

VIETNAM

AN IDEAL DESTINATION FOR YOUR BUSINESS

Foreign investors have shown a keen interest in Vietnam's manufacturing industry due to its significant growth potential. Vietnam is now considered a promising global manufacturing center. Let's discover Mr. Marc Nicolaudius' views on Vietnam's potential as Managing Director of Magnetec Group.

■ Interview by Source of Asia

Why did you choose Vietnam as your ideal destination for your business?

We chose Vietnam after a long selection process. Initially, we explored countries such as Thailand, Malaysia, and the Philippines on a national level. However, we ultimately selected Vietnam as we discovered that it has excellent infrastructure and a highly educated and open-minded population who share similar values with Germany and Europe. This has proven to be a significant advantage for us since intercultural communication and issues can arise if not managed properly. Nevertheless, we have a great working relationship with our Vietnamese team.

With numerous suppliers already established in Vietnam, we have access to critical materials that are essential for our operations. Our logistics infrastructure is also robust, enabling smooth transportation for both personnel and goods, including materials from other countries and our finished

products primarily for export within the ASEAN region.

Our objective is to locate a central base in Asia that can serve as a supplier for other Asian countries, which is currently unattainable with China. China has become increasingly problematic due to issues such as taxes, logistics, and Covid. Therefore, we are exploring alternative countries that can serve as a suitable operational base for Asia. The technological landscape is also a crucial consideration since it allows us to import and export from other countries to Vietnam and export finished products to our customers in other countries. These are the primary drivers behind our decision to initiate a plan in Vietnam.

What do you think about Vietnam's manufacturing growth at the current time?

We have observed an increasing number of new companies arriving in Vietnam, including those that are relocating from

China due to similar challenges that we have encountered, such as commercial issues related to taxes or risk-related factors. Many of our customers require a secure source for their products, and China is now perceived as riskier, prompting companies to seek alternative locations that meet their needs.

It is often said that "Vietnam is the new China," which I find concerning because it is not appropriate to compare countries in this way. Vietnam is a unique and remarkable country, and I enjoy being here, particularly because of the mindset of the people. This is also a compelling reason for other companies to enter the Vietnamese market and establish factories here.

What is Magnetec's development plan in Vietnam at this current time?

We recently held a grand opening event for our factory, and we are currently discussing plans for further expansion. Despite the changes in



Mr. Marc Nicolaudius
Managing Director of Magnetec Group



Grand Opening of Magnetec Vietnam at BW's Nam Dinh Vu project in March 2023.

Photo credit: Nam Dinh Vu Industrial Park.

our global developments that occur monthly, we are constantly readjusting our activities to take advantage of the situation. As a result, we have decided to accelerate our plans to move products from other locations to Vietnam and install additional production machines here that were not initially planned. This has been added to our short-term plan for this year.

Are there any specific factors that make you decide to operate a factory in Vietnam?

The most critical factor for us is the people and their mindset. While we find similar conditions regarding costs, labor, market, and infrastructure in other countries, it's challenging to compare countries on a national level as it varies regionally. The people's mindset is crucial for foreign investors as they need the right people on board to make a positive investment. Therefore, we prefer to avoid sending expats to run the operations and instead work with locals. We focus on the culture, mindset, and people, and fortunately,

we found almost perfect conditions here in Vietnam. The team we have here is open-minded and actively contribute with opinions and ideas. This open-mindedness is a clear success factor for our business and the future.

What do you think about the ready-built factory market here?

Compared to other countries, I believe that Vietnam offers a vast market with numerous opportunities. However, not all of them may meet our specific requirements as it depends on what you are looking for in terms of sizes, logistics, and other factors. Nevertheless, as an investor, the conditions here are quite favorable and we have a range of options to choose from. We have noticed variations in terms of buildings and services available, which is beneficial for investors as it allows for comparison and selection based on their specific needs. It is important to remain flexible and offer different services and packages to cater to the diverse requirements of each company, rather than having a one-size-fits-all approach.

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Currently being a tenant of the BW Industrial, how their solutions fit your needs?

The services provided to us by BW Industrial are considered standard in terms of suppliers, service quality, and necessary requirements for operating in the industrial park. It is important for us that these standard services are of good quality, and we have found that so far everything is working well. We have not had any complaints, and if there are any issues that arise, we appreciate their quick response time in addressing them. While we did receive some support from your team in setting up our legal entity, we have not required any additional or special services beyond the standard ones. Overall, the facility looks clean, organized, and our expectations have been met.

What are the significant benefits that influenced your decision to partner with BW Industrial?

One advantage we found with partnering with BW is the separation of costs between setting up the company and the rental fees over the entire lease period. Other service providers offered a bundled package that included both, which we found expensive since it had to be paid over ten years. We preferred transparency and the ability to choose what services we wanted. BW company offered exactly that, unlike others that had mixed calculations and did not allow us to choose. We wanted to set up the company ourselves and pay for additional consulting services if needed. We appreciate that BW offers a clear breakdown of costs and only charges for the actual operation.

Could you give any advice for other foreign companies planning to move their production operations to Vietnam?

This is not the first time that I look for a location in another country. Thus, I have a bit of experience in it. My advice is **to not try to do it alone and to always seek out partners**. There are many organizations available to support this process. For instance, the German chamber of commerce has a presence in most countries, providing German businesses with a local network and a contact person. In our case, this was a crucial contact for us, and they even created videos for us during the pandemic when we were unable to travel. As a result, we were able to obtain a lot of information in advance.

The second important factor is to identify reliable partners and clarify your requirements and necessary criteria. Merely considering costs is not sufficient, as there may be additional expenses that are not immediately apparent. It is crucial to consider cultural differences, communication, and mindset. Selecting a country with the lowest costs may not be beneficial if it does not align with your expectations in terms of culture and mindset, leading to higher costs due to constant troubleshooting. Therefore, it is necessary to consider all aspects, including operations, quality aspects, and suppliers. It is crucial to choose good suppliers rather than merely opting for the cheapest one. Finding a good compromise is essential, as no company can be perfect. As an investor, you must prioritize your requirements and make a clear decision. Collaborating with people who have knowledge of the country you are targeting is also beneficial since they are aware of the local essential factors.

Another important piece of advice is to travel within the country and immerse yourself in the local culture. Avoid staying only in five-star hotels or tourist areas and instead try to interact with the locals. Speak with them, try to understand their mindset, and get a personal feel for the place. This will help you make a more informed decision about whether you can imagine working with the people and whether you feel comfortable with the cultural differences. With this kind of information, you will be better equipped to make a good and correct decision in the end.

What is Magnetec?



MAGNETEC is an international, certified manufacturer of inductive components. The company produces high-quality and internationally recognised product innovations and supports almost 1,000 partners worldwide in bringing safer and better products to market.

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