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Lacquerware



Essential sourcing intelligence for buyers

Vietnam manufacturer profiles

Detailed profiles of 34 suppliers with verified manufacturing and export credentials

Product & price trends

Prices and specifications of 120 top-selling export products

Design & material innovations

Coverage of the latest trends in materials, style and finish

July 2008

US\$100



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Global Sources is offering this series of *Developing Country Sourcing Reports* as part of its corporate social responsibility undertakings in partnership with the Kearny Alliance, a non-profit development organization whose mission is *Aid through Trade*.

The aim is to give international buyers new sourcing opportunities from experienced exporters, generating orders and create lasting jobs in developing economies.

LACQUERWARE

Supplier capability in Vietnam

EXECUTIVE SUMMARY

Lacquerware made in Vietnam has gained worldwide recognition for its durability, craftsmanship and design. Bowls, plates, trays, boxes and vases with eggshell or mother-of-pearl inlay are popular export products, as well as wall paintings with intricate handpainted designs.

Vietnam's rich tradition of making handicrafts has enabled it to become one of the major sources of lacquerware. In fact, the country's handicraft industry is targeting export revenue of \$1.5 billion in 2010.

To achieve this goal, lacquerware makers are focusing on product innovation, offering low minimum order requirements, and accepting mixed orders. Suppliers' access to abundant supply of raw materials and large pool of talented workers has also helped boost production and sales.

Amid strong demand from overseas, suppliers in Vietnam are bracing themselves for the numerous challenges that they face. The country's rising inflation has pushed up raw material and real estate costs, and has led to wage increases. Intensifying competition from other countries in Asia is another issue makers continuously need to address.

In response, most suppliers are putting measures in place to attract more export orders. Some, for example, are increasing their focus on product and design development. New models are combining traditional production technique with modern designs. In addition, many companies are looking for ways to control costs.

The following are some of the key trends we see in Vietnam's lacquerware industry:

- Exports in the line are expected to increase in the next 12 months. Suppliers will continue to target the US and the EU markets.
- Many companies will increase export prices by the end of 2008 as raw material costs continue to rise.

In fact, 82 percent of the makers surveyed for this report plan to do so. The suppliers that are considering price increases will implement minimal changes. Seventy-nine percent of the respondents that plan to raise their quotes will limit increases to 10 percent and below.

• In the next 12 months, many suppliers will focus R&D efforts on releasing lacquerware that combine traditional and modern designs. Makers are also exploring other product areas, releasing models not typically applied with lacquer.

This report covers all types of lacquerware produced in Vietnam, including bowls, boxes, plates, trays, vases and wall paintings. Most suppliers focus on three or four product lines.

The *Products & Prices* section details the features and price ranges of lacquerware made in Vietnam. This includes the latest trends in style, finish, and inlaid and base materials.

The *Industry Overview* discusses key issues affecting exporters and elaborates on the composition of the industry, highlighting key characteristics of different types of suppliers.

The majority of lacquerware suppliers in Vietnam are locally owned, with some being cooperatives. This report reflects the nature of the industry with more than 75 percent of featured suppliers wholly Vietnam-owned. A small number of companies are foreign-invested or managed.

Production of lacquerware is concentrated in the outskirts of Hanoi and Ho Chi Minh, where the majority of companies interviewed for this report are based. Thirty-two percent of surveyed suppliers have facilities in Ha Tay, while 35 percent have workshops in Ho Chi Minh. Other facilities are located in Nam Dinh, Ninh Binh and Binh Duong.

In this report

- 19 in-depth company profiles
- 15 short company profiles
- 120 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and charts

OBJECTIVE & METHODOLOGY

This *Vietnam Sourcing Report* is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The *Developing Country Sourcing Report* series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with the Kearny Alliance, whose mission is Aid Through Trade. The objective is to help create jobs in developing Asia through export promotion.

To produce this report, larger, midsized and emerging manufacturers — all with substantial export experience — were surveyed. The selection of suppliers is designed to reflect the composition of the industry in Vietnam in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other companies in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market.

Suppliers also participated in a survey designed to provide insight into the industry.

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INDUSTRY OVERVIEW

Vietnam has a rich history of making products that combine function and art. With more than 2,000 craft villages, it is poised to become a key player in the global handicraft industry, which includes lacquerware, embroidery, porcelain, pottery and basketware.

Lacquerware made in Vietnam is known for its durability, exquisite craftsmanship and unique designs. Bowls, plates, trays and boxes with eggshell and mother-of-pearl inlay are used extensively in hotels and restaurants overseas, while decorative paintings and screens are showcased in homes and offices worldwide.

Aside from craftsmanship, the other factors that have enabled Vietnam to become one of the leading suppliers of lacquerware are the abundant supply of raw materials, low minimum order requirements, acceptance of mixed orders, and the country's large pool of talented workers and artisans.

Additionally, the rising global demand for handmade products has given the sector a boost. In 2007, Vietnam exported around \$740 million worth of handicrafts. And for the first two months of 2008, \$150 million worth of products were shipped overseas. This represents an increase of about 25 percent compared with the same period in 2007.

Vietnam does not track lacquerware exports independently. Thus, the industry figures in this report refer to all handicraft products being exported by the country.

Sector challenges

Various challenges are currently threatening the lacquerware industry in Vietnam. One of the problems makers have to address is the rising cost of raw materials.

Prices of lacquer resin, MDF, bamboo and wood have been on an upward trend since 2007. This is due mainly to inflation and the global rise in petroleum costs.

As of end June 2008, higher oil and commodity prices have pushed Vietnam's inflation to 26.8 percent, which is the fastest rise the country has seen since 1992.

For lacquerware suppliers, this translates to an increase in material and transportation costs. For instance, lacquer resin is now \$8 to \$9 per kilo, up by more than 20 percent from the previous year.

Even minor materials used in lacquerware production have seen price increases. The cost of sandpaper, which makers use for polishing products, has increased by 10 to 15 percent during the past 12 months.

To deal with escalating production costs and to comply with prices set by buyers, some suppliers are reducing the number of lacquer layers in their products.

Lacquer layers can be as few as three for low-end models, and can range from six to 12 for midrange versions.

In addition, makers are using MDF for bases instead of natural wood. Although MDF is more expensive than bamboo and some types of wood, it is easier to cut and shape, and requires less time to dry.

Vietnam's rising inflation has also caused workers in the lacquerware industry to push for wage increases and for real estate prices to rise. In response, some companies have transferred, or are planning to move, their production facilities farther away from central Ho Chi Minh and Hanoi.

Another issue lacquerware makers in Vietnam are facing is the availability of mass-produced items. China manufacturers can offer less expensive products with shorter lead time. This is because lacquerware from China often use artificial lacquer. Unlike natural lacquer that has been harvested from the *Rhus succedanea* tree, artificial versions

Supplier summary

Suppliers surveyed	34
Export sales	\$12.8mn
Export ratio	64%
Full-time employees	2,117

Data: All surveyed suppliers

are less expensive and require less time for drying. Additionally, China lacquerware are made through modern production techniques, which further reduce lead time.

Product & design innovations

Vietnam shares with Thailand, Cambodia and Myanmar its tradition of making lacquerware.

To distinguish themselves from their competitors, companies in Vietnam are releasing more models with contemporary designs. Suppliers are also offering items that are not typically lacquered, such as lamps, photo albums, and wine and tissue box holders.

For example, Mimosa, one of the suppliers featured in this report, applies lacquer to lamp bases and card holders. Usually handpainted, these items feature contemporary designs and bold colors.

Government support has also helped give a boost to export sales. Fine arts and handicrafts are in fact listed as a leading industry in Vietnam's export development program for 2006 to 2010.

Meanwhile, local government units are implementing programs designed to promote handicraft production and exports. For instance, the Hanoi City government said in June 2008 that it will cover 70 percent of costs for developing the trademarks of the city's surrounding handicraft villages. Additionally, the city government will cover all expenses of hiring and furnishing booths at domestic exhibitions, and half of these costs at foreign trade shows.

ANC Supplier Co. Ltd

The family that owns ANC has been making lacquerware for the past 200 years. Officially established as a company in 2005, it is based in a handicraft village in Ha Tay, which is 30km from Hanoi. Ha Tay is a province in Northern Vietnam known for its lacquerware.

ANC also manufactures furniture, tableware and home decor, including laundry baskets and placemats.

About 80 percent of output is shipped overseas, with the rest sold to trading companies in Hanoi. Major export markets include Germany, France, the Netherlands and the US.

The company offers both low-end and midrange products, with prices between \$1 and \$500. A bowl with handpainted designs and 13 layers of lacquer is priced at \$1.50, while a dining set that includes a coaster, plate and napkin holder is available for about \$25. Best-sellers include trays, vases, bottles, bowls and picture frames.

ANC offers both contemporary and

traditional lacquerware pieces. However, products mostly feature traditional rural scenes, made from inlaid eggshell, mother-of-pearl, bamboo and silver leaf, as well as handpainted designs.

Lacquerware bases are mainly made from bamboo, MDF, natural wood and ceramic. ANC makes its own bamboo bases, while MDF and wood bases are sourced from the Ha Tay branch of Ho Chi Minh suppliers. Ceramic is purchased from makers in Bat Trang, a 500-year-old village known for its ceramics.

A minimum of 12 lacquer layers is required for ANC's high-end products, with each layer taking 12 to 24 hours to dry. Sampling for a basic item is about 20 days, depending on the weather condition.

The company operates four workshops in Ha Tay, with a total area of 2,000sqm. These handle all processes, including production of bamboo bases, setting of inlaid materials, applying of lacquer, drying, polishing and packing.

Contact details

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There are 40 full-time employees, with 100 additional home-based workers hired during peak seasons.

To maintain the quality of its products, members of the QC team visually inspect all pieces' surface and finish for scratches and bumps.

ANC regularly joins trade shows in Hanoi and Ho Chi Minh. It plans to build a new workshop in the next 12 months.

Profile

Company facts

Year established	2005
Head office location	Dong Da (Hanoi)
Ownership	Locally owned
Factory location(s)	Thuong Tin (Ha Tay)
Full-time employees	40
Part-time employees	100
Total annual sales (all products)	\$2,000,000

Sales & output: Lacquerware

Annual sales	\$500,000
Share of total sales	25%
Annual export sales	\$500,000
Total monthly capacity	•
Average monthly output	200,000 pieces
Capacity utilized	•
Average monthly exports	•
Export ratio	•

• Information not disclosed

Capability

Materials used

Bamboo base	Yes
Ceramic base	Yes
Other base materials	Yes
Eggshell	Yes
Mother-of-pearl	Yes
Other inlaid materials	Yes

Exports by product

Bowls	15%
Plates	20%
Trays	20%
Boxes	20%
Vases	25%
Wall paintings	—

Exports by market

North America	40%
European Union	40%
Europe (non-EU)	20%
Middle East/Africa	—
Asia	—
Other	—

Popular export models



Model: TL-6045
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$8.20
Description: Bowl; bamboo base; height 17.5cm, diameter 22cm; matte finish



Model: TL-6081
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$3.86
Description: Bowl; bamboo base; height 11cm, diameter 24-29cm; matte exterior



Model: TL-6100-2
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$8.25
Description: Tray; bamboo base; 40x28x6cm; matte clear exterior



Model: TL-6047
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$10.22
Description: Tray; bamboo base; 55x55x9cm; matte clear exterior



Model: TL-6097
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$7.85
Description: Vase; bamboo base; height 13cm, diameter 32-40cm; matte clear exterior



Model: TL-6113
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$6.68
Description: Vase; bamboo base; height 50cm, diameter 7-20cm; clear exterior

PRODUCT GALLERY

Bowls



ANC
(profile page 24)
Model: TL-6045
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$8.20
Description: Bowl; bamboo base; height 17.5cm, diameter 22cm; matte red exterior



ANC
(profile page 24)
Model: TL-6081
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 40 days
Indicated price: \$3.86
Description: Bowl; bamboo base; height 11cm, diameter 24-29cm; matte exterior



AP
(profile page 26)
Model: L04
Minimum order: 50 pieces
Packaging type: Carton box
Delivery time: 95 days
Indicated price: \$25
Description: Salad bowl; bamboo base; height 15cm, diameter 40cm; light copper interior, silver exterior; silver leaf



Binh Minh
(profile page 30)
Model: BM03
Minimum order: 50 sets
Packaging type: Kraft paper, foam, bubble wrap and carton box
Delivery time: 45 days
Indicated price: \$23.50
Description: Set of three bowls with tray; MDF base; 13x13x10cm, 11x11x8cm, 9x9x5cm; handpainted; beige exterior



Binh Minh
(profile page 30)
Model: BM04
Minimum order: 50 pieces
Packaging type: Kraft paper, foam, bubble wrap and carton box
Delivery time: 45 days
Indicated price: \$13
Description: Bowl with square sole; MDF base; height 13cm, diameter 30cm



Dai Thu
(profile page 32)
Model: SLB-B005
Minimum order: 50 pieces
Packaging type: Paper and carton box
Delivery time: 30 days
Indicated price: \$20
Description: Salad bowls; bamboo base; available in different colors

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