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ANH CAO CO. LTD. THE WINNER IN A RACE “AGAINST THE CLOCK”

“No effort is too great and no detail too small when it comes to serving our customers. I do not advertise my business. Clients come to us because of the service we provide them”.

Nguyen Kiem, Founder, Anh Cao Co. Ltd.

After ten years in business the Anh Cao company had fully lived up to this statement by its founder, Mr. Nguyen Kiem.

The door opens

At the end of the 1980s, the Vietnamese Government introduced new policies designed to facilitate the development of various business sectors. The Foreign Investment Law promulgated in 1987 opened the way for substantial investments in Viet Nam. Thousands of foreign enterprises came to Viet Nam to exploit the emerging market. Viet Nam was not only considered promising because of its 80 million population but also because of the cheap and diligent labor force that was attractive to manufacturing companies wishing to export. For many foreign invested companies, the best way to facilitate export and import procedures was to take advantage of the export-processing zones established in strategic areas. Some set up their own service companies; others, working as assemblers, established their own component suppliers. They understood the inefficiencies of doing everything in-house, but were compelled to do so because of the absence of reliable component and service providers in Viet Nam. They searched unsuccessfully for freight forwarders who could handle importing procedures for components and parts that were much more complicated than for export or import of finished products. When Viet Nam opened its market, globalization had already resulted in different stages of the production process being located in different countries. For example, Ford cars were assembled in Viet Nam, but engines were supplied from Singapore and wheels from Indonesia. It was in this environment that, led by its tall and intelligent founder, Mr.

This case was written by Pham Thi Thu Hang PhD of the Viet Nam Chamber of Commerce and Industry (Viet Nam) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Nguyen Kiem solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

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Nguyen Kiem, Anh Cao Co. Ltd. came to earn a reputation for excellence in freight forwarding procedures as ‘word of mouth’ spread.

At first sight, Mr. Kiem might have been taken for a typical Vietnamese which was perhaps not surprising. The Foreign Trade College in Hanoi had been established at the beginning of the 1960s, and was the first College in Viet Nam to teach international business. Mr. Kiem was a member of the inaugural class. As a particularly able student, he was selected to teach English in college immediately upon graduation. The training program on "Advanced English" gave him great confidence as a lecturer and this led later to the choice by Mr. Kiem and his classmates of “Anh Cao” as the company name; translated into English it means "Advanced English".

The centralized nature of the Vietnamese economy in the 60s and 70s only recognized the state and cooperative sectors, so Mr. Kiem and his business ideas were confined to the lecture room. Dissatisfied with “chalk and talk”, Mr. Kiem nevertheless wanted to put his ideas into practice. In 1972, he started working with TOCONTAP, a state owned company. Three years after, he went on to work with VIETFRACHT, the largest state owned forwarding company, as an expert on market research.

His time at VIETFRACHT provided Mr. Kiem many valuable lessons and many opportunities to test his business intuition. At that time, Mr. Kiem was responsible for producing a weekly market report to his manager which became the basis for the action plans. Unlike most of the other reports submitted, Mr. Kiem’s reports were not only carefully analyzed in detail but also benefited from his intuitive sense. He did not rely on traditional methods of collecting information but used a variety of sources such as his network of former students, many of whom were working in information centers, or by tracking the number of incoming and outgoing ships. He remembered that “I was right in most of my proposals and suggestions. Once, I advised a Chinese businessman on the market trend, he did not believe me and suffered a big loss. He nevertheless rewarded me for my advice!”

Like many other state-owned companies in the planned economy of the 1980s, VIETFRACHT suffered from a cumbersome management system and had little decision-making autonomy. The system of subsidies and frequent government interference provided no incentive for the company to function efficiently and many business opportunities were missed. In 1991, encouraged by the introduction of a law allowing the establishment of private enterprises and permitting Vietnamese individuals to set up their own businesses, Mr. Kiem left VIETFRACHT.

Mr. Kiem understood that the time was now right for him to take the initiative, but he took care to formulate a suitable business idea. His thorough knowledge of import-export techniques and excellent English prompted him to set himself up as a consultant in import and export procedures, a complex area for many Vietnamese people in the early 1990s. This activity enabled Mr. Kiem to save sufficient funds to set up the Anh Cao Company.

In the years before the opening of the economy, Viet Nam had mainly traded with the Comecon bloc. Meanwhile, the US trade and financial embargo (which

remained in place until 1994) limited Viet Nam's international trading opportunities. While trade gradually expanded, only large companies having a registered capital of USD 200,000 were licensed to engage directly in import-export activities. Other companies were obliged to conduct import-export activities through such licensed companies. This regulation remained in force until 1997.

The early 1990s offered many opportunities for Vietnamese export-import companies. While small companies lacked experience in dealing with international business, large companies faced other difficulties. They had little sense of market forces, and were quite unable to satisfy the demands of customers in the developed economies. Mr. Kiem advised such companies on their operations, helping them to contrive a product mix that could bring high margins. "I discovered that I also had an intuitive sense for predicting exchange rate fluctuations. In most cases I could forecast the appreciation or devaluation of foreign currencies."

Mr. Kiem observed the fluctuating USD/Viet Nam Dong (VND) exchange rate and realized that many financial resources were being wasted. Foreign currency funds played a very important role in import-export trading. Importers frequently acquired foreign currency, but failed to take advantage of the falling value of the VND. Even in the very short opportunity between signing the contract and opening the letter of credit, Mr. Kiem taught them that "Time is money".

Thus armed with his business ideas, his expertise and the funds he had earned, Mr. Kiem started Anh Cao Co. Ltd. in 1993 with an initial capital of VND 150,000,000 (equivalent to USD11, 000). His classmates in the Advanced English course encouraged him, and several wanted to invest, but Mr. Kiem decided to take only his wife as a partner. In fact, he managed all activities of the company himself.

The company law had been newly promulgated and the management of a private company was new to me; it would not have been easy to manage a company with many co-founders. I preferred to start first on my own.

In starting his business, Mr. Kiem wanted his company to create a difference by offering the best services at reasonable prices while earning progressive profit. At that time, for many companies providing international transport and logistic services, what he wanted seemed impossible to achieve. But Mr. Kiem believed that it was the only way he would go into business. "If I could not create a difference I would not enter this field of business", said Mr. Kiem.

Mr. Kiem formulated some measures which he had to take in order to accomplish what he had set out to do in his business. First, he summed up what he considered as mistakes in serving their customers which Vietnamese and foreign freight forwarders committed in recent years. Second, he saw the need to simplify the process of doing business which would facilitate business operations and thus save time for the clients. Mr. Kiem thus concluded that "outsourcing was more cost effective than doing everything myself". (Even today, this concept is not widely recognized in Viet Nam).

Anh Cao had no warehousing facility to support its freight forwarding activity. However, Mr. Kiem saw that the large state-owned companies who were his competitors had transport and warehousing facilities in which millions of US dollars had been invested, but which were mostly not fully utilized. Mr. Kiem collaborated with these companies and trained their staff on how to work with Anh Cao. Both partners were happy since they could tap each other's resources and strengths to meet the various demands of their customers.

If the company did everything in-house, the cost and risk would have been very high. Everyone was looking for a 'win-win' situation. Many companies were convinced that it was better to have good business cooperation that brought mutual benefits.

To build up the company's reputation in a short period of time, Mr. Kiem decided to deal with the big customers first. He succeeded in doing business with the likes of Daewoo- Hanel Joint Venture Company and the 19-5 Textile Group.

Confident of his success, Mr. Kiem thus established Anh Cao as a private international air and sea freight forwarder. While it may not be considered an exceptional feat in other countries for someone of his age to be successful, in Viet Nam where there were only 4,000 private enterprises at the beginning of 1993, Mr. Kiem's foray into business could be really considered a big achievement.

Committed to the customer

Anh Cao had its own group of customers, joint venture or fully foreign invested companies, which needed to import all kinds of materials and parts from overseas to be assembled in Viet Nam and then exported. Obviously, "Price, Delivery and Quality" were key factors in industrial markets, while "just in-time" systems were essential to reduce goods and funds in transit for both suppliers and main contractors. Many transport agencies failed to understand this principle.

Mr. Kiem's main priority was to resolve problems in close cooperation with clients. Vinacrownimex, a producer of soft drink cans, for example, terminated contracts with three transportation companies within four months since none was able to provide "just in time" delivery service. Anh Cao was the fourth company providing this service and Mr. Kiem persuaded his clients to accept his methods. "I had to cut out as many steps as possible to save time for my clients. They now recognize the benefits my methods have provided".

Indeed, Mr. Kiem invested considerable time analyzing the supply chain and making himself fully aware of actual import and export procedures. Goods passed through a series of steps: transportation, freight forwarding, customs clearance, payment of duty, insurance and control and checking. Mr. Kiem, however, was able to reduce the total time required by the whole process by analyzing each step in detail.

It is unthinkable that giant assembly factories such as Ford Viet Nam or Orion-Hanel Electronics might be forced to halt assembly lines because one box of components had not been delivered on time.

That is gross waste, and quite unforgivable because it can be controlled.

Dong khoi is a Vietnamese expression meaning “to start up simultaneously”. I apply this idea to my business. It is not necessary to manage the import/export procedures in a series of sequential steps as part of a long process. Apart from actual physical transportation, all other steps, especially the paper work, can be carried out at the same time.

Customs formalities caused problems for most export-import companies in Viet Nam. Customs handling capacity was limited resulting in lengthy delays. Mr. Kiem therefore decided to enter the field of customs brokerage. Anh Cao clients such as Ford Viet Nam and Orion-Hanel exported their products and thus needed to import thousands of different spare parts for assembly. Preparing the customs declaration for 1,500 items could take as much as three days. Confident in the loyalty of his existing clients, Mr. Kiem invested in a modern custom brokerage system, setting up a computerized custom code system for each client in order to reduce clearance time. Anh Cao completed the declaration of 1,500 items in one hour and had become a virtual library for its client companies.

My business philosophy is total commitment to clients as their long-term forwarding agent. I do not only offer competitive forwarding services. My clients receive many other things free of charge: advice, market survey information, human resource management assistance, risk control, and others. Sometimes I help them in ways that they could not imagine.

When Mr. Kiem was asked about the greatest problem he met most often in his business, he replied, “I cannot think of any, because I constantly analyze my business very carefully and am thus prepared for almost all risks”.

Nevertheless an unexpected problem occurred some years ago. A competitor “lobbied” with one of his loyal clients who then decided to stop working with Anh Cao. Almost immediately, the client ran into problems with its new partner. Mr. Kiem worked to resolve the problem without imposing any conditions. There was no money in it, but the customer returned to Anh Cao.

Looking to the future

In the beginning, Anh Cao had only four staff. By 1998, however, the company had more than 50 employees. In the same year, Mr. Kiem leased four trucks from the Viet Nam Leasing Company (VLC); after 15 months, he purchased all four.

I do not think that we need much capital to run our business. We can use the facilities and capital equipment of our partners and clients. If I have an actual demand for ten trucks, I would only need to own five of them.

The company's assets were not large; as a whole, it accumulated a total of 20 trucks. But the annual turnover of Anh Cao had reached about 50 billion VND, equivalent to USD 3,300,000 in 2003. The company then employed 80 permanent staff. They were well educated and were encouraged to work loyally for the company. In many other Vietnamese companies, well-qualified staff often resigned after some time to open their own businesses. It was noteworthy that this did not happen often at Anh Cao. Mr. Kiem noted that "My staff bonus was paid in company shares, so employees actually worked for themselves. Once they decided to set up their own business, they often sought my advice and asked me to take some share, and I was pleased to do that."

Although its office was in Hanoi, Anh Cao expanded its business to cover the whole country, with branches in the major cities of Viet Nam: Haiphong, Noi Bai Airport, and Ho Chi Minh City. Recently, an Inland Clearance Depot (ICD) had been established in Hai Duong between the capital city of Hanoi and Haiphong, the major port in northern Viet Nam. Mr. Kiem predicted an industrial boom in this focal point of the Red River Delta and believed that the Hai Duong ICD would play an important role in Anh Cao's development strategy. Many foreign invested companies operated in the industrial zones on the Hanoi/Hai Duong/Haiphong road Hanoi. His eldest son, Nguyen Dich Dzung was managing the Hai Duong ICD, which was organized in the form of a joint-stock company, with Anh Cao holding 70%. "My son understands the stock market, thanks to his study in the USA. I believe that he can manage the Hai Duong IDC well, too."

All family members of Mr. Kiem were involved in Anh Cao. His daughter, Nguyen Kim Long, graduated from Tourism College and was in charge of the tourism division of the company. Mr. Kiem intended this section to become a specialized tourism company. He did not like the large corporation model, "Small is beautiful. I want to set up separate companies within one integrated system."

Mr. Kiem was fortunate to have family members qualified to run related Anh Cao businesses. At the same time, the team of managers in the company continued to provide him the support he needed. Each was encouraged to take an active part in management; to rely on teamwork; to add value to his or her ideas; and to help other managers to foresee possible risks and find solutions

The Vietnamese economy was transforming rapidly, but could not do so while ignoring globalization. Viet Nam, a "transition tiger", was an attractive place for foreign investors. Mr. Kiem observed that the operation of every foreign organization involved individuals and their families so he initiated new services to clear and transport personal goods for foreigners based in Viet Nam.

We are moving the precious belongings of families and international organizations. We know how excellent the quality of service must be, it must be second to none. It is not easy to apply the ISO standard in a service company and I do not think that ISO is appropriate for Anh Cao. Rather, I have designed our own quality management system

Mr. Kiem received large orders, thanks to his excellent service in attending to even small orders. He insisted on the value of “word of mouth” but even more important to him was his need to have close relationship with every client to gain their confidence. After ten years of operation, Anh Cao Ltd services had expanded into diversified fields: international and domestic removals, packing, office relocation and fitting, multimodal transportation, tourism, and insurance services, and others (See Appendix I)

Mr. Kiem had just turned 62 years old. Many of his business ideas had been put into practice. He was now considering investment in production. “ My future manufacturing companies would have factories for assembling, a joint venture in China perhaps”. Anh Cao's transportation services would thus face reduced risk, as it would be serving its own manufacturing companies. While this move would appear to contradict his initial thinking that "outsourcing is more cost effective ", he did not however want to run the risk of being unable to find “just in time” service for his manufacturing companies from other less efficient forwarding companies.

APPENDIX I

Main Activities of Anh Cao Co. Ltd

Ocean Freight Forwarding

- Project cargo management
- Door-to-door service
- Chartering service
- Warehousing, assembly, packing and crating service
- Comprehensive documentation and banking services
- Dedicated intermodal operations
- Sea-Air combined traffic
- Service contracts with worldwide carriers

Air Freight Forwarding

- Real-time information.
- Worldwide door-to-door consolidation shipments
- Space commitment with major airlines.
- Warehousing, assembly, packing and crating.
- Comprehensive document and banking service.
- Shipments moved on first available flight.
- Emergency shipment service.
- Handling fragile, perishable or dangerous goods

Removals, Warehousing and Distribution

- Comprehensive deconsolidation and distribution service.
- Pre-distribution management, Inspection service
- “Pick and pack” services, High quality packing materials.
- Consultation on documentary requirement and advice on customs procedures
- Office relocation and fitting
- “Just-in-time” free door to door delivery.

Logistic Project management

- Turn-key project service
- Rapid response capability
- Risk/opportunity assessment
- Job-site survey and traffic survey for project
- Cargoes

Customs Brokerage

- National service standard
- Client specific reports
- Comprehensive drawback services
- Tariff classification services
- Government licensed brokers
- Expedited inland shipments
- Landed cost analysis reports

Insurance brokerage

- Claims on loss control service.
- Customized cargo insurance protection
- Specialized transportation insurance
- Prompt response on claim and coverage
- Comprehensive underwriting authority
- Broadest coverage at best available rate.