

# Lessons From the Business Performance of Biên Hòa Package Joint Stock Company

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After 36 years, the Biên Hòa Package Joint Stock Company (SOVI) has developed from a small enterprise into one of leading suppliers of cardboard container in South Vietnam. Its SOVI trade mark has become familiar not only to local customers but also major foreign-invested companies, such as Unilever, Coca Cola, Dutch Lady and Ajinomoto.

In the market economy,

To maintain its foothold in the market, the Company revised and carried out successfully the specialization strategy. Moreover, the Company built and realized the competition strategy based on its 36-year-old brand name, ensured after-sales services and gave more care to its customers.

Due to these strategies, the Company has survived the competition and become one of five with the

best performance in Đồng Nai. Since 1990, its sales rose by 20% a year while its annual profit increased by 25%.

Under the market mechanism, each company has to work out its own business strategy for each period based on its opportunity, threat, weakness and strength. Under current conditions, the specialization strategy proves useful for the Company because it allows SOVI to

concentrate all of its resources in production and distribution in order to improve its business performance. This reflects itself in the following table.

From the SOVI success, we could draw the following lessons:

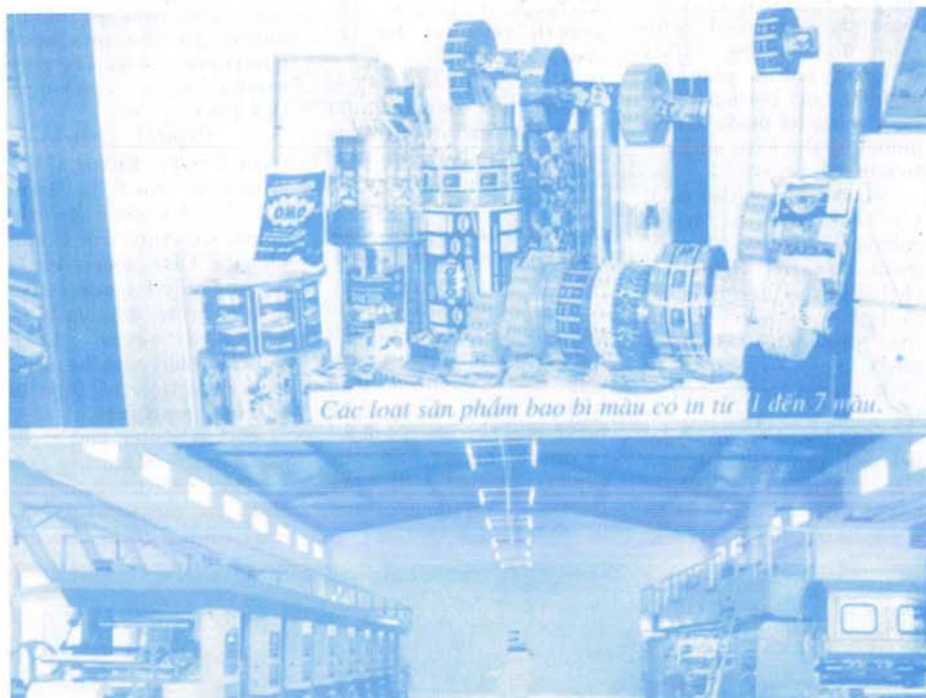
(1) It's necessary to regularly analyze and predict changes in both domestic and international markets; identify opportunities, threats, weaknesses and strengths in order to select a suitable strategy, thereby concentrating on products in which the Company enjoys comparative advantages, considering it as the best way to survive and grow.

In the market economy, the business climate keeps changing, especially in the globalization and international integration, so opportunities, threats, strengths and weaknesses of companies keep varying, and the risk will be higher if the company fails to identify these changes and adjust its strategies ac-

Table 1: SOVI business performance in 1999- 2003

Indicator	1999	2000	2001	2002	2003	2004
Total output (VND million based on 1994 price)	46,094	51,338	52,079	66,039	73,700	77,700
Total sales (VND million)	91,680	101,228	108,969	118,699	137,000	145,000
Main product (ton)	12,130	13,510	13,705	14,605	16,000	23,500
Payment to the provincial treasury (VND million)	7,500	8,473	7,133	6,580	5,379	5,628
Profit (VND million)	6,461	7,300	4,198	4,628	3,324	3,410
Average wage (VND1,000)	1,948	2,300	2,300	2,300	2,094	2,355
Investment (VND million)		7,620	1,500	500	14,350	55,000
Contribution to charity	101.6	122.83	82,032	66.942	36.680	na

the Company faces keen competition from many rivals, including three foreign ones that employ modern machines and technology from Taiwan and Malaysia to produce high -quality products from their factories in Đồng Nai and Bình Dương. The Company, on the other hand, has poorly-trained personnel that met with difficulties in dealing with such competition because it had just engaged in the market mechanism. In addition, prices of raw materials, and paper in particular, rose continuously, which affected badly the business performance.





cordingly. Moreover, these changes force all companies to adjust their strategies, so each company has to keep a close watch on moves made by their rivals.

However, most local companies in Vietnam share the same weaknesses: shortage of capital and managerial skills, old technology and machines, poor marketing campaigns, etc. That is why concentrating on lines of products in which the company enjoys comparative advantages is a right decision. From experience of SOVI and other successful companies, we see that concentrating investment and energy in lines of products where the company enjoys good brand names, public image, business experience, modern equipment and reliable network of distribution could ensure success of high degree. In recent years, the SOVI, based on SWOP analyses, has concentrated its resources on such products as cardboard boxes, offset printed materials, etc., improved the product quality, offered better after-sale services and focussed on a specific segment of the domestic market, and its has made good progress.

(2) Carrying out good marketing strategies:

The Company has worked out and realized successfully the marketing strategy be following the following stages: selecting the target market, identifying lines of products best suitable to customers' need, selecting appropriate raw materials and machinery, ensuring the product quality, offering the products to potential customers, and ensuring them of after-sales services.

(a) Products: The SOVI determined that its target market included companies that produced consumer goods and needed offset-printed cardboard containers for transport. At present, most companies in the light industry need high-quality and beautifully-printed package to transport and deliver their products to retailers. This need opens new opportunities to package makers. In this fully potential market, identifying correctly the main product could ensure a better market share and good profits.

(b) Pricing: To make its products more competitive in terms of prices, the Company has carried out the following steps:

- Negotiating the prices with foreign suppliers of raw materials.

- Applying technical advances to production of

raw materials and semi-finished products, thereby reducing production cost and other expenditures.

- Making products suitable to local customers from local raw materials.

- Predicting customers' needs and offering right products to right customers, thereby reducing the marketing cost.

- Reducing the stocking time thereby reducing warehouse charges.

(c) Promotion: By offering good after-sales services, the Company has succeeded in building a good public image and leaving good impression on such major customers, including many foreign ones, thereby ensuring its market share.

(d) Distribution: The SOVI has made the best use of its knowledge of the domestic market and distribution network to compete against foreign producers. Its delivery and payments terms always aim at customers' convenience.

(3) Handling the feedback

All feedback is necessary for the Company to deal with shortcoming in its services or defects in its products. This effort makes customers more confident in the Company. Moreover, the Company is ready to send its experts to

customers' workplace to gather information about customers demand or take part in training courses in new products. This practice allows it to produce new package of quality required by the customer.

(4) Reorganization and development of human resource

Most local companies come into being when the market economy is only in its first stage of development in Vietnam, and as a result, the managing body in many companies fails to cope with sudden changes in the market. Regular reorganization becomes a must to the SOVI. It regularly reviews its producing process to make it more effective by identifying quantitative target for each stage of production. In addition, the SOVI tried to reform its salary scale, system of benefits, working conditions, and programs to give necessary training courses to its personnel in order to develop the human resource and attract more talented workers.

In short, the SOVI on its way to success has tried its best to observe rules of the game and regularly reviewed its business process in order to become more competitive in the market economy. ■

