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METRO INDUSTRIES: A BUSINESS FOUNDED ON FAIR PLAY

“Whatever I sow, I shall reap. That’s why I try to be constantly fair with my employees and my customers as prescribed in the teachings of Buddhism. If I’m fair to them, they will be fair to me.” Thus Leo Ang, President of Metro Industries, Inc. summarized his core guiding principle in running his business. A devout practicing Buddhist for more than six years, Leo Ang espoused the teachings of Buddhism in running the day-to-day affairs of his business. Even during times of crises, he turned to Buddhism to seek solace and understanding of the challenges that his company faced.

But this had not always been the case. Before, Leo firmly believed in the theory of survival of the fittest – those who are strong will survive and those who are weak will become extinct. “In those days, I didn’t care if I stepped on people, as long as I made business,” Leo explained. With this strong commitment to success, combined with the gift of intuition, creativity, persistence, and natural charm with people, Leo worked up the ladder from a jack-of-all-trades salesman to the owner of a thriving enterprise trading in industrial chemicals – one of the largest in the country today.

THE PHILIPPINE CHEMICAL INDUSTRY AND THE CHEMICAL TRADING SECTOR

The entire chemical trading industry in the Philippines consisted of over 300 companies involved in various sub-sectors of the industry including pharmaceutical, basic chemical, sugar and oil, paint/surface coating, oxy-acetylene, rubber, electrical, oleo-chemicals, agri-chemicals and others. Services in the industry included importation, wholesale and retail, trading and manufacturing.

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Among the many sub-sectors of the industry, the trading of industrial chemicals was considered as one of the most competitive. Chemical traders were independent companies supplying local chemical manufacturers or end-users with imported raw materials from all over the world. These companies were mainly in the wholesale and retail trading of chemicals, buying in bulk from suppliers and selling these in smaller quantities. Typically, these companies maintained a bulk storage facility as well as warehousing facilities for repackaging into smaller containers. These companies also invested in a good logistics system to ensure timely delivery of goods to their suppliers, including bulk carriers and holding facilities for major customers.

There were about ten major players that imported and distributed bulk liquid chemicals. All of these players had their headquarters in Luzon with two having branch facilities in Southern Philippines in the provinces of Cebu, Iligan, Davao and Zamboanga. All in all, these companies had an estimated storage capacity of 100,000 metric tons.

Table 1. Major Industry Players in the Chemical Trading Sector

Company	Gross Revenues (in million P) (2001)
Legaspi Import & Export Corp	1,218.34
Shell Chemicals	1,113.04
Himmel Industries, Inc	769.26
Asian Chemicals	528.28
Metro Industries	253.14

Source: Philippines Top 5,000 Corporations 2002 edition

Critical Success Factors

In order to survive in the industry, it was imperative that the trading company established the best supply of raw materials from abroad. Industrial chemicals such as those being traded by Metro Industries had very volatile prices, as they were related products of crude oil. Moreover, since these products were usually dollar-denominated, the local importers were taking huge foreign currency risks. The ability to anticipate external changes in the environment that would lead to price fluctuations was thus critical in the industry. This, coupled with good relations with foreign suppliers, more or less assured a steady flow of supply.

Being a commodity, the trading of industrial chemicals was mainly driven by price and volume. Thus, being able to import in large amounts was critical in order to achieve economies of scale and consequently improve margins. Value-adding through creative services such as credit terms and on-site storage was also important to improve margins.

Efficient storage and logistics was also critical to ensure that holding and distribution costs remained low. While the drive for efficiency was a primary consideration, specialized knowledge regarding handling and storage of the potentially toxic and flammable product was necessary to ensure safety.

Metro Industries, Inc.

Metro Industries, Inc. was established in 1984 as an importer and distributor of industrial chemicals, catering to industries such as paint, ink, rubber, tire, adhesives, plastic, flexible packaging, printing, thread and others. The man at the helm of the company was Leo Ang, who had been in the chemical business since 1974. With over 20 years of experience in selling industrial chemicals, he was able to steer the company to become one of the biggest importers of bulk industrial chemicals in the country, directly competing with such multinational companies as Shell Chemicals Inc., Mobil Phil. Inc., Exxon Chemicals, Union Carbide Phil. Inc.

The company was mainly involved in wholesale and retail trading of various kinds of industrial chemicals. These chemicals were imported into the Philippines, stored in large tanks, repacked into smaller drums and distributed to various partner-clients. The company sourced its chemicals from various countries around the world including Japan, Singapore, Korea, Thailand, the United Kingdom and the United States. Its market reach in the Philippines covered as far north as Pampanga and as far south as the province of Cebu.

The main products of Metro Industries were categorized as industrial petrochemicals. They were by-products from the processing of crude oil into refined fuel. These industrial petrochemicals had specific applications ranging from paint thinner to adhesives. The company had a total of 60 product items. However, five items made up 90% of Metro's total sales volume. These five main products were: Toluene, SMT 3040, Xylene, Ethyl Acetate and SBP 1425.

Technical description of key products

Toluene - (also called methyl benzene or toluol) is a colorless flammable liquid classified under the aromatics (solvent) category. It occurs naturally in petroleum crude oil. It evaporates rapidly when exposed to air and dissolves only slightly when mixed with water. Toluene is produced during the process of making gasoline and other fuels from crude oil, in making coke from coal and as a by-product of styrene. Toluene is used in the production of nylon, plastic soda bottles and other organic chemicals. It is also used in making paints, paint thinners, fingernail polish, lacquers, adhesives, and rubber in some printing and leather tanning processes.

Xylene - Xylene is a colorless, sweet-smelling gas. It is mostly a synthetic chemical that is produced from petroleum. It also occurs naturally in petroleum and coal tar and is formed during forest fires. Xylene is used as a solvent in the printing, rubber, and leather industries. It is also used as a cleaning agent, a thinner for paint, and in paints and varnishes. It is found in small amounts in airplane fuel and gasoline and small amounts are found in cigarette smoke.

Ethyl Acetate – is a chemical compound resulting from the reaction of ethyl alcohol and acetic acid. It is generally referred to as “Ester.” Esters have important applications in the formulation of some petroleum additives and synthetic lubricants.

These industrial petrochemicals were critical raw materials in the manufacture of paints, surface coatings, inks, adhesive products, electrical transformers, alcohol compounds and flexible packaging materials, among others. Metro Industries imported these raw materials from the United States, Europe, Japan, Korea, Taiwan Singapore and Thailand. These chemicals were then repacked into smaller quantities and sold locally.

Metro Industries leased a tank farm facility and bulk storage facility with a total capacity of 4,000 metric tons in Pinamucan, Batangas, approximately four hours away from Metro Manila. From the port, the chemicals were transported to two repackaging and warehousing facilities in Valenzuela and Malabon, Metro Manila. Among the major clients of Metro Industries were large companies belonging to the Top 1,000 Corporations of the Philippines. It also catered to small and medium sized enterprises, including paint manufacturers BASF Philippines, Dutch Boy, Nippon Paints and packaging manufacturer Right Pack, to name a few.

Humble Beginnings of a Successful Salesman

Leo Ang and Metro Industries Inc, started from humble beginnings. Anchored on perseverance and hard work of its owner-founder, Metro Industries has grown to be a thriving, growing business in a very competitive industry. But Leo recalls that the road to success was never easy.

Leo Ang was born to a relatively well-to-do family based in the heart of Binondo, Manila. The family patriarch had several business ventures - a bakery, a construction supply store, a restaurant and a construction company, among others. Unfortunately, when Leo was 11, the family patriarch passed away. The other businesses were taken over by his father's siblings, leaving nothing to his family. Leo's mother, a simple housewife without business acumen did not get anything except for the occasional allowance given by his uncle from profits from the restaurant and bakery business.

Because of the state of his family's finances, Leo was forced to work early to augment the family's meager earnings. College education, while deemed important by his mother, took a back seat in favor of earning a living to make ends meet. Leo was able to obtain a 50% scholarship from the Mapua Institute of Technology. He strived to earn his college degree while working as a salesman to supplement his education.

"Initially, I was selling anything under the sun," recalled Leo, "but my major sales items were nuts and bolts." Even during his brief stint as a salesman, Leo sought opportunities beyond the ordinary. At one time, a major local automobile manufacturer was in drastic need of a very specific kind of bolt which became unavailable from their Japanese suppliers. Other salesmen did not bother to bid for the item since there were no local manufacturers available. Leo's enterprising spirit came to the fore. Obtaining a sample of the bolt, he had a prototype fabricated in a small machine shop and presented the finished product to the company. The company approved of the quality of the sample product and made an initial order of 1,000 pieces. The following order was for 100,000 pieces. This proved to be Leo's first taste of success in entrepreneurship. By the age of 20, Leo decided to pursue his selling career instead of finishing his college education.

From Entrepreneur to Employee...

Up until he was 20, Leo had successfully established a growing micro-enterprise trading in nuts and bolts and various other products. However, it was at this point that Leo decided to give up his growing trading business to become an employee for a chemical trading firm. "I saw the potential of industrial chemicals at that time because basic chemicals was used in all major industries," Leo recalled. "Its potential was far greater than that of the nuts and bolts that I was trading. However, I didn't know anything about industrial chemicals so I had to learn," he added. Even at that time, it was clear to Leo that he was joining this company as an employee only as a strategy to learn about this product with vast potential. Without any second thoughts, he abandoned entrepreneurship and joined a chemical trading company as one of eight salesmen. He was paid Php 120 per month plus commission for every sale made.

His employer hired him for a very specific purpose: to dispose of a warehouse-full of imported ink which had been unsold for over four years. Most of the existing salesmen proved unsuccessful in trying to sell the ink but Leo was determined. Using all of his creativity and persistence in selling, he was able to sellout the ink in a record-time of one and a half years.

His employer was so impressed that he was immediately given his next objective: to dispose of a warehouse-full of glycer acetic acid, a chemical primarily used for textiles and bleaching. While the textile manufacturers were major buyers of this chemical, they typically took a long time to pay. Moreover, competition among chemical suppliers was intense and it was difficult to penetrate the major textile manufacturers. Hence, Leo decided to look for other opportunities for this chemical. Upon intensive research, Leo discovered another use - as an additive for the production of vinegar. Despite lower margins, payment terms were generally better. So off Leo went to nearby Bulacan to sell to local vinegar makers. Soon, the entire glycer acetic acid in the warehouse was sold-out.

After disposing of these products, Leo's employer had no more goods for him to sell. Faced with the possibility of losing employment, Leo asked his employer to transfer him to the chemical trading company selling primarily solvents. "I can sell whatever you want me to sell," Leo pleaded. "Try me out for three months and see," he added. The boss finally agreed to a three-month probationary period to see how Leo would perform.

It was sink-or-swim from day one of his employment with the chemical trading company. Leo was given a price list of all of their products. However, he was not given any formal training on the uses of each of the products. Eventually, he found out that these were used primarily in the paint industry and the company's major clients were paint companies. Unfortunately, all major accounts, except for one, were already taken. The available account was a particularly difficult one with a history of being an infrequent buyer and a deficient payer. Despite this, Leo took the task to heart. On his very first day, he decided to pay the company a visit. He befriended the chemist of the company who agreed to teach him the technical aspect of trading solvents. She also gave Leo a very important tip: paint manufacturers were

not the only users of solvents. Ink manufacturers, who were steadily growing in number, were also major users of solvents.

Acting on this tip, Leo scoured Metro Manila and sold to small-and-medium-sized manufacturers of ink. These companies bought in small quantities of one to two drums each, but they were very good payers. Leo persevered and served these few small accounts. Within a couple of years, Leo's sales volume was even bigger than that of all existing sales agents plus the house accounts, combined.

By the time he was 25, Leo was earning a decent income and his sales prowess did not go unnoticed. Leo was ultimately offered the position of Sales Manager in the company. While this would have a significant impact on his income since he would no longer be entitled to commissions, he still looked forward to the promotion as an avenue for further growth and training. "As a sales manager, I would know the intricacies of the trading game: from cost computation to sources of imports," Leo thought. "This would make me more well-rounded in the business." Months went by and the promised promotion failed to materialize. At this point, Leo decided that he knew the industry well enough to set up his own. He decided to seek partners to back up his venture. Leo was on his way back to entrepreneurship.

And Back to Entrepreneurship

Leo's venture back into entrepreneurship was not all easy sailing. An initial partnership with several investors proved difficult and was eventually terminated. It was through serendipity that Leo decided to pursue his goal of setting up his own chemical trading company. Right after the economic crisis in the country in 1983, Leo was considering migrating to the States to join his mother. However, as fate would have it a visit to a fortune-teller changed his mind. "Whatever you touch will turn to gold." These were the first words pronounced by the fortune-teller. "I didn't know if the guy was just pulling my leg," Leo recalled, "But I didn't care. What was important was that these words gave me the resolve to stay and try my hand at business again."

Without finishing the divination session, Leo left and decided to stay in the Philippines and make his fortune. Despite these initial difficulties, Leo moved on and established Metro Industries, Inc on his own.

Armed with ample product knowledge and a modest network of potential customers, Leo started a small chemical trading business, buying in bulk from a local importer and repackaging and reselling to smaller end-users. He initially bought solvent from Union Carbide, one of the biggest importers of solvent at that time. His initial order of 10,000 to 20,000 liters per month was considered very small and did not merit any additional discount. He bought at around Php10 per liter and sold the product at Php11 per liter, making a modest 20% margin per sale. The profitability was decent but not enough for Leo. Increasing price was not an option as the product was a commodity and competition for sales was intense. "It didn't hurt to ask so I decided to inquire about possible ways of improving my profitability," Leo recollected.

It was the sales manager at Union Carbide who gave Leo the opportunity to improve his margins. “The sales manager explained to me that I would need to get a volume of 100,000 liters per month to be worthy of an additional 10% discount. At that point 100,000 liters was a lot. That was five times the usual volume that I traded,” Leo recalled. Instantly, Leo did a few basic mathematics in his head. If he could get an additional discount of 10%, he could get the goods at Php9.00 per liter instead of P10.00. He could then settle for a lower margin of 50 centavos per liter, but at the same time move more volume and have a better bottom line. Without batting an eyelash, Leo went for the proposal. “I told him right then and there to prepare an invoice for 100,000 liters in my name. The sales manager looked at me as if I were crazy,” Leo laughed. It was a huge calculated risk that would potentially yield huge paybacks or destroy his credibility with his major supplier.

Years of experience in selling came into play as he called on his past customers to buy the products from him. No account was too small. Even if he didn't make any margins from some of the sale, he continued nonetheless, if only to maintain his credibility with his suppliers and show them that he could move 100,000 liters per month. This went on for several months. Leo's volumes grew and his bottom line improved significantly. More importantly, his bargaining power over his supplier improved significantly.

No Risk, No Growth

While business started to pick up, Leo was still not satisfied with the growth of his enterprise. “I was still not satisfied with how my business was growing. I knew the potential of the product and I knew there was room for growth,” Leo explained. At this point in time, restrictions set by the government regarding foreign exchange currencies made importation difficult. “At that time, hoarding dollars was decreed a crime. The mere possession of dollars was punishable by law,” Leo recalled. “Thus, importation became a very difficult game. Even large companies were hesitant to import goods.” It was at this point in time that Leo risked everything for growth. He agreed to import in behalf of a large company through Metro Industries, Inc. He understood fully well the risks involved: “Dollar salting was a crime punishable by imprisonment. But this didn't bother me. I didn't have anything at that time. And people who don't have anything are willing to risk everything. No risk, no growth,” explained Leo

Leo agreed to import for his supplier on two conditions: that the supplier should be the one to raise the entire amount needed for the importations; and that half of the total volume would belong to Metro Industries and would be paid for by Leo upon arrival in Manila. The supplier, in desperation for goods to sell at a time when demand was high and supply was low, agreed. The initial importation volume was set at 500 tons. With the dearth in supply of solvents at that time, the market was willing to pay any price to obtain the product. Even before the shipment arrived in Manila, Leo was able to dispose of his share of the importation even before it arrived in Metro Manila. Leo had enough cash from his pre-selling activities to pay his share of goods. This arrangement went on for several months to the benefit of Metro Industries.

By the time importation of oil and its by-products was deregulated, Metro Industries had established itself as one of the leading traders of solvents in the industry. Metro Industries was able to lease a large bulk storage facility in Batangas, two smaller properties in Metro Manila, and a fleet of bulk delivery vehicles. From a few products, Metro Industries product line expanded to over 60.

Despite the entry of new independent players, Leo's knowledge of the product, close relations with international suppliers and solid logistics infrastructure in the Philippines made Metro Industries resilient to the challenges of competition.

Seeing Quality Through the Customer's Eyes

While understanding that he is dealing with commodities, Leo knew well enough that his customers had certain minimum quality expectations about the product such as chemical composition and purity levels. But more than these quality expectations, Leo understood that customers were looking for value-added services from their traders. And these value-added services did not necessarily translate to additional cost to the traders.

To ensure minimum acceptable quality of the product, Metro Industries, Inc. was one of the first chemical trading company to establish a laboratory to ensure the quality of chemicals imported from abroad, as well as assure customers of the quality of their solvents.

But more than assuring quality, Metro Industries implemented unique arrangements with their customers that give added value to their product and gave extra convenience to their customers. For example, Metro Industries provided customers with on-site bulk storage facilities in their warehouses, at no extra cost to the customer. Moreover, the customers were billed only for the amount of solvents consumed for certain periods, thus helping customers with their cash flow, while assuring the availability of supply when necessary. While Metro Industries absorbed the initial cost of the construction of the storage tank, the assurance that the customer would continuously order from Metro more than compensated for this.

Applying Buddhist Principles

In 1996, Leo Ang turned to Buddhism and decided to be a devout practicing Buddhist. Even in business, he started to apply basic Buddhist principles, which, according to him, made his business even more prosperous. Core to his beliefs was fairness to his customers and employees.

“You treat them fairly and they will treat you fairly in return,” Leo explained. This was his guiding principle in treating people. Even as a salesman, he was generous to those around him. The telephone operator, the secretaries, the warehouse keepers, all received small tokens from Leo. On Christmas day, he would take time to visit their families and bring some presents for them. For all of these goodwill gestures, he got tips for potential clients, pointers for selling and even received preferential treatment for delivery.

As the chief executive for Metro Industries, his fundamental belief for dealing with people remained. His generosity to his employees was highly regarded. Benefits, such as hospitalization, which were traditionally reserved for employees, were extended to immediate relatives. Even during the annual Christmas office party, employees would bring their whole family and everyone usually brought home a present, courtesy of Leo. Such treatment led to an incredibly low staff turnover rate at Metro Industries. Petty crimes and misdemeanors were also non-existent. “If an employee were planning to do something bad to the company, he would be discouraged by his family since everyone was a recipient of company benefits,” Leo explained. Such camaraderie led to a very close, most familial relationships among the 50 employees of Metro Industries.

Tests of Character

Two significant tests of Leo’s character occurred almost simultaneously. In 1997, Metro Industries was hit by the Asian financial crisis. Metro Industries which, at that time had significant dollar-denominated debt, suffered tremendously. The company which had been operating profitably since it started, suffered its first net loss. Leo was devastated, but he worked harder than ever to recover his losses. By the following year, he was back in the black.

The next test came in 1999 when tragedy broke out. A fire gutted the company office and the adjoining warehouse, destroying a significant amount of inventory. Employees huddled around Leo expressing words of encouragement, and more importantly, commitment to work harder and help rebuild the company. Instead of giving up, Leo did exactly the opposite. By the next day, it was business as usual for Metro Industries, Inc.

In those times of great misfortune, Leo sought solace from the teachings of Buddhism. “The teachings of Buddhism helped me pacify the emotions that I was feeling at that time,” Leo explained. “A core teaching of Buddhism is that all things have a beginning and an ending. This is the natural course of existence. So at certain points in our life, some things will begin and some things will end. As sure as my warehouse had a beginning, it also had an end when it was gutted by the fire. This end signaled the beginning of a better warehouse and better business for Metro Industries,” Leo elucidated. “There’s no use crying over spilled milk,” Leo concluded. Recalling these lessons from Buddhism gave Leo the strength and the will to start over and try even harder.

Rising From the Ashes

“I knew that if I showed any signs of weakness, my creditors would swoop down on me and demand payment. If they did that, I would be in big trouble. So I had to exude confidence and an image of being able to take the tragedy in stride. My belief in the teachings of Buddhism helped me tremendously during that time,” Leo reminisced. Fortunately, most of the significant documents regarding billings of customers were stored in fire-proof safety boxes (serendipitously, another side business of Leo’s). As soon as the embers died down, Leo and his staff retrieved the accounting documents. Twenty four hours after the fire, the accounting department was up and running. Collection of receivables went as scheduled.

Payment of suppliers also went ahead as scheduled. “We didn’t even ask our suppliers to write off any portion of the lost inventory. It would have been easy to go to our suppliers and negotiate for a discount and a write-off. We paid the entire amount up to the last centavo,” Leo added. This was done not only in line with his belief in being a fair player; it also strengthened people’s perception of the company’s strength and determination to re-establish its position in the industry.

On the operations side, Leo knew that if they did not get back on their feet soon, other suppliers would come and take away their customers. “We had to get back on our feet as soon as possible,” Leo recounted. “We imported two critical equipment by air from Germany. We paid millions of peso for freight alone, but that did not matter. Within one month, thanks to the commitment of my people, we were back in operation.” Within three months after the tragedy, the company’s operations went back to normal. By 2001, Metro Industries inaugurated a new four-storey office building as a testament to the company’s strength and determination to rise above the ashes.

Reaping the Benefits of Hard Work and Fair Play

In 2003, twenty-three years after deciding to become an employee for a chemical firm, Leo Ang was back to being a jack-of-all-trade salesman. Aside from Metro Industries, Leo owned and managed several companies with product lines ranging from food to office furniture to industrial equipment. His expansion plans for Metro Industries were immense.

Leo attributed the tremendous success of his businesses to the same core principles of hard work and fair treatment of customers and employees which he applied at Metro Industries.

Leo summed up his belief in fair play, “If you do not play fair, there will be a lot of ups and downs in your business. Deals that sometimes seem to be within your grasp will elude you. If you have bad Karma your path will seem to be filled with a lot of obstacles. But if you are fair and you only have good intentions in your mind, in your words and your action, you can easily attain your goals.”