

Brand Name of Vietnamese Valuation Service in the Time of International Competition

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Valuation service, after a long history of development, was only internationally accepted as an occupation in the 1940s. In Vietnam, it came into being and started developing in the 1990s, after Vietnam launched its economic reform and allowed the market economy to develop. The Government here only set prices of some important services and goods, most of them are from government monopolies while prices of others are determined by market forces. This situation gave birth to the valuation service because it is necessary to various organizations and individuals.

The valuation service meets various needs in economic activities, such as trading, mortgaging, leasing, pooling capital, paying compensations for land clearance, purchase of assets by governmental bodies, preparations for privatization, merging, dissolving, or acquisition, etc. After Vietnam's accession to the WTO, the infant valuation service in Vietnam is facing keen foreign competition. This means that the local valuation service should adjust itself to international and regional practices and standards, and local valuation companies should build their brand names in preparation for further integration into the world market and international competition.

This paper will discuss the role of brand names of valuation companies during the international integration, achievements and shortcomings of the local valuation service in the past few years; thereby suggesting some solutions and opinions to the Government and companies with a view to enhancing the service quality; limiting risks for valuers; and building the brand name for the local valuation service in the years to come.

1. Brand name in the international competition

In the market economy and the trend of globalization, concept of brand name is not new to both producers and consumers. Brand name is a special

and intangible asset of great value to its owner. The globalization allows foreign brand names to enter the Vietnamese market, including the market niche for the valuation service. Brand name and public image are not only assets but also potential strength of a valuation company in future. Value of a valuation company in particular is based mostly on its intangible assets whose biggest share comes from its brand name.

An economy with numerous brand names of high quality and prestige can help enhance the position of the country in the world community during the globalization. As a WTO member, foreign competition against local valuation companies is keener, which forces them to overcome obstacles to survive the competition and develop. They should get access to modern skills, knowledge and techniques of valuation in order to supply services of high quality to customers, thereby enhancing their places in the market.

To help them achieve this aim, the system of laws should be perfect, consistent and appropriate to international practices. Valuation companies should work out both short- and long-term strategies in order to compete fairly and successfully against both local and foreign rivals. Namely, they should equip themselves with valuation expertise and knowledge of legal issues relating to financial valuation in order to prepare for new markets and competition.

2. Achievements

In the past few years, the Government has contributed a lot to the birth and development of the valuation service providing it with a basis for its integration into the world market. The following are some of its achievements:

- Legal infrastructure for real estate, stock exchange and valuation businesses: The Securities Law came into effect on Jan. 1, 2007 providing regulations on public issue of shares, listing, brokerage and trade in securities, financial

investment and other related services. The Real Estate Law came into effect on Jan. 1, 2007 stabilizing the realty market and making it more transparent and controllable. They also help develop the valuation service. Ordinance of Pricing and Valuation came into effect on July 1, 2002. The Ministry of Finance has issued many Decisions, Circulars and guidelines to develop the legal infrastructure needed for a smooth growth of the valuation service.

- State control on realty and stock markets and the valuation service has been beefed up and become more effective. The birth of a series of real estate trading floors has made this business more official and professional and limited losses to customers. They have helped establish a realty market where reliable information is available for the valuation service.

The stock market came into operation in July 2000, which is considered as a new development of the finance market in Vietnam. The stock market has supplied valuable information to the valuation service and in future it is still a reliable and official source of information.

Establishment of Vietnam Real Estate Association, HCMC Real Estate Association and Vietnam Valuation Association has beefed up the state control over the real estate and valuation businesses. As organizations of companies and experts in the two fields, they provide chances to exchange information and experience, access foreign expertise, and acquire international cooperation and support, which help enhance their business performance.

- The Ministry of Finance has organized exams for valuers thereby training more experts with work ethic and knowledge needed for the supply of better valuation service.

- Quantitative and qualitative development of valuation companies has satisfied the need for good valuation from various sectors and organizations by supplying better services.

3. Shortcomings

- The bulk of subordinate legislation is not consistent and complete enough. The system of criteria for valuation is not complete. Up to June 2008, the Ministry of Finance has only issued six criteria, that is, they are still beefed up and perfected, which makes it difficult for valuation

companies to improve their service quality. At present, the law document of the highest level for the valuation service is the Ordinance on Price, which represents a shortage of a legal infrastructure for this service on its way to international integration.

- The realty market is not fully official, which affect badly the quality of valuation service. Information needed for the valuation of real estate is gathered from different sources of various degrees of reliability, which leads to inevitable risks or losses.

- The present stock exchanges in Vietnam can't be considered as sources of reliable information for valuers. Amount of commodities offered by stock exchanges are not abundant enough to represent all sources of commodities. These exchanges have just come into operation for a few years and they are affected by incalculable factors. This situation may distort the business information. If it is used for evaluating the assets, the result is not necessarily exact and appropriate to market prices.

- Information technology is not applied extensively and systematically to the supply of information and necessary data needed for the valuation. This situation makes the state control over the valuation service less effective and causes troubles for valuers in their jobs.

- Services supplied by valuation companies are not as good as expected because:

- + Poor skills and knowledge: Valuers with specific expertise in valuating special assets are still lacking. The discounted cash flows method – one of the best and most common methods – is not employed because of complexity of calculating and analyzing techniques. Local valuation companies lack experience and expertise needed for evaluating complex and big assets, especially the intangible ones of companies in such fields as finance, banking, auditing, and consultancy.

- + Numbers of operational valuers and qualified valuation companies in 2008 are very small. There are only 39 valuation companies and 153 valuers. This labor force can not satisfy the market demand and as a result they can not supply services of high quality.

- + Valuation fees are too low to cover all expenses while the risk involved is high. In this situation, most valuation companies tend to implement simple valuations and fail to carry out all required stages of the valuating process with the result that the results

don't reflect the market prices.

4. Some solutions

Building and developing brand names of local valuation companies requires efforts from both the Government and companies.

a. Government:

(1) Brand building: The Government can use policies and financial incentives to build the brand names for leading valuation companies, adjust regulations about brand building, and promote activities of governmental agencies responsible for developing and protecting brand names.

(2) Control over valuation service:

Firstly, the legal infrastructure for the valuation service must be perfected and criteria for valuation in particular must be worked out and publicized. This can be seen as an instrument for authorities to check and supervise the valuation service; and for valuers to evaluate the assets exactly according to rules, thereby limiting losses to assets of customers. So valuation companies can supply high-quality services, thereby enhancing their brand names and public images, and reducing risks for valuers.

Secondly, a Valuation Law must be made to ensure the same legal infrastructure as other countries. This law can help the valuation service compete fairly against foreign companies and make both local and foreign investors feel sure when putting their money in this service. Moreover, the law can help this service develop properly and turn it into an instrument for controlling the market prices.

Thirdly, incentives and other forms of encouragement could be applied to investment in this service because it is a new and infant industry.

Fourthly, it's necessary to promulgate policies to develop the realty market with a view to making it more transparent. This is a source of reliable and valid information for the valuation companies that serve as a basis for their better services and public images.

Fifthly, policies to develop stock exchanges in future are much needed because these exchanges are abundant sources of information that help valuations companies to supply services of high quality and reduce risks for valuers.

Sixthly, a database and information about the realty market and stock exchange should be built in order to provide valuation companies with up-to-date

and reliable information. This is a long-term effort that requires a lot of time and money.

Seventhly, training a human resource for the valuation service must be considered as a long-term strategy that aims at improving the army of competent valuers for both governmental agencies and valuation companies.

The Ministry of Finance and Vietnam Valuation Association should promote scientific research by organizing short- and long-term training courses and workshops in cooperation with experts from Malaysia, Singapore and Thailand because the valuation services in these countries have developed better than one in other ASEAN countries. Funds for this project can be from government's grant-in-aid and contributions from valuation companies. Importing expertise in valuation in such projects is the shortest way to improve and develop this service.

b. Companies

Companies should consider the brand building and developing as a way for protecting this infant industry. To achieve this aim, they should improve their service quality and develop good relations with customers, thereby persuading customers to pay more for better services and winning their loyalty and establish their brand names in the market.

In the integration process where the service quality and brand building become increasingly important, companies should put bigger investments in these tasks at present and in future as well. They had better pay more attention to the following problems:

(1) Brand building:

Firstly, exploitation of market and customers are factors that shape and create values for the corporate brand names. Knowing how to employ them is an initial success in a long journey to good brand names, which can expand market share and generate bigger profit for the company at present and in future. This success can enhance the value of the company and beef up its brand name on the market.

- Optimizing all operations of the company, from R&D, and management of work force, to financial control and sales promotion, is also an effective measure to maximize the corporate value.

Annual investment in R&D activity may help the company improve the service quality and contribute a lot to the brand building. Ability to manage the labor, financial and trading matters can help beef up

the brand name.

(2) Better valuation:

Firstly, a database and source of information about the realty market in each province or zone must be built in order to make valuation quicker, more exact and less costly. Better valuation can improve performance, profit and value of the company, thereby enhancing its brand name.

Secondly, companies should make plan to improve skills and knowledge of its personnel by offering chances to take short- and long-term training courses at home and abroad to valuers because this service requires high skills and expertise and the army of competent valuers is the key to success.

To beef up the brand name and competitiveness in both domestic and foreign markets, the company should work out a long-term strategy to develop the army of valuers.

5. Petitions

a. To the Government:

- Making regulations on the valuation service set by different governmental bodies (Ministries of Finance, of Natural Resources and Environment, and of Construction) consistent and uniform: This effort can help improve the quality of valuation service and help it integrate easier into the world market.

- Carrying out inspections and investigations regularly and handling properly all violations is an effective way to enhance performance of the state control over market prices.

This method can help the Government to discover violations of law by valuers and take measure to deal with them timely and effectively. In addition, regular inspections and investigations can limit occupational risks for valuers and enhance their responsibility and performance, thereby improving the public image of the valuation company.

- Related authorities should keep granting certificates to valuers after necessary exams in order to standardize the army of valuers, thereby improving their performance and the corporate public image as well.

b. To companies:

- Companies should win possible support from all governmental agencies, from ministries to trade associations and the SBV in order to beef up their

competitiveness in the domestic market during the integration process.

- Companies had better to join Vietnam Real Estate Association, HCMC Real Estate Association and Vietnam Valuation Association to update and share knowledge and experience with local and foreign companies and experts with a view to enhancing their skills and expertise.

- Taking part actively in workshops in valuation at home and abroad is a good measure to get access to practical knowledge and experience offered by foreign valuers, along with valuating methods, standards and necessary software used by the valuation companies in the ASEAN and the world; and apply them to the valuation service in Vietnam.

- Companies should buy insurance for valuers in order to reduce risks, enhance their sense of responsibility and protect interests of customers because this service involves high degrees of risk.

After Vietnam's accession to the WTO, both chances and challenges are great. Developing the valuation service requires policies to build the brand names, the bulk of subordinate legislation on the valuation, the state control over the valuation service, encouragement to investment in this field, healthy development of the realty and stock markets, a database and a strategy to develop the human resource.

As for companies, they should try their best to build their brand names and database, and improve expertise and skills of valuers continuously in order to supply better services to customers. By doing so, they can establish their brand names in the domestic market and prepare for expansion to foreign market in future ■

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