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## **Housewares Manufacturing in Vietnam Today**

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## Housewares Manufacturing in Vietnam Today

**Vietnam** has become a “buzz word” in international trade today. Millions of foreign investment dollars flow daily into this South-East Asian country of 85 million people...entrepreneurs are racing to the scene...the likes of Microsoft and Intel are laying roots along with other Fortune 500 companies...tourism is growing at 30% a year...a complete country is being rebuilt at a record breaking pace. The statistics are admirable and staggering!

The headlines on Vietnam’s remarkable economic recovery, ascension to the World Trade Organization and a consistent 8% + GDP annual growth rate have captured the interest of companies and entrepreneurial thinking people from all over the world. But important questions remain:

- Will Vietnam rise again to be the future “Jewel of the Orient?”
- Should my organization take advantage of its “first-mover” opportunities?
- Does my company need to be there?

### **China + 1 = Vietnam**

The above questions and many more are on the minds of business leaders today. With the uncertainty facing Chinese manufacturing in terms of rising costs due to the fluctuation of the Yuan to the U.S. Dollar, the decrease of export rebates, rising labor costs, inflation, China’s political relations, labor “job hopping” and quality control & reliability concerns, there has been a shift in the business planning and thinking of many companies.

Companies can no longer focus on one country for their total production. They need to differentiate not only their product lines but also their country of manufacture to create a safety valve. This has been referred to as a “China + 1” policy. More and more, the equation is beginning to look like “China + 1 = Vietnam”.<sup>1</sup>

Vietnam has changed from a central planned economy in 1995 to a market economy today. This has encouraged the startup of countless private entrepreneurial manufacturing operations and the subsequent changeover of previous state–run manufacturing companies into joint ventures with foreign manufacturers and investors. Vietnam is still in its early days of development for its “new” manufacturing sector but is growing at record speeds.

The Vietnamese business environment is quite friendly and eager to obtain western business contracts. Vietnam is a good alternative choice and may be the best choice for your company as it offers some advantages with respect to:

- Lower labor rates
- A young, capable and competitive labor force
- English being taught in schools as a second language
- A hunger to succeed & grow with global customers

Large companies comparable to those in China and the U.S. have not emerged yet in volume - Vietnam is still young in its development. Basically, Vietnam for years has been the labor camp for many other Asian countries due to its lowest labor rate in the region, currently averaging \$60-\$115 USD per factory employee per month. With new found wealth, huge foreign direct investment, membership in the WTO, and a market economy, Vietnam is now open for business and is actively seeking business output contracts with western countries.

### **Infrastructure & Shipping**

Infrastructure is a critical hindrance to Vietnam's growth and development. The lack of a deep water port means that containers must be transshipped to either Singapore or Hong Kong to be loaded onto larger ocean going vessels, which adds both cost and time to the equation – a container typically takes 33 days to travel from Ho Chi Minh City to Long Beach, about 2 weeks longer than containers moving directly from Chinese ports.

The rising cost of Chinese labor has had a positive impact in northern Vietnam. Several duty free trade zones have emerged along the 1,300 km China-Vietnam border, allowing factories to take advantage of the low labor rates of Vietnam while shipping via the more efficient Chinese ports.<sup>2</sup>

All of that said, "transportation costs are reducing and will continue to come down as the country matures." A deep water port is now under development in Cai Mep, southeast of Ho Chi Minh City and is expected to be completed in 2010, although delays are certainly possible.<sup>2</sup>

## Vietnam – First Steps

Although Vietnam offers many advantages, there are many questions to consider:

- How can you capitalize on building relationships within this emerging market?
- Does it make sense to be an early player?
- Are you better off focusing only on China for product sourcing and manufacturing?
- Can you get your manufactured goods in Vietnam made hassle free?
- Is the Vietnamese manufacturer interested in building a long-term, quality relationship?
- Are there Vietnamese manufacturers out there that can even make your product?
- If so, can they make it for a better price with good quality and ship it seamlessly, on-time, every time?

Ultimately, only you and your company can decide if your products, the timing and the needs are right to source from Vietnam today. Perhaps you are already sourcing internationally and for many years you have been manufacturing in China. Thus you know the costs, the ups and the downs, and the commitments you must make to ensure that your new supply chain works when manufacturing abroad.

When preparing your short and long-term sourcing plans, Vietnam must be carefully considered and evaluated. There is little doubt that your competitors are also beginning to look into Vietnamese opportunities – likely sooner than later, you will begin to see “Made in Vietnam” on housewares products being sold within your home market

They say that the “devil is in the details.” With sourcing, this is 100% correct. In finding an appropriate Vietnamese manufacturer, there are many questions needed to be asked:

- What is the factory's output capacity?
- Do they have an export license?
- Have they exported before and where?
- Do they have the necessary equipment?
- Can they expand as you grow?
- Would you be a priority customer?
- Are they close to the port and to a major airport?
- Who speaks English in the company?
- Is there a quality assurance program in place?
- What are the financial terms?
- The list goes on...

Answers to these questions and others are important to know at the onset so that your company can transact with a reliable manufacturer who can meet your current and future needs.

Product sourcing in Vietnam starts with research. It's hard to "Google" Vietnam for manufacturers as many companies are extremely underdeveloped in self-promotion. Many factories do not have a website and, in many cases, the company may have only one or two computers on premise. Vietnam has just moved to a market economy and thus their businesses in the past were domestic suppliers and had not needed to promote worldwide for foreign exports.

They are just starting to teach marketing and branding in universities, and therefore, there is a considerable amount of training required for manufacturers to catch up with their competitive neighbors to obtain world export contracts. Furthermore, websites and directories of company listings are sparse and incomplete. Many factories that are large and extremely successful have not felt the need to advertise, thus making it difficult to be located.

It is very difficult for foreign companies to complete any type of accurate research on products and manufacturers in Vietnam while offshore. Even if they send a company representative to Vietnam, there are challenges:

- First of all is cost. The price of an airline ticket, food, accommodation, transportation, translators, etc. really adds up for even a short stay. And still the company representative may have little or no understanding of the Vietnamese business culture.
- Secondly, where do you get started? How do you find a manufacturer who can produce your product and who understands the importance of that product within your portfolio?
- Finally, speaking to any Vietnamese manufacturer on whether they produce your product usually results in "Yes, we do," only to discover later on a field trip they don't or that they have a friend that can produce the product for you. Many speculative company visitors go home empty handed with only a bare 1 or 2 meetings with Vietnamese manufacturers.

Spend your research sourcing dollars wisely. Enlist the aid of local experts who can deliver results and build a list of pre-screened Vietnamese companies that match your search criteria. This will not only save you money but will ensure that you have a more complete picture of who the key players are and their capabilities to produce as to your specific requirements.

Western companies who have already invested heavily into setting up manufacturing arrangements in China over the years will understand quite clearly the need to use a Vietnamese supply chain company. Vietnam is a different country, with a different language, with different laws and a different business culture. Operating solo may appear to save money, but more important, the right intelligence can position your company ultimately with the right results.

Manufacturer and product sourcing is only the first step in the Supply Chain process of selecting a suitable trade partnership and placing a purchase order with a Vietnamese company. But it is a key first step that requires time, patience and commitment to the process in order to achieve desired results.

Opportunities abound in Vietnam. U.S. imports from Vietnam in 2006 were US\$ 8.57 billion, while U.S. exports to Vietnam were US\$ 1.1 billion. Opportunities are growing every day and will be capitalized on by those companies willing to take a first step into the market. Vietnam should be on your radar screen ... it is worth the investigation to uncover how you can benefit from this emerging market.

### **Vietnam - Next Steps**

The Board of Directors of the International Housewares Association (IHA) has authorized the development of programs to assist IHA members with their Vietnamese sourcing needs. Vietnamese sourcing trade missions have taken place bringing IHA members face-to-face with pre-screened and pre-qualified Vietnamese manufacturers.

The sourcing trade missions are operated jointly between IHA and the North America–Vietnam Trading Agency (NAVTA). NAVTA is a full-service company specializing in product sourcing, factory oversight and complete supply chain management services. With offices and Vietnamese – English speaking personnel in both Toronto, Canada and Ho Chi Minh City, Vietnam, NAVTA is uniquely positioned with both western and Vietnamese perspectives to provide IHA members with reliable and strategic knowledge and insight into this dynamic and emerging market.

The IHA sourcing trade mission agreement with NAVTA includes initial factory searches & reports, one-on-one factory meetings and factory tours. After the IHA trade mission, NAVTA can offer further independent customized sourcing functions including price negotiations, factory oversight and compliance, quality control inspections, consolidation and shipping assistance. Associated costs for on-going services will be provided directly by NAVTA on a case-by-case basis.

Additional information on upcoming Vietnam Sourcing Trade Missions can be found on the IHA website at:

[www.housewares.org/iha/global/sourcingTM.aspx](http://www.housewares.org/iha/global/sourcingTM.aspx)

## Addendum A

### Vietnam: Demographics

- Full name: Socialist Republic of Vietnam
- Population: 85.2 million (July 2007 est.)
- Capital: Hanoi
- Largest city: Ho Chi Minh City
- Area: 329,247 sq km (127,123 sq miles)
- Major language: Vietnamese
- Major religion: Buddhism
- Life expectancy: 68 years (men), 72 years (women) (UN)
- Monetary unit: dong (VND) ... 16,000 VND = \$ 1.00 USD
- Labor Costs: Ranges from \$30 USD per month (rural agricultural worker); \$60 USD per month (average rural factory worker); and from \$80 USD - \$115 USD for city factory workers
- Main exports: Petroleum, rice, coffee, clothing, fish
- GNI per capita: US \$620 (World Bank, 2006)
- Internet domain: .vn
- Intl' dialing code: +84
- Population Age: 0-14 = 26.3%  
15-64 = 67.9%  
65+ = 5.8%  
Median Age is 25 years old, thus a young ambitious workforce
- Main investors: USA, Japan, Singapore, Taiwan, South Korea and Hong Kong

## Addendum B

### Vietnam: Housewares Products Available

Specific to the housewares industry, Vietnamese factories manufacture a wide variety of housewares products including:

<ul style="list-style-type: none"><li><b>1. Cook &amp; Bakeware</b><ul style="list-style-type: none"><li>• Cook &amp; Bakeware</li><li>• Tea Kettles &amp; Brewers</li></ul></li> <li><b>2. Home Décor</b><ul style="list-style-type: none"><li>• Candles</li><li>• Decorative Accents</li><li>• Giftware</li><li>• Lighting &amp; Accessories</li><li>• Pictures/Frames</li></ul></li> <li><b>3. Kitchen Accessories</b><ul style="list-style-type: none"><li>• Cutlery &amp; Accessories</li><li>• Food Storage</li><li>• Kitchen Tools &amp; Gadgets</li><li>• Textiles</li></ul></li></ul>	<ul style="list-style-type: none"><li><b>4. Tabletop</b><ul style="list-style-type: none"><li>• Bar Accessories</li><li>• China, Crystal &amp; Silver</li><li>• Dinnerware</li><li>• Flatware</li><li>• Glassware (Drinkware/Serveware)</li></ul></li> <li><b>5. Bath &amp; Shower Accessories</b></li> <li><b>6. Cleaning</b><ul style="list-style-type: none"><li>• Cleaning Products &amp; Supplies</li><li>• Floor care</li></ul></li> <li><b>7. Home Organization</b><ul style="list-style-type: none"><li>• Home Organization</li><li>• Closet &amp; Clothing Storage</li></ul></li></ul>
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One product category that has not yet emerged is:

- Small electrics and electrical appliances

## Addendum C

### Vietnam: Ocean Ports

<b><u>South Vietnam Ports</u></b>	
<b>1. Saigon New Port</b>	Dien Bien Phu St., Ward 22, Binh Thanh District, Ho Chi Minh City
<b>2. Saigon Port</b>	03 Nguyen Tat Thanh St., Ward 4, Ho Chi Minh City
<b>3. Ben Nghe Port</b>	Tan Thuan Dong Ward, District 7, Ho Chi Minh City
<b>4. Tan Thuan Dong Port</b>	Tan Thuan Dong Ward, District 7, Ho Chi Minh City
<b>5. Rau Qua Port</b>	1 Nguyen Van Quy St., Phu Thuan Ward, District 7, Ho Chi Minh City
<b>6. Cat Lai Port</b>	Cat Lai Ward, District 2, Ho Chi Minh City
<b>7. Saigon Petro</b>	Thanh My Loi Ward, District 2, Ho Chi Minh City
<b>8. Nha Be Port</b>	Hamlet 6, Phu Xuan Commune, Nha Be District, Ho Chi Minh City
<b>9. Bong Sen Port</b>	1A Nguyen Van Quy, Phu Thuan Ward, District 7, Ho Chi Minh City
<b>10. Binh Duong Port</b>	Ngai Thang Hamlet, Binh Thang Commune, Di An District, Binh Duong Province
<b>11. Vung Tau Port</b>	973 30 Thang 4 St., Ward 11, Vung Tau Province
<b>12. Phu My Port</b>	Phu My Town, Tan Thanh District, Vung Tau Province
<b>13. Ben Dam-Con Dao Port</b>	1007/36 30 Thang 4 St., Ward 11, Vung Tau Province
<b>14. Dong Nai Port</b>	Long Binh Tan Ward, Bien Hoa City, Dong Nai Province
<b>15. My Tho Port</b>	My Tho Industrial Zone, Binh Duc Commune, Chau Thanh District, Tien Giang Province

<b>16. Dong Thap Port</b>	Office: Ward 11, Cao Lanh District, Dong Thap Province
<b>17. Vinh Long Port</b>	170/2 Pham Hung, Ward 9, Vinh Long District, Vinh Long Province
<b>18. My Thoi Port</b>	Highway 91, My Thanh Ward, Long Xuyen City, An Giang Province
<b>19. Can Tho Port</b>	27 Le Hong Phong St, Tra Noc Ward, Can Tho Province
<b>20. Tra Noc Port</b>	Lot 18 Tra Noc Industrial Zone, Can Tho Province
<b><u>Center of Vietnam Ports</u></b>	
<b>21. Thanh Hoa Port</b>	Le Mon Port: Quang Hung Commune, Thanh Hoa City, Thanh Hoa Province  Nghi Son Port: Nghi Son Commune, Tinh Gia District, Thanh Hoa Province
<b>22. Nghe Tinh Port</b>	10 Truong Thi St., Vinh City, Nghe An Province
<b>23. Ha Tinh Port</b>	Xuan An Town, Nghi Xuan District, Ha Tinh Province
<b>24. Quang Binh Port</b>	Thanh Khe Hamlet, Thanh Trach Commune, Bo Trach District, Quang Binh Province
<b>25. Cua Viet Port</b>	Gio Hai Commune, Gio Linh District, Quang Tri Province
<b>26. Thuan An Port</b>	Thuan An Town, Phu Vang District, Thua Thien Hue Province
<b>27. Chan May Port</b>	Loc Vinh Commune, Phu Loc District, Thua Thien Hue Province
<b>28. Da Nang Port</b>	26 Bach Dang St., Da Nang Province
<b>29. Nguyen Van Troi Port</b>	152 2 Thang 9 St., Da Nang Province
<b>30. Hai Son Port</b>	96 Yet Kieu, Tho Quang Ward, Son Tra District, Da Nang Province
<b>31. 9 Song Han Port</b>	156 Bach Dang, Da Nang Province
<b>32. Ky Ha Port</b>	Tam Quang Commune, Nui Thanh

<b>33. Ky Ha Quang Nam Port</b>	District, Quang Nam Province Hamlet 2, Tam Quang Commune, Nui Thanh District, Quang Nam Province
<b>34. Quy Nhon Port</b>	02 Phan Chu Trinh, Quy Nhon City, Binh Dinh Province
<b>35. Thi Nai Port</b>	02 Tran Hung dao, Quy Nhon City, Binh Dinh Province
<b>36. Nha Trang Port</b>	5 Tran Phu St., Vinh Nghiem Ward, Nha Trang City, Khanh Hoa Province
<b>37. Ba Ngoi Port</b>	9 Nguyen Trong Ky, Cam Linh Ward, Cam Ranh District, Khanh Hoa Province
<b><u>North Vietnam Ports</u></b>	
<b>38. Quang Ninh Port</b>	01 Cai Lan, Bai Chay ward, Ha Long City, Quang Ninh Province
<b>39. Cam Pha Port</b>	Ly Thuong Kiet St., Cua Ong Ward, Cam Pha District, Quang Ninh Province
<b>40. B12 Port</b>	Area 1 Bai Chay, Ha Long City, Quang Ninh Province
<b>41. Hai Phong Port</b>	8A Tran Phu St., Hai Phong Province
<b>42. Doan Xa Port</b>	15 Ngo QUYEN St., Van My Ward, Ngo QUYEN District, Hai Phong Province
<b>43. Vat Cach Port</b>	Km 9, Highway 5, Quan Toan Ward, Hong Bang District, Hai Phong Province
<b>44. Cua Cam Port</b>	02 Ngo QUYEN St., Ngo QUYEN District, Hai Phong Province
<b>45. Transvina Port</b>	280 Ngo QUYEN St., Van My District, Hai Phong Province

## Addendum D

### Vietnam: Shipping Lines

No.	Name	Address	Telephone
1	<b>Saigonship (Saigon Shipping Company)</b>	9 Nguyen Cong Tru St., District 1, Ho Chi Minh City	(84.8) 8296316 - 8231747
2	<b>Falcon Shipping Company</b>	36 Nguyen Thi Minh Khai, District 1, Ho Chi Minh City	(84.8) 8241636 - 8226180
3	<b>VITACO Vietnam Tanker Company)</b>	12 Le Duan St., District 1, Ho Chi Minh City	(84.8) 8222675 - 8241071
4	<b>Seaproshimex (Seaprodex Import/Export and Shipping Company)</b>	200 Dien Bien Phu St., District 3, Ho Chi Minh City	(84.8) 8225080 - 8298276
5	<b>Everines Shipping Company</b>	37 Ton Duc Thang St., Ben Nghe Ward, District 1, Ho Chi Minh City	(84.8) 9103565 - 9111026
6	<b>Maersk Shipping Company</b>	28 Phung Khac Khoan St., District 1, Ho Chi Minh City	(84.8) 8232682 - 8243252
7	<b>APL- Nol Shipping Company</b>	22 Pham Ngoc Thach St., Ward 6, District 3, Ho Chi Minh City	(84.8) 8221199

## Addendum E

### Vietnam: Freight Forwarders

No.	Name	Address	Telephone
1	<b>Vietrans Hanoi Company</b>	13 Ly Nam De St., Hanoi	(84.4) 8254913 - 8256071
2	<b>Northern Freight Company (International Freight Forwarder)</b>	25 Dien Bien Phu St., Hai Phong Province	(84.31) 847276 - 847284
3	<b>VINAFCO (Vietnam Freight Forwarding Corporation)</b>	33C Cat Linh St., Dong Da District, Ha Noi	(84.4) 8358846
4	<b>Everich Ltd Vietnam</b>	67 Le Thi Hong Gam St., District 1, Ho Chi Minh City	(84.8) 8211046 - 8905143
5	<b>Sotrans (International Freight Forwarders)</b>	1B Hoang Dieu St., District 4, Ho Chi Minh City	(84.8) 9400477 - 9401258
6	<b>Tracimex (International Freight Forwarding Services)</b>	21 Nguyen Hue St., District 1, Ho Chi Minh City	(84.8) 8293178
7	<b>Transimex Saigon (Trans-Forwarding Warehousing Company)</b>	172 Hai Ba Trung St., District 1, Ho Chi Minh City	(84.8) 8295014 - 8294247
8	<b>Vietrans Saigon (International Freight Forwarder)</b>	406 Nguyen Tat Thanh St., District 4, Ho Chi Minh City	(84.8) 9404683 - 9404687
9	<b>Shenker International</b>	321 Nam Ky Khoi Nghia St., Phu Nhuan District, Ho Chi Minh City	(84.8) 8438879 - 8465419
10	<b>Konoike Transportation Co. Ltd.</b>	203 Dong Khoi St., District 1, Ho Chi Minh City	(84.8) 8242000 - 8290023
11	<b>Jacky Maeder Int'l Forwarding Ltd.</b>	87A Cach Mang Thang Tam St., District 1, Ho Chi Minh City	(84.8) 8322854
12	<b>Jardine Freight Services Int'l Ltd.</b>	147 Nguyen Tat Thanh St., District 4, Ho Chi Minh City	(84.8) 8255383

13	<b>Atlantic Forwarding Ltd.</b>	65 Nguyen Du St., District 1, Ho Chi Minh City	(84.8) 8224344
14	<b>Transimex Da Nang</b>	73 Le Loi St., Da Nang Province	(84.511) 826722
15	<b>Everstarlines</b>	74 Nguyen Dinh Chieu st., Dakao Ward, District 1, Ho Chi Minh City	(84.8) 8237453
16	<b>Safi</b>	39 Doan Nhu Hai St., Ward 12, District 4, Ho Chi Minh City	(84.8) 8253609

## Addendum F

### Vietnam: Inland Transportation Costs

No.	Name of Company	Type of Transportation		Price (USD)
		Truck	Container Truck	
<b>From Hanoi to Ho Chi Minh City</b>				
1	<b>Bac Nam Transportation Company</b> 1/1 Tan Ky Tan Quy St., Son Ky Ward, Tan Phu Dist., Ho Chi Minh City	15 tons		\$1,375.00
			40 Foot	\$1,562.50
2	<b>Tan Hoang Long Transportation Company</b> 105 Lac Trung B, Hai Ba Trung, Hanoi		40 Foot (under 16 tons)	\$1,062.50
<b>From Hanoi (Gia Lam District) to Hai Phong Port</b>				
3	<b>Hanoi Container Company</b>		40 Foot (under 30 tons)	\$218.75 - \$312.50
4	<b>Vosa Hai Phong Transportation Company</b>		40 Foot	\$187.50 - \$218.75
<b>From Ho Chi Minh City to Local Port</b>				
5	<b>Sao Khue Company</b>		40 Foot	\$68.75 - \$93.75

Quotation date Jan 2008

All prices above include VAT