

# HeveaPac: A Giant Among Giants

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Some of the world's top retail chain stores—Wal-Mart Stores Inc., Target Corp. and Kmart Corp.—interestingly have had the same supplier in common for ready-to-assemble furniture (RTA): Malaysia's HeveaPac Sdn Bhd.

A dozen years ago as a start-up, HeveaPac understood that with a workforce of only 30 people, it needed to build the company from the ground up, domestically, while keeping an eagle eye on the prize: the corporate chains.

"When we first started out we only had basic machinery and a small inexperienced workforce," said Executive Director Peh Ju Chai, a long-time exhibitor at the Malaysian International Furniture Fair (MIFF).

"Quality-wise, we knew were not

good enough for the overseas market and so we supplied to the domestic market while getting our people trained and familiarised with the machines."

Twelve years down the line, HeveaPac claims it is the largest laminated particleboard shelving ready-to-assemble (RTA) furniture producer in Asia.

Nevertheless, the planning does not stop and neither does the dreaming.

"I only watch the news on TV, but when my family is sitting down to watch dramas, I have no idea what is going on because I'm too busy looking at the furniture trying to identify if it is HeveaPac furniture," Mr. Peh said. "My mission is that every household must have at least one unit of HeveaPac."

## Playing with the Big Boys

Mr Peh reminisces fondly about his early struggles.

"Before starting to supply Kmart in 2002, we had less than 100 workers," Mr. Peh said. "The first order from Kmart was 128 containers in 45 days. We had to work very, very hard then. I remember we had to get raw materials from overseas just to fulfill the order. Nevertheless, we managed to ship on time even though initially we had very basic facilities. Unlike now, we did not even have proper loading bays or warehousing."

Those may not seem like colossal problems, but as everyone knows, it can rain hard in Malaysia.

"There was furniture everywhere and when it rained, everything got wet and we suffered a lot of losses," Mr. Peh



Many HeveaPac products sell at international furniture chains, thanks to hard work by Peh Ju Chai (center) and colleagues

said. "But what to do—we just continue. When Kmart came in, our production capacity was very small and Kmart took up 50% of our capacity. We had to increase our production capacity by hiring more workers and getting more machinery to meet the requirements while concurrently expanding the factory. It was very challenging but interesting and we managed to make it on the dot; not even one container was late."

In the global game of big business, there are ground rules as to how one can form successful alliances with big chain partners like Wal-Mart, Target, and Kmart. Although these chains are the biggest in the world and would surely need many products at a constant rate, they do not buy from everybody. And buying can stop at a moment's notice.

In HeveaPac's experience, firstly it had to ensure that its production capacity could cope with the big chain stores requirements. Secondly, HeveaPac had to produce at their requirements involving packaging, quality and expertise. In addition, these chains look at how knowledgeable you are in the industry and in their market.

Due to a falling out with a Kmart-related agent, HeveaPac decided to stop supplying that company after 5 years even though it would cause a big vacuum in the

company's production and business.

The company plodded on by trying to get Wal-Mart and Target directly. Their efforts paid off when after a year-and-a-half, first Target and then Wal-Mart came in on their first orders. To Mr. Peh, gaining their business was half the fun as he remembers his "Get Target' mission.

"I have a customer in Boston—an agent—and he discouraged me because even though he is just a phone call away, he can't even get his foot in the door [of these companies] whereas I am half way round the world," Mr. Peh said. "I said to him I will try and I did when I went to Minneapolis. When I got my first order for US\$7 million from Target, my customer in Boston could not believe it."

Of course, it was not all-smooth sailing at first.

"It was 30 August 2006 or 2007, and I was in Minneapolis concluding the first order with Target," Mr. Peh explained. "It was a product they were already selling, and I presented the same product as 5kg lighter than what they had on record. Since containers are shipped by weight to the U.S., they wanted me to guarantee the weight discrepancy at US\$500,000 loss to myself if I was wrong. I had to do this by the next day or I would lose the order.

"The whole night I could not sleep thinking about it; Malaysia was already on holiday for National Day. At 2 a.m. I called

my partner to double check and confirm the weight to me. When he confirmed it, I waited until morning and confirmed the order. I also took them to their warehouse and showed them that they had been presenting the weight of the product wrongly all this while. We proved them wrong on other occasions too and as a result their standard of operations (SOP) for these kinds of products were changed to follow our way doing things."

Today, HeveaPac is choosy about who its partners are. These chain giants and more—like IKEA—may be business partners one day and not the next, but these days HeveaPac often is in the decider's seat.

Dangers still lurk: cheaper suppliers, a sudden vacuum in production and a potentially late delivery.

But HeveaPac—one of MIFF's finest exhibitors—has few fears. It takes pride in its reputation for quality and professionalism that has brought the company to a level of success and mindset incomparable to many others. The company's stringent compliance to its own philosophies has stood the test of time and endurance. Respecting and valuing all that come through the supply chain while maintaining transparency and honesty as building blocks with its customers, HeveaPac follows the beat of its own big drum.



#### GOLDEN BUSINESS RULES FROM Mr. Peh:

- ▶ You must gear up from Day 1. Plan from the start where you want to be in 3 years or 5 years. Build on the infrastructure and framework.
- ▶ Quality must be a priority. Even if the customer does not know, it does not matter; you know. You must take pride in that. You do not compromise on your quality standards.
- ▶ Be honest with the customer. Some marketing people and sales people think about taking the order first and if any problems arise later, think about it then. But it is better to be transparent about things from the start than trying to troubleshoot later.
- ▶ Build relationships. The win-win-win situation is important where not only the customer is important, but the suppliers are too along with everyone at the company.