

SOME MEASURES TO IMPROVE COMPETITIVENESS OF THE CEMENT INDUSTRY

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The market economy has brought the Vietnamese economy to a new stage of development. Vietnam, from being depending on foreign aid because of its low productivity and obsolete technology for its survival and development, has made achievements that raised a lot of international interest after 10 years of economic reform: its GDP rose steadily over years, the inflation rate

strong and ready to accept such competition. It's about time local companies worked out competition strategies in a changing environment. At the same time, the Government in its macroeconomic management role, should make plan to help local companies improve their competitiveness in order to maintain their foothold in the domestic market before thinking of entering foreign ones.

the international integration and play well the role of a leading industry in Vietnam, the cement industry should find out measures to improve its competitiveness. The following are our suggestions.

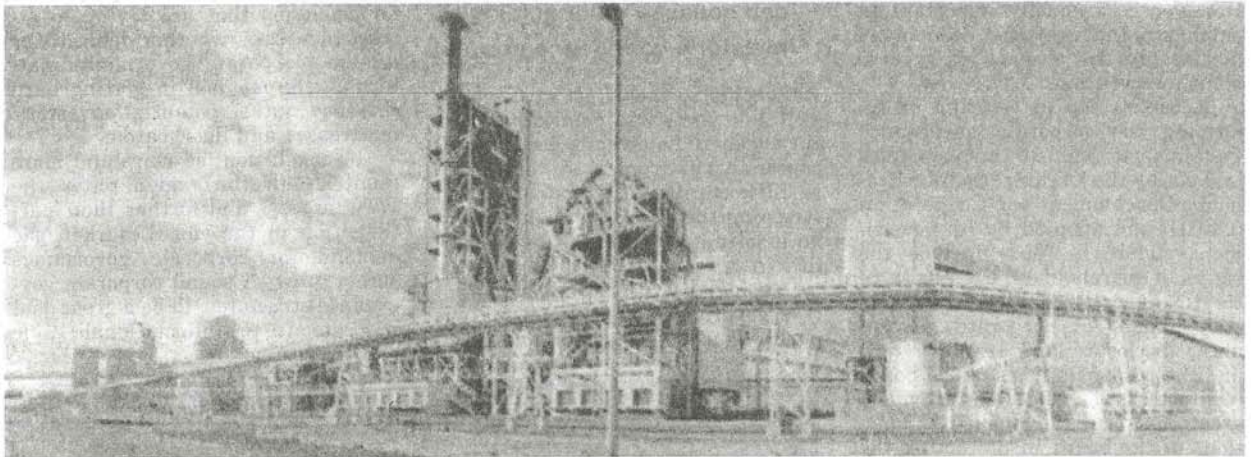
1. Low production cost

As we know, cement is among eight commodities whose prices set by the State. The price of cement is much high than its counterparts made by regional

against one another by reducing costs and selling prices.

- The current price ceiling mustn't be based only on the average production costs found in local companies. It's necessary to consult prices of cement in regional countries in order to create a competition environment in preparation for the international integration.

- Pricing authorities must supply timely infor-



was well under control and the capital accumulation was on the increase.

Adopting the market economy means accepting the competition between sectors, companies and countries when Vietnam has entered the AFTA and is seeking for admission to the WTO.

Accepting the competition for development is a right and unavoidable choice. Most local companies, however, are not

Among local industries, cement assumes special importance because of its role in the construction business. Its price affects directly this business when it accounts for 17 - 20% of the value of the works. Like other industries, however, the cement industry is facing difficulty in compete against foreign rivals, especially in the integration process.

To carry out the industrialization, prepare for

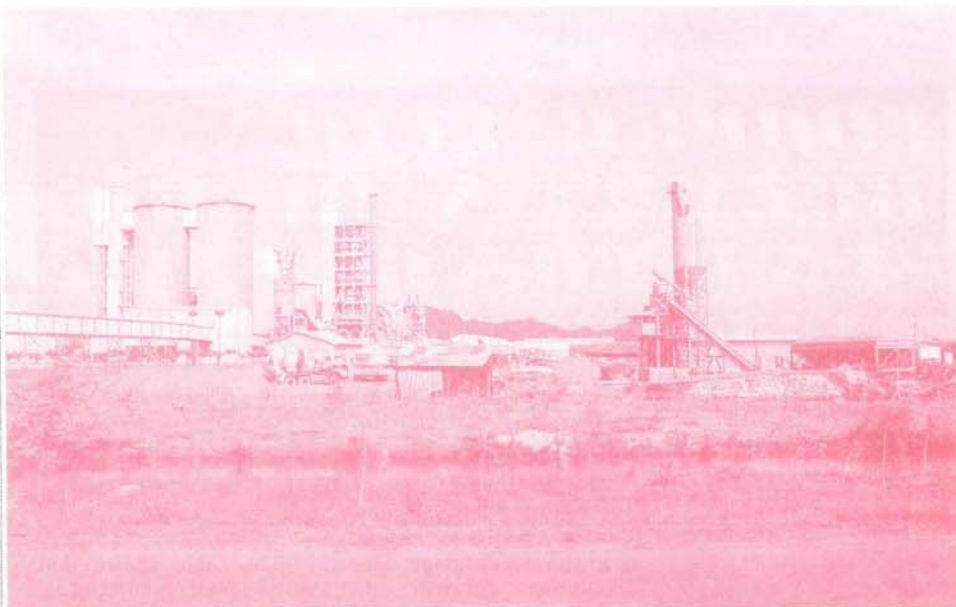
countries while its quality is lower. One of reasons for such a high price is the 10% VAT rate.

- Because the market for cement in Vietnam at present and in the coming years will be in a state of oligopoly, the Government must control the price ceiling and cement output with a view to preventing formation of trusts that could cause bad effects on the market. Cement companies must compete

mation about cement prices in both domestic and foreign markets.

2. Financial and monetary policies

At present, local cement companies have to depend on loan capital to maintain their operation or enter joint ventures with either local or foreign partners. Another measure they take is to use the value of natural resources (land for example) as their



stake in the joint venture with the result that the joint venture has to pay big interest (because other partners use local capital to buy their stakes), which makes the production cost go high.

- In joint ventures with foreign partners, the local party usually controls a 35% stake. This stake must be raised to some 51%.

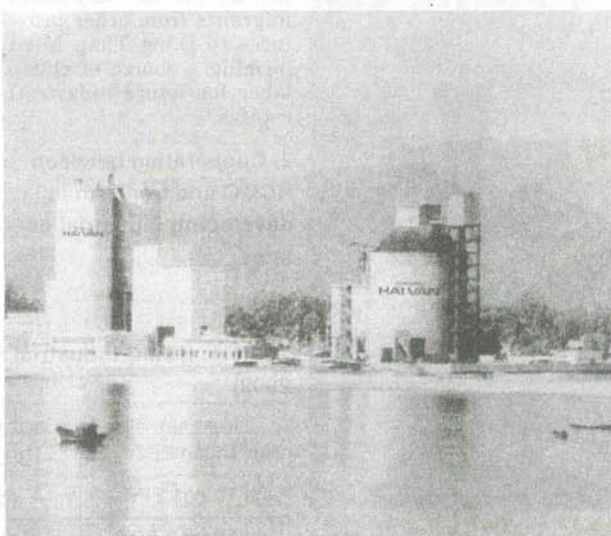
- Privatization of state cement companies is a useful way to mobilize idle money from the public.

3. Marketing and after-sale service

The marketing budget in state-owned cement companies is usually very small because proper attention isn't paid to this aspect. After-sale and advisory services are only formalities and of no service to consumers. These companies must take strong measures to deal with these shortcomings. Particularly, cement companies should provide consumers with information about usage of each type of cement and concrete maintenance.

4. Development of trade name

Cement joint ventures always pay full attention to the development of trade name. One of their advantages is to have fa-



mous companies as their partners whose trade names are valuable. So the development of their trade names is easy and not time-consuming. As for affiliates of the Vietnam Cement Corporation, proper attention and budget aren't given to this task. Some trade names, however, are also well-known due to their long existence, such as Hà Tiên I in the South and Hải Phòng in the North. A specific strategy to develop trade names of locally made cement is needed. These trade names must be combined with product quality and public image of the company.

5. Investment in modern technology

Most local cement factories use obsolete technology and machines that cause pollution, high costs and waste of energy. It's necessary to replace old machines in cement companies with good performance in order to improve their competitiveness. As for old factories, different plans are needed for dealing with pollutants and replacing machines with a view to reducing the production cost and ensuring the sustainable development.

6. Product diversification

Most of available types of cement are of the black

one called PCB30 (according to Vietnamese Standard 6260 set in 1997). Many construction works, such as hydropower dams or roads in salinized areas, required different types of specialized cement which local factories couldn't supply. In recent years, foreign-invested cement joint ventures have introduced cement PCB40 used for making fast-developed concrete. To provide a wider range of cement is a useful measure to increase the market share, promote sales and support development of the construction business.

7. Human resource development

Management techniques and skills of both managers and laborers of local cement companies are low in comparison with their counterparts in regional countries. The Government had better orient the human resource development programs towards standards adopted by Southeast Asian countries as the lowest target for the time being. There must be cooperative programs to train laborers between local and foreign training colleges.

8. Internal cooperation

In the integration process and globalization, local cement companies must cooperate in mobilizing capital, developing human resources and distributing their products with a view to combining all companies under the direction of the Vietnam Cement Corporation, thereby improving the competitiveness of locally-made cement when Vietnam has to open its market to foreign goods.

Other measures to promote the internal cooperation could also be taken, such as exchange of technicians and skilled workers between local companies, exchange of information about prices; techniques and market demand, etc. ■