

Lao People's Democratic Republic

Building a Bridge to the Market

The oldest steel mill in Laos, Vientiane Steel Industry Co., Ltd., has built a strong brand portfolio supported by the IP system. As a result, the company has turned into one of the leading steel and construction materials supply companies in the country and has enjoyed years of growth. With its brands embedded in buildings throughout Laos, the company has its eye on international expansion.

Background

Established in 1994, the Vientiane Steel Industry Co., Ltd. (VSI) is the oldest steel mill in the Lao People's Democratic Republic (Laos). VSI's origin lies with the Laotian government's decision to promote industrialization under the New Economic Mechanism (NEM) – an initiative started in 1986 to liberalize the country's economy. Construction of VSI's first factory began in 1996 and



VSI is based in the capital city of Vientiane (Photo: Jean-Pierre Dalbéra)

by the end of the following went gone into production. Located near the Mekong River in the south of Vientiane, Laos' capital and largest city, the steel plant covers an area of about 125,000 square meters with an annual production capacity of 150,000 tons.

Made of Steel, and Much More

Initially VSI's production was limited to deformed steel bars (rods of steel with surface ridges) and round steel bars made of imported raw material from the Russian Federation, the Republic of India, Japan, and the Kingdom of Thailand (Thailand). Within a few years (1999), VSI diversified its products by establishing two new production plants. One plant manufactures *forming steel* (high tensile strength steel) and has a production capacity of 40,000 tons per annum, while the other plant produces up to 250,000 roofing tiles per year for the construction industry.

As a result of this expansion, VSI combined all segments of the company's business through the formation of the VSI Group in 2002. The following year, VSI established another steel bar producing factory with a yearly output of 110,000 tons. At the same time, through local initiatives and without any international assistance, the company installed an iron foundry for processing steel for the domestic market, thereby

reducing the need for imported steel in Laos. With increased capacity, VSI has become one of the most successful companies resulting from the NEM initiative.

IP in Action



The company successfully expanded its IP portfolio to include different types of steel products (Photo: WIPO-ASEAN/IP/BKK/06/DRAFT)

VSI's earliest goal – in addition to developing its intellectual property (IP) portfolio – was to enhance its capacity by collaborating with national and international partners. Indeed, the company was founded as a joint-venture between investors from Laos, Thailand and the Hong Kong Special Administrative Region of the People's Republic of China (PRC).

With VSI's international partners each holding a 30 percent share of the company and the Laotians retaining 40 percent, the latter have had the responsibility of managing day-to-day

operations. The joint venture, moreover, has been supported and promoted by the Laotian government's Department of Domestic and Foreign Investment – known at the time VSI was founded as the Foreign Investment Management Committee.

Bringing Trademarks into View

Although VSI initially focused more on ensuring a good working relationship between its investors (and on developing quality production processes), the company soon turned its attention to managing its IP assets as well. One of the first steps taken in this regard was to ensure that all relevant staff members were trained on IP matters via participation in national seminars organized by the country's Department of Intellectual Property, Standardization and Metrology (DISM).

Due in part to such IP-awareness raising seminars, the company's corporate identity – the acronym *VSI* – was registered nationally as a trademark soon after the company was formed. The VSI mark has subsequently been embedded on every steel product made by the company. The company's other products have similarly been branded with trademarks. For example, *Lao Tile VTP Twin Elephants*, a VSI trademark registered at the Lao Division of Intellectual Property, appears on the company's range of tile products.

The VSI trademark, moreover, has become a successful and well-known brand name in the domestic market, contributing significantly to the company's effort to distinguish itself from competitors while increasing its share of the market. By the mid-2000s, VSI was one of a few steel mills in Laos with registered trademarks.

VSI steel products are reputed for their quality and also enjoy certain price advantages over imported products. Consequently, consumers in Laos looking to buy steel seek out the VSI mark because it has become a trusted brand.

Domestic or International Focus?

With the success of the NEM initiative and increased industrialization, domestic demand for good quality construction materials and equipment in Laos is significant. Previously, local demand was met through imports as there were no steel mills in the country. When VSI was established, it set a goal to satisfy local consumption needs first. Indeed, the company's sales meet as much as 60 percent of the domestic demand for steel – this success is in part due to the company's good name and easily recognizable brands.



Well-known trademarks have helped VSI to become one of the leading steel mills in Laos (Photo: WIPO-ASEAN/IP/BKK/06/DRAFT)

In addition to the company's high-end steel, VSI's construction products, especially its affordable tiles, have become popular among the country's middle and low-income consumers. The company's popularity is such that it has been in the process of establishing licensing agreements for VSI's trademarks with other mills. With the number of steel mills in Laos dramatically increasing since the mid-2000s, such agreements will increase exposure of VSI brands and expand the company's market reach in Laos.

Gaining a strong foothold in the domestic market for steel and other building materials, VSI has been carefully considering its expansion options, including undertaking a feasibility analysis on entering the export market in the long term. VSI wants to ensure, however, that international expansion follows the continued success of the company in the domestic market. As a company spokesperson said, "We have to create good domestic competition to improve the quality [of VSI's products] before we can achieve exports."

Going Forward

Formed by an international joint-venture, VSI's continued efforts to increase production, expand and modernize its manufacturing plants, diversify its product line, and develop a strong brand identity has led the company to the top of the pile in Laos' steel industry. In the process, VSI has not only entrenched quality standards in its products and production processes; VSI has also become a recognized brand and a winner of multiple awards.

In 2002, for instance, the company received the National Standard Certification award from the DISM in recognition of VSI's quality products. Five years later, VSI satisfied a certificate for effective quality assurance implementation and maintenance awarded by the International Organization for Standardization, a reputable international standards-setting body.

Support for an Industry

With a corporate identity that has become a byword for quality in Laos, VSI has been able to secure lucrative contracts for construction supplies for the private and public sector in Laos. As a result, in 2012 the company commenced construction of a new production plant in Vientiane with an annual capacity of 350,000 tons of steel. Key to the company's success within the industry is the foresight to distinguish its products from those of competitors and to build a strong brand portfolio supported by the IP system through trademark registrations. Looking to the future, VSI wants to ensure its quality brands will be propping up roofs, bridges, buildings and other structures throughout the Association of Southeast Asian Nations and beyond.



The company's employees work towards making quality products for an important industry (Photo: WIPO-ASEAN/IP/BKK/06/DRAFT)