changes have taken place such as the liberation of the South, the unification of the country, and the shift in the economic system of Viet Nam from a centrally planned to a market-based economy. Therefore, strategic research done to adapt with the changes during these periods will provide a good lesson for other cases.

Background

Before 1970

The family of Nguyen Van Chin, the owner of the enterprise, has a long tradition in fishery and aquaculture in Quang Nam. When he was 16 years old (1968) his family moved to Phan Van Vinh, Da Nang to avoid the war which had intensified by then. At the beginning, in order to acquire more experience in fish catching in Da Nang ocean, he worked as an employee for other fishing ship owners here.

1970 – 1974

Having accumulated experience in fishing after 2 years working as an employee, his father and another family contributed funds to build a fishing ship with a capacity of 3CV and asked him to operate the ship. His family contributed US\$8,000, of which US\$6,000 were his family's savings while living in Quang Nam and the rest (US\$2,000) was borrowed from banks.

At the beginning there were seven employees who were local fishermen. During this period, his business did well because there were few fishing ships and fish resources were abundant. He sold his catch to household dealers and restaurants.

The profit margin during 1970–1974 was US\$10,000 per year on average. A good share of the profits was saved for further investment. After 2 years his family repaid the bank loans and funds contributed by other family members. His family built another ship with a capacity of 33CV and employed seven more local fishermen. The growth rate of the enterprise was high and met his expectation.

1975–1989

After the unification of the country, Chin participated in the state-owned fishing fleets in line with the collectivization movement in the South after unification. Having participated in the state-owned fishing fleets, Chin acquired many new fishing techniques, thereby raising the fishing efficiency. However, during this period the distribution and acquisition of supplies were difficult because under the central planning system a free market did not exist. Therefore, ship owners could only sell their product to state-owned aquaculture dealers and acquired supplies from the national state-owned commercial system.

To deal with this difficulty, the enterprise opened two more business lines: acting as a purchasing dealer for state-owned dealers and exchanging fish products for supplies which were then later sold to other ship owners.

These two lines of businesses helped the enterprise in selling its products and acquiring the necessary supplies for fishing. The enterprise tried to strike a balance between fishing, dealing, and supplying materials for fishing.

The profit margin during 1975–1989 was very high, about US\$25,000 per year. A good share of this profit margin was saved for re-investment. In 1985 Chin built two more ships with a capacity of 33 CV each, and at the same time expanded his housing area from

90 square meters to 500 square meters for business purposes, for purchasing aquaculture products and selling material supplies for fishing. He employed 38 workers, 30 of whom worked in purchasing aquaculture products and selling supplies.

The growth rate of the enterprise was high during this period and met his expectation.

1990–2004

Since 1990, the competition in his local area has intensified. Therefore, the coastal reserve of surface fishes decreased, which led to a fall in the output of the enterprise. The enterprise focused on the purchasing activities which were very busy given the rapid increase of fish supplies and on investing in new fishing methods.

In 1998 with financial support from the Government for the offshore fishing program, Chin sold all his old fishing ships to purchase two offshore fishing ships with a capacity of 165CV each. The capital required for purchasing these two ships was dong (D)2.3 billion, of which 85% was loaned by the Government and 15% was his own capital.

The efficiency of offshore fishing was low because of the high costs and the output was too high (at that time, in Da Nang there were 45 more offshore fishing ships which were funded by the Government), so aquaculture processing enterprises in the areas were not able to process all of the output, which led to a sharp fall in the prices of fishery products. If the fishing output could not be sold off offshore fishing ships would not be freed to go offshore. Therefore, the enterprise focused on developing the purchasing business, seeking aquaculture processing enterprises in other provinces. In order to sell its products to other provinces, the enterprise purchased three cold storage vehicles. At the same time, it also developed the business of supplying materials and fishing equipment to other offshore fishing enterprises.

In the fishing business, in order to increase its competitiveness, the enterprise has invested in innovating its fishing techniques, new fishing equipment new catching nets, and new technologies so that it would be able to catch high value fishes. Through its connection with

suppliers of fishing equipment and materials, the enterprise became aware of new fishing technologies and was among the first to apply new technologies in its fishing business. As a result, the enterprise diversified its fishing business and reduced its dependency on seasonality and lowered costs and increased profits.

The average revenue during this period was D20 billion, with a profit margin of D800 million per year. The developments during this period met the expectation of the owner.

Success Factors and Lessons Learned

- Keep diversifying and investing to keep pace with changes in the market.
- Adopt a reasonable combination of fishing, purchasing, and supplying businesses.
- Prepare your homework well to reduce costs and increase profits.

Two lessons can be drawn from the Bac Dau case study:

1. Capital is of vital importance for offshore fishing enterprises. These enterprises need large investment capital because (i) the investment capital for purchasing high capacity ships and modern fishing equipment is very high; (ii) the investment cost of an offshore fishing trip is also very high; (iii) offshore fishing enterprises need to invest frequently in new equipment and technologies in order to diversify their fishing modes as well as products; and (iv) a large capital is needed in case something goes wrong;
2. In order to create a favorable environment for the development of offshore fishing enterprises, it is necessary to have a good connection between fishing and processing enterprises. Offshore fishing enterprises often have large outputs and fishery products are highly perishable. If customers cannot be found on time the risks involved would be enormous because of the high fishing costs. Therefore, it is necessary to have some contractual connection between fishing and processing enterprises.

THIEN KIM STEEL PRODUCTION AND COMMERCIAL COMPANY

Thien Kim Steel Production and Commercial Company was set up in 1991. The company started as a one-person operation, collecting and selling scrap steel to steel production units. The owner of the Company, Mrs. Nguyen Thi Nu, realized that the production capacity of Viet Nam companies could not meet the great demand for steel products, especially construction steel in Da Nang in particular and in the Central region in general. The competition strategy of the Thien Kim Company was to satisfy the demands of small customers, who could not afford to buy a whole steel truckload from the Thai Nguyen Steel Company (the Thai Nguyen Steel company only accepted orders big enough for a whole truck to transport steel from Thai Nguyen to Da Nang). To compete with other small steel units, the Thien Kim Company began investigating opportunities to launch new products.

The success of the Thien Kim Company is a typical case of the development of a private company within the government's import substitution strategy. The Thien Kim Company survived and developed during the transformation of Viet Nam from a centralized economy to a market economy that is more integrated into the world economy. It is very worthwhile to consider the Company because it is a good illustration of how an enterprise adapted to significant changes in Viet Nam's economic system.

Prior to 1990, Mrs. Nu ran a coffee shop at her home. The income from the coffee shop was enough for family expenses but it required the participation of all family members and the work often finished late at night. Mrs. Nu decided to change her work. She bought scrap steel and sold it to steel rolling units inside and outside Da Nang city. Her capital at that time was VND10 million, gained from profits retained from the coffee shop business.

While trading scrap steel, Mrs. Nu realized that there was a substantial potential demand for steel products which was not matched by the capacity of domestic steel companies to meet the demands, especially for construction steel in the Central region in general and in Da Nang in particular. At the same time,

buying the steel was more and more difficult because of the emergence of new traders. So Mrs. Nu decided to set up a rolled steel company.

Before establishing the company, via her old relationships in scrap steel trading, Mrs. Nu went to Ho Chi Minh City to learn the technology of hot steel rolling. From the experiences of other units in Da Nang, she knew that the profit and competitiveness of cold steel rolling is low. After returning from Ho Chi Minh City, Mrs. Nu bought a hot steel rolling machine and established the Thien Kim Company in 1991. In the beginning, the Company was licensed as a steel rolling unit with a small capacity of about 20 tons per month.

Because she did not have much experience in hot steel rolling, she bought the machine from an enterprise right in Da Nang city. Although the machine price in Da Nang was more expensive than that of Ho Chi Minh City, she was able to obtain a service warranty and technological training for her workers from the enterprise in Da Nang.

In the beginning, the company was located in Mrs. Nu's house, about 100 meters square. Ten local unskilled workers were employed. They were trained by Mrs. Nu and the machine supplier. The first customers were six nail producers and 15 window welding producers. The raw material for steel production was scrapping steel she bought from other traders.

The average turnover in the period 1991-1994 was VND 600 million per year, with profit of VND 40 million per year. The reasons for relatively low profits were: (i) lack of manufacturing experience; and (ii) the burden of bank interest. The profit from production was used to pay for her family's expenses and retained for reinvestment.

The hot steel rolling activities at home created some harmful effects on the environment and on her neighbors. In 1995, the company had to move to another location rented from a state-owned company with an area of about 400 square meters. At that time, a friend who had invested in the Company withdrew his capital. In addition, by 1995, Thien Kim

products were subject to fierce competition. Because these competitors reduced their price, Thien Kim's traditional customers turned to the competitor. Mrs. Nu then pledged both her house and the Thien Kim Company as collateral for a bank loan to repay her friend and change the technology. She bought another hot steel rolling machine and a rough steel cutting machine. The new product was solid square steel, for which there were very few competitors in Da Nang or neighboring provinces. Thien Kim's strategy for this product was to meet small retail demands and to compete with the same product offered by the Thai Nguyen Steel Company. Because the distance from Thai Nguyen to Da Nang is more than 800 km, the Thai Nguyen Steel Company only supplied the product for medium and large orders. So the Thien Kim Company concentrated on meeting the small retail demands of customers in Da Nang and neighboring provinces.

In 1996, noticing the demand for electronic clips/clamps for the 500 KV electricity line running from the North to the South of Viet Nam, Mrs. Nu decided to produce electricity clips/clamps as a new product. The Company employed 20 workers at that time, who were originally unskilled and were then trained by the owner. At that time, 80% of the Company's raw material was scrap steel, but to continue as a dynamic and innovative enterprise, the Thien Kim Company bought rough steel as raw material. This took up about 20% of the Company's whole raw material.

The capacity of the Company increased to 50 tons per month (an increase of 2.5 times) but the turnover increased four times (VND 2.4 billion per year on average) and the profit increased six times (VND 240 million per year on average) compared to the turnover and profit in the period 1991-1994. The Thien Kim Company had gained a great deal of manufacturing experience and had adapted in order to manufacture products requiring higher technology to produce, thus returning higher margins of profit.

A significant increase in income has been experienced by residents of Da Nang and neighboring provinces since 1996. This resulted in an increasing demand for rebuilding houses and its associated

products. The steel market had a great potential for growth, but the capacity of domestic steel companies could not meet demands. Identifying the opportunity to expand their business, in 1999 the Thien Kim Company rented 1,300 square meters in Thanh Khe 6 Industrial Park in Da Nang. At the same time, the Company borrowed VND 400 million more from the bank to buy 1,200 square meters of land use rights from an unprofitable company in the same industrial park, built premises and bought more machines. Its capacity was increased to 2,400 tons per year in 1999 and 4,800 tons per year in 2000.

In addition, the Thien Kim Company concentrated on improving new products and increasing the quality of their products. Besides solid square steel billets for construction, the Thien Kim Company produced round, lined and V letter-like steel billets. The strategy of the Thien Kim Company in this period was to improve the quality of its products to compete with the same products of other companies in Da Nang and neighboring provinces. Since the year 2000, the Company has produced high quality steel products for state-owned companies with large projects. Nowadays, beside the Central region market, the Thien Kim Company has expanded its customer network to Ho Chi Minh City.

Currently, 50% of the Company's raw material is rough steel. The increasing percentage of rough steel helped Thien Kim be more independent in its production and has increased the quality of its products. However, the Company has had some difficulties because the price of rough steel fluctuates depending on the international market.

The number of workers has increased to 35 people. Besides the workers who were trained by the owner, Thien Kim Company recruited more skilled workers from vocational education schools and engineers from universities.

Success factors and Lessons learnt

- Continuous investment and upgrading of technology to produce new products and increase the quality of products
- Quickly catching up with market demands and making brave investment decisions

- Exertions of the owner
- Good treatment of workers

There are two lessons to be learned from the Thien Kim company case:

- To succeed in the steel rolling field requires a certain level of secure funds. At the same time, it requires a continuous saving of capital and profit in order to expand production and renew technology. Some steel rolling enterprises in Da Nang went bankrupt

because they did not focus on saving capital in order to expand production and renew technology.

The development of the Thien Kim Company is based on the strategy of imports replacement in Viet Nam in the 1990s. However, when Viet Nam joins the World Trade Organization (WTO) and adopts a more open economic system, the Thien Kim Company will be faced with stiff competition. It has already prepared for this by entering the new field of steel trading.

NHA BAN DESIGN CONSULTATION AND TRADE IN SERVICE COMPANY

Introduction

The Nha Ban Design Consultation and Trade in Service Company is an enterprise in the field of design consultation and home furniture production and delivery. It is a well-known company in the field of home furniture in Da Nang. From the initial business of advertisement board designing for small shops and enterprises, Nha Ban has become a multi-field enterprise from design consultation to home furniture production and distribution.

The success of Nha Ban is a typical case in the development of young Vietnamese entrepreneurs who use their knowledge in new and promising business areas in the context of Viet Nam's transition to a market economy and the increasing incomes of the population.

Background

Pre-1995

In 1989, after graduating from high school, Thien, the entrepreneur, passed the entrance examination to get a place in Ho Chi Minh Technology University. His family which was poor could not afford the school fees and subsistence expenses in Ho Chi Minh City, so he worked part-time as a servant in a coffee bar.

After spending 2 years at the university, Thien realized that he was not suited for a technology course which he took just to meet the expectations of his family. He then took the entrance examinations at the Ho Chi Minh Architect University, which was in line with his talent in design and arts. While studying at the Architect University, he continued to work in the coffee bar to pay his school fees and subsistence expenses.

1995–mid-1997

In 1994, after having accumulated some knowledge in arts and design from the Ho Chi Minh Architect University, Thien began to work on decoration and advertisement boards for the coffee bar. Many customers liked his decoration style and advertisement boards and placed several orders, so he rented a

small house with an area of 50 square meters in 1995 to open a shop.

His initial capital was dong (D)10 million (approximately equal to US\$900 in 1995), which he used to pay the house rent in advance and to buy some materials and tools used for designing and making advertisement boards. The capital was his savings in 1994 when he received some orders for advertisement board design and decoration.

The first three employees were his schoolmates. Customers during this period were mostly small businesses ordering small advertisement boards and decoration that medium and big advertisement companies were not interested in. The customers themselves came to his shop and placed orders.

Because advertisement was a new industry and at that time few competitors cared for small orders, his business was propitious. The annual average turnover during this period reached D600 million; profit reached D250 million per year and met the expectation of the entrepreneur.

1997–1999

After graduating from Ho Chi Minh Architect University in 1997, he wanted to focus his time and strength on an area where he could utilize his training and professional knowledge. Thien closed his advertisement shop and rented another place to open a new center which specialized in designing and making home decoration. At that time, there were plenty of opportunities in home decoration because of the boom in housing construction in Ho Chi Minh due to the sharp increase in incomes.

In the beginning, Thien only focused on providing home design. Upon discovering that customers wanted a complete service package for designing and building a house and decorating it to create a particular architectural style, he began to build houses and provide home decoration as well.

His workers, who now numbered 50, built houses and made home decorations according to the wishes of customers. The

workers, who came from Da Nang, were famous for their traditional skills in building.

His first customers were introduced by his schoolmates. Due to the impressive design and high quality of his work, old customers introduced new customers. Because his competitors were few, the new business was propitious and made an annual average profit of D500 million. The growth rate in this period met the expectation of the entrepreneur.

2000–2004

In 2000, due to family problems, Thien moved his house design, building and home decoration business from Ho Chi Minh City to Da Nang City. In Da Nang, he set up the Nha Ban Design Consultation and Trade in Service Company. Besides design consultation and home decoration, Thien opened a center to produce home furniture and two home furniture delivery shops including one shop that specializes in selling imported furniture through catalogues and serves as an exclusive distributor for a Singaporean furniture company. He ventured into other fields of production including the delivery of home furniture because of (i) the increasing demand of many customers who wanted to receive a complete service package from design, home decoration to home furniture supply to follow the theme and ideas created by the designer; and (ii) his desire to produce home furniture that suited his own design idea and particular style.

In Da Nang, he did not supply house building services because building workers in Da Nang were famous for their work, thus competition in the field of house building was very stiff.

The capital for the new business was D1.2 billion that he saved from the advertisement

shop and the house design and building and home decoration center in Ho Chi Minh City.

The first workers were recruited via newspaper advertisements. It was difficult to recruit skilled workers because home decoration was a new industry in Viet Nam. The first customers in Da Nang were introduced by Thien's friends and relatives, and then the old customers introduced new customers.

The average turnover and profit during this period was D10 billion and D1 billion per year, respectively. The growth rate of the company met the entrepreneur's expectation. In order to maintain this rate, the company plans to produce home furniture to replace imported ones and expand its market to southern provinces.

Success Factors and Lessons Learned

- To be determined to choose a favorite field and to have a passion for the job.
- To create a difference by having a distinctive architectural and home decoration style

Two lessons can be drawn from the case of Nha Ban Consultation and Trade in Service Company:

- (i) Creating a distinctive style is very important for the success of home design and decoration enterprises. It requires not only particular designs but also carrying out these designs.
- (ii) In the specific industry of home design and decoration, in order to create a market niche, it is necessary to be known and appreciated by customers. Thus, besides knowledge, social relations play an important role.

VIET TIN CO. LTD.

Introduction

Viet Tin Co., Ltd. is an enterprise that specializes in information technology (IT) application training, secondhand personal computers (PCs), and software development. At present, Viet Tin employs 50 workers, 10 of whom are trainers. In addition, it has a group of collaborators consisting of about 100 people working in universities, schools, and organizations. The use of these collaborators helps Viet Tin to make use of professional, highly skilled, and trained human resources from these organizations as they help Viet Tin in providing students with real experiences that prove to be useful in their jobs later.

Background

Before 1999

Truong Phuoc Anh studied physics in Hue University and graduated in 1985 with a BA diploma. After graduation, he was unemployed until 1987 because he could not find a suitable job where he could use his skills.

In 1987 a friend who was a lecturer at Da Nang University discovered a potential area for development, which was the IT industry. He asked Anh to follow a training course in PCs and software development for 6 months in Da Nang University. His job here was to provide training for short courses on IT application which were organized by Da Nang University. During this time, Anh was able to find an electronic typesetting job in a printing factory in Da Nang. Because the income from the part-time teaching job and from his job at the factory were barely enough to cover his modest living, together with four friends (one of them is a lecturer at Da Nang University and the other three work for Da Nang Power Plant) he contributed funds to purchase an XT computer at the price of US\$1,000 in 1988 to develop software. Anh contributed US\$200, which he borrowed from his girlfriend and from friends.

Having purchased the computer Anh and his friends looked for software orders and contracts. The first contract was an order to

develop reception and accounting softwares for Phuong Dong Hotel in Da Nang. This first contract was worth dong (D)4 million, which was much lower than that offered by other companies in Ho Chi Minh City at this time. The quotation price for the accounting software alone was about D27 million in Ho Chi Minh City. Although the price was very low, Anh and his group still took the order because they wanted to pay the debts they had incurred when they purchased the computer.

During 1988 and 1989, Anh and his group received several contracts to develop software. The income earned during this period was very low because of the low demand for software by enterprises in Da Nang. There were not many computers even in enterprises and government offices. In addition, the role of IT technology, particularly software in Da Nang and in Viet Nam in general, was not yet properly recognized. As a result investments in special-purpose software by offices and enterprises were still very limited. However, during this period, Anh and his group were able to establish their reputation in Da Nang thanks to the quality of the software and solutions they provided to customers and they were the first to develop software in Da Nang.

In 1990, the Center of Vietnam Academy in Da Nang was dissolved to establish an investment and technology consulting firm, the International Consulting and Training Centre (ICTC), a state-owned company. This company maintained an information and automation department. Knowing the reputation of Anh and his group, ICTC invited them to work for the company. Anh and one of his friends in the group (who was then working for Da Nang Power Plant) decided to work for ICTC and his group was dissolved. Working at ICTC from 1990 to 1995, Anh served as manager of the Information and Automation Department. The department was responsible for training, software development and PC trading. During this period, Anh lived on wages paid by the state-owned company, which was about US\$60–70 per month.

While working at ICTC, Anh made an important contribution to the development and enlargement of the market shares and business activities of the department. Also during this period, the demand for training, software, and PCs in Viet Nam in general and in Da Nang and nearby provinces increased sharply. In order to meet the development needs by 1995, Anh decided to establish an information development center in Da Nang (INDEX) for which he worked as director until the end of 1999. INDEX was involved in training, software development, and PC trading.

1999–2000

While working as director of INDEX, Anh saw the very large demand for applied IT training by inhabitants in Da Nang and nearby provinces, which the schools and universities in Da Nang and Hue were not able to supply. However, because INDEX was a state-owned subsidiary of ICTC, Anh did not have the autonomy to decide on every aspect of the INDEX operations. He had to wait for ICTC's approval each time. This led to (i) delayed business decisions and failure to seize business opportunities; and (ii) difficulty in expanding business operations because he did not have business autonomy and had to rely on ICTC.

As a result, Anh decided to establish the Viet Tin Co., Ltd. in August 1999. At this time, he still served as the director of INDEX, a state-owned company, so he could not serve as director of Viet Tin. He had to ask his cousin to serve as the director of Viet Tin. The initial capital used to set up Viet Tin was just D100 million, which was his savings while working as director for INDEX during 1995–1999. Viet Tin is doing business in the following areas:

- (i) training,
- (ii) equipment supplies, and
- (iii) software development. These are the areas Anh was responsible for while working for ICTC and later for INDEX.

At the beginning, Anh purchased 25 PCs on credit to establish his own computer training laboratory at a rented location on Tran Phu street with an area of 200 square meters. Anh was able to purchase PCs on credit from partners in Ho Chi Minh City because while

working at INDEX Anh and his business partner were known as trustworthy. After 4 months in operation, realizing that it was possible to expand his business and it was necessary to invest more time and energy to develop Viet tin, Anh resigned from INDEX to work as director at Viet Tin. The revenue for 4 months in 1999 was D150 million; training accounted for 95% of this amount while the rest came from selling equipment. Viet Tin started with 5 employees, most of whom had just graduated from the IT departments of universities.

In early 2000, because the premise owner cancelled the rent contract, Anh rented a new office at 307 Phan Chau Trinh with an area of 300 square meters and decided to open a second computer shop, raising the number of computers to 50 PCs. The new acquisition was also on credit.

In 2000 Anh purchased a shipment of secondhand PCs from North America from an old business partner in Ho Chi Minh City. Realizing the large demand for secondhand PCs by low-income people and those who would like to set up PC shops for internet and computer games, Anh ventured into a new business area: importing secondhand PCs from North America (through an agent in Ho Chi Minh City).

The opening of the new business line proved to be very helpful for the main business line of training for the company because (i) it helps the company to open new PC shops at a lower price; (ii) it helps the company to make full use of the employees in the secondhand PC business to repair the PCs used in training, thus allowing the company more flexibility and independence in repairing the PCs for training. As a result, the company can provide good PCs for students to practice. The revenue in 2000 was D600 million, of which 60% came from training. The number of employees increased from 5 to 15.

Also in 2000, in order to improve his IT skills and knowledge, Anh participated in a Masters program on IT in Da Nang University.

The growth rate of the company during 1999–2000 was high and met Anh's expectation.

2001–2004

In 2001, in order to meet the company's development objective, Anh rented 1,500 square meters more and opened two more computer shops, raising the total number of his computers to 100. All these computers were imported from North America so the cost was very low. In 2002, to open 4 more computer rooms, raising the total number of his computers to 200, Viet Tin had to rent 12 more rooms from a private school for IT application training courses. Viet Tin got a bank loan, and bought land to build a training center with a total area of 2,500 square meters. After the building was finished at the end of 2003, Viet Tin's total area was 4,000 square meters. Viet Tin started to produce software in 2002 and their customers are enterprises in Da Nang. The company opened this new business area due to the increasing number of computer rooms, which need to employ more workers who specialize in installing and fixing software to make sure all the computers are always in good condition. Opening this new business helps Viet Tin not only to make use of its workers' free time but also to assess the needs of enterprises. Based on that demand, Viet Tin set up its IT appliance training courses. Although in 2004 Viet Tin's sales were very low with a turnover of just D100 million, it helped Viet Tin to maintain the workers who install computers and fix the software defects of 400 computers.

Currently, Viet Tin has 16 computer rooms with a total of 400 computers and 6,000 trainees annually. Its workers number around 50. When the number of trainees increases, Viet Tin only maintains 10 permanent workers (10% of the total trainers). In addition, it has a group of collaborators working in universities and enterprises. These collaborators help Viet Tin to make use of trained and highly skilled human resources from these organizations as they help Viet Tin in providing students with real experiences which prove to be useful in their jobs later. Revenues in 2004 reached D6,1 billion, of which D3 billion is from training activities, D3 billion is from purchasing

secondhand PCs, and D100 million is from producing software.

Viet Tin's average growth rate of 80% per year from 2001 to 2004 satisfied Anh's expectation.

Success Factors and Lessons Learned

- Foresee the demand and focus on areas where schools have weaknesses.
- Know how to manage risks due to large-scale activities, particularly the risks involved when PCs break down.
- Secure reputation and quality for customers and students.
- Make use of trained and highly skilled collaborators.

Three lessons can be learned from the Viet Tin case study:

- *First*, to succeed in IT business it is not necessary to focus on software development and IT training. Viet Tin focused on training IT application, an area which has great demand but remains untapped.
- *Second*, risk management is an important factor in the success of Viet Tin. Many training organizations are not successful when they expand their scope and scale of operation because they do not have an efficient management system to deal with risks involved in computer breakdown. The opening of two other business lines, trading secondhand PCs and software development, help Viet Tin in dealing with computer breakdown in a timely manner.

Third, in the field of training and education, it is not necessary to maintain a large number of staff which is difficult to operate and manage. Instead, Viet Tin employs collaborators from universities, schools, and other enterprises. This practice helps Viet Tin to have access to a pool of well-trained, highly qualified and experienced teachers, who can provide practical knowledge which is very useful to students in their jobs later.

THU DUNG ELECTRICAL ENGINEERING TRADE AND SERVICE COMPANY

Thu Dung Electrical Engineering Trade and Service Company is an enterprise specializing in trading electrical equipment ranging from civil products to high voltage and low voltage equipment. The enterprise also provides electrical engineering services to civil and industrial structures. Starting out in 1983 as a small shop selling electrical bulbs, the Thu Dung Company has become a large enterprise trading in electrical equipment and engineering in the Central region. The development philosophy of the company is to keep investing in order to expand its business, diversify its products, diversify its customer base and develop new business areas.

Thu Dung is a praiseworthy company in the field of trading and service because it has experienced a consecutive period of growth for the last 22 years in conjunction with significant changes to the Vietnamese economic system, from a centralized to a market-oriented one. The Thu Dung strategy of adapting to changes in the business environment and maintaining nonstop growth will therefore be a valuable lesson for other enterprises.

Born into a poor and child-crowded family, Mrs. Dung had to begin working from the age of 12. For her first job, she tried the work of a ticket saleswoman for the long-distance bus service belonging to her uncle. The job required a working start of 4 o'clock in the morning. During this period, she worked as a ticket saleswoman in the morning, did housework in the afternoon, and attended classes in the evening. She spent only four hours sleeping each day.

After liberation in 1975, she worked for a joint stock-company that manufactured footwear that was owned by her sister. The overwhelming workload and low pay forced her, in 1977, to stop working for that company and move into pharmaceutical trading at the local market.

Pharmaceutical trading was an opportunity to gain much profit, yet it was an illegal trade because, at that time, the government did not allow private pharmaceutical trading. In 1983, after six years in this job and realizing its instability, Mrs. Dung began to seek a new

business opportunity. The idea for the new business originated from the fact that, when the incandescent bulbs in her houses and that of her neighbors were blown out, it was very difficult to buy replacement bulbs. In addition, the price of the bulbs was very high as there were very few outlets selling that kind of bulb. She therefore decided to open a retail shop at her house to sell this type of bulb. In the beginning years, she did not hire a salesperson but took on that role herself. Realizing it was a waste of space and time to be just an electrical bulb retailer, she decided to combine the bulb-selling business with selling fruit juice and ice cream (the total area of her house is 200 square meters).

The sum of money she used to open the bulb retail shop and to sell fruit juice and ice-cream was very small, just an equivalent of, at that time, USD 100. This sum was her savings from her time working in pharmaceutical trading.

Contact with her customers led her to the discovery that a high demand for electrical home appliances existed. At the same time, supply was increasing because Vietnamese workers in the former Soviet Union began to send home these appliances. She therefore decided to expand her business to other electrical appliances, including electrical wires, voltage stabilizers, sockets, etc. Her customers were householders in Da Nang city.

As a result of this expansion, her business results were very favorable. During that time, under the centralized system, goods were mostly distributed through a state-owned trading system on a ticket basis; private trade was inhibited and this caused a scarcity of goods, particularly electrical appliances, in the free market.

Annual average revenue in this period was approximately USD 10,000 and annual average profit reached USD 3,000. A large part of the profits were used to expand her business, buying reserve goods as stock and multiplying her product categories.

Development during this period satisfied her expectation of owning a stable and legal business.

From 1992, the supply of electrical home appliances from the former Soviet Union became exhausted due to the collapse of the Soviet Union and East European economies. At the same time, fierce competition arose in the retailing of electrical home appliances. Mrs. Dung therefore decided to concentrate on larger customers and industrial clients that had demands for specialized equipment and high, low voltage facilities. However, if she relied solely on this source, she would not have been able to fulfill large orders and specialized equipment orders. She therefore sought new sources.

To qualify as an agent for domestic and foreign electrical equipment producers, and at the same time to meet big orders, Mrs. Dung established the Thu Dung Company in 1994. The capital to establish the company was VND 300 million, which were her savings from the period 1983-1993.

During this period, the company operated as agents for a number of foreign and domestic electrical equipment manufacturers. Accurately estimating that there would be an increasing demand in electrical equipment for the construction and maintenance of the North-South 500KV electrical system and the development of the electrical grid that serviced residential as well as industrial areas, the company introduced industrial electricity equipment and high-low voltage facilities into its business.

Clients of the company in this period were enterprises and households in Da Nang and other provinces of Central Vietnam.

To fulfill an increasingly expanding business, the company employed 30 workers, including manual workers and technical staff. Simultaneously, the company bought a 600 square meter area of land in order to open a showroom. The existing house of the owner was used for storage.

From 1994 to 1997, the annual revenue of the company increased to VND 7 billion. Revenue growth was constantly maintained because Thu Dung continued to introduce new products and expand their market. Mrs. Dung not only focused on Da Nang as she had done in the past, but also penetrated other Central provinces. The annual average profit for this period was VND 1.5 billion.

In general, revenue and profit met the demands of Mrs. Dung. Most of the profit was accumulated for reinvestment.

From 1998, with the purpose of enlarging revenue and profit and concentrating on big clients, the Thu Dung Company opened a new field of business: tendering for the supply of electrical installations and construction services for civil and industrial construction work. Clients of this service were organizations and households that had a demand for a packaged service, from supplying electrical equipment to installing and constructing the equipment.

To open this service, the company bought another 200 square meter area of land to establish a transaction office at 71 Dien Bien Phu, Da Nang. The company employed 20 permanent workers at this site and cooperated with other installation and construction companies to mobilize an extra 50 workers when necessary in cases where Thu Dung won the bids.

Thu Dung revenue reached VND 29 billion in 2004, 20% of which was from their installation and construction service (a profit of VND 5.8 billion). The development of the company in this period met the expectations of its owner, Mrs. Dung.

Most of the profit was used to expand the business and invest in new businesses. In the future, Mrs. Dung will invest in a large scale cow breeding farm.

Success factors and Lessons learned

- Passion and whole heart for the work
- Will and consistency in the chosen field
- Good business virtue and integrity
- Capital accumulation for reinvestment.

The lesson from the study of this case for other enterprises is that capital accumulation for further investment, client contact and the multiplication of products are all very important for business growth and success. As a result of these strategies, Thu Dung has been able to cope with increasingly fierce competition in an opening economic system and changing trade regime.

DUY LOI FOLDABLE HAMMOCK

In the late 1980s and early 1990s, as a worker in a state-run mechanics enterprise, Mr. Loi lived in very difficult conditions, receiving only a low income. One day, a neighbor asked him to fix a hammock which had a metal-supported structure. Mr. Loi modified the structure, making it foldable so that it was easier to use and carry. Positive feedback from his neighbor convinced Mr. Loi of the potential market for his idea.

Excited with his new idea, he made some prototypes which were very much enjoyed by voluntary users. He discussed the idea of launching this new product with his manager at the state-owned enterprise (SOE), as a profit-sharing arrangement between Mr. Loi and the SOE. After cooperating with the SOE for a short time, the deal turned out to be problematic. He decided to quit his job at the SOE and set up his own production unit to make and market the foldable hammocks.

Making hammocks and supporting structures with traditional materials (wood and steel rather than high-tech material) does not require any sophisticated technology and/or huge investment. Literally, any one with small amounts of capital and a fair knowledge of mechanics could set up a workshop to make hammocks. However, what makes Mr. Loi's hammock business different from others is that he has had the innovative idea of creating a foldable frame. Traditional hammocks do not have any supporting structure at all. The two tails are tied to any two fixed objects – be they trees, pillars or metal rings fixed on to walls. With a foldable frame (made of metal or wood), the hammock can be set up anywhere without having to consider the supporting points.

An even greater advantage is that Mr Loi has been able to protect his idea by means of Intellectual Property Rights (IPR) legislation. As a mechanic, he knew very well that his idea of a foldable frame could easily be copied once it was exposed to the market. He therefore applied to patent his designs in Vietnam quite early in the progress of his business, before he started any mass production. His first application was recognized by the Department of IPR in Vietnam on 23 March 2000 and he was

granted a patent for his design shortly afterwards. This move turned out to be vital for his business, given later developments.

Success with the patenting of his product in Vietnam gave Mr. Loi more confidence to start mass production. Right from the start, in 2000, given its highly portable capability (foldable and weighing only 7 kg), Duy Loi foldable hammocks quickly became dominant in the Southern market. The market was quickly expanded in 2001 and 2002. He also started to export, mainly to the United States (US), Japan, South Korea and Australia.

Following his success during these years, in 2002, Duy Loi successfully signed a supplying contract with Keyio, an international Japanese supermarket chain. However, at the height of his business success, a threat emerged that promised to block this promising contract. In August 2002, Duy Loi received a letter from a lawyer representing a Japanese company requiring that Duy Loi had to either stop exporting its foldable hammock to Japan or pay a royalty of \$4 per hammock. The Japanese firm argued that the Duy Loi foldable hammock had violated its patent (Number 3081528) on a similar structure which was granted by the Japanese Patent Office on 22 August 2001.

Confronted with this challenge, Mr. Loi decided to seek support from a law firm, a very rare move for a small to medium enterprise (SME) in Vietnam. He discussed his situation with Pham & Associates, a law firm with a specialization in this field, and became convinced that, given that the patent for his design was recognized by the Vietnamese IPR authorities on 23 March 2000, much earlier than the date of issue of the Japanese patent, he had a chance to file a suit against the Japanese firm and so protect his business. Pham & Associates were assigned as representatives for Duy Loi in this process. In November 2002, Duy Loi formally sent a letter to the Japanese Patent Office requiring the Office to withdraw the patent granted to the Japanese firm since the invention described in this patent was similar to the Duy Loi structure which had been exposed to the public much earlier. Given the

solid arguments and evidence for his case, after six months of the suit the Japanese Patent Office withdrew Patent 3081528, opening the way for Duy Loi to export to the Japanese market.

The Japan experience make Duy Loi more careful about IPR issues, especially when the company expanded its overseas market. Through searching the US patent database, Pham & Associates found a patent filed on 23 March 2001, granted by the US Patent Office to a Taiwanese businessman for his inventive idea of a foldable hammock. It is obvious that the structure shown in this patent is very similar to that of Duy Loi's hammock. Given that this patent was filed much later than the day the Duy Loi structure was released to the public, Duy Loi decided to bring a suit against the Taiwanese businessman for violating US patent law. If successful with this suit, Duy Loi can avoid being accused of violating IPR, and means the company can freely export to the US market.

The two law suits have turned Duy Loi into a very well-known firm in Vietnam. To some extent, this has helped to sell their products in the domestic market. However, it has not been easy for the firm to develop its market domestically. Although Duy Loi has won the market in the South, the Northern market (Ha Noi in particular) has not developed to the extent Mr. Loi desires. The only product that sells well in Ha Noi is the hammock for children. Mr. Loi explained that people in Ha Noi regard the hammock as something belonging to the countryside – something which is no longer suitable for modern houses. This sense of what is suitable for modernization has been an emerging trend in recent times. Another difficulty is that Duy Loi also has many competitors. Some of them obviously copy the Duy Loi design, but given the weak enforcement of IPR law in Vietnam, it is very costly to prevent this. Other

producers have modified their design to avoid violating IPR law, and these producers compete directly with Duy Loi.

Besides the main product line, the company also produces other foldable objects – notably chairs and beds – using a variety of materials and designs. The company now owns seven patents for inventions/utility models and one patent for industrial design related to its products.

Mr. Loi's management style is modest. He works in a simple office located right in the workshop. There is a large design table in the office where he develops most of his designs with a simple calculator. He describes himself as the manager, designer and technician of the company and is very proud of the compact organizational form of the company. It is very obvious that he hates the old hard days of complex but ineffective administration of SOEs and that he tries his best not to emulate this with his own company.

From a family size workshop with a few workers, Duy Loi has developed into a well-known firm with about 70 workers at the present time (early 2005). The company sells several tens of thousands of products per year, of which 30% are exported. It has 200 distribution agents in Vietnam and they also function as the main marketing channels. Its local markets are mainly in HCMC and Southern provinces. The Northern market is under development and has so far not been very successful. The company exports to many countries, including Japan and the US.

Success factors

- Innovative ideas, plus effective means to appropriate the ideas.

Obtaining appropriate legal services which allow the designated law firm to win law suits in overseas countries, therefore opening up the export market.

BA TRAN FARM, HCMC

Mr. Nguyen Van Tran, who the Southerners usually call by the friendly name Ba Tran, was born and grew up during times of war in Vietnam. His family was merely rice cultivators so their life became more and more difficult. To overcome his poverty, Ba Tran had to put in a great deal of effort, managing to find a way out of poverty by working in his own rice-field, within his own agricultural profession. Starting out as a peasant working as a hired laborer for additional income to sustain the living of a family with eight children, Ba Tran is now the owner of two sapling and ornamental plant farms of about 2 hectares in District 9, HCMC. He is a member of the HCMC Gardener's Association, member of the Executive Board of the Farmers Union of his precinct, Vice President of the District 9 Gardener's Association and leader of the Gardener's Association for his precinct. In 2003, he was given a Certificate of Merit by the Executive Board of the HCMC Gardener's Association.

Before 1975, Ba Tran and his family were separated by the war, and lived an unstable and unquiet life. After reunification in 1975, Ba Tran returned to his home village and was reunited with his wife and children. He inherited 1.2 hectares of land from his parents and set about working this land. However, the traditional mode of cultivation did not resolve the poverty of a family with many mouths to feed. Ba Tran's family was usually in a situation of short supply.

During the 1980s, there was a boom in the planting and export of coconut palms in HCMC. Ba Tran dreamt of changing his life by taking part in this boom. In 1982, he decided to convert one hectare of his rice field to coconut palm. He also combined these activities with breeding fish and pigs. Although the income was not yet high, the economic benefits were still greater than cultivating rice. Up to 1986, the income of the Ba Tran family was VND 2-3 million per month. However, for a family with 10 mouths (eight children), this

income was not very high. Again, Ba Tran worried and tried to think of another way of providing income.

At the end of 1997, when he realized that grafted custard apple trees could provide a reasonable income, Ba Tran chopped down some coconut palms to experiment with 1,000 grafted custard apple trees. The income from this type of tree was better, but it was still not enough for Ba Tran's family.

In 1992, with the government policy of encouraging agricultural endeavor, the Farmers Union and the District's Economy Office supported Ba Tran to visit Southern Provinces and study changes in crop planting structures. In these visits, Ba Tran studied the working ways of peasant households. After the visits he continued to 'search the teachers' for himself at Long Xuyen (breeding frogs), Dong Thap (breeding fishes, and cultivating fruit-trees and ornamental plants) and Ben Tre (nursling plants). At the same time, he searched for books and documents, and listened to the radio in order to complete his understanding of farming techniques and establish his own working way. He also visited the district's agricultural officials to obtain advice on the manner of selecting species, the different varieties of plants and on cultivation techniques. Based on these experiences and his understanding of the realities of farming, he decided that: "there is no other way to increase my income than by changing the crop planting and domestic animal structure and rearranging the working way of my family".

In November 1992 – by borrowing money from his brothers, his friends and from another fund and by using his family's savings – Ba Tran had a capital of approximately VND 60 million. He decided to chop down all of his old coconut palms that provided little income (VND 600-700,000 per year). He used all of his land to plant durian (this is now one of the best-selling and highest priced fruits in HCMC) combined with longans and custard

apples. He also dug ponds for breeding white bass fish and shrimp (which were less risk and provided higher income than breeding mature fish) and combined this with breeding pigs (he had 20 pigs).

After six years of planting trees combined with breeding pigs and fishes (the VAC model that many peasant households would later apply), Ba Tran had accumulated more skills and experience and had also raised the income of his family. In 1998, the income of Ba Tran's family was VND 15-20 million per month. The working model of his family was applied to and multiplied by many peasant households. Between 1997 to 1999, Ba Tran regularly received the Certificate of Merit from the Ministry of Agriculture and Rural Development.

At the end of 1999, the city made adjustments to its urbanization policy, and land for agriculture was reduced. Hiring labor became difficult and competition in the market was fierce. Many people proposed to buy Ba Tran's garden, with a price of about VND two billion, but Ba Tran did not agree. He preferred to change to a new working way, particularly because his children were reaching adulthood and needed to have a stable foundation for their development. Ba Tran decided to extend into the general service area – a trading branch for his family which did not rely only on his small garden.

In February 2000, the individual household business 'Ba Tran' was registered as a business of 'assistance activities for cultivating and breeding; supplying saplings, decorative plants, fertilizers, pesticides; planting trees; landscaping gardens; and spraying pesticides'. For the business, Ba Tran accumulated capital of VND 300 million from many different sources (VND 60 million borrowed from the Agriculture and Rural Development Bank, VND 10 million borrowed from the Agricultural Development Fund, VND 200 million from his family's savings and VND 30 million from other sources). With this capital, he enlarged the production area to 1.8 hectares, concentrated on the production and trading of saplings, cultivated ornamental

plants, landscaped gardens and supplied other agricultural services to other cultivators in the region.

Very quickly, Ba Tran had recognized the trend for the rich to buy land in the suburbs of the city in order to build villas with large landscaped gardens. He invested part of his business in providing landscaping services to service the needs of the city's rich population. He continued to reorganize his land, rejecting ineffective plants and changing them to new varieties that provided higher quality and productivity. He also continued breeding animals in order to salvage the manure for his plants. The change to a service organization and the pay-offs from his investments meant that, from 2001 onwards, his family was getting wealthier than other individual household businesses in the region, with an average income of VND 150 million per month.

At the present time, his establishment has 12 permanent workers and eight seasonal workers. The average receipts are VND 250 million per month, though in some rainy season months the receipts can be up to VND 400 million per month, because landscaping contracts and tree planting take place chiefly in this season). After nearly four years (from February 2002 till the present time), his land and crops have a monetary value of approximately VND 6.5 to 7 billion, with 300 durian trees (yellow flesh, flat pit), 250 sweet mango trees, 250 seedless lemon trees, 40,000 saplings consisting of more than 40 varieties, and nearly 2,000 ornamental yellow apricots, cycas and many other precious ornamental plants. In addition, he has a breeding pond that provides 100-150 kilogram (kg) of shrimp per year and 15 pigs.

Success factors

Ba Tran chose the right direction for his family. His family size obliged him to develop new ways of creating income and work for his eight children. He carefully studied market demands and quickly changed his garden to fit these demands, rejecting all the ineffective trees and replacing them with others that

gave him a better quality plant and higher income. He clearly identified his main customers to ensure he concentrated his investments appropriately during different periods.

This case can be seen as a model for a stable development, using short-term goals to nourish the long-term. The markets for sapling

productions and ornamental plants, and their accompanying services, have a great deal of potential owing to the high speed of urbanization. The construction of industrial parks and gardens for high-grade residential areas all demand verdure, fruit-trees and ornamental plants. The economic model provided by Ba Tran has the potential to multiply and develop.

TECHNICAL SOLUTIONS COMPANY LIMITED (SOLTECH)

Introduction

Mr. Nguyen Huy Bach, aged 48, is interested in researching and designing new products; he has earned success by producing technical products he designed himself. His company is quite typical of those doing business based on technological development.

Bach started his business in very difficult conditions through various activities. He established his company with an initial capital of Viet Nam dong (D)25 million and a production area of 50 square meters. Today the company's total capital has reached to D600 million, earns annual revenues of D1.5 billion, and its total production area is 160 square meters. The company's field of business is researching, manufacturing, and producing industrial safety fans. After 4 years in operation, its SolTech fans have earned customers' confidence and been used in various factories in industrial zones of Ho Chi Minh city—thanks to their high quality and competitive prices compared with imported products.

Background

Bach was born in 1956 to a worker's family in Ho Chi Minh city. He graduated high school in 1975. From 1975 until 1980 he studied at the University of Ho Chi Minh City.

After university graduation in 1980, he worked at the Education Department of Nha Be district, Ho Chi Minh city. His work was managerial. With an interest in researching and experimenting, in 1987 he started to work at the Technical and Scientific Department of the Communist Youth Union of Ho Chi Minh City upon its establishment, to concentrate on research work. During the time he was working at the department, he participated in research projects on equipment manufacturing conducted by the Communist Youth Union.

In 1990, during economic difficulties in the country, Bach quit the department to work in the private sector, with the hope of getting a better job to support his family. It was a difficult time for Bach, because new jobs required various capabilities in new

environments. He had to do various jobs to earn money such as construction, service for foreign companies, even acting in a movie. However, he always took time for his own research activities.

In 1998, at the prodding of some friends, Bach invested his savings in establishing the Co Dien Tuan Hoan Ltd., with five founders and D600 million, of which Bach contributed 20%. With the knowledge and experience gained at the Communist Youth Union of Ho Chi Minh City and his own research, Bach was assigned to be Deputy Director in charge of technical management. The company produced and traded vacuum equipment such as fans. During his time at the company, Bach identified a clear strategy of research and manufacture of electromachines. The company developed well, with quite a high average monthly salary of D2.5 million per person.

At the beginning of 2001, due to management disagreements within the company's board of directors, Bach quit the company without recourse for dividends, because the company at that time had financial difficulties. With his increased knowledge and close relationships with old customers, an understanding of the increasing market need for industrial fans, and while competition was relatively low, Bach decided to establish on his own, SolTech Technical Solutions Company. His total initial capital of D25 million consisted of his savings from his work at the Tuan Hoan Company. Initially the company consisted of three people, including Bach as the owner and two workers recruited through an employment center. The production area of the company was his house of about 50 square meters. The company produced two types of vacuum fans for factories.

The first order was quite a surprise for Bach. Bach's old friend Mr. Thai, Director of the An Co Company, which specializes in production of safety equipment, challenged Bach to manufacture the square fans, which at the time were imported from abroad and sold well in the market. The conditions were the fans had to have the same quality as the imported ones and the price had to be two thirds of the market price. Bach started to research the

manufacture of square fans, and after only 10 days he was able to manufacture them. After that Mr. Thai asked Bach to manufacture those fans to substitute for imported fans. Bach agreed with Thai's proposal, provided that Thai's first order must include 10 sets with the price of D10 million per set. Although Bach knew that the market price of imported fans of the type was at least \$2,000, he set this price because the revenue would be sufficient for him to continue researching and produce more in the future. In addition, he did not aim to make profit at the beginning. With this flexible and wise approach, Bach won the contract with the An Co Company to produce 10 sets of fans within 1 year. Soltech's first products went primarily to An Co Company on this first contract.

Besides, Bach continued to research new products. Immediately in 2001, its first year of operation, SolTech made certain achievements such as increasing its number of products from one to three (square, axle-axis, and standard fans) and earning customer appreciation of its high quality. The company's annual revenue in this period was D200 million, of which 10% was profit. Although the company's profit in this period was not high, recognition of its products by customers was its most important goal.

In different periods, SolTech has changed its business strategies. In 2001, Bach concentrated on research and development of new products and ignored market research and expansion, leading to a situation where he was forced by huge companies to accept low prices for his products. Acknowledging this situation, in 2002, Bach set the core goal of market development. The company has gradually developed its customer network. Its primary customers are enterprises in industrial zones and export-processing zones, producing products causing dust such as clothing, textiles, dyed goods, shoes, and machinery. Also in 2002, Bach registered the company's brand name, SolTech, and established a market research and development department. Parallel with this, he advertised in the yellow pages and newspapers, distributing fliers and participating in equipment and technology exhibitions. After a year of market development, SolTech's revenues increased to D50 million per month, approximately D600 million per year. Although the company

concentrated on market development in 2002, Bach still continued to develop and improve products.

In 2003, to expand production to meet the rising demand of its customers, Bach increased his production area to 160 square meters and his number of employees to seven. The results were the company produced six types of products compared with three the previous year (square, cooling, steam cooling, axle-axis). In addition, the quality of its products has improved substantially, thanks to Bach's research in applying new materials in the production of propellers and trunks. Besides improving quality, Bach continued to expand the company's market. In general, after 3 years of operation, the company's products have become well known to many customers. The company's annual revenues for 2003 and 2004 are estimated at D100 million. The company targeted annual revenue of D2 billion in 2005.

Success Factors and Lessons Learned

Bach is a researcher at heart, and very interested in research and design of new technology to manufacture high-quality products. His company is able to offer domestic customers high-quality, low-priced products. Bach's experiences during the time he worked for Co Dien Tuan Hoan Company Ltd. also contributed to the success of his new company.

One of the reasons Bach left Co Dien Tuan Hoan Company Ltd. was a difference in management approaches between him and his colleagues. He said, "A modern manager does not depend on majority opinion and does not do everything, because there are some things that the manager should not do, but should assign to other managers. First, he must be professional, and second he does not to have to manage everything, mainly research." Bach's new vision of management specialization is one of the factors for SolTech's success.

Another reason for the company's success is that it has identified an appropriate strategy for its development, concentrating on research and development of new products and market expansion. The company is able to keep costs low because it concentrates on researching and designing only primary fan

parts, ordering subparts from other enterprises and then assembling the fans itself.

Several lessons can be drawn from the development process of the SolTech Company. The first is that the company owner must have patience in researching and manufacturing new technology and products. By targeting specific products that were not overabundant in the market, the company found a niche in vacuum fans to prevent pollution. The company reached its initial goal of producing products that protect the environment with cleaner production. The

company used its core competencies, concentrating on research and development of new products and market expansion as a competitive advantage, at least in its first days. After that the company set an adjustment strategy of expansion in both markets and products. SolTech is a typical small technology-based firm (STBF).

Bach also attributes his success to encouraging the active participation of his employees. In addition, the company has received great material and spiritual support from Bach's family and friends, which is essential for any successful enterprise owner.

TAM DUNG SON Co. Ltd

Introduction

Mr Vu Minh Tam, 43, has a master's degree in economics, specializing in foreign trade, from the University of Economics of Ho Chi Minh city. He is an excellent example of a person with great will and a high capacity for learning, which he has used in school and business to define a solid position in the marketplace. Mr Tam and his two friends, Mr Dung and Mr Son, established their company under their last names—Tam Dung Son. The company's name also means "a sound mature," implying the owners' strong belief in success based on good hearts.

The company exports nine categories of ceramic products to countries all over the world. With a founding capital of Viet Nam dong (D)200 million from their own savings and a loan, the company has considerably increased its revenue, from D180,000 in 1994 to D45 billion (\$3 million) in 2004, by expanding its market share and penetrating new markets. Tam Dung Son Co., Ltd is proud of its products, which are available in such competitive, difficult markets as Australia, Europe and the United States.

Background

After graduation, Mr Tam worked for a state-owned company in 1995. In his position, he had the chance to go abroad to negotiate business contracts with foreign entrepreneurs. After the Soviet Union's disintegration in 1991, Vietnamese companies were looking for new regional markets such as Malaysia and Singapore, and the transaction models had changed. Vietnamese exporters gave more consideration to consumption of imported goods than to quality and development of exported ones.

During 1990–1991, Mr Tam learned about the ceramics production market in Viet Nam, which had several advantages relative to the Southeast Asian region. Also during this period, the government and economy of Viet Nam had entered the "Doi Moi" period of economic renewal.

Aware of the advantages and disadvantages of doing business in both the public and

private sectors, and eager to fulfill his dream of bringing high-quality Vietnamese products to the world market, in 1994, Mr Tam set up the limited liability company Tam Dung Son. In its nascent stages, Tam Dung Son had only three customers, one in Thailand and two in northern Europe; all of them were Tam's contacts from when he worked for the state-owned company. Those customers bought the company's products, items such as flowerpots made in a handicraft workshop employing about 20 casual workers. The company was lucky that their customers always paid them on time, and they gradually got new contracts. These were their first stepping stones to the path of success. Their revenues enabled them to develop a marketing budget and attend international fairs.

Mr Tam says that attending international fairs is a good way of expanding market share and penetrating new markets. He writes an annual market plan for production and preparedness for international fairs, and produces a catalog with about 500 new patterns per year. The company's motto is "quality products and fair human resource policies." It considers its skilled, artistic employees crucial to its success.

In 1999, Tam Dung Son was able to produce 40 containers worth of product per month, sourced from 10 workshops, and had over 2,000 patterns in five catalogs, with many loyal customers in Asia and Europe. Europe was its main market, accounting for 70% of its revenues; Tam attended three fairs per year there. In 2000, the company began expanding its market into North America and Japan, and now attends approximately five fairs per year in China, Europe, Hong Kong, Japan and the United States.

In 2004, the company produced 12 catalogues with 6,000 patterns, attracting 100 regular customers from 38 countries and shipping 80–100 containers per month sourced from 60 workshops. It sold 50% of its product to Europe and 40% to North America, with the United States its single biggest national market.

Besides reliable, prompt delivery, and reasonable prices, the company also provides after-sale services, such as compensating customers for damaged goods, coordinating supermarket sales by training sales executives about its products, and providing business support.

The company produces both weatherproof outdoor planters and indoor planters, and changes its designs at least twice a year to keep up with trends. Its design department employs seven skilled designers, who take turns visiting trade fairs to learn about client needs. New pattern ideas come from all levels of the company, from workshops to the board of directors, especially from Tam himself.

The company's strategy is to diversify its products to satisfy multiple distribution channels. The company does not have any competition in the south of Viet Nam because this strategy is unique, complex, and difficult to carry out. Creativity is the primary factor—by constantly developing new designs, the company stimulates new customer demand rather than just responding to existing demand. Distribution policies are also important—the company takes responsibility for protecting its customers' business by signing contracts saying that they will not sell to their competitors.

It is also necessary to upgrade Tam Dung Son's productivity and efficiency of supply. The company is constantly expanding its system of supply workshops, including across international borders. Mr Tam sees the People's Republic of China as a country with

great potential for supply workshops. Interestingly, one of the company's first customers, the Thai company, has since become one of its suppliers.

Success Factors and Lessons Learned

The company's prestige is the most important factor in its success. While its competitors use a low-price strategy, Tam Dung Son focuses on building relationships based on high-quality products and sound, efficient business practices. Maintaining good relationships pays because negotiating new contracts is expensive.

Another factor in the Tam Dung Son's success is Tam's understanding of negotiation customs and market tastes in different cultures. International trade fairs are an excellent place to put cross-cultural skills to work.

The company's organization of its network of workshops is another important factor. The communication channels by which the design, molding, workshops, quality control, packaging, and distribution systems work together are extremely complex. A good human resources policy is essential to the success of this complex system.

The company's success is also due to the great efforts of its three founders, of which Mr Tam is the strategist and manager of foreign affairs. Mr Tam has a likable personality, well-informed, friendly, and modest. He is energetic, and plans to finish a PhD degree in 2005 with a thesis about development strategy for the ceramics industry.

VINH CUU SCULPTURE DECORATION COMPANY LIMITED

Introduction

With a strong will and great effort to escape his life of poverty by earning a legitimate income, Mr Nguyen Vui has become a very successful businessman in his field. He is deeply passionate about art and highly spirited in his attitude toward work and study. His hobbies of studying the market and developing his art are crucial components in his success, and have helped him triumph over difficulties. For Mr Vui, business is an opportunity to strive for the top.

Background

The year 1986 marked the beginning of Viet Nam's economic renovation policy with the removal of the embargo on private sector business. With his innately active business mind and his skills in sculpture, Mr Vui and two friends set up a small-scale handicraft production unit called Vinh Cuu, funded with a small amount of capital from all three members. At that time, the majority of Vietnamese people were poor and too busy earning a living to pay much attention to how nice their houses looked. The unit's products were mainly exported. Stone statues and gypsum statues were the first products to be exported, in this case being exported to Japan by an overseas Vietnamese living there who was acquainted with Mr Vui's family. The owners' family, friends, and relatives overseas gave the unit its earliest orders.

At this time, the business had to cope with discrimination that existed between the private and the public sectors originating from the banking and bureaucratic systems. Mr Vui could obtain funds and support to upgrade the unit and expand production only when customer demand increased. Moreover, state-owned enterprises had exclusive import and export rights, and customs formalities did not encourage private sector activity. This meant that the business lost sales opportunities due to a lack of financial flexibility. They had to run on their own meager profits or depend on the financial support of relatives. Mandatory customs commission fees for both imported material and export products caused their products to be priced less competitively than

those of overseas producers and decreased their net income. It was a discouraging situation in this nascent stage of the business.

In 1988, Mr Vui invested large amounts of capital, supported by relatives overseas, in establishing a workshop on the expectation of receiving product orders. The unit then had a stroke of luck when the original Japanese importer became interested in Vinh Cuu's products, and began to gradually offer high-value contracts directly to the unit.

In 1991, the government began to develop the Enterprise Law, which came into effect in 1992. Enterprises were allowed to expand their advertising methods. As the first method for publicizing the unit, Vinh Cuu was registered in the yellow pages. Thanks to some international donor programs, such as Swedish International Development Cooperation Agency (SIDA) and ESCAPE, members of Vinh Cuu and some other private and state-owned businesses in the handicraft, textile, and garment industry from HCMC attended international fairs in North and Central Europe. When participating in these fairs, Mr Vui attracted much interest and eventually obtained some contracts. Vinh Cuu then began to diversify its line of products to include not only paintings and stone statues but also most building materials (concrete, lightweight concrete, gypsum, terrazzo, etc.) used for decorating interior and exterior buildings, gardens, resorts, and so on.

Until 1995, relying on the assistance of their Japanese and European customers, Vinh Cuu conducted formal visits and exchanged techniques with foreign customers to start producing new products that were designed to customer specifications. In addition, the Foreign Trade and Investment Center started a program for HCMC businesspeople to visit and study trade in the United States (US), in which Vui participated. After establishing contacts while on vacations in the US, Vui kept in touch with an art association in San Francisco and some overseas Vietnamese who introduced Vinh Cuu to a wider market in the US. In 2000, Vinh Cuu launched its products on the US market and the

company's US sales are now second only to those in Japan.

After a long struggle in the initial stages, Vinh Cuu was fortified by injections of human resources, financial capital, and new information, particularly legal knowledge. In 1992, the unit was formally established as a one-person business, later changed into a limited liability company on 18 September 1995.

In 2004, the 9-year-old Vinh Cuu Company had 200 full-time employees working in two factories in HCMC's District 9, generating output of approximately 50 20-foot containers per month. However, considering the full history of the company from its beginning in 1986, it is in reality 19 years old. Vinh Cuu is proud of its strength today. Using the motto, "Valuing our customers to prepare for tomorrow's environment," Vinh Cuu manufactures indoor, outdoor, and landscape decoration products made of plaster and concrete. It specializes in designing and building landscape works with the cooperation of architects, engineers, and skilled fine-arts workers with considerable building experience, both domestically and overseas. The company follows the demands and desires of customers to return to a natural, protected environment by producing décor for garden corners, parks, tourist areas, and resorts consisting of many trees and flowers, marble that "can talk," waterfalls, and numerous brooks scattered throughout to reduce the stressful hours and the exhaustion of daily life.

The majority of the company's productivity has been focused on exports; however, this has changed as domestic consumption has increased:

- 2000–2001: products began to reach North America, 10% Viet Nam and 90% export, of which 70% was Japan, 20% the US, 7% the European Union, and 3% Australia and Association of Southeast Asian (ASEAN) countries
- 2002: 20% Viet Nam and 80% export
- 2003: 30% Viet Nam and 70% export
- 2004: 40% Viet Nam and 60% export
- 2005 (predicted): 50% Viet Nam and 50% export

This significant change in turnover structure occurred for two main reasons. First, Mr Vui recognized that in recent years, and particularly since 1998, the Vietnamese have become more sophisticated in their desire to decorate their private properties. For example, houses are now usually embossed at the front or use varying kinds of indoor or outdoor bricks. The great potential of the domestic market is being realized and this has resulted in changes to Vinh Cuu's marketing strategy, with a shift toward the domestic market. Vinh Cuu has opened five showrooms in HCMC to help achieve this goal.

Second, the trend toward servicing the domestic market has been brought about by the tough competition the company faces from overseas producers, particularly the People's Republic of China, in selling to overseas markets. According to Mr Vui, transport fees are the main impediment.

Success Factors and Lessons Learned

Vinh Cuu has been successful for numerous reasons: first, because of its comparative effectiveness in its management structure and production processes. As a small-scale operator in terms of human resources and space, and medium-scale in terms of equipment, the company was able to gain good turnover and profit levels fairly quickly. Second, because it is an art-based company, the product quality is dependent on the creativity of the producers of the designs. All the company's products have intricate designs, many details in their carving, engraving, or even casting, and are all molded. This makes them more attractive to the market.

Finally, the employees of Vinh Cuu are highly skilled and productive. Employees improve their skills and practices by sharing their experiences with each other, rather than attending school. This approach means that employees' work matures quickly, enabling them to produce high-quality goods.

The company has learned how to take advantage of opportunities when doing business. Mr Vui pays attention to both central and local governmental policies when appropriate. From the nascent stage as a handicraft unit in 1986 to the establishment of

a limited liability company in 1997, he has pursued every opportunity afforded by reforms to Viet Nam's policies and its bureaucratic system. He then exploited capital opportunities through bank loans to support his company's development.

Mr Vui is passionate about his career and puts his best effort into conquering the market and improving his art. Establishing good and stable relationships with friends and loyal customers is very important in this respect. Both domestic and foreign clients have particular habits and business customs. Mr Vui believes that these habits and customs should all be treated with equal respect.

Besides exploring customer tastes, he focuses on learning about the diverse cultures of each customer. He has particularly gotten to know Japanese culture more than others, thanks to loyal, long-term and prestigious Japanese customers with whom he has had relationships since the 1980s. In Mr Vui's opinion, there are many commonalities between Japanese and Vietnamese culture, which lead Japanese people to prefer Vinh Cuu sculpture products to others. Western customers in Australian, the European, and US markets, on the other hand, have accepted various other styles of products for interior decoration and exterior processes

HASA FINE-ARTS PRODUCTION COMPANY

Mr. Tong Ba Thao, 30 years old, is a young businessman who makes a good fortune producing fine-arts goods made from freely-available materials such as water hyacinths, banana trees, etc. He is now the director of the HASA company located in Ho Chi Minh City (HCMC). For 10 years, his company has produced and exported many products, and has therefore created stable jobs for thousands of employees. The 2004 revenue was estimated at USD 1.5 million.

Thao's success has its foundation in his experiences working at Chi Lang Company, and his close relationships with customers. During his period of employment at Chi Lang, he managed to learn about customers' tastes and demands. In addition, his creativity helped him substantially in producing many different samples of goods, which always caught the customers' eyes. In addition, he always delivered his goods in time, thus gaining customer trust.

Born in 1974 in Tien Lu Village, Chuong My District, Ha Tay Province, Mr. Thao graduated from high school in 1991. At that time, his family had to struggle with many difficulties. He was the second son of six (two boys and four girls). His parents were farmers so they could not afford to pay for their children's tuition. He, along with his brother and sisters, tried to help his parents by doing animal husbandry and planting for money. Since he was a little boy, he had hoped to have some education in order to get a better job than working on a farm. In 1991, Mr. Thao decided to go away to HCMC to get a job and save money for his education. For three years (from 1991 to 1993) he worked as a mason's assistant with a salary of VND 200,000 per month, and sold bindweed in his free time with an income of VND 3,000 per day. He also bought soybeans to produce soya milk in the early hours of the morning, from 2 or 3 a.m. to 5 or 6 a.m.

Much of his income was used to pay for English lessons at language centers. In 1994, he returned to his home village for the first time and observed that many of the

households in his village wove baskets using dried water hyacinths to supply some shops in the city. He paid VND 350,000 for some of these baskets, and brought them to HCMC in order to sell them to the Ba Nhat Cooperative, HATEXCO Saigon Company. His benefit from this transaction was VND 35,000. Then he applied for a job as a waiter at the HCMC National Economics University with a salary of VND 500,000 per month. He also won a contract for keeping bikes and motorbikes at the University so, by this time, he could save a little money for the future. In early 1996, he obtained a certificate of English. In early 1997, he registered to study every night at the Foreign Trade Faculty. At the same time, with his English speaking ability, he applied for a job at the Chi Lang Company, a specialist company exporting Vietnamese fine-arts to German companies, owned by a German man. His salary was VND 800,000 per month.

His mission was to translate English documents into Vietnamese, and monitor some stages of the production line. He found that products from the workshops were generally simple and repetitive, so he tried to draw some samples for himself. With his experiences in monitoring the production line and a little artistic talent, his samples, such as decorative tree pots, desks and chairs, paper baskets and table napkin boxies turned out to be rather beautiful. He sent these samples to his family in Ha Tay, asking households in the village to produce some fine-arts using dried water hyacinth. These products were introduced to the Chi Lang company. The owner of the Company noticed these products and asked him to organize making a tour to Ha Tay with the view to setting up a cooperative relationship.

Mr. Thao at this time decided to open his own workshop in the village. At the end of 1997, he borrowed VND 50 million (at an interest of 1.2% per month) from his relatives and friends. He invested in constructing a drying oven on the area of 1,000 square meters on square of his family's land. He cooperated with his brother, Tong Viet Ba, and asked him to work as the executive

manager. He hired 50 employees with the a salary of VND 13,000 per/ day. Besides the main products made from dried water hyacinth and banana trees, he also used bamboo and, rattan as raw materials. He produce a series of his samples for the initial production phasefirst step, and displayedshowed them at his workshop. After

seeing withthe products with his own eyes, Chi Lang's ownerthe German felt please, was satisfied and immediately signed immediately a VND 10 million contract with him. His first transaction was well done incompleted on time and delivered high-with best quality products, which greatly impressed the German of Chi Lang's very much owner.

MINH HUNG PRIVATE ENTERPRISE

Introduction

Do Quang Hung, born in 1965, is the owner of Minh Hung Private Enterprise, which specializes in designing and building wooden furniture, especially for big domestic contracts and for foreigners in Vietnam. It employs 30 people at a 600-square-meter workshop. At times it employs up to 100 people, depending on its contracts.

Growing up in a big family with many children, Hung had to do many things for himself while he was a child. To be able to operate his own business, Hung has faced and overcome many difficulties and challenges of life. Hung was given a chance to become a carpenter when he was a tour guide. Initially, Hung worked as a manager for a foreign company, which was established in his name but controlled by a foreigner. The company produced outdoor tables and chairs for export, but it soon fell apart due to internal conflicts. Hung then decided to establish his own company with the knowledge he'd gained from the previous business. Working hard, seeking knowledge and exploiting the market while getting valuable support from family, he has step-by-step increased the company's market share and penetrated new markets. According to Hung, in order to win the customer's trust, a manager must pay full attention to producing high-quality, attractively designed products, while providing good service.

Background

Hung was born in Da Lat, the sixth in a family of nine children. He had to take care of himself very early in life. When he was 18 years old, Hung finished high school and went to Ho Chi Minh City with a wish to further his education in Post Technical School. However, he did not get that chance and instead had to study tourism. After completing three years of study at the tourism school, Hung left the school and started working as a tour guide.

While working as a tour guide, Hung met a tourist from New Zealand, Mr. Paul, who had a shop that dealt in outdoor tables and chairs. Mr. Paul has asked Hung to accompany him

to research the furniture supply market in Viet Nam, given that Hung has good skill in English and a little knowledge of wood that he'd picked up from his brother, who made wooden handicrafts to sell to foreigners in Da Lat. This was a good chance for Hung to learn many things from Mr. Paul and other partners.

After two years of working as a tour-guide, Hung felt that this work was unstable and did not have much future, and he wanted to enter a new business. At this time, Mr. Paul came back to Ho Chi Minh City to look for a partner and asked Hung to cooperate in establishing a workshop to build outdoor furniture. Hung agreed to cooperate since he disliked his tour-guide work and wanted a stable job so he could get married.

In 1998, Hung and Mr. Paul opened a 200-square-meter workshop on rented land in the Go Vap District of Commune 12. At that time, administrative procedures for establishing a foreign company, especially a small company, were very complicated. Therefore, though Mr. Paul was the one who put up the entire investment and made all the business decisions, the legal owner of the company was Hung. In fact, Hung was only in charge of technical matters and selecting appropriate wood for exporting, while Mr. Paul managed the other business matters. During that period, the company's main export products were high-quality outdoor tables and chairs for family use, made of fir wood. The products were produced in Viet Nam and exported directly to Mr. Paul's shop in New Zealand.

Since Mr. Paul had to take care of his business in New Zealand and look for new markets, he had to go back home quite often. The business in Vietnam relied on Hung's management. But soon, Mr. Paul asked Hung to transfer the legal ownership of the company to Mr. Viet, one of Mr. Paul's relatives. The company's production was still controlled and managed by Hung since Mr. Viet was not an expert in production and was only in charge of export procedures. The company did not operate well in this situation.

Mr. Paul decided to put an end to it and the company went out of business.

In 1990, with “nothing in his hands,” Hung fearlessly decided to establish his own business. Luckily his oldest brother, who lived in the United States, introduced him to several retailers of tables and chairs for home use, who imported Vietnamese products to sell in France and Australia. At that time, outdoor furniture was very popular in the French and Australian markets. Hung quoted a good price and his bid was accepted. To undertake the very first contracts, Hung had to go to his old partner in Ho Chi Minh City to buy wood on credit. He also returned to his homeland in Da Lat to look for direct material suppliers in order to reduce his production costs. In Da Lat, with the reputation and credit of his parents, who had been in the hotel business for many years, Hung found a supplier who agreed to sell him wood on credit.

Outdoor furniture for export markets must follow very strict technical design requirements. Therefore, initially, Hung only produced models designed and provided by customers or based on foreign catalogues with small adjustments. Payments were made under contracts, by cash and by customer representatives. During this period, Minh Hung focused production only on exports.

In 1993, Hung had a chance to develop his business. His other older brother, who had been living in Australia since 1987, introduced him to a representative of the Australian BEECHROW Company while on a visit to Ho Chi Minh City. After visiting the workshop to view the company’s products and negotiating with Hung, BEECHROW made an order and Hung’s exporting business was increased.

As the business developed, limitations in the size of the workshop and number of employees came to light. With a small workshop and only 10 regular employees, the company could not produce large quantities; therefore, it took a long time to fulfill its contracts. Depending on contract needs, the number of employees was sometimes increased to 20, however these temporary laborers could only do simple work not directly involved in production.

In order to solve the problem of the workshop, Hung decided to rent 1000 square meters of land in Go Vap District, where he had worked with Mr. Paul, and build a workshop there. He increased the number of permanent employees to 20 and maintained this number through 1995. The export market at that time was quite open and his business performed well. Each year, the company earned a profit of about 40 percent of its total revenues, excluding taxes, worker salaries and other costs. Workers appreciated their jobs, which paid around 500,000 to 1 million VND per month.

From 1996 through the present, more and more competitors have entered the outdoor furniture export market, forcing prices continuously downward. Moreover, quotas were imposed, taking 20-30 percent of the total value of product. Faced with these new difficulties, Hung had to stop exporting. His products were not suitable for the domestic market, however, so Hung switched to producing other family furniture such as chairs and dining tables, while looking for other opportunities.

After stopping exports, Hung got new contracts with big hotels in Vietnam, an area in which he had an advantage since most big hotels are foreign-owned and he was used to working with foreigners. He put together a strategy of product advertisement and introduction, and began offering home decoration services. Hung’s products were accepted by customers. The company’s market was slowly redeveloped and production was restarted. Additionally, Hung’s old export customers gradually returned to place new orders. At the end of 1996, after visiting France, Hung exported 20 percent of his products for testing in Lyon. Supplying products for both domestic and foreign markets, Hung learned that the foreign market was quite stable but not highly profitable, while the domestic market had great potential but was unstable due to competition.

In addition to competitive pressure, another difficulty for Hung’s business arose when the Government issued policies prohibiting the exploitation of wood, especially fir wood – Hung’s major production material. Exploitation of fir wood was prohibited

throughout most of the country, except among entities with forestry licenses. This obstacle forced Hung to find another primary material for production. As a temporary measure he tapped unused fir wood set aside from packs that had been collected by the company. However, these pieces were of poor quality, with many small holes requiring costly patching.

In 1997, Hung got married, and he focused on products for home decoration. The business was quite stable, however, because of competition, the profit margin was only 10 percent.

In 2000, Hung decided to vary his material sources by using rubber wood and to renovate his production process by buying a laminating machine to ensure product quality. In 2002, due to the carelessness, there was a fire in his workshop. Firefighters fought the blaze and no one was harmed, but almost 10 percent of the company's products and 60 million VND worth of raw material burned. This was a very bad experience and Hung learned from it.

Lately, Hung's business has performed quite well. Most years he gets two long-term contracts with big hotels such as the Hanoi Sofitel and the Sofitel Plaza, and he also gets about three contracts per month to decorate private houses in An Dien. For contracts such as designing hotels, Hung has to create new models himself since the customer requires unique products in order to distinguish itself. This differs from decoration of private houses, which usually requires Hung to follow models available in catalogues.

In late 2004, Hung got a contract to design hanging boards for 60 Triumph shops throughout the country. To develop operations and services, Hung is currently establishing a working team specialization in decoration by sending workers to training courses at schools such as Binh Thanh Vocation School. He does not have to hire new workers since the current staff are already skilled and understand their work.

Success factors and Lessons Learned

Minh Hung's objective focus on customers is the most important factor in its survival. Very early in his business's operation, Hung identified foreigners as his major customers, since in the early 1990s there were very few producers of wooden export furniture in Vietnam. Later, when competitors arose, Hung adapted to tap the market of foreigners in Vietnam and was successful because he understood their requirements.

Another important factor in Minh Hung's success is his capacity as a manager, with special characteristics such as creativity and dedication to earn the trust of customers. The support of his family and friends also plays an important role in his business.

The first lesson from this case is to identify a target market and keep exploring and capturing new markets. The second lesson is to be able to adapt to changes in the market and business environment. The third lesson is to build and maintain good relationships with customers and make use of the support of friends and relatives. The importance of creativity and hard work is the final lesson.

MINH CHAU FURNITURE SHOP

Introduction

After finishing high school in 1994, Ms Muoi, 19 years old, married Mr Tran Thien Manh. She was young and had no experience so was unable to find a job at that time. She stayed at home for 3 years. At this time, Mr Manh had no stable job; he mainly worked for his family's furniture production business. In 1997 Ms Muoi and Mr Manh decided to open a furniture shop, which they named Minh Chau. They believed that with Mr Manh's experience in his family's business, they would be successful. It has now been 7 years since the shop opened, and Mr Manh and Ms Muoi have faced many obstacles as well as some favorable conditions.

Background

The decision to open a furniture shop in the Go Vap district was logical in 1997, since the area had many successful shops but none selling wooden furniture. Mr Manh, with his experience, easily made a cooperative agreement to sell products from a furniture workshop in Binh Thanh that he was familiar with from his work with his family. One year later, Ms Muoi's father bought the Binh Thanh workshop.

The shop's main obstacle when it first opened was lack of capital. The couple had to borrow money from their friends and family many times, up to Viet Nam dong (D)50 million, in addition to the D10 million they had saved.

Initially, the owners defined their target customers as low- and middle-income people. This decision was because they did not have enough capital to invest in high-quality goods. The first products they sold were household furniture pieces of moderate quality, which had a low price but met customer demand. Most products sold by Minh Chau at this time were sourced from the workshop in Binh Thanh. The products were sold at the Minh Chau shop directly to customers and also distributed to other agencies in the city.

According to Ms Muoi, the furniture industry of the past was successful because of the low cost of small shops and workshops, and because customer expectations were low.

When it opened, the Minh Chau shop was 4 by 12 meters. Ms Muoi's parents had given her the space when she married. Today, the shop is the same size but it has been rearranged and divided into two parts to increase the area for showing furniture.

Ms Muoi took charge of the shop's accounting and Mr Manh took charge of dealing with customers and suppliers. Besides products from Ms Muoi's father's workshop, Minh Chau also sold products from other sources; however the other sources were not as reliable. The business collected the products directly from the workshops then retailed them in the Minh Chau shop. The shop sells beds, tables, chairs, desks, etc. The company buys most of its products on credit and pays the suppliers after selling them.

Besides traditional wooden furniture, in the past 3 years, Minh Chau has introduced more variety in their product offerings to satisfy changing customer demands. New goods sold by Minh Chau include computer desks and aluminum boards, which are popular because they are light, mobile, and inexpensive, costing only D250,000–500,000 per piece. The company has also begun selling shoe racks.

As more and more offices opened up in the Go Vap district, Minh Chau's household furniture business began to suffer. So in 2004, the company launched a new line of business: it began offering design and decoration services for both midrange and upscale offices. To provide this service, the company cooperates with Ms Muoi's father's workshop, which produces furniture according to customer requests. Mr Manh is in charge of dealing with the customers, and at the moment the line of business is still quite small, although it generates revenue of about D15–40 million per contract.

According to Ms Muoi, Minh Chau's sales increased by the beginning of 2000, after it had been in business for 2 years, reaching an annual revenue of D60–70 million. From 2000 onward, however, business became difficult. The shop's income decreased as many wooden furniture shops appeared in the area;

meanwhile, customers began to demand higher-quality products. It was difficult to compete with the new shops. Competition is tough and income has decreased, but the large number of furniture shops in the location has attracted growing numbers of customers. Now, there are many shops similar to Minh Chau operating in the area, all offering similar products and prices. The factor that differentiates the various furniture shops is the attitude and service provided by the staff. Therefore, Minh Chau has emphasized excellent service, and focused on developing its network of customers and its marketing policy, although its marketing consists of only one form of advertisement: word of mouth.

At present, Minh Chau's total capital is about D200 million. Compared with the couple's D10 million savings before they opened the business, this is a success. However, the company's income is decreasing due to increased competition for customers.

Success Factors and Lessons Learned

The market has driven Minh Chau's success. When the shop opened, the market was good and profits were high; to seize the opportunity,

the owners borrowed money from family and friends even though they had to pay high interest on the loans.

Now, Minh Chau has diversified its range of products to attract customers, which has contributed to the store's income. The owners have established and maintained good relationships with their suppliers-an essential factor in their success because they purchase their products on credit and trust.

One lesson of the Minh Chau story is opportunities should quickly be seized when they arise. If the owners had decided to start the business just a few years later, it could have been too late, as competition is tougher, profit margins are thinner, and customer requirements are higher. Another lesson is to target appropriate customers, as Minh Chau targeted low- and middle-income customers.

Despite the intense competition Minh Chau faces today, the owners still hope to grow the business. To accomplish this, they will need a long-term strategy of innovation in products or services. Otherwise, they may not survive in the highly competitive market.

BA MOI GRAPE FARM

Ba Moi Vine Farm was founded in 2003. Prior to this time, Nguyen Van Moi, the farm owner, had accumulated 20 years of experience planting vines. Apart from planting vines, the farm also distributes grapes grown in the region through its distributor network in Ho Chi Minh City (HCMC). Products are sold to consumers through a network of supermarkets in HCMC.

Ba Moi Vine Farm was chosen as a case study because it is the first grape farm in Ninh Thuan that has not only been successful in marketing its output but also in securing the market for a total area of 100 hectares of vines in the region. It is also the first farm that registered its trademark to ensure intellectual property rights.

Mr. Moi began to cultivate vines in the early 1980s. Vine planting was a new field for him, so in the early days of his work, with little knowledge of cultivation, he could only 'learn by doing'. He was lucky because his land had not previously been heavily cultivated and the vine variety was a new one. In addition, at that time grape prices were much higher than they are currently set. One kilogram (kg) of grapes could then purchase 10 kg of rice, so that his income at this time was relatively high. However, the available cultivating land was limited (only 1,000 square meters) and therefore the harvests were also limited. In those years, harvested grapes, mostly Ribi (black) grapes, made-up less than 1 ton per year. When the harvest season came, the price was totally dependent on dealers. Grapes not purchased by traders were retailed, packed into boxes that were carried to Highway 1 to sell to passengers on the North-South Union trains or coaches. This kind of business was not long-lasting, however, because the sellers always thought they would sell to those buyers only once and therefore provided grapes only of bad quality. This devalued the Ninh Thuan grapes. Normally, the market price for grapes was 5,000-6,000 per kg. In the rainy season, when grapes became rarer, the price sometimes moved up a little, till it reached 10,000 per kg.

Realizing that the way he grew vines was too intrusive, as well as being inefficient, Mr. Moi managed to cultivate vines using a more

stable and safer method. He bought Red Cardinal and NO01.48 variety grapes to replace the variety he had planted in the early phase. The fruit from these vines was sweeter and more delicious. In 2001, together with his family, Mr. Moi researched the HCMC market and began to market his goods to test consumer reactions. However, without a brand and a good reputation, consumers did not pay much attention to his products. Grapes were sold at a low price. In early 2002, with the support of a project run by the Ministry of Science and Technology and the Centre for Agricultural Technology Transfer (a subsidiary of the South Vietnam Institute of Science and Technology), 'Planting and processing safe grapes using biological products', which was carried out only in Ninh Thuan Province, vine planting became more widespread in the region. Ba Moi grapes became famous and were accepted as a high-quality product by consumers.

In 2003, apart from developing its own products, the farm started to collect safe grapes in the region to distribute in HCMC. In the same year, it completed the procedures to register the trademark for Ba Moi grapes. In addition, the year 2003 also witnessed the kick-start of the after-harvest technical process, financed by a loan of VND 50 million. In the whole year, the total amount of grapes sold was 30 tons, and turnover grew to VND 400 million.

In January 2004, Ba Moi Vine Farm opened its office as an agent for Ninh Thuan Grapes in HCMC, the place where grapes from Ninh Thuan were grouped, categorized and packed into boxes of 1 kg to be distributed to the supermarket network. This assembly line has the capacity to categorize 10 tons per day but, due to constraints in the available quantity of grapes, so far it has not worked up to its maximum capacity. It is estimated that in 2005, the farm will distribute nearly 100 tons of safe grapes with a turnover of 2 billion. Currently, apart from the family laborers, the farm is hiring about 15 more workers with an average salary of VND 800,000 per month.

In addition to selling fresh grapes, Mr. Moi has ambitions to build a processing line to produce grape syrup and wines. At present,

his two lines have produced first samples, the trademarks of which are also registered, and they are being continuously improved in order to be brought into the market in the next year.

Strategies

The biggest turning point for the farm was when it was able to establish its distribution channels in HCMC, a large and picky consumption market. To be accepted, products must satisfy consumer requirements of quality, appearance and shape. Learning from the market, the farm built up its own trademark, which was a 'license' for it to expand its market share.

Currently, the farm is operating on a family scale, meaning it is organized simply using the family labor source. In 2005, it will invest in purchasing one more hectare of land for vine planting, making a total area of 2 hectares. Mr. Moi also wants to look into entering the Ha Noi market, after recent investigations show that this is a potential market. According to Mr. Moi, local grapes have an advantage over imported grapes in terms of distance. Currently, it takes only one day for domestic grapes to be installed in supermarkets, while foreign grapes take five days. Also in 2005, the farm plans to introduce its newly produced vine and grape syrup to consumers. It also has ambitions to export Ninh Thuan safe grapes to other countries in the region.

Future threats

In 2006, Vietnam will officially join the ASEAN Free Trade Area (AFTA). At this time, the farm's grapes will face tough competition from products from other countries in the region, in both price and quality. This will be an enormous challenge.

Success factors

The project to deliver safe grapes to consumers was the first factor that positively influenced the activities of the farm, and is considered to be the farm's turning point. Right after harvesting its safe fruits, the farm itself demanded that a market be found for the harvest. At the same time, Nguyen Dai Ve, Mr. Moi's son, had graduated from the University of Economics and, with the knowledge he had acquired at university, he managed to detect a direction for the family's products. It was Mr. Ve who designed the Ba Moi grapes logo and registered this trademark under copyright law. He also identified and developed the distribution channels in HCMC. The Ba Moi Vine Farm model, that of a farming household economy, was successful thanks to the combination of an experienced and skillful father and a marketing-professional son.

Product quality is the most important factor that decides the success or failure of a farm, and this applies especially to the food sector and to the fruit sector in particular.

ORGANIC COMPANY LIMITED (HUMIX)

Introduction:

The Organic Company, Ltd, was established in 2000. From October 1997 until its founding, the company conducted its business activities in organic fertilizer production as an affiliate of Thanh Binh Company, which was a subsidiary of the Ministry of National Defence. This was due to the fact that at that moment the procedures to establish a Company under the ownership of an overseas Vietnamese person were quite complicated. The main products of the company were organic fertilizer, divided into three categories: microorganic fertilizer, bioorganic fertilizer and foliar fertilizer. The vast majority of the company's products were sold in the domestic market. In 2002, Organic Co. Ltd. began to export its products to Japan, and subsequently expanded its export market to South Korea and Taiwan. Input for fertilizer production was sourced mainly from poultry and cattle waste, seaweed, coffee grounds and industrial garbage.

Background

As an overseas Vietnamese living in Australia, Nguyen Van Linh decided to come back to his fatherland to invest in a new business in 1990. At the beginning, he worked as a businessman in overseas national currency exchange, and after some time he moved to the South Vietnam Pesticide Company (VIPESCO). During his time in Australia, and with his background in chemical engineering, Linh had the opportunity to get access to the country's advanced agriculture industry, spending a lot of time on observing and investigating farms there. Australia is a big country with plentiful land and a scattered population, but its agriculture is at advanced level, while in Vietnam, 70 percent of the population is agrarian but the ratio of agriculture over the whole economy was not considerable. Agrarian in his origin, Linh is very keen on agriculture, especially cultivation; he always thought about what he could do for Vietnam's agriculture.

In a meeting with Mr. Nguyen Dac An of the Oceanology Institute of Nha Trang, Linh

learned that Vietnam was in procession of a substantial amount of seaweed which was not used in full capacity. Fully aware of the overuse of chemical fertilizer in agriculture and the potential of such a precious source of materials for organic fertilizer production, with the knowledge he had acquired, Linh decided to enter the organic fertilizer production industry. At that moment, the idea was nearly brand-new and supported by few people. In 1994, in cooperation with some friends, he established Thien Sinh company, the first to produce organic fertilizer at that time. However, due to some disagreement in input utilization, he decided to break off and found a new company.

Difficult time at the early stage of establishment: 1997-1999

After separation from the Thien Sinh company, with a small amount of capital of 70 million VND, Linh established his own company. As an overseas Vietnamese who did not want to establish a foreign-invested company in his own fatherland, Linh decided to stand under the Thanh Binh Company of the Ministry of National Defence as an affiliate factory. At the time of its establishment, the factory recruited about 30 workers. As he was well-respected during his time at Thien Sinh, many of the workers from the old company came to work for Linh at the new one. He rented 10,000 ha of land of Binh Duong Province's Company of Livestock, which facilitated the acquisition of input material. In the market at that moment there were about seven or eight competitors. Taking his own path, Linh met with difficulties related to capital and customers. Furthermore, in order to be legally sold, his products had to be added to the list of items allowed to circulate in the market. Preparation time was quite short and getting the sales channels established took eight months before the company was licensed to tell its products. During the first four months of operation, products could not be sold, and hence workers went unpaid and input materials went unpurchased. After four months, the workers received their first paycheck, each receiving on average 200,000

VND per month. Seeing Linh's precarious situation, many friends advised him to go back to Australia. This lasted until mid-1998.

In mid-1998, the factory detached from Thanh Binh Company and became a department of the Ministry of Agriculture and Rural Development's Company of Agricultural Materials, in order to facilitate its business. By the end of 1998, with the support of Ministerial agencies and leadership, the company was granted a temporary licence to sell its products "to investigate the market in the experimental period." In that year, it sold about 3,000 tons of products with a turnover of 3 billion VND.

In 1999, the company had completed its investment in production facilities and its products were added to the list of goods allowed to circulate in the market. This eased the company's business considerably; however, consumers were still largely unwilling to use organic fertilizer to replace chemical fertilizer. Moreover, farmers tended to convert crop plants very quickly and therefore did not pay attention to the quality of investment into their land. The company once again faced difficulties in marketing. Thanks to the high quality of their products, nevertheless, total sales reached 7,500 tons and 8 billion VND.

Development period: 2000 – present

In 2000, thanks to renovation in the Business Law of Vietnam, the Organic Company Limited (OCL) was born as a Vietnamese company with two members and a total capital of 4 billion VND. To popularise its products on the market, the company developed good relationships with scientists at institutions such as the South Vietnam Science and Technology Institute, the South Vietnam Institute of Fruit Trees and The Mekong Delta Paddy Institute. OCL regularly participated in seminars and events involving the four actors in its target market: farmers, scientists, businesspeople and the State, to spread knowledge on organic fertilizers to farmers and to introduce the Humix brand to consumers. After the flood season in 2000, fruit gardens in the Mekong Delta were severely damaged. Introduced by scientists, leaders of Dong Thap province came to Humix to order foliar fertilizer and this product

was highly appreciated. It revived fruit trees thought to have died after the flood, and also made old trees seem younger. After this success, the company's products became well known in the market, and OCL sold 11,000 tons of products that year.

From 2001 to 2002, declines in the price of coffee decreased farmers' incomes and the company lost many domestic customers. However, in that period it also diversified its products: microorganic fertilizer for basal fertilizing, land renovation and water clearance in shrimp dams; bioorganic fertilizer for vegetables, peppers, fruit trees, etc.; foliar fertilizer for paddies and fruit trees. This product diversification helped expand the company's market share. In the same period, the company distributed its products in contracts with "clean" vegetable planting regions such as the vegetable cooperatives of Da Lat, Tan Phu Trung-Ho Chi Minh City and king orange co-operatives in Tam Binh, Vinh Long Province. These contracts helped the company stabilize its market, and 2001 output was maintained at the same level as 2000.

In 2003, Humix signed an official export contract with Japan. As the first company to export its products to foreign markets, the company's domestic reputation for quality was definitely improved. At the same time, Humix's sales agent network had covered the Mekong Delta, the South Central Highlands and the South Central Coastal provinces. In 2004, the company expanded its market to South Korea and Taiwan. With the culling of poultry due to the bird flu epidemics, the company faced a shortage of input materials. However, Linh had foreseen this issue and accumulated a considerable stockpile of necessary materials. Apart from that, he also diversified input sources by signing a contract with seasoning company VEDAN to buy its waste water in compliance with Humix's technical requirements, and to buy coffee grounds, shrimp and fish powders, etc. In this period, the company had attracted new customers such as Vinh Cat Rubber Plantation, Song Be Rubber Farm, and the Tan Uyen and Binh Duong clean vegetable cooperatives. Humix also cooperate with the Agricultural Technology Transfer Centre of The Central Institute of Agricultural Science and Technology to provide organic fertilizer

for the project "Production of safe grapes using biological products," which covers 100 ha of vineyards in Phan Rang, Binh Thuan Province. In 2004, the company turnover grew to 22 billion VND, and the staff increased to 95, with average incomes of 2.5 million VND per month.

Development Strategy and Future Orientation

The most difficult period for Humix was 1997-1998 when it was newly established, with little capital, no customers, its finished products not allowed on the market and agents afraid to sell its goods. However, aiming to produce "purely organic fertilizer," the company accepted high costs for input materials so as to ensure the quality of its products. Humix also drew up a plan to sell its products at prices in line with those of its competitors to build up its reputation and to stabilize its market share. As a result, consumers warmly welcomed fertilizers produced by Humix. Consumer enthusiasm for Humix products was proven once again when the company exported its products to the Japanese market, which is a highly competitive market. Humix came to export its products to Japan when, during a visit of a Japanese delegation to the company, the Japanese experts admired the company's technical process, input sources and factory network. A few months after their visit, Japanese customers ordered samples from the company. After a test period of several months, Humix received its first order from them. Customers from South Korea and Taiwan learned of the company through the Japanese market and placed orders of their own. Humix had not yet planned to export micro organic fertilizer, but by ensuring

product quality it was presented with the opportunity to do so. In 2005, Humix planned to focus on the Taiwanese market.

In the coming period, the company will have to move the whole factory to a new location because their current land lease will expire. Humix is investing in renting a new 10,000-square-meter factory, which will operate together with the current factory while at the same time preparing to replace it. The new site is also rented from VIFACO in Binh Duong Province, and the company has signed a contract to buy approximately 40 tons of input from VIFACO, which facilitates VIFACO waste processing.

At the moment, there are about 40-50 companies doing the same type of business as Humix. Therefore, competitive pressures are intense. Though Humix's advantage is the foreign customers, its capacity does not meet the export demand yet. It is hoped that after the new factory is built, export turnover will increase.

Recently, Humix has received some orders from northern provinces. However, due to high transportation costs, it is difficult to satisfy northern customers. The company hopes to find cooperative partners to establish representation in the North.

Since its inception, Humix had chosen quality as its first priority. However, it exists in a market with many competitors offering different level of quality, and hence, different prices. To establish a unique niche in the market, the company plans to produce export-quality organic fertilizer for the local market.

THUAN HUNG AQUACULTURE

Introduction

Thuan Hung Aquaculture Co. Ltd. was established in late 1999. Its main activities are purchasing, processing, and exporting aquacultural products such as fish, shrimp, and cuttlefish. With experience he gained while working for the Aquacultural Processing Company, Mr Bui Van Hoi, Thuan Hung Company's Director, keeps current with the market signals, increases the size of his company, and creates many job opportunities for local people.

Thuan Hung Company is an interesting example for several reasons:

- (i) with a low level of initial capital and turnover and just 100 workers, after less than 3 years, its capital increased fivefold, turnover improved 17 times, and the number of workers rose by a factor of 11;
- (ii) the company has made efforts to modernize its commercial transactions, ensuring the accuracy of its business;
- (iii) the director has empowered employees to take responsibility for production.

The 2000–2002 Period

Mr Bui Van Hoi was born in Dong Nai province. He has lived in Can Tho province for over 15 years. Although he graduated from Can Tho Technology University, he worked for the Aquacultural Processing Company. This was not a large company, but it provided a good environment for Mr Hoi to build up his talent and ambition. He was truly interested in aquacultural processing. He worked hard to strengthen the company.

Aquaculture is one of the strengths of Cuu Long Delta river, which has a complex canal system. Aquatic products are valuable, healthy, and high in protein. Hence, the demand for aquatic products is increasing, not only domestically but also overseas. However, Can Tho Aquacultural Processing Company at that time mainly processed aquacultural products for bigger companies, while the highest profits are made in the refining and consuming phases. The company's turnover was initially very low, and

it employed low-skilled workers.

In light of these issues, at the end of 1999 Mr Bui Van Hoi left the Aquacultural Processing Company to set up Thuan Hung Aquaculture and become its director, and shift from processing only toward purchase, processing, and especially exporting aquacultural products from fish, shrimp, and cuttlefish.

At first, the company's capital was about Viet Nam dong (D) 20 billion, of which 50% came from the owner and a bank financed 50%. The company's production area, which was over 2 hectares, is agricultural land far from the city center and is therefore easily expandable. In its first year, the company recruited approximately 150 local workers.

The company's main activity in its first year was purchasing material and processing and export shrimp and filleted fish. The company buys tra fish, basa fish, and shrimp from agents and producers in An Giang, Dong Thap, and Can Tho provinces. In 2001, the company processed about 500 tons of export products, sending them directly overseas, with 50% going to *the United States (US)*, 20% to Europe, and the rest to Australia and other countries. The company's 2001 turnover was \$1 million, with interest of 5–10%. Throughout its history, the company has been a member of Viet Nam Association of Seafood Exporters and Processors (VASEP) for export support.

The 2002–2004 Period

After a successful first year, the company continued to develop and expand the scope of its operation and customers over the next 2 years. It invested for high growth, buying an additional hectare to expand the factory and increase processing capacity, and dramatically stepping up hiring, from 150 employees in 2000 to 1,100 in 2004, tapping labor from both local and neighboring areas. Investment also increased fivefold over the next 4 years, from D20 billion in 2000 to D1 trillion in 2004, including fixed assets that were mainly financed. With this strong investment, processing capacity increased continually, from 500 tons in 2001 to 2,000 tons in 2002, 4,500 tons in 2003, and 9,500 tons in 2004.

Together with the rapid increase in investment and processing capacity, the company's turnover expanded by a factor of 17 within 4 years, from \$1 million in 2001 to \$4 million in 2002, \$8 million in 2003, and approximately \$17 million in 2004. Profits have financed investment and hiring increases.

The company has maintained its relationship with its original raw materials suppliers while expanding its supply base, its market, and its range of products. Its sales structure has changed dramatically, with exports to the European Union (EU) increasing to 60% of the company's total, exports to the US reduced from 50% in 2001 to 30% in 2004, and other countries making up just 10% at present. By diversifying its customer base in the EU, the company has escaped the effects of the basa fish trade lawsuit in the US.

Difficulties

In its first 2 years, the company's biggest difficulty was sourcing, especially out of season. It underwent several periods of inability to operate at full capacity due to a lack of input materials. Within 3 years, it had expanded its purchase network within An Giang and even extended purchasing to Soc Trang. Although its supply difficulties have not been entirely resolved, it has stable contracts for the short term, and is preparing a long-term supply development strategy to be detailed below.

The company's other supply source difficulties include the threats of fish diseases and water pollution. Environmental concerns are prevalent, especially related to food poisoning. Quality management standards in the EU are high and present challenges to the company. Export quality management is a challenge to Viet Nam in general and will remain so into the foreseeable future, even when the country joins the World Trade Organization (WTO).

The company has difficulty not only in competition for inputs, but also competition in the output market. Aquaculture is a growing business with many profitable players, so business strategy and marketing must be flexible.

Strategy

1. Materials sourcing strategy

Besides extending its purchasing network, the company has formed a plan to supply its own materials, in the form of a 40-hectare+ fish farm, targeted to supply 50% of the company's export demand. Because the company is located in the countryside, it is able to easily acquire land. By sourcing many of its own materials, the company will also increase its capacity for quality management.

2. Marketing strategy

The company continually seeks new customers, at this time particularly focusing on the EU market. The company seeks to build up its brand name and increase turnover of high-value products.

3. Human resources management strategy

The company's human resource strategy is quite innovative. The director has given workers an unusual amount of power and self-direction, especially in finding partners and developing new business ideas. The company tries to maintain high training standards so that workers take responsibility for quality control.

Lessons

1. The company has ensured its stability by maintaining constant expansion in its number and type of suppliers, and by signing contracts to ensure supply even during market shortages.
2. The company has diversified its customer base, spreading across international markets to reduce its exposure. In customer communications, modernization has been essential: the company uses the internet to process orders.
3. The company applies a flexible human resource management strategy to empower its employees.

HIEP THANH RICE

Introduction

Hiep Thanh Co. Ltd. was founded in 1990 in Can Tho in the Mekong river “rice bowl.” The company’s director brought it up from nothing during a difficult period of economic renovation. At that time, it seemed that no one believed in the market. Although faced with many difficulties, the company has grown continuously, becoming a symbolic presence in Can Tho for three reasons: (i) the owner’s passion for business, illustrated by his leaving a state company to go into private business; (ii) its survival through a difficult period; (iii) the success it has earned through its flexible marketing and unique human resources strategies.

The 1990–1992 Period

Born in Saigon, Mr Nguyen Van Phan came to settle and work in Can Tho province (Can Tho city nowadays) more than 20 years ago, recruited by a state enterprise. After 5 years of working, he felt frustrated by his inability to care properly for his family on his salary.

In the early 1990s, Viet Nam began to open its economy with the aim of reducing poverty. Although renewed policies progressed slowly, the rice sector was the first to benefit. This was especially good for the Mekong delta, the rice bowl of the country.

Intrigued by this opportunity, Mr Phan left the state-owned enterprise to find a new way to do business. At that time, even in Hanoi and Ho Chi Minh city, Vietnamese people were still quite vague about the concept of enterprises and business; they considered working in public service to be the safest way to live and saw Mr Phan’s choice as quite risky. But with guidance and encouragement from his colleagues and friends, Mr Phan was very enthusiastic about his new business idea.

In this situation, Mr. Phan established Hiep Thanh Company in 1990, with Viet Nam dong (D)3 billion in capital, mostly raised through a mortgage that he took out on his house. The company was located on 2 hectares. From the first year, the company concentrated on buying, processing, and husking rice from collection units in Thot Not, Long Xuyen.

Processing capacity was about 50,000 tons per year, and the company employed about 110 regular employees and 200 seasonal employees. At that time, few companies like Hiep Thanh existed, which contributed to the company’s success. In its first year, the company earned D200 billion, with a profit margin of nearly 10%.

Hard Times and a New Strategy (1993–1995)

From its third year, the company faced more obstacles, with the appearance of new local and outside competitors. The company decided to change its development and business policies. First, it decided to grow. The company recruited 200 new regular employees and 200 seasonal employees, bringing its total number of employees to 600. It borrowed nearly D10 billion from banks while continuing to reinvest its revenues. Second, it improved the capacity of the factory, to nearly 100,000 tons.

Third, it widened its raw material supply sources, purchasing rice directly, paying in cash and purchasing rice not only from middlemen but also from small husking mills and workshops. Raw materials sources were still limited to Thot Not and An Giang.

Fourth, the factory continued finding new partners and markets. Besides continuing to supply processed products for the domestic market, the company succeeded in building relationships with export enterprises. This helped boost the company’s annual revenue to D300–400 billion.

Steady Development Period (1996–Present)

From its sixth year, the company developed quite steadily. Besides purchasing, processing, and trading rice, Hiep Thanh has also established transport services, building up waterway transport cooperatives.

Although the competitive environment is very severe, by improving its prestige and stably developing services, the company has reduced the obstacles in its path. It continues to find new domestic and export customers, and it has become the leading redistributor in Can Tho province. The company has 30

major customers, mainly in Ho Chi Minh city and surrounding provinces.

The company continues to maintain and expand its rice supply sources. Its continued development has spurred growth in hiring to a total of 300 regular employees and 600 seasonal employees. Its total area has reached 4 hectares, with 30,000 tons worth of storage that help it contribute to the stability of the rice market. Its annual grinding and processing capacity is nearly 200,000 tons. The company's capital has reached D16 billion, freeing it from financial obstacles and eliminating its dependence on bank borrowing. Annual revenues have increased to D500 billion. Hiep Thanh is a member of the province's Viet Nam Chamber of Commerce and Industry (VCCI), helping it improve its legal position in competition with other domestic and foreign enterprises.

Strategy

Developing input supply

Initially, the company purchased only materials from niche assemblers. Now its providers are small husking mills and cooperatives. Purchasing is handled via both contracts and cash payment.

Developing output market networks

The company mainly conducts its sales activity by contract with its partners. In particular, the company uses a bank payment system to reduce risks. However, it maintains flexibility in special situations.

The company has diversified its customer base. When it started to do business, its customers were all in the Can Tho region.

Later it spread its network to neighboring regions and Ho Chi Minh city. Then it added rice exporters and has now become one of the largest regional distributors.

The company's near-term strategy is to increase its export capacity, while building its trademark to compete with Thai rivals.

Expanding its scale and field of business

The company invests its warehouse system to store rice in preparation for poor growing seasons, natural disasters, and market changes.

It develops its human resources, focusing on recruiting multigenerational families of workers to build loyalty, applying seniority systems, and providing training.

It expands its field of business from purchasing, husking, processing, and trading to delivering and storing.

Lessons Learned

- Continuously widen input sources, and create favorable conditions for suppliers to give them flexibility.
- Diversify customer base, maintaining good relationships with existing customers while seeking out new ones. Focus not only on domestic customers but also exporters. Clarify systems of rice quality to meet customer demand.
- Apply a consistent and fair human resources strategy that develops workers' confidence.
- Reinvest in infrastructure development, especially in warehousing.

NHON HOA HANDICRAFTS

Married in 1986, Nguyen Thi Nhu Ha and her husband, Nguyen Van Hoang, started their business in 1990 in Ward 12, Go Vap District, HCMC where Mr. Hoang was born and grew up. Mr. Hoang's family had a tradition of carpentry and he inherited from his father various techniques in carving, joining and designing interior furniture. Based on Mr. Hoang's technical skills and the couple's knowledge together with hard work, they have gradually set-up and upgraded a factory in order to make products from wood pulps. They make wardrobes, cupboards, display boxes, CD racks, cup-plates and dressing-tables, the latter of which is a popular best-seller at the present time. Nhon Hoa was voted to be a symbolic enterprise of Go Vap District for three consecutive years, from 2001 to 2003.

As the eldest son in a large poor family in Sai Gon, Mr. Hoang had to leave school at an early age to help his father with carpentry work and vegetable growing on the family's land. The situation of Mrs. Ha was no less severe. She also finished her study early in order to support her mother at her food shop right up till the day she got married. When they began living together, Mr. Hoang's family gave him a 2,000 square meter lot for planting, which is currently located in Pham Van Chieu Street. In the beginning, Mrs. Ha continued growing vegetables there and Mr. Hoang kept doing carpentry work with his father. Their life was still difficult. More people moved to live in the nearby area in 1990. Mr. Hoang's family decided to sell part of the land and gave the children of the family some money for their own living. From this sale, Mr. Hoang received VND 8 million. In the hope of setting up a stable and sustained business, the couple started their enterprise with the money that had been given and VND 4 million they had saved after their hard working years.

When the factory first opened, they found it difficult to find or create a market for their products. Using the relationships he had developed when working with his father, Mr. Hoang sent some of their products, such as wooden chairs and tables, to wood furniture shops in Phu Nhuan and Go Vap districts for sale. They also managed to cooperate with

new partners via direct contacts for introducing and offering their products. Through word-of-mouth advertising, they established various partnerships with some shops, but the business was still in considerable difficulties. After a two year start-up, they almost went bankrupt because they could not improve their market.

They were lucky when a cousin, an owner of the Duc Thanh wood enterprise located in Phan Huy Ich Street, Ward 12, Go Vap district, visited in 1992 and ordered jointed wood tables for export. The item was ordered consistently during this period by Duc Thanh, from 1992 to mid 1995, giving the factory a stable source of business at that time. Apart from tables for export, they also produced some other types of chairs and tables for Duc Thanh.

In mid-1995, orders decreased significantly due to the loss of big foreign partners. Duc Thanh switched to doing business in new fields and stopped their orders with Nhon Hoa because the latter was not familiar with these products. The relationship with Duc Thanh was maintained to a certain degree by a few single orders of jointed wood tables on the request of Duc Thanh's customers. Losing their traditional market, Nhon Hoa encountered a lot of difficulties. However, the business was still maintained and improvements were made step-by-step, based on relations with other partners and their efforts to find new customers.

At the same time, Nhon Hoa succeeded in designing new models for jointed wood tables and TV racks, which they continue to produce today. The new products were expected to enhance the business but, until March 1996, sales declined because new entrants to the market initiated fierce competition.

The couple decided to change to new products to deal with the situation. Nhon Hoa started making interior décor from wood pulps in October 1996. The material for production is easy to find and the price is not high. New products were made from small quantities of wood pulp, which required less material but needed more skillful and sophisticated workers. The supplier, Nguyen Hiep

Company, provides material in a 'overlapping' way, which means Nhon Hoa only pays for the material it has used when they put in an order for the next lot of material. Nhon Hoa was fortunate to find both a market and export partners immediately after the launch of the new products. The business became successful, relying on established conditions for developing new customers for its products.

The couple decided to substantially invest in new equipment and designs to make numerous new products once it had established a reliable supplier and a new market. The capital was at first mobilized from family and friends. The business began to develop. This investment was a milestone in the success the enterprise enjoys today. Since the investment, Nhon Hoa products have diversified to include more interior décor items, such as jointed wood pictures, display racks, CD racks, cup plates, dressing tables and many other items. Products made by Nhon Hoa became plentiful and the designs were changed more regularly.

The couple started considering enlarging their business when production became stabilized. The old production area became the offices and showrooms. A new 5,500 square meter area, which is about 800 meters away from the old area, was established for production and stock. The road to the second area was an investment by the enterprise as part of the infrastructure portfolio.

The first exported goods of Nhon Hoa were to Taiwan in 2001. The order was gained through the recommendation of a partner, a friend of Mrs. Ha, who operates a décor furniture shop in District 5, HCMC. Two years later, in 2003, their products were mainly exported and accounted for 64.6% of total capacity. France and Korea are the main markets for export and export goods have replaced the domestic market as the enterprise's main focus.

Success factors and Lessons learned

Nhon Hoa has overcome a lot difficulties and challenges to reach its current success. The key success factor was the decision to make jointed wood pulp pictures. Nhon Hoa

considers this to be a core product and a key development strategy of the enterprise.

After determining the core product, the more important thing is to improve and upgrade the designs continuously to satisfy the taste of consumers. It requires the enterprise to not only be dynamic but also skillful in design, pattern-making and many other techniques. All these requirements have been perceived and successfully applied by Mrs. Ha and her husband. Design and pattern-making are all carried out by Mr. Hoang from the very first stage to the end result. This is the most important stage throughout the process of developing and producing new products. It requires creative concentration and hard work in order to offer a good-looking and favorable product. Mrs. Ha takes charge of finding partners, negotiating contracts and managing the finances of the company. This delegation makes Nhon Hoa a successful family enterprise.

The success of Nhon Hoa is also in the achievements of 14 years of working with great effort and determination by Mrs. Ha and Mr. Hoang. From time to time they felt disappointed, but their will to succeed, combined with the efforts of some of their workers, have created a successful working business relationship.

Continuous effort is the most significant lesson learnt from this case. It is the effort of finding a clear direction for their business, as well as being creative in production, design and finding new partners. Dynamic market research and understanding consumer taste are also important lessons to learn. Above all, the result of Nhon Hoa must take into account the hard work of the couple who used to be vegetable-planting farmers. They are now entrepreneurs with revenue of billions of VND. It is a valuable lesson for households who only have access to small amounts of capital but who would like to start their own business. However, it is not easy to do what Nhon Hoa has done if entrepreneurs do not have a passion for their creative work which enables them to make products with an intrinsic aesthetic value.

HOANG QUAN PRODUCTION AND TRADING LTD CO.

Introduction

Ms Nguyen Thi Ngoc Chuc, 38 years old, was born to a poor family in Ho Chi Minh city. She could not go to school until she was 9 years old because of her family's difficult condition. Her father died when she was only a week old, but she always tried to learn and worked to earn money to help her mother.

Originally a worker in an agricultural production company in Ho Chi Minh city, she started her business with difficulty. In 1992, in the context of upheaval in agricultural production throughout the country in general and in the city particular, Ngoc Chuc determined to work in the field of industrial glue; her husband was a chemical engineer.

As Ngoc Chuc did not want to live off her husband, she asked him to help her invest in her own company after they'd been married for 6 months. She started out with just six people, two working in marketing and one accountant. By 1998, she operated in a rented 220-square-meter area with 50 employees.

As demand for industrial glue increased and the company received many orders, Ngoc Chuc considered expanding her company. In 2001, she established the Hoang Quan Production and Trading Company with a total production area of 3,000 square meters.

After 4 years in operation, the company's industrial glue products have been used widely by many customers in the leather shoe making, wood processing, pottery and ceramics, and electronic parts industries. The company's products have also been exported overseas.

Establishment and Development

Ngoc Chuc was born in 1967 in a poor family in Ho Chi Minh city. Because her father had died and her mother was the family's sole breadwinner, Ngoc Chuc was sent to live in her mother's hometown in Ca Mau. She came back to her family when she was 9 years old, never having attended school. She was sent to a teacher over the summer and she was

admitted to the third-form class. At first she placed last in the class but she tried her best to progress and ranked in the second rate by her second month of school and was made a monitor.

After leaving school, Ngoc Chuc went to work at an agricultural production company instead of continuing her studies. In this company, she got her first lesson on production and she contributed to the production process with ability and enthusiasm during her 5 years with the company. By the end of the 5 years, she had become an adult and a skillful quality tester.

She left to work in the same field at a foreign-owned company, where she met her husband, a chemical engineer from Taipei, China. Used to supporting herself, she asked her husband for his financial support to start a small business selling industrial glue. After surveying the market, she found that domestically produced industrial glues were insufficient to meet demand and imported glues were expensive.

Her husband agreed with her idea, and she pursued her research further by carrying out a fact-finding mission in the Kim Bien market in Saigon. She found that a certain type of wood glue, 502, was scarce in Viet Nam and imported at a high price. She therefore chose to make 502 her first product. She formed cooperative agreements but encountered difficulty and the business fell apart. She was determined after this initial failure to continue trying.

In 1994, Ngoc Chuc took a bold step by establishing a Hoang Quan branch at 1566 Pham The Hien, 6th Ward, 8th District, Ho Chi Minh city. This branch specialized in producing and supplying synthetic glues for making bubbles and silk screening. She ran into initial difficulties due to her lack of marketing experience. In her first days of exporting, she sold about 10 bottles of glue for Viet Nam dong (D)15,000 per bottle. Although she didn't know how to introduce her products effectively, she and some of her

employees went to Binh Duong to sell products and met with some success.

In 1998, demand for glue gradually increased, and with it customer orders. With increasing revenues, Ngoc Chuc had money to develop her company's products. She decided to expand production, investing in equipment and machines and founding Hoang Quan Production and Trading Limited Company in 2001. She was the company's chief executive officer, and she tried her best to develop the Hoang Quan brand name and make Hoang Quan a good place for workers.

Ngoc Chuc started her business with retailing, but her company evolved to import materials to produce more than 20 kinds of glue, including 502, An lock, AVC glue, Ticktack, Epoxy, "Đại Hợp" glue, and fountain pens with the red crown logo. After 3 years, in 2003, Hoang Quan products had earned customer trust and were awarded the "Sao Vàng Đất Việt" prize.

The company's products now hold 30% of the glue market in Viet Nam, especially AVC and "con voi" glue, which hold 90% of their markets. Every month, the company produces about 60.000 different glues. The Hoang Quan brand name has debuted in countries such as Cambodia, Lao People's Democratic Republic, Taipei (China), the People's Republic of China, and in the Middle East.

Success Factors and Lessons Learned

Although Ngoc Chuc met many difficulties in establishing and managing her company, partly because she is also a mother, she expressed her ability and talent in leading her company to success. She keeps learning from her friends and partners and she has taken foreign language and management courses to support her business.

The Hoang Quan brand name and the red crown logo of the synthetic glue have become known all over the country. The company has been expanding its market and production scale for 8 years and has won certificates and medals for its quality in Vietnamese fairs and exhibitions.

Ngoc Chuc started her business by her will and creativity and kept learning the whole time. She realized that businesspeople needed to be patient, and that to succeed in business takes not only theoretical knowledge but practical knowledge as well.

Ngoc Chuc says that faith and reliability are the essential elements of her business. The company finds its success by keeping faith in its employees as well, by helping them achieve a sense of importance and respect. According to Ngoc Chuc, this is the most essential factor in the success of any business.

SIGNAL TECHNOLOGIES TRADE-SERVICE-TECHNICAL COMPANY LTD.

Introduction

Raised in a family with a history of repairing electronics, Tran Cong Chanh developed the passion, skills, and business sense for the trade. With a skillful combination of educational opportunities and work relations developed while working in his family's business and for the government sector, Mr Chanh has been successful in developing many household and industrial electronic products and has become a service and sales agent for many famous electronics producers. Signal Technologies Trade-Service-Technical Company Ltd. has developed from a household-based repair shop into a company with an annual revenue of over Viet Nam dong (D) 4 billion and more than 20 employees.

Following the market closely, knowing how to seize opportunities, developing in new areas, making full use of relationships of all types, and developing a professional workforce are essential factors for Mr Chanh's successful development of his business. Mr Chanh's success story also illustrates some typical features of the transition process in Viet Nam, where many private businesses can develop based on the interdependence between the state and individuals.

Background

When he was still a child, Mr Chanh gained a basic knowledge of electronics from his father, a skilled and experienced electronics technician. He was a clever child, so when he was 14 his father sent him to the Tan Phat private school—then a famous school staffed by teachers from Phu Tho School (now the University of Technologies)—to learn television repair skills. He often helped his father repair electronic equipment after school hours. In 1978, after graduating from high school, Mr Chanh started helping his father as an assistant in his shop, the Bao Toan Electronics Repair Shop. During this time, Mr Chanh designed and manufactured some alarm circuits. This helped increase the

shop's revenue and establish its reputation with customers.

Also in 1978, he was employed as a technical worker for a Ministry of Industry metallurgy factory. His duty there was to operate and repair electrical equipment in metallurgical furnaces. During his time working at the factory, he invented a technique to improve the steel furnaces' electronic system and was awarded a certificate of merit. After 2 years working for the factory, he resigned from his job to help his family because the family shop was doing a very good business.

In 1981, Mr Chan was employed at the Viet Nam TV station, a very good job at the time. Given the extremely limited number of people with knowledge and skills about televisions at the time, he was employed in the repair unit, which specialized in the maintenance of TV equipment and other electronic equipment. This was a good opportunity for Mr Chanh to learn more about the trade. His job was quite diverse because at the time the television station also offered TV repair services to people due to a shortage of independent and reputable shops.

In 1990, when Mr Chanh was still working for the TV station in the city, his father decided to hand over the Bao Toan shop to him and his brother. To fulfill this commitment, Mr Chanh asked his brother to take care of the shop and he himself focused on product and market development. The shop was renamed as Signal Electronic Repairing Shop, as an indication of Mr Chanh's passion for signal transmission and broadcasting. With the Viet Nam dong (D)200 million in capital that his family had accumulated over many years, the shop focused on repairing electronic equipment and designing and installing fire alarm and theft detection systems. During the initial stage, the revenue from the shop was just enough to cover family expenses and Mr Chanh still kept his job at the city TV station.

In 1991, the TV station received a representative of a company in Hong Kong,

China, on a business visit to explore the production of karaoke tapes with Vietnamese subtitles. During discussions, Mr Chanh had an idea of developing equipment to insert Vietnamese onto a disk, and he started his research on how to develop the equipment. He received support from the TV station, which allowed him to launch a pilot project.

After 2 years of working and researching within the context of a public-private partnership, in which the experiments and production were carried out at the TV station's premises and partly funded by the station, in 1993 Mr Chanh successfully developed and introduced his very first products to the market: the Echo karaoke system at D270,000 and LVC at D600,000—much lower prices compared with imported equipment, which sold for several hundred dollars. His products received support from the TV station, which advertised his products at its TV service center, 14 Dinh Tien Hoang Street, an address known to everybody in Saigon at that time. Mr Chanh then developed and successfully manufactured the mixer karaoke and VCR. He decided to produce these products on large scale to save costs and replace imported equipment.

From 1993 to 1995, karaoke was very popular, and Mr Chanh's products held a dominant position in the market. By advertising his products in newspapers and on TV, and making full use of his relationship with the TV station, he was able to recruit many electronics retailers to sell his products. More and more people came to know his products. His shop's annual revenue increased to D50 million, with 30% profit margins.

In 1996, Mr Chanh officially left the TV station to focus on his shop. During this time, companies specializing in electronics assembly with more advanced technologies introduced similar electronics products to the market. The shop's market and revenues decreased. This was the most difficult period, requiring Mr Chanh to decide on the most appropriate next step for developing his business.

Thanks to the long-term relationship Mr Chanh developed while working at the TV

station, he began cooperating with Matsusita Corporation to provide consulting services to customers on electronic products made by the corporation. At the same time he continued his repairing and maintenance services for his former customers. He also turned his attention to developing a new fire alarm and theft detection system, an idea he'd nurtured since the 1970s but never had an opportunity to realize.

In 2001, when the private enterprise law and private company law came into existence, Ho Chi Minh city became the leading city in the country to diversify all kinds of ownership, with the rapid development of the private sector and business cooperation models. Realizing that this was the right time, in July 2001, on the basis of the Tin Hieu shop, Mr Chanh established the Signal Technologies Trade-Service-Technical Company Ltd., with initial capital of D600 million and 12 employees. The company gave him the legal status to bid for larger projects and participate in more official activities.

The company's products are signal equipment such as fire alarm systems, theft detection systems, surveillance cameras, electronic light systems, and traffic light systems. While working at the TV station and providing his repair and maintenance services, Mr Chanh has established a lot of relationships and made connections with many potential customers, especially foreign direct investment (FDI) enterprises, management boards of export processing zones (EPZ) and industrial zones, and companies in the communication business. These are the Signal Company's main customers.

Understanding that human resources are one of the main engines of the company's growth, Mr Chanh focused on recruiting his employees in the most efficient possible ways. With the requirement that this staff must have technical expertise and enthusiasm, recruiting through the media and directly from universities, he was able to employ skilled workers. The main activities of the company are distribution of household electronic products and installation of television systems, toll collection systems, and electronic signal systems. In addition to the above-mentioned products and services,

the company also serves as an agent for manufacturers in related fields. This is a significant source of income for the business.

With its ever-increasing reputation, in December 2002, Signal Technologies was chosen by the Matsushita Company of Japan as an integrated service provider and by the Panasonic Company, also of Japan, as its official distributor in Viet Nam. The company's revenue continuously increased from its first-year level of D2 billion.

In recent years, on the background of the national transportation safety program, the company, through its special connections and relationships, has won contracts to supply traffic lights. By 2004, after 3 years of operation, the company increased its number of employees to 20 and its revenues to D4 billion.

To keep the process of innovation going, the company focuses its research on designing automatic control systems as required by its customers. Recently, the Signal Company was chosen as an agent for several world-renowned sound system and equipment

companies such as Panasonic, Sony, Samsung, Sanyo, and Phillips. All of these products are imported from foreign countries.

Success Factors and Lessons Learned

Thanks to his passion for research, business sense, experience of over 30 years working in the electronic business, and his use of skilled and professional employees, Mr Chanh has been quite successful. It is also worth mentioning that his family, friends, and work at the TV station, which gave him the very first opportunity to introduce his products, have contributed significantly to his success.

Mr Chanh's success story demonstrates that success in business requires not only a good business strategy, delivery of a good product to the market with good quality, at a good price, but also solid management to make full use of intricate relationships during the economy's current period of transition. In addition, besides good management, it is necessary to develop a skilled and professional workforce to ensure the competent implementation of business plans and ideas.

SAI GON PALM TRADE AND MANUFACTURE CO. LTD

Overview

Mai Phuc is 43 years old. He was born to a farming and handicraft-manufacturing family in barren Quang Tri. Growing up during wartime, with a large family including seven siblings, he had to earn a living from early childhood by selling bread, repairing bicycles, and weaving baskets. His mother had to carry vegetables long distances to make ends meet. The family lived in a cottage made of reeds and wood that his father harvested from the forest. Mai Phuc was determined to succeed despite his childhood circumstances.

In 1998, after a long period of study and great effort, Mai Phuc was able to set up a small workshop to make handicrafts and fine art products. His initial capital, sourced from his life savings, was only Viet Nam dong (D)30 million. His company gradually grew, specializing in products of Saigon Palm such as bags and baskets and selling both domestically and abroad.

The Startup and Development Process

While working as the head of the Export-Import Department of the Ho Chi Minh city Export-Import Company from 1995 to 2002, Phuc had the idea to set up a small workshop to manufacture fine art products. Founded with a capital of D30 million, the workshop initially employed about 20 craftsmen, mainly family members and neighbors working part-time. Phuc still spent most of his time working for the Export-Import Company. The workshop's main activity was manufacture of baskets and bags for other companies to sell in the domestic market and export.

Phuc thought of setting up the Saigon Palm Trade and Manufacturing Co., Ltd. after 2000. He believed that to enlarge the domestic market and improve export performance, he needed a bigger company that would have power in negotiations with partners and customers. He had a capital of D700 million, which he borrowed and saved. He increased his labor force to 30 full-time workers plus several part-time workers.

Phuc decided to give up his job at the Export-Import Company in 2002 to devote himself

full-time to his own company. He was invited to take part in a handicraft and fine art exhibition in New York that same year. He had the chance to establish relations with several large United States (US) corporations such as Target, Wordmark, TJ Maxx, and Homegood. His US exports would reach \$45,000 in 2003 and \$105,000 in 2004. The US market is the biggest market and very difficult to compete in, with very high standards of quality, packaging, delivery, and payment documentation. The company was able to meet these requirements and satisfy US customers, while learning from their demands.

Fine art products are mainly for export, so they must evoke traditions, but be new in design and material in comparison with competitors' products. Phuc seriously considered the designs of his products from the moment he founded the business. At first, he did research and design work himself but he later set up a group of five design specialists. Another decisive factor of the success of fine art products is the material. Apart from traditional material such as rushes, rattan, pineapple, and banana leaves, Phuc used other material such as hyacinth. Hyacinth is a natural material, which drifts down the Mekong river every year. It is soft, long, colorful, and suitable for making fine art products. After a year of trial production with simple items such as bags, carpets, and baskets using hyacinth, the products were satisfactorily market-tested. Foreign partners ordered the products, and new customers were attracted. Most of Saigon Palm's products since then have been interior décor products made of hyacinth. Combined with wood frames by passionate and skillful craftspeople, hyacinth clusters can be made into luxurious and beautiful chairs.

Saigon Palm finally won its first US export contract in 2002, for \$35,000. Phuc was happiest because the contract created work for poor families in Tan Thien and Tan An, Ham Tan district, Thuan Hai province. The profit from the contract was low, with 90% of the payment going toward labor costs.

After 4 years of operation, Saigon Palm has become the most famous brand name in handicrafts and fine art in Ho Chi Minh city, with annual revenues of D3 billion and 80 full-time workers earning monthly salaries of D1–1.5 million, plus 2,000 part-time workers in rural areas. With its abundant workforce, Saigon Palm has the potential to fulfill large orders in the future.

Success Factors and Lessons Learned

Phuc won his success through determination and hard work. Phuc thinks that to be successful in handicraft work, people must have determination, conscientiousness, kind hearts, and sympathy for poor farmers. They should respect and share other people's happiness like their own.

Low-cost materials and inexpensive labor are useful in fine art work. Hyacinth, in particular, is cheap and easy to find. However, it is also important to pay attention to good design, product quality, and customer service.

The first lesson to be learned from Phuc's case is the determination and patience of the entrepreneur in his study, research, and creation of products from new, distinctive raw material sources. To control a big company with numerous premises of production in areas such as Dong Nai, Thu Duc, and An Giang, the talented young entrepreneur had to work hard in training farmers to be part-time handicraft workers.

Phuc is currently concerned with developing new products and enlarging his market share. Consumers have high demand for rattan furniture and chairs made of soft material such as hyacinth, and Saigon Palm is well-positioned to meet this demand. Phuc has done serious research on the potential for hyacinth as a material, and he plans to launch several new, competitively priced products that will be successful in both the foreign and domestic markets.

DUC QUAN COMMERCIAL AND MANUFACTURING PRIVATE ENTERPRISE

Introduction

Mr Nguyen Hieu Duc was born in a family of 11 children. When Duc was 11 years old, his father fell ill and could not work. Therefore, his mother had to support the family, and Duc helped his mother by playing football for the Binh Thanh district team to earn money to pay for his schooling. In 1984, Duc graduated from university, having majored in chemistry and received high marks on his thesis. In 1985, Duc was assigned to work for Liksin, a state-owned company. He worked for Liksin until 1991, and then started his own business with many challenges. In 1993, he established Duc Quan workshop to produce print ink. In 1998, he registered the workshop to operate as a private enterprise, and it has since become a very successful enterprise with many lessons for observers.

Background

Duc was a good student who always tried to learn as much as possible. He was considered a very capable worker during his time at Liksin, and in 1998, after three years at the company, he was promoted to deputy head of its chemical division. Liksin was a company that produced ink for offset printing of books and newspapers. Duc observed that the market for ink for printing on plastic wrapping material was large but underserved. In 1991, Duc decided to leave Liksin to spend time researching plastic wrapping ink.

Many people thought that Duc was making a very risky decision, but he was confident and believed in himself despite being worried about earning money. He sold his wife's jewelry to buy equipment for production, using the kitchen as a laboratory and workshop. He stored equipment throughout the house, and he had no employees so he had to do all the work himself. During the day he conducted market research and introduced his products to potential customers. The ink was scarce so it was not difficult to sell it at the time. Duc used his old motorbike to transport the product. Since his only marketing advertisement was by word of mouth, he had

h joint ventures such as to earn the trust of his customers through the quality of his products. Busy with sales during the day, Duc spent nights conducting research and producing ink. Within his first year of operation, he'd built up a network for his product.

In 1992, one of Duc's friends lent him a production location in an army area, and he hired two workers to help him. He ran into shortages of input materials, however, due to the planned economy, and had to research to find subsidized material.

In 1993, Duc obtained a loan of Viet Nam dong (D)50 million from Dong A Bank to buy a house for the business. The Duc Quan workshop registered and operated in Phu Nhuan District. In 1998 he registered the workshop as a private enterprise, to take advantage of value-added tax (VAT) policies and cooperate with large partners.

After registering as a private enterprise, Duc Quan had D300 million in capital and 10 employees operating in a workshop of 300 square meters, which doubled as Duc's house. The company bought its machines from within Viet Nam or Duc developed them himself. Due to shortages of capital and credit, this was a tough time for the business even though customer demand remained high.

With Viet Nam's economy opening, many foreign material suppliers came into the country, affording Duc Quan opportunities to cooperate and exchange experiences. The company began producing more kinds of ink in response to customer demands. Today, the company produces more than 10 kinds of ink to print on different type of wrapping materials, such as PP, PE, polyvinyl chloride (PVC), BOPP, kraft, and cartons, all with formulas that Duc developed himself.

In 2004, Duc Quan supplied more than 450 tons of ink, or 15–20% of the country's market, earning revenues of approximately D25 billion. Duc Quan is a well-known brand that is competitive with HMK, InkMei, SAKATA,

TOYO, and DYVINA. The products have won the “Sao Vang Dat Viet” award, environmental awards, and recognition by the National Committee on International Economic Cooperation.

Success Factors and Lessons Learned

Duc attributes his success to his knowledge of business. His patience and desire to learn have helped him take a long-term view of the market and target his products appropriately. For example, in 1997, Duc researched FLEXO ink for carton and kraft printing, and in 2002 the market for FLEXO developed rapidly, accounting for 20% of the company’s sales. Moreover, Duc has taken advantage of government support for his business, in the

form of tax incentives, and low-interest borrowing for equipment import.

Duc Quan products are priced lower than their rivals; however, it is still difficult to compete with strong foreign companies with existing markets and customers. Duc is confident, though, in finding other ways to expand, such as the Cambodian market, which has recently opened.

In addition to Duc’s own efforts, he credits trust between partners and between owners and workers as the most important condition for success in business. He also thinks that gathering information is crucial, which is why he participates in many different kinds of associations, including the Ho Chi Minh City Young Enterprise Association.

UT KIENG COPPER URNS

According to Mr. Tran Quoc Kieng, no one in his family can remember when they started up this business. The only thing they know for sure is that it has been running for over three generations. The old people living in Commune 12, Go Vap District reported that making copper urns is a traditional business of people in this area.

Mr. Kieng's grand-father is Chinese, but he was born in Vietnam and married a Vietnamese woman. The workshop Mr. Kieng now owns was transferred to him by his grandfather and deemed to be the first one established in An Hoi (the historical name for the area).

From 1975 until 1990, Mr. Kieng's workshop had to deal with many difficulties regarding sources of material, markets, etc., which were obstacles in the old planned economy. During the 1990s, there was a rapid urbanization in the Go Vap district in general and in Commune 12 in particular. This trend had an adverse effect on the operations of businesses producing copper urns. However, despite these setbacks, Mr. Kieng has utilized his passion for this traditional business and firmly established his workshop and his business.

In the past, copper urn products were various and ingenious, but the quantity of products per month was not as high as it is today. Varieties of design and product quantity have both increased over the years, but the traditional characteristics of the urns remain. Mr. Kieng learnt his trade from older members of the family and from practicing his own skills in the workshop, and he is now an excellent worker and designer. He has become very experienced in designing for the modern market and keeping up with customer demands.

In the past, Mr. Kieng's products were only known and sold in HCMC. Presently, the markets for his products are mainly situated in the Western-South and Central Vietnam. Penetration of these markets has recently increased because Mr. Kieng has established a network of wholesale and retail agencies in provinces all over these areas. Ut Kieng's products are now well-known in many areas

and bring a high income to his family of about VND 300-400 million per year.

Workshop

The workshop was equipped with new facilities, notably a material mill machine and an oval for heating copper, ten years ago (in 1995). Before this time, most of the production processes were completed only by hand. The new equipment improved production, making the processes more effective and efficient. The workshop is now 1,000 square meters, including one building for designing, two for cooling and one for heating. However, Ut Kieng still operates on a household scale, as a small business.

Labor

In the business season (before Tet), about 20 workers are employed by Ut Kieng. At other times of the year, the workshop needs only 10 workers. This traditional work requires workers to be strong and skilled, so Ut Kieng's workers are all young or middle-aged. Some of them are member of his own family and also live in Commune 12. The physical work is divided into two types: hard and easy. The hard physical work is undertaken by men and the physically easier work by women. To become a skilled worker takes about one to two years of training. Ut Kieng has trained dozens of skilled workers.

Materials

Major materials for production are copper and brass. In the past, Ut Kieng had to buy copper warheads that were treated as refuse for recycling. Five years ago (2000), this copper refuse was available and there were no difficulties in buying material from refuse collectors in the city. At present, however, in order to have enough material for production, Ut Kieng has had to buy material from other provinces outside the city. Recently, the material price has increased considerably compared to five years ago and now stands at about VND 20,000 per kilogram (kg). In the business season (usually at the end of the year), the workshop sometimes does not have enough copper for production. This problem can be solved, according to Mr. Kieng, if he

has saved enough capital from the beginning of the year to buy copper.

The soil that is used for making the moulds to heat the products is another important material. In the past, the soil was taken directly from the Commune 12 area but presently Ut Kieng has to buy soil from Binh Duong.

Only a few materials are required to produce copper urns so the issue of supply of material is not an important one and is unlikely to adversely affect Ut Kieng's business performance at present. The market and production techniques are the major factors that will determine the development of Ut Kieng business. At present, Mr. Kieng's income reflects his success in dealing with these factors.

Products

A variety of products are manufactured in the workshop, in various designs and shapes. There are many types of urns: circular and square urns, incense burners, etc., decorated in a variety of styles. Ut Kieng also produces many kinds of bells. These products are used for religious purposes in families, pagodas and temples. Product quantities are dependant on customer demand.

Market

Ut Kieng products are sold mainly in the domestic market, HCMC being the major market for his products. At present, however, the market has been opened to provinces in the Center and Western South of the country, notably Ninh Thuan, Khanh Hoa, Binh Dinh, Quang Nam, Dong Nai, Ben Tre, An Giang, Soc Trang, Dong Thap and Tien Giang. Products are distributed by wholesale and retail agencies.

In Vietnam, a set of copper urns is a sacred symbol, used for worshiping ancestors in families and in pagodas, temples, etc. The family altar with a set of copper urns symbolizes the culture of a Vietnamese house. Copper urns are always put in the most sacred place on the household altar. A set of copper urns for ancestor worship is the

dream of many families in Vietnam. Families, particularly in rural areas, are a potential market for Ut Kieng and an incentive to invest more in this side of the business.

At present, Ut Kieng produces about four to five sets of copper urns every day, and these products are distributed to wholesale agencies. Products are also sold directly at his workshop or in the open market, and these sales also bring in quite a high income for Ut Kieng. Despite the fact that the products are not advertised, however, they still sell well in other provinces. Pre-TET, the workshop sells hundred of sets of copper urns each month that bring in dozens of millions of VND for Ut Kieng.

Ut Kieng's products are not only sold in the domestic market, but also sold to overseas Vietnamese, either directly or indirectly through agencies in Cho Lon and HCMC. Overall, the market for Ut Kieng's products has opened up in many provinces for many kinds of customer, including overseas Vietnamese. Sales and income are increasing, enabling Ut Kieng to increase their investment in new equipment to ensure that their products are of good quality and an acceptable standard for the market.

Success factors and lessons learned

The success of Ut Kieng is easily recognized by the fact that it produces about five sets of copper urns every day. Their products are distributed in many provinces all over the country. Income from the workshop is continuously increasing, reaching VND 300-400 million per year despite the small production scale. The workshop has provided employment for many family members and residents of the commune.

Their success is the result of Mr. Kieng's many efforts, as well as his passion and commitment to the business. In the future, if he is supported by new government assistance policies, especially regarding traditional businesses, Ut Kieng's business performance may be more successf

CENTER FOR TECHNOLOGY AND EQUIPMENT DEVELOPMENT

Introduction

Mr Liet established the Center for Technology and Equipment Development (LIDUTA) in 1995. The son of a destitute farmer, Mr Liet became a skilled technical worker, and recognized a demand from small- and medium-scale factories for many different types of reasonably priced production lines. At first, Mr Liet produced instant VINAMI_noodles from production lines of his own design, and also supplied production line parts and simple machines when he received orders. He founded his company to research and produce automatic production lines of greater sophistication, which had previously been imported to Viet Nam at prices too high for many enterprises to afford. His strategy focuses on automating previously manual stages of production, combining domestic and foreign technology to create reasonably priced products appropriate for Vietnamese industry.

Development Process

Mr Liet, the fifth in a family of 10 children, was born in the poor village Long Thanh B, Long Khanh commune, Hong Ngu district, Dong Thap province, and had to start farming at age 10. He was able to spend part of the day in school, and he was very determined in his farm work. As he says, "farming was a hard job in those days, but once you've got to do it, you must try to do it very well." His hard days in the field led him to dream about inventing machines that could replace human labor. Despite his difficult life, he studied hard and he passed the entrance exam to take a mechanical course at Ho Chi Minh Polytechnic University. Upon his graduation in 1983 with a degree in mechanical engineering, Mr Liet began an industrious and creative career, though one filled with many ups and downs.

His first job after graduating was working for the Thien Huong Glutamate Company, the country's only instant noodle factory at the time. In 1989, the factory closed, leaving

1,000 staff unemployed. Mr Liet had to knock on the doors of many small factories in search of a job. Trapped in the same situation, some of his former colleagues decided to pool investment of about 50 ounces of gold to establish an instant noodle factory. As Mr Liet had no money, he contributed his own labor and creativity. Based on an obsolete instant noodle production line in Thien Huong's warehouse, after 6 months of work on a new production line, the group produced their first packages of instant noodles. The product's quality was fine, but the appearance was unsophisticated because the packaging was done manually.

Mr. Liet researched for another 6 months, manufacturing an automatic packaging machine and uniting it with the production line, thus perfecting the product's appearance and increasing productivity from 50,000 to 60,000 packs per day. VINAMI instant noodles, produced from Mr. Liet's line, began to sell in the market. Mr Liet was paid 5% of the factory's annual profit, and his line was awarded a prize in the Ho Chi Minh Technical Creation Contest in 1990, a second prize in the National Technical Creation contest in 1991, and a Medal for Creative Youth from the Young Communist League.

In the early 1990s, the business ran quite smoothly. After only 4 years of operation, Mr Liet, who had barely been able to live on his previous salary, was able to buy all the shares of the company from his partners, to continue producing noodles and to produce and sell packaging machines with the brand name LIDUTA. His plants and equipment were added to and upgraded several times and at the end of 1993, the company's total assets were about Viet Nam Dong (D) 1 billion.

At the beginning of 1994, several foreign-owned instant noodle factories were established in Viet Nam. VINAMI and other private domestic instant noodle brands could not compete and had to close down. Mr Liet had to sell off his newly manufactured instant

noodle production equipment to pay off his debts. His factory was on the verge of bankruptcy.

In 1994 and 1995, Mr Liet had to work very hard to survive, and he even considered quitting his business to open a bar, but his passion for mechanics helped him hold on. As he had a lot of free time, he often went to mechanics exhibitions to observe, and returned home to reconstruct ideas for automatic flour and fluid measurement machines, drying machines, milling machines, packaging machines for soy sauce and fish sauce, and dried squid-grilling machines. He sold his technical machine drawings door-to-door.

With a much lower cost than imported machines, a longer guarantee period, and marketing help from his friends and the City Communist League Center for Science and Technology Creative Youth, Mr Liet's machine designs gradually gained customer trust. In mid-1995, he borrowed D50 million from his wife's family to set up the Center for Technology and Equipment Development (under Decree 35/CP),⁴ with the key product of an automatic vacuum pouring machine, an idea he had long nurtured that was not being manufactured by any other enterprise at that time. Orders flowed in from Plantation Protection Two Company, Nam Duong Soy Sauce Company, Vietnam Sterilization Company, Hoc Mon Plantation Breed Company, An Giang Vegetation Company, and many others.

Mr Liet's products were priced about 70% lower than comparable Taiwanese machines, and with their increasing quality, sophisticated automation, easy operation, and convenience, they won more and more customers, even attracting some foreign customers. Besides his primary product, Mr Liet also produced many other types of custom machines, with functions such as cutting fried squid, shelling mussels, grilling, cleaning bottles, and stirring coconut candy. As its reputation grew, LIDUTA received more and more orders, from

30 in 1998, to 90 in 1997, and 100 in 1998. Revenue increased regularly and by 1998 he employed about 10 very capable workers.

Not content to produce just simple equipment and parts, in the late 1990s LIDUTA began producing sophisticated, comprehensive production lines, which Vietnamese enterprises otherwise had to import at a very high cost. Comprehensive coffee production lines are a typical example; in the late 1990s, instant coffee was produced by only state- and foreign-owned enterprises because production equipment was too expensive for private domestic companies to afford. Learning of this demand from small producers, Mr Liet studied and successfully developed two small-scale coffee production lines.

Witnessing the effectiveness of these lines, in 2002, after a long period of researching and studying offers from foreign equipment producers, a well known coffee company in Tay Nguyen ordered a much more sophisticated line with many new features from Mr Liet. The customer required that the output from the line must dissolve in a specific manner, and attain the flavor and color of fresh coffee, equivalent to coffee produced from imported lines.

With tireless effort, Mr Liet succeeded, with an instant coffee production line capable of processing 10 kilograms per hour and a price of \$100,000, suitable for small-scale coffee producers. Imported lines often have processing capacity of 50 kilograms per hour and priced at \$3.5 million.

Since then, LIDUTA has become a reliable manufacturer, with more than 40 highly skilled and devoted workers and technicians. In 2003 and 2004, the organization delivered hundreds of orders both large and small, and won several awards for creative activities.

Success Factors and Lessons Learned

The LIDUTA business strategy since its establishment has been to satisfy real demand from small- and medium-scale domestic factories for appropriate, reasonably priced machinery. This strategy is dependent on the company's ability to offer clever designs and to mix domestic and imported parts to lower costs.

⁴ This type of organization enjoys some legal preferential treatment; however, the treatment is almost ineffective. Basically, the center operates like a private enterprise.

LIDUTA progressed step by step, from simple machines to more complex systems. In the future, LIDUTA plans to expand its production scale and promote export of its equipment to regional countries.

There are three lessons that may be drawn from the LIDUTA case.

- Success in research and development of food processing machines requires plentiful capital to enable modernization of plants and equipment and purchase of models to study. Limited capital can lead to dependence on advance payment from customers, leading to bankruptcy

exposure. Besides its own capital, LIDUTA needed legal and financial support from the state.

- LITUDA's development requires a huge effort from its creative and active staff. It requires strategic plans for training staff to meet the demand for human capital as it expands.

LITUDA's business is dependent on the state of the economy. As Viet Nam becomes more integrated with the world economy, economic volatility will only increase. LITUDA's biggest challenge is to prepare a strategy to handle this volatility.

M4P Publications

The Asian Development Bank-Vietnam Resident Mission is currently implementing a regional project covering Cambodia, Laos and Viet Nam entitled “Making Markets Work Better for the Poor” (MMW4P). The purposes of the project are to: (a) conduct analytical work on the functioning of markets and the extent to which the poor are able to benefit from them, and (b) to build capacity to support pro-poor market development through research activities, networking and the promotion of policy dialogue in the three project countries.



In order to make the results of the various research activities more widely available, the project produces the following types of regular publications. These are:

- The **Markets and Development Bulletin**, a bimonthly newsletter on topical market-related issues produced jointly with the Mekong Private Sector Development Facility (MPDF) and the Central Institute for Economic Management (CIEM).
- **M4P Briefing Papers** - Short, four page, summaries of research work aimed at a general non-technical audience
- **M4P Discussion Papers** - more in-depth 20-30 page reports on research projects covering methodologies, results and policy implications. These are aimed at practitioners and policy makers in the subject area of the research.
- **Other reports**

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- No 3 The Impact of Land Market Processes on the Poor: Implementing De Soto
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