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QTSC positive on future growth

Minh Thien | vir.com.vn | Jan 16, 2011 21:59 pm

Firms in Quang Trung Software Park (QTSC) are expecting to see revenue growth of over 30 per cent in 2010 despite the impacts of the economic crisis.

Chairman of Quang Trung Software City Development Company Chu Tien Dung told VIR's Minh Thien he firmly believed that prospects were good for businesses operating in QTSC this year and that the park would continue to lure more investment as well.



Chu Tien Dung

Last year was tough for companies in Vietnam. How was business at QTSC?

I saw clear signs of recovery for information technology enterprises. The level of recovery is promising, although growth is still not as strong as it was before the crisis.

The ratio of firms within QTSC forced to close their doors in 2010 was down 60 per cent compared with 2009. There was also a significant reduction in lay-offs and in the number of companies narrowing their sphere of business.

Preliminary evaluation shows that businesses performed better last year than in 2009. Estimated revenues of firms at QTSC increased by over 30 per cent and profit and break-even ratios increased by 60-70 per cent. In addition, business contracts came back and overseas outsourcing projects were more stable with better prices than those witnessed in 2009 when firms had to do business in break-even or underwriting status to hold onto their clients.

Some firms found new markets and clients. Eighty per cent of the market came from overseas while 20 per cent was local. Some firms who had previously only focused on foreign clients extended their business strategy to provide products and services to the local market. They also stepped up research and development (R&D) activities in 2010.

For example, TMA expanded to provide products and services for the local mobile phone market, and this is expected to bring in an 8 per cent increase in revenue for the firm in 2010 compared with 2009.

At the same time, Global Cybersoft's revenue increased 36 per cent compared with 2009.

In 2010, QTSC welcomed nine domestic investors and three foreign investors. This low figure showed that investors remained cautious last year as the global economy had not yet fully recovered. However, there is a trend among multinationals information technology firms towards preparation for increased investment.

What did QTSC gain through investment calls in 2010?

More than anything else, in 2010 QTSC continued to attract leading international information technology firms to invest in software manufacturing and R&D.

The greater the move towards R&D, the more success there will be in the coming years. Last year, QTSC also began the reliable provision of infrastructure services for electronic government programmes in Ho Chi Minh City.

So how does QTSC aim to contribute to the development of a standard concentrated software industrial park in Vietnam?

At present, all technology infrastructure within QTSC meets international requirements and this will help investors make businesses competitive.

We can also provide excellent, safe working conditions which include offices, residential area, kindergartens, bus services and a one-door investment support service.

We expect conditions in 2011 to continue being tough for firms. So, what is QTSC's plan?

This year, QTSC will continue focus on three tasks. First, we aim to continue to lure leading international and domestic information technology firms to QTSC.

Next, we plan to continue with activities to accelerate the development of a high-quality information technology labour force to satisfy investors and to position the brand of QTSC as a labour source.

Last but not least, we expect QTSC will become a hub for information and communication events in Vietnam and in the region.



Quang Trung Software Park wants to play a key role in the Vietnamese IT sector

VIR's Minh Thien recently spoke to three regional business leaders, asking how they fared last year and what developments they foresaw for 2011.

Tran Phuc Hong - Deputy general director of TMA Solutions



Thanks to the market recovery, TMA business was very good in 2010. We maintained and grew in our main markets like North America, Europe and Japan, and also expanded successfully to new markets like Australia, Hong Kong and Korea. 2010 was also the first year we worked with the domestic market by investing in the mobile solution centre that can offer mobile applications and services to Vietnam and other countries.

I believe that 2011 will be a better year for the information technology industry. The further recovery of the world market will help software outsourcing

companies to grow.

On an internal basis, when the high-tech law comes into effect, the new objective of Ho Chi Minh City on transformation to high-tech and creative services, the maturity of QTSC and Saigon Hi-tech Park (SHTP), will help existing companies and attract new investment to take advantage of the new incentives. In 2011, TMA will invest more into the new initiatives it started in 2010.

The top investment is to expand the R&D centre located in QTSC to cover more software domain and start construction of the R&D campus in SHTP that will focus on non-software. TMA's ambition for R&D investment is to have Vietnamese products that can compete in Vietnamese and the world market alike.

Ngo Van Toan - Deputy general director of Global CyberSoft

In the context that global economy has not yet gained full recovery and micro-economy contains many



risks, it is quite difficult to evaluate business and investment environment for 2011.

Software outsourcing, I think, will develop in 2011 after stagnating in 2008-2009 and recovering in 2010.

It is a fact that outsourcing is a business trend nowadays to reduce costs and to create flexibility in business strategy. Hence, there still are great potentials and opportunities for Vietnamese companies in this field.

In the domestic market, if there is not any unexpected big events, I think 2011 and the years thereafter will be prosperous for the software industry in Vietnam. This can be seen in the context that government has just approved a scheme to make Vietnam become a strong information technology country.

However, if the market develops too strongly in 2011, firms may find themselves with a shortfall of employees proficient in technology and languages.

This will impact on the software outsourcing in particular and information technology generally, which needs high requirements of human resource and project quality.

2011 is an important year in the business strategy of Global CyberSoft. Domestic application market is one of our strategic targets.

Frank Schellenberg - CEO of GHP Far East



Last year was not easy. 90 per cent of our customers are situated in Europe. The exchange rate of the euro dropped down compared with the previous year so the costs of our services paid in VND had grown dramatically. Nevertheless, in 2010, GHP Far East increased its revenue by 15 per cent. Within the last year we hired 82 people and gave them employment in QTSC. In spite of the negative economic influences, we launched new projects and could now extend our business with new services. The obvious development of QTSC was helping us to make business in Vietnam attractive. And impressing our clients.

The situation in 2010 was not bad, but challenging. Inflation, financial issues and the development in the labour market have all become a factor of competitiveness comparing with other ASEAN countries for investors. The increase of efficiency and a strategic consideration to deploy more intelligent offshore services from Vietnam will be necessary to compete with our neighbours. The development from a "low income" to a "middle income" economy will need a change of planning and execution as a sustainable long term solution for the country. It will have a big influence on the investment environment in 2011 generally and in particularly for QTSC.

In 2011, we are planning to keep growing. We are keen to open a subsidiary in Can Tho city. Increasing demands on business continuity and risk management make this step mandatory. We plan to employ 100-200 people from the local region and help to develop IT business in the Mekong Delta. We will do major investments in a new and state-of-art IT infrastructure in QTSC due to our growing business in new markets such as Russia and Japan.

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