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# Bags



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### Vietnam manufacturer profiles

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123 top-selling export products ranging from handbags & wallets to backpacks & shopping bags

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# BAGS

## Supplier capability in Vietnam

### EXECUTIVE SUMMARY

Vietnam is regarded as one of the world's leading supply centers of moderately priced bags with superior quality and styling.

Robust design capability is the line's main competitive advantage, allowing makers to offer proficient ODM and OEM services. The industry is supported by a large pool of artisans who lend their expertise on traditional models.

Trade associations that extend assistance to foreign buyers and local bag suppliers are another major benefit of sourcing from Vietnam. These groups help connect prospective customers with manufacturers, depending on their sourcing requirements.

Most makers in the line export the bulk of output. The US and the EU are the main overseas markets, taking up more than half of total shipments.

Special-purpose bags dominate as the top product segment among interviewed suppliers. Within this category, woven and nonwoven shopping bags account for the majority of sales. Fashion, business and travel bags are other product lines offered by the industry.

Manufacturers of fashion and business bags are mainly small and midsized. Suppliers of travel and special-purpose bags are generally medium to large in size. Most have been operating for less than a decade, although a number have been in business since the early 1990s.

Traditional production processes continue to be employed, especially for handcrafted items. Business, travel and special-purpose bag models, however, are made using locally sourced and imported machines.

Hanoi and Ho Chi Minh City are the major sourcing centers for bags. Factories of suppliers located in these cities are established in nearby villages and provinces.

The industry contracted in 2009

due to the global economic crisis. It remains strong, nonetheless, as manufacturers employ various strategies to remain viable.

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

- Suppliers expect an improving business climate for the rest of 2010 as demand from major export markets turns stronger. As such, close to half of featured companies predict overseas revenue to register double-digit growth. A small number anticipate turnover to stay at the same level as the previous year.

- Rising labor cost is the most crucial concern facing the industry as government-mandated wage adjustments are expected to remain in place until 2012. Higher raw material expenditure also poses a major challenge, with more expensive fabric and bag components adversely affecting profit margins.

- The EU and the US will continue to be the main foreign destinations among interviewed makers. Almost half will focus on the former and more than a third will emphasize the latter.

- Upcoming models, particularly for the fashion and special-purpose bags segment, will boast more colorful patterns and additional embellishments.

This report covers the main types of bags made in Vietnam, including hand, shoulder, tote, beaded, evening, clutch, mesh, duffel, sports, shopping, toiletry and waist bags, laptop cases, bags and backpacks, briefcases, wallets, purses, and children's bags.

The *Industry Overview* section discusses key issues affecting export manufacturers and elaborates on the composition of the industry.

The *Products & Prices* section details the features and price ranges of silk fashion accessories. It also lists the latest trends in styling and materials.

### In this report

- 14 in-depth company profiles
- 20 short company profiles
- 123 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 is one of the world's major sourcing centers for competitively priced bags that boast quality in terms of construction and aesthetics.

The industry benefits from strong design capability that allows suppliers to meet the requirements of both ODM and OEM customers. Although orders in buyers' specifications account for more than 50 percent of total exports, virtually all manufacturers maintain in-house design teams that can create a collection of unique styles.

The country's robust capacity for design is complemented by a large pool of craftsmen who are experienced in creating models that reflect traditional influences. These artisans come from several craft villages all over Vietnam and are especially skilled in handmade items.

Another strong suit of the industry is the existence of trade organizations that help SMEs become more competitive in the global market. One of these is the Investment & Trade Promotion Center, which provides free training and workshops on various export-related and corporate management issues. The ITPC also extends subsidies to local suppliers, enabling them to participate in foreign trade shows and heighten knowledge of various international markets.

Based in Ho Chi Minh City, the

ITPC also assists international buyers by matching them with the appropriate suppliers, depending on their needs and budget.

The line's other competitive advantages include a highly literate workforce that is easy to train and adapts readily when changes in manufacturing processes are needed.

### Exports & challenges

For trading and export purposes, the bags industry in Vietnam is classified under the handbags, wallets, suitcases and umbrellas line.

According to the General Statistics Office of Vietnam, the country exported \$721 million worth of these items in 2009, representing a decline of 12.6 percent compared with the previous year. The drop is attributed to the lingering effects of the global economic crisis.

The US is the industry's top overseas market, taking up \$221 million worth of shipments. Germany is the second largest as it accounts for \$81 million of turnover. Belgium and Japan are next, absorbing \$69 million and \$64 million, respectively.

Aside from the effects of the economic slump, the line is facing a few other challenges.

Higher labor costs are the main hurdle confronting the industry. In an

### Supplier summary

Suppliers surveyed	34
Export sales	\$31.9mn
Export ratio	69%
Capacity utilized	87%
Full-time employees	10,780

Data: All surveyed suppliers

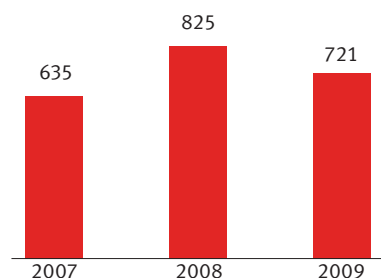
effort to balance wage discrepancies between employees of domestically owned and foreign-invested enterprises, Vietnam's national government has directed all manufacturers to increase basic salaries annually starting from 2008 up to 2012. Companies operated by local entrepreneurs are required to raise wages by 20 to 38 percent, while foreign-owned suppliers have to offer remuneration 13 to 15 percent higher.

The rising cost of materials and components also poses a challenge to the industry. The price of silk fabric increased by at least 5 percent in the first quarter of 2010 compared with the same period a year ago. In addition, the cost of parts such as handles and zippers have gone up by 8 to 10 percent over the previous year.

To maintain viability in the face of higher labor and material costs, some suppliers have kept prices stable, with a few absorbing profit margins up to 10 percent lower. Other makers are now focusing on production of models using

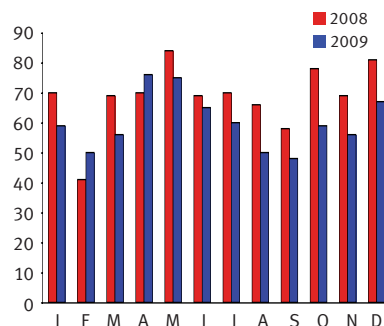
### Export statistics

Value  
\$million

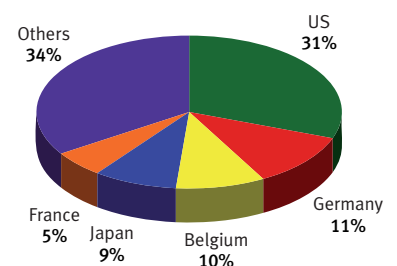


Includes handbags, wallets, suitcases & umbrellas  
Source: General Statistics Office of Vietnam

Value  
\$million



### Main markets



**Craft Window Development Investment Co. Ltd**

Craft Window manufactures handbags and fashion accessories. Established in 2003, it exports close to three-quarters of output to the UK and Spain. The rest is shipped to the US, New Zealand and Australia.

The company registered total sales of \$1 million in 2009. OEM orders account for 60 percent of shipments.

The supplier has a monthly capacity of 10,000 bags. It produces 7,000 pieces on average, a little over a half of which is sent overseas.

The best-selling items are silk and velvet fashion bags. Most models are handmade and priced between \$3 and \$20. Small bamboo purses are available for \$4 and genuine leather handbags are quoted at \$22.

A small part of output is taken up by business bags.

Silk, velvet, leather, cotton, horn and beads are procured from suppliers in Hanoi. Fittings and accessories such as zippers and buttons are imported from China.

The design department is composed of two members who are capable of

releasing 20 new items every month. It also produces models based on buyers' specifications. Samples are usually available within one week.

Craft Window has a head office and showroom in the Hai Ba Trung district of Hanoi. The primary production facility is located in Xuan Truong town in Nam Dinh province and covers an area of 300sqm. There are 60 full-time employees who are involved mainly in sewing.

Another workshop is set up in Hanoi's Thuong Tin district. It has an area of 200sqm and houses lines for embroidering and embellishing. Twenty personnel are assigned to production and 10 are administrative staff.

Three inspectors are in charge of QC. They perform visual inspections on all items after each manufacturing stage and prior to packing.

Polybags and carton boxes are used as packaging. Labels are provided for a fee. The minimum order requirement is 50 pieces per designs. Delivery usually takes 30 days after order confirmation.

**Capability**

**Materials used**

Fabric	Yes
Genuine leather	Yes
Synthetic leather	Yes
Straw	Yes
Other	Yes

**Exports by product**

Fashion bags	80%
Business bags	20%
Travel bags	—
Special-purpose bags	—

**Exports by market**

United States/Canada	20%
European Union	70%
Europe (non-EU)	—
Asia-Pacific	10%
Middle East	—
Other	—

**Company facts**

Year established	2003
Head office location	Hai Ba Trung (Hanoi)
Ownership	Locally owned
Factory location(s)	Xuan Truong (Nam Dinh), Thuong Tin (Hanoi)
Full-time employees	90
Total annual sales (all products)	\$1,000,000

**Sales & output: Bags**

Annual sales	\$600,000
Share of total sales	60%
Annual export sales	\$500,000
Total monthly capacity	10,000 pieces
Average monthly output	7,000 pieces
Capacity utilized	70%
Average monthly exports	4,000 pieces
Export ratio	57%

**Contact details**

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Popular export models



**Model:** BF1215  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Shoulder bag; faux suede; black; 40x32x13cm



**Model:** BF1229  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; faux and genuine suede; black; 39x29x7cm



**Model:** BT26  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; faux suede; with rose trimming; red; 38x21.5x15cm



**Model:** BT38  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Shoulder bag; leather and cotton; 39x27x12cm



**Model:** BT38  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; PU; 39x22x7cm



**Model:** F1  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; leather and silk; 39x27x12Dcm

• Information not disclosed

## PRODUCT GALLERY

### Fashion bags



**Craft Window**  
(profile page 24)  
**Model:** BF1229  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; faux and genuine suede; black; 39x29x7cm



**Craft Window**  
(profile page 24)  
**Model:** BF1215  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Shoulder bag; faux suede; black; 40x32x13cm



**Craft Window**  
(profile page 24)  
**Model:** BE38  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Women's purse; velvet; with strap; red; 28.5x16x5cm



**Craft Window**  
(profile page 24)  
**Model:** BT26  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; faux suede; with rose trimming; red; 38x21.5x15cm



**Craft Window**  
(profile page 24)  
**Model:** BT29  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Handbag; leather and silk; 37x25x10cm



**Craft Window**  
(profile page 24)  
**Model:** BT38  
**MOQ:** 50 pieces  
**Packaging:** Carton  
**Delivery:** 30 days  
**Price:** •  
**Description:** Shoulder bag; leather and cotton; 39x27x12cm

• Information not disclosed

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