

Talking Shop

Making a material difference

the rise of Asia Material Resources

Hong Kong company Asia Material Resources Limited has been in business since July 2008, yet their history and business range are enigmatic unless you happen to be one of their customers, partners or suppliers. AC decided to learn more about the people and talked to Andrew Mountford (AM) one of the Directors and Shareholders.

To understand the origin of Asia Material Resources Ltd (AMR) one has to go back to the 1990S when major precious metals and decorative products multinationals had offices and factories throughout Asia and a rich selection of agents and distributors to support them. One of the advantages of the multinationals was that they could employ expatriate specialists in products, sales and management to support and grow the local staff's abilities and thus grow both the business in general and over time build factories and other facilities in the region. A process that in some cases had been going on successfully for many, many years. At least that was the plan. Given the impracticality and cost of having offices and factories everywhere, the agents and distributors were companies specialized in their own countries with an understanding of language, culture, politics and the vagaries of their own domestic business. It should be noted that the relationships between the principals and the agents were not always congenial; the principal's strategic aims and policies could change and cause friction and fracture even the best and longest alliances. In some instances, they still do.

Andrew Mountford, at the time working for one of these multinationals, took an expatriate position in Singapore for a specific short term technical project but due to changes and growth in the business eventually spent five years in Singapore and a further four years in Hong Kong, time enough to get an understanding of business in East and South East Asia at a time

where manufacturing was not just moving from the West to the East but around Asia itself and especially into China. This had repercussions for his employment and was vital in the eventual founding and growth of AMR.

A major problem the multinationals faced was that as business moved from West to East, they lost a lot of their traditional 'Western' business and the associated income whilst at the same time struggled to move substantially and quickly into Asia and within Asia; a company might build a factory in Indonesia and incur all those costs only to discover the business was moving rather swiftly into China or that regional players could simply make products cheaper. Only a few companies had the determination, management and funds never mind the inclination to move and adapt successfully and fluidly. There was a great deal of expensive disruption. In some cases that meant companies reappraised if they wanted to remain in the ceramic business at all or if they did where they wanted to be and with what kind of footprint. To be fair these multinationals had legacy costs and the move to lower cost and off-shore manufacturing & sourcing in general created multiple problems. Many of which we are all living with today still.

AC: As the business transformed in Asia how did your position change?

AM: I was offered a position back in England but this was not attractive; the threat was that in the next round of cost-cutting one could find oneself simply unemployed in a post-industrial city with a surfeit of unemployed ceramicists. Yet redundancy was inevitable



OUR ABILITY IS TO BE FLEXIBLE TO CHANGE

as Asian players won business at the multinationals expense and various restructurings and divestments took their toll on head count.

Given this was predictable and that redundancy pay is soon spent when you have the costs of a young family, I was wondering what could I do best? I had spent over nine years working in Asia, I had contacts both amongst the expatriate community, the agents and distributors operating in all of the important countries and very close contacts with suppliers and customers particularly in China, which by 2004 was rapidly growing and its ceramic supplies industry increasingly influential and vibrant if chaotic. I also had family and friends in China and throughout Asia and Europe; I had a very good network.

AC: What happened?

AM: I spent considerable time in China working with suppliers & toll manufacturers as well as customers as I had a responsibility to source products and manage toll manufacture. A major supplier asked me several times to work for him. This wasn't appealing due to the location, the impact on my family of having to move again and simply the remuneration; Chinese companies certainly then balked at 'western' salaries and offered small salaries plus a commission which might look attractive but came with no guarantees. I already knew how brutally cut-throat Chinese business was & how opaque the bureaucracy & legal issues even allowing for me having well connected Chinese family. Thus, I was very cautious about moving to a tier two city. During discussions, it became obvious that setting up a separate company with the Chinese factory owner (Mr Fan of BaiFu Colour Glaze Co. Ltd), myself and a Chinese business associate, Liu Ping, as partners was the solution. It also allowed me to take the advantage of investing in a business proposition I'd been offered in Hong Kong which proved fortuitous later for AMR Ltd.

In China in 2004, we set up Shanghai Solutions International Ltd (which is still in business) to import materials needed by the Chinese ceramic industry, export the best materials that industry produced and to provide consultancy services to western companies. This taught us a lot about managing a start-up whilst we

further improved our knowledge of China. It was a challenge.

AC: Can you elaborate on any problems and lessons learned?

AM: As I'd come from a big international company that had a department for anything and everything it was a rude awakening when at first there was just myself and Liu Ping working during a Shanghai winter in a cheap, run-down apartment building doing everything ourselves. In terms of business, we soon had export customers and were spending time travelling to develop new ones and find suppliers domestically & internationally so we recruited staff and grew. Chinese businesses and politicians from Jiangsu where BaiFu were based wanted to cooperate with us – from these I learned a phenomenal amount more about Chinese business, culture & politics as we were very close to mayors, Party chiefs and cadres as well as business people. It was very time-consuming. The lesson of setting up a business #1 – maintain focus.



AC: But how did SI morph into AMR or were they separate and distinct businesses – AMR is a materials company the same as SI isn't it?

AM: The big issue for SI was how to evolve? Whilst the material business was focused on decorative materials including the glass industry it was developing slowly, we wanted to focus on material export and drop the distractions of consultancy services. Unfortunately, Mr Fan wanted us to concentrate on his and his friend's products only but at the same time, the growth of B2B web sites and the Chinese approach to sales didn't help efficiency. The net result was in 2007 we bought out the Chinese partner to avoid conflicts. But this would leave us with less support and fewer products – so, what could we do?

This is when the providential nature of business and having very good friendships and contacts in the industry is a necessity. Don't underestimate networks. Because at the same time as SI was looking to increase product

scope and market coverage, others were searching for new suppliers and new markets themselves. To cut a long story short we met several ex-senior Directors of international companies who desired new opportunities in Asia. Walking down an aisle at China Ceramics Exhibition we met ex-agents and distributors who were also looking to replace principals and maximize their products, production and sales networks. These were old friends so there was mutual trust and respect.

What followed was a cooperation meeting in Hong Kong where we agreed we had compatible businesses which could collaborate for reciprocal advantages. The idea was to trade amongst ourselves. It was realized having a dedicated company headquartered in Hong Kong would be a better idea – taking advantage of the Rule of Law, international banking and auditing standards, excellent logistics, low corporate tax, business services and so forth. The cooperating companies and investors could carry on their own business where there was no compatibility so benefit without falling into destructive competition. The lessons from SI paid off.

AC: So who was and is involved and how did they add to the partnership?

AM: Firstly, the shareholders and directors were Ms Jiang Yufang and Mr Liu Ping from Solutions International (Hong Kong & China), Mr S.B Mohan of Tru Grit Pte (India), Mr John Hoang Giang of VITIS JSC, (Vietnam) and myself so the company had a great deal of experience in Asian business from India to East Asia & South East Asia. These people & companies I had known or worked with for over 10 years. In terms of product groups; kaolins, feldspars, decorative materials and a raft of ceramic materials from China & India. Mainly for the tableware and tile industries.

We could benefit from VITIS's kaolin mining and products, Giang's mineral knowledge, Mohan's vast experience in India suppliers and customers, Liu Ping and Jiang's Chinese expertise and logistics proficiency and my technical knowledge and contacts in the ceramic industry generally.

Soon after we had created AMR and business had started it was decided that Thailand needed a specific entity as we understand it is a country that needs a very strong local presence. So again, working from our existing networks and reputation we set up AMR BKK Ltd with Ms Sirirat Pornaroontan to focus on that market. Shortly after this and because the country was fast developing its ceramic industry, we invested in a new agency for Bangladesh – an agent dedicated to us alone not a dozen other principals which was a common dilemma then.

AC: this seems quite aggressive for a start-up – wasn't it a risk and how did you develop the business.

AM: It didn't happen fast – this was over a couple of years and was carefully planned & we had patient investors. As with SI it requires hard work and dedication, as we know getting fast results isn't something the ceramic industry is noted for, on the contrary, it can be frustratingly slow. But, as we did have companies and people with very good reputations, we were able to begin supplying established major, demanding companies whilst the breadth of the network gave us access to new opportunities that previously would have seemed too far or too challenging.

AC: Can you elaborate on which products and services you offer – and how the product portfolio has changed over the years?

Thai-ing up deals

Sirirat Pornaroontan – “AMR Bangkok Limited was established on 23rd March 2008, almost 14 years. Firstly, we represented an international supplier for Zircosil and colours mainly. Presently we represent Zircon Minerals Malaysia, Vesco (ball clay for homogeneous tiles), Keser of Italy (engobes & magnesite), SECO, RBH; we also buy French pebbles and sell under AMR name. We supply wollastonite and raw materials from China, anti-glaze and additives from Italy, stains from China and Spain, decorative colours from premium European suppliers, kiln furniture from China.

Thai customers expect very good and close personal service and demand quality yet they can be conservative with purchase decisions so building relationships and trust is very important as is reliability and willingness to solve problems very quickly. Fortunately, this is a feature of AMR Ltd.”



AM: Primarily the strong point was our kaolin from mines and supply routes in Vietnam managed by VITIS JSC – the K Series being very white and suitable for the tableware industry. We had K Spar and Na Spar from India and decorative materials from China and partners in the UK and Europe. Things evolved though and being a small company, we were able to adapt to new challenges quickly without incurring massive costs or having to go through multiple levels of management for approval. An SME can be dynamic in comparison to a large company where the decision-makers are many time zones away and multiple levels of bureaucracy to deal with and receive approvals from.

Thus, with the rise for example of inkjet printing, we could easily exit the glaze stain and body stain business with no cost impact whilst cooperating with inkjet printing companies. Likewise, as customers used and trusted our Vietnamese white kaolins and feldspars we could augment these by introducing other kaolin, wollastonite, calcite, calcined alumina, talc, nepheline syenite and Alumina grinding media and French pebbles. Because customers trusted us.

AC: Are there specific examples of products you have developed for the ceramic industry that have had a major improvement or impact?

AM: Yes, there are two projects we worked on with prestigious international partners and very demanding clients.

Firstly, we were requested to develop a substitute for natural bone ash which often has a volatile price or restricted availability. Yet it has unique qualities not easily replicated; some are nearly impossible to match. We worked with tableware companies, a dicalcium phosphate supplier and a specialized manufacturing company to take a raw material of highest pharmaceutical quality, thus very reliable, design a firing cycle to make a calcined DCP – synthetic bone ash and modify a kiln and processing equipment to make it consistently and efficiently. We cooperated with companies including Sibelco to find ways to replace some or all bone ash and as far as possible recreate the qualities of natural bone. Sibelco provided us with a recipe which in certain respects showed improvements over natural bone

This is a premium-priced product and whilst there are cheaper alternates, they are often diluted with materials that might cause gas and bloating or pinholes – ruining high-quality tableware. The cooperation with Sibelco meant that we had specialist advice, testing and support when it came to selecting materials to work with the synthetic bone ash in a production environment.

Another example was being tasked to find a way to augment or replace zirconium silicate in ceramic opacifiers. Several years ago, with the Zr sand price forever going up it was very difficult to buy sand at all sometimes and the price could fluctuate such that if you didn't buy carefully and minimize manufacturing costs and improve efficiencies you might lose rather than make money.

Again, we cooperated with a major international company and testing facilities to find a thermally stable super white extender which could, when milled correctly actually improve whiteness, gloss and the smoothness of opacified glazes whilst having a more stable price than zirc sand thus smoothing out the price variation. We also made sure there were very robust supply chains and alternates that could be sourced if need be. The cooperation resulted in products which I think could rightfully be called revolutionary.

AC: Zircon has been a major feature for you?

AM: We have for many years cooperated with Alex Pellizzoni and Simon Brough of Zircon Minerals Malaysia Sdn Bhd (ZMM) and that cooperation actually resulted in the opacifier extender a few years ago and the sourcing of other strategic materials. But it has been expanded with new variants of the technology and ZMM also partnered AMR when we were looking at new processing technology for the synthetic bone ash and advice on legal and licensing regulations when we have been considering new supply routes from Malaysia, Indonesia and China. I think this illustrates that through such partnerships we can achieve much more than a company our size could otherwise be expected to.

We should also mention the not insubstantial investment made by VITIS JSC to develop and improve the K series kaolin production in Vietnam and comply with the latest environmental standards with a new production facility which cost over US\$2 million and support this with laboratory facilities in Hanoi specifically designed for material testing for tile, tableware and sanitaryware.

But it isn't all about products



Integration the keyword

Carlo Ricotta – “I work closely with AMR and Chinese frit & glaze suppliers as well as some European specialist companies; for digital inks and digital glazes, special double charging materials for technical porcelain tiles and slabs. I've known the AMR management team for over 25 years now. There is an advantage that this company has is they have good relations with providers of complementary products so if do not supply they have an associate that does, so we can offer a good range. They have a very good understanding of business culture and react very quickly to enquiries which is ever-important.

or facilities. We might not be an FTSE or NYSE multinational but we still need to have the right people and we try to get a good mix of youth and experience. So, when Richard Leonard previously of Sibelco, WBB and Hepworth's became available it was natural to recruit him to act in a business development capacity especially as he knows materials, countries and customers that we were lacking in, specifically sanitaryware. He has also helped in our pursuit of offering valuable alternative solutions to the bone china industry by guiding our development of bone ash replacement with internationally renowned tableware customers. Richard's level of experience is rare and his guidance invaluable.

AC: So, the net keeps widening?

AM: Yep, it's our strategy. For example, as Sri Lanka is a growing market for us, we selected Champika Batagalage of DIF Technology as our agent as she had extensive contacts in the ceramics market and was eager and enthusiastic to grow our market share whereas previously, we had a fragmented and inefficient supply route of different agents who had other principals. We put everything under one roof and it has paid off. We are looking for similarly ambitious agents to cover other markets that we can't adequately cover directly. In addition to this, we cooperate with specialists in our target industries – for example since 2014 we have had a close relationship with Carlo Ricotta who is a renowned specialist in the tile industry who advises on technology and materials particularly for decoration. Carlo is someone else I've known since 1995 and he also can advise on sources of frits and glazes for tile applications.

AC: From its inception then AMR has grown in terms of sales, technology, and products but how has Covid affected AMR and how have you coped with the challenges?

AM: The pandemic has had multiple effects and these will continue well into 2022. Initially, from February last year for several months sales were not too badly affected as customers thought it was a Chinese problem and so they ordered more product in case of supply issues and these offset losses in Chinese business. Then there was a lull when it became a regional and then a global issue as markets went into lockdown and consumer demand dropped. Nevertheless, this wasn't a catastrophic problem as our costs decreased too; less

travel & entertainment, no exhibitions or factory visits.

Yet without visits and exhibitions enquiries dropped as we are not generating new leads as often which means sampling and follow up costs fall but you become reliant on existing business.

There was from mid-2020 a rebound as countries found ways to open up either because they had handled the initial outbreak well or because they decided they had to save their economies whatever the health issues.

We are now in the next stages of the impact. Freight rates and space availability have become a major headache for the logistics team though they are working wonders even when it is difficult to get containers. At the same time, customers are looking for discounts to cover cost increases or their end customers are demanding cheaper products. Compounding this we are on something like wave four infections in some countries so we can say the situation isn't improving yet.

Whilst we can look at creative ways to satisfy our customers whether it is sharing buffer stocks, different packing and shipping, different payment plans the big hope has to be the vaccine rollout. Until that is fully effective then we aren't going to be travelling, exhibiting or being able to have those vital face to face meetings. Things like Zoom can only replace so much and projects have slowed down. There are cases where managers and technicians are stranded in the wrong countries as they can't travel. I'm doubtful exhibitions or travel planned for late 2021 will happen as you have to consider vaccinations, testing, quarantine, additional hotel or insurance costs and so on.

AC: It's not been an easy 12 months – understatement, right?

AM: *However tough the challenges are we have to push forward. Thankfully due to advertising and a robust reputation, we have gained some new customers and internally we are in advanced development of products which should become available in 2021 – new feldspars, improved synthetic bone ash and sales into markets new to us in the Middle East. In that respect – not having so many regular or routine service travel demands has allowed us to concentrate more on fewer bigger projects.*

Other than that, we see this year as a period of consolidation and cooperation so that we can get through this and then expand. There will be a lot of challenges due to the lower consumer demand but after the Spanish Flu retail improved especially for high-quality goods. It was also noted then that mail-order business improved when people couldn't get out or travel – today's online delivery business isn't new - it's an evolution. This points to a path for AMR development too, maybe a bigger online presence.

Much recovery from Covid-19 will be down to getting people in all industries back to work – so they have money to spend and government spending on infrastructure projects which always benefits ceramics would be welcome (again this also happened after Spanish Flu). Saying that though the countries which will recover first and fastest should well be those that still make things – less so possibly where people are employed in services and the social industries – entertainment, F&B and so forth. Bluntly speaking the impact of individuals will be great but on society in general hopefully relatively short. It should be a wake-up call too for greater industrial and international cooperation.

The challenge for AMR will be to tailor its supply chain and sales network to account for these demand shifts – which fortunately has been by necessity from the beginning something that we have accomplished and are well placed to build on.

Vitis: a link in the chain

Mr John Hoang Giang: "Vitis has strategically set up technology partnership with selected local mining companies for the production of silicate materials to serve the local industry and export. In this special aspect, the company has successfully assisted several local mining companies to upgrade their production technology and to develop in depth-processed products with more added values.

Vitis is acting as mineral-link between suppliers & end-users through wide professional networking agents across Asian ceramic centres. AMR is our major channel of mineral export to the targeted regional markets since its establishment in 2008.

Thanks to Vitis & AMR cooperation on both commercial and R&D aspects of new products, we have achieved very encouraging results in developing high-quality kaolin for export markets in the region, our products have been supplied to the world's top manufacturers in the Tableware and Sanitaryware sectors over the last 12 years.

With the latest development of a new project on special low-iron feldspar for tableware and frit making, we expect to successfully launch our products in the regional market by 2nd half of 2021 through AMR channel as always."



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AMR Ltd would like to acknowledge the great support, advice and encouragement given by Mr. Alex Pellizzoni who sadly passed away in 2019 - he is greatly missed.