

# Overview of case studies: Vietnam



## Case study: VinaKip (April 2011)

# Summary

- Example of application of the ISO methodology:  
VinaKip, electrical appliances company
- Credits
  - STAMEQ/VSQI (= Vietnam Standards and Quality Institute)  
Project team: Mr. Pho Duc Son, Director of VSQI, Ms. Man Thuy Giang (VSQI, Project consultant) and Ms. Bui Ngoc Bich (VSQI, Project assistant)
  - Mr. Reinhard Weissinger, ISO, Manager, Research, Education, and Strategy

# The company - 1

- The company produces various electrical products. It was decided to limit the case study to two types of products:
  - a) Electrical sockets (a «traditional» product for the company which is produced since the 1990s)
  - b) Cables/wires (a «new» product» for the company which is produced since 2008)

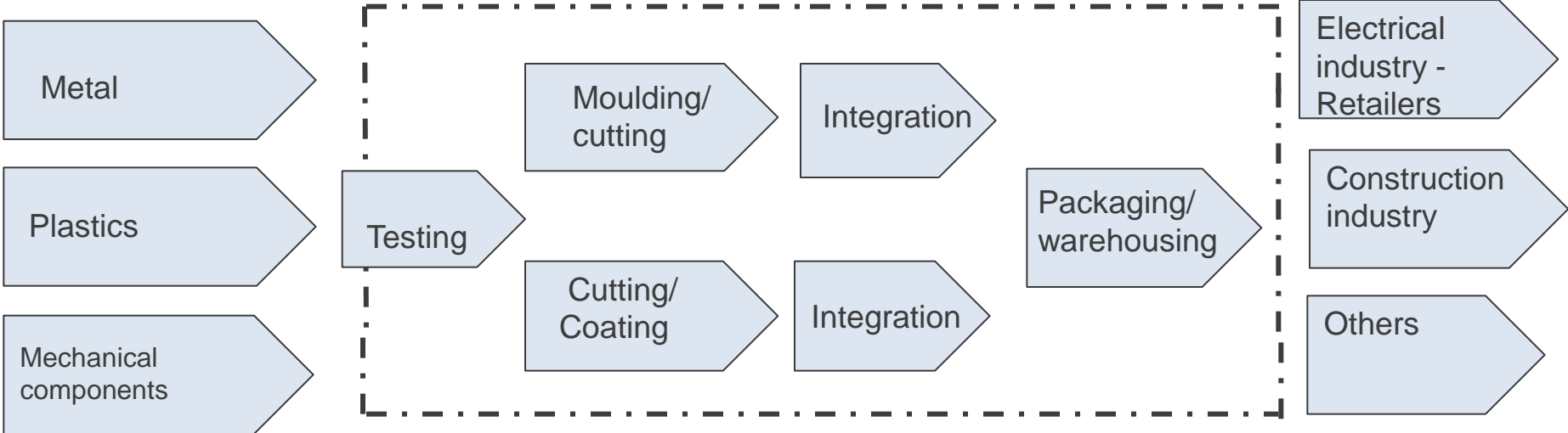
## The company - 2

- Major electrical appliances company in Vietnam
- The company serves mainly the electrical industry as well as the construction industry
- Revenues in 2010: 196 billion Vietnames Dong (= 9,6 mill. USD)
- Annual market growth around 16%
- The company operates so far only domestically and has no foreign affiliates or exports. However, due to growing demand in neighbouring countries, the company plans to start exporting in the near future

# Industry value chain

SUPPLIERS

CUSTOMERS

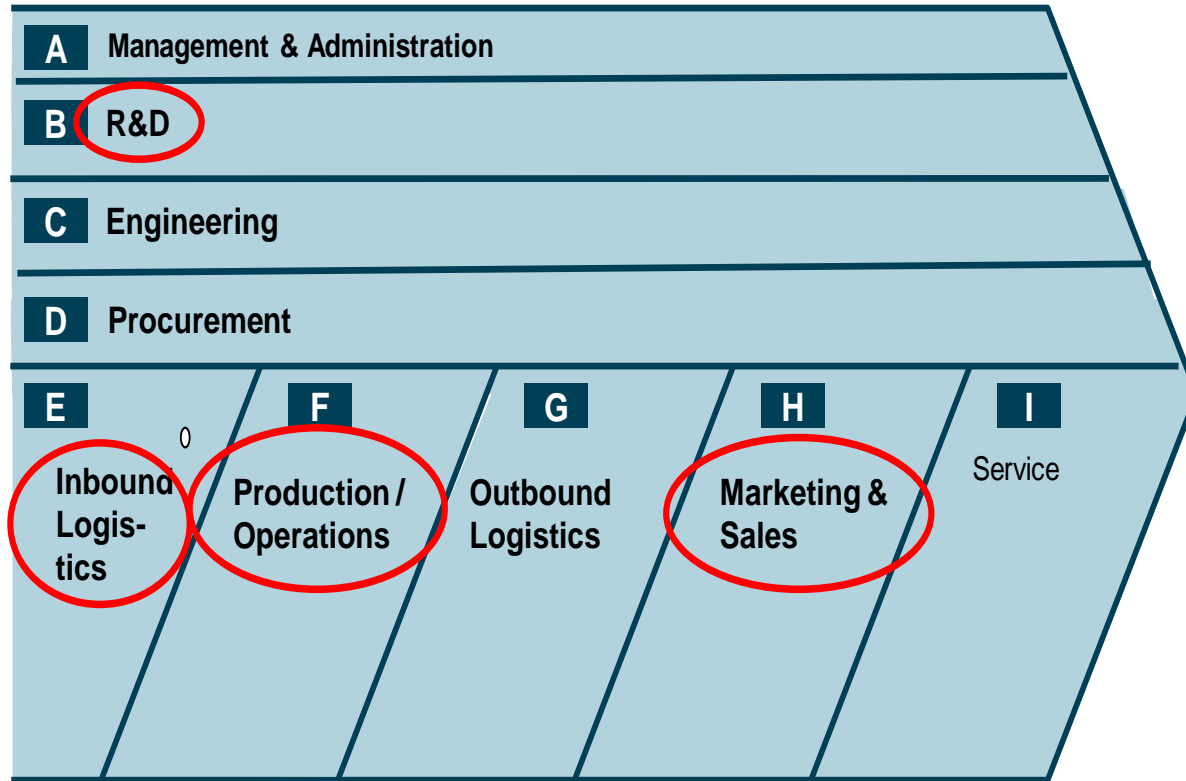


- . - . - . = In scope

# Preliminary analysis of the Standards Impact

- The company has a library of approximately 30 technical standards, primarily product and testing standards, that are all external standards (TCVN, IEC, ISO). The company has been certified against ISO 9001 in 2003.
- Based on preliminary analysis (supported by the Standards Impact map) the business functions most significantly impacted by standards are:
  - **Inbound logistics**
  - **Production**and to a lesser extent
  - **Research & Development**
  - **Marketing & Sales**

# Business functions of the company value chain selected for an assessment of the impacts of standards (highlighted)



This model of the company value chain has been developed originally by Michael Porter (1985)

# Inbound logistics

- Due to the use of standards, the costs for materials testing for sockets could be reduced by **over 10 million VND** annually.
- Savings for the testing of materials for cables/wires have not yet been calculated
- *Several standards (primarily TCVN, IEC) are used as a basis for material and parts specifications – primarily metals*



# Production (1)

- Benefits due to the implementation of these standards:
  - Savings of materials due to a more reliable production process
  - Reduction of costs for replacement of non-functional products
  - Reduction of costs to test final products
  - Savings due to a process of continuous improvement

## Production (2)

- Benefits due to the implementation of these standards:
  - Savings of materials due to a reduction of waste:  
**62.374.507 VND**
  - Reduction of costs for replacement of non-functional products: **5.082.912 VND**
  - Reduction of costs to test final products:  
**700.000.000 VND**
  - Savings due to a process of continuous improvement:  
**2.500.000.000 VND**
  - Savings by using standardized materials in an automated production line:  
**159.651.000 VND**

# Research & Development (1)

- A Quality Management System (ISO 9001) was introduced in the early 2000s and certification took place in 2003.
- The company is strongly committed to continual improvement and applies the motto: «Always listen [to customers] and constantly improve»

## Research & Development (2)

- The use of external standards resulted in the company not having to write their own internal company specifications
- It is estimated that this resulted in savings of **1.280.000.000 VND**, which amounts to an annual saving, spread over 5 years, of **256.000.000 VND**

# Marketing & Sales

- The strong reliance and use of standards translates into increased sales as results in an increase of customer confidence in the reliability of the products. The increase in sales due to this reason is estimated at contributing to increased sales of an annual value of **3.797.145.600 VND.**

# Standards EBIT impact of the selected business functions

Business Functions	EBIT impact
R&D	256.000.000 VND
Inbound logistics	10.225.000 VND
Production	3.427.108.419 VND
Marketing & Sales	3.797.145.600 VND
<b>Total (for 2 products)</b>	<b>7.490.479.019 VND</b>

- This corresponds to **10,4 %** of the company revenue from the sales of the two selected products (72 billion VND) and **3,8 %** of the total sales revenue (196 billion VND) of the company in 2010

# Thank you for your attention!



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