

Road to Success **VMEPH- The leading motorcycle company rooted in Vietnam**



One of the SYM Flagship stores in Vietnam



Probably not a very familiar name to people in Hong Kong, but it is definitely a household name in Vietnam, Vietnam Manufacturing & Export Processing (Holdings) Ltd. (VMEPH) currently occupies the second-largest market share of scooters in the country. Since its inception in 1992, the company has been producing high quality, stylish, and safe scooters and cubs in Vietnam and certain markets in Asia and Europe.

As the first fully foreign-owned company in Vietnam, the company runs a full operation in the country including two production plants in Ho Chi Minh City and Hanoi, a research & development centre, together with sales & marketing and corporate management team. It currently employs 2,050 staff in total.

"Our hearts are in Vietnam. About 92.3% of our sales come from the domestic market whereas the rest comes from export sales to Europe and Asian countries. In view of our vast and dedicated investment in the country, the Vietnam Government has treated us as a preferred corporation. They have been very supportive to our operations where we enjoy quite a few incentives, such as tax reduction. This has definitely enhanced our competitive advantage," says Mr. Chen Pang-Hsiung, chief executive officer & executive director of VMEPH.

The total sales volume for scooters in Vietnam is around 3 million units - of which 60% is being provided by the big brands including Honda, Yamaha, Suzuki and SYM (VMEPH's brand), and the rest

is made up of low-end locally made products. "We run a very profitable business as our scooters is the second-largest brand in the country, occupying 32% of the market share. And, our cubs rank the third highest-selling in the market," says Mr. Chen. Their products are highly competitive as compared to other global brands. To make the products fashionable and modish, they have worked with Italian designers. "We take our product development approach very seriously - besides the outlook, we need to assure its safety and enduring performance," adds Mr. Chen.

These years, the company has been enjoying progressive incremental in sales volume and profit margin - "Our sales volume has increased by 20% whilst

profits increased by over 30% as compared to 2006. We are striving to achieve better results in the coming years," says Mr. Chen. One of the strategies is to introduce new products to the market. The company will be launching stylish-designed scooter model especially for the men's market later this year. "In the past, our products are mainly focus on female consumer market which occupies 50% of the population and market. This year, we will go after the other 50% by launching men's scooter which is sporty, active and fashionable," adds Mr. Chen.

In addition to the new product strategy, the company is aggressively looking into cost control. "As the raw material cost is increasing, we need to be very careful with our cost structure - we will be reducing the import of production parts from Taiwan in the coming years. Plus, we shall speed up our process of localization of parts where we will localize the parts from other ASEAN countries. Lastly, our research & development team will initiate various programs to reduce production costs whilst enhancing our product quality," says Mr. Chen. By implementing such cost control exercises, the company will be able to achieve higher profit margins.

Looking outwardly, the company is aggressively expanding its export sales network to Europe and ASEAN countries. At present, the company is selling to countries including the Philippines, Malaysia, Indonesia, Singapore, etc. "We are planning to build more strategic relationships with dealers to expand our distribution network. And, for specific markets, we will modify our products to fit their local needs. In certain countries, we are also planning to build local joint-venture factories to help stabilize production quantity and assure the highest quality," says Mr. Chen.

In facing a head-on competition with global brands, the company has put a lot of emphasis on research & development. The company is currently constructing a new R&D centre which occupies 300,000 square meters, due to complete in 2009 - "With the new facility, we will be able to further enhance our R&D capability. One of the biggest advantages that we have over our competitors is that we are close to the market - we know the local demands precisely. Through conducting comprehensive market survey and grasping a good understanding of the

customers' feedbacks, we are able to develop and test our products in various stages. This really helps to meet the clients' and markets' needs," says Mr. Chen.

Another key of success is their strong dealership network in Vietnam. They have over 230 dealers with 3 flagship stores in the country. "Our flagship stores are all modernly-designed and decorated, with 2-storeroys for the customers to enjoy the shopping experience," says Mr. Chen. The company is determined to further upgrade its brand with over US\$50 million to be invested in various exercises and programs. "We aim to push our market position to the first in the next three years, which is certainly achievable and doable to us. On the other hand, we strive to build an unbeatable brand name for scooters. Part of our confidence in achieving comes from we have a very strong financial status and a professional management team," says Mr. Chen. "We have years of experience in the business and every one takes the company as of his own. We work in a close team and we literally live in Vietnam to understand the market and people; which is another advantage that we have over our competitors."

The company is now publicly-listed in the Hong Kong Stock Exchange, which gives the company more readily to raise operating and development funds in a vibrant stock market. "We give our shareholders a very good return as our core market - Vietnam is a growing market. Its political environment is stable, population is huge and economy is developing healthily - it definitely has a bright future," says Mr. Chen. "Plus, we take a conservative approach in our business - we only focus on our core which we already and will continue to excel in." With a strong financial background and promising future, the company is aiming to bring a higher return to all of its shareholders.

VMEPH's charity works

"I am not only Taiwanese, but also I am a Vietnamese," says the leading man - Mr. Chen Pang-Hsiung who has been appointed as the CEO & executive director in August 2007. Born and raised in Taiwan, Mr. Chen started his motorcycle career twenty-four years ago, initially in research & development and gradually moving upwards in marketing.



Mr. Chen has spent the last decade living and working in Vietnam, which he considers to be his second home. He always has a strong feeling to be a good ambassador of this beautiful country. "Not a lot of people know much about the country - I felt obliged to tell them all about Vietnam, which I enjoy living and working."

"Vietnamese work very hard, they are willing to learn new things, whether it is new technology, finance or language. They are happy and contented people. According to one of the recent surveys, the happy index of Vietnamese is the highest amongst Asian - which somehow made them the happiest people in Asia. The population is young with 70% of the population being made up of aged-40 young people. The market is yet to be explored." Here are just a few good things about the country and its people as told by Mr. Chen.

As an investor to the country, VMEPH is keen to contribute back to the country. In the subject of corporate social responsibility, the company puts in 1% of its profit to launch a variety of charity and society-wide projects every year. They have launched a 100-bridge construction project in 2006, where they built 100 cemented bridges in the easily-flooded areas. In this way, they helped to improve the transportation in the rural system and provide a more convenient and safe bridge system to the locals.

"This is one of the major charity works that we have done in the last two years. In 2008, we shall be helping out in agriculture improvement. We will be investing US\$300,000 in one province to help increase their produce quantity and improve sales channels; which at the very end, will help to improve their gains and living standards." Up to now, they have worked with 20 different charity centers and partnered with other enterprises in sizeable charity projects.