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# Craft Gifts



July 2010

US\$100



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# CRAFT GIFTS

## Supplier capability in Vietnam

### EXECUTIVE SUMMARY

As one of the world's major sourcing centers for craft gifts, Vietnam benefits from robust design capability that allows suppliers to produce a wide variety of styles featuring traditional and modern influences.

Strong capacity for OEM is another major advantage enjoyed by the industry. Most suppliers are able to accept orders in customized specifications, allowing several companies to attract clients from major foreign markets.

The line is highly export-oriented, with many manufacturers shipping the bulk of output to overseas destinations. The US is the leading market for products made of ceramic, metal and wood. Japan is the top importer of paper and glass handicrafts. The industry also has a prominent presence among buyers in the EU.

Crafts prevail as the top product segment, accounting for approximately three-quarters of overall exports in the line. Gift items are the second-largest subcategory, and novelties are the smallest.

The industry consists primarily of small and midsize suppliers. Most companies are owned by local entrepreneurs, although there is a small number of foreign-invested manufacturers. Experience in the line is varied, with the majority of suppliers having been in operation for less than a decade. Some makers were set up in the 1980s and 1990s.

Traditional production methods are still employed, especially for handcrafted items. Some processes that require machinery such as cutting and sewing make use of imported equipment.

Hanoi and Ho Chi Minh City are the major supply zones. Aside from these locations, suppliers also operate manufacturing facilities in Ha Tay and Binh Duong provinces, as well as the city of Da Nang.

The industry suffered a contraction

in 2009 as a result of the global economic crisis. Strong export figures for 1H 2010, however, indicate improving export conditions for the rest of the year.

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

- Prices are expected to remain unchanged over the next six months as suppliers strive to maintain buyer interest. As such, companies are absorbing lower profit margins and putting expansion plans on hold.
- In anticipation of revitalized demand from key foreign markets, many suppliers are expecting overseas revenue to increase over the next 12 months, with over a third of featured manufacturers predicting double-digit growth.
- The US and the EU will continue to be the main export destinations of most makers. Close to half of suppliers will focus on either market.
- The lack of designs produced in-house is seen as the main challenge affecting the industry. Many suppliers are unable to direct resources significantly to product trend research because of overemphasis on OEM business.

This report covers the main types of craft gifts made in Vietnam, including wall hangings, handicraft sets, pots, vases, tabletop ornaments, replicas of famous people and landmarks, figurines, statuettes, photo frames, jewelry and gift boxes, decorative dishes and plates, religious ornaments, and novelty lanterns, lamps, magnets and flags.

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 craft gifts. It also lists the latest trends in style and materials.

### In this report

- 14 in-depth company profiles
- 20 short company profiles
- 105 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 most important sourcing centers for craft gifts. The industry has developed over the years and is one of the country's largest and most stable export revenue generators.

The sector is considered a subcategory of the larger handicrafts line. Due to the fragmented nature of the industry, the craft gifts segment is divided under several product classifications that are identified by the type of material used.

Exceptional craftsmanship is a major strength of the line. Vietnam boasts a rich history of traditional product design, which is carried on today by a large pool of skilled artisans. Many of these artists are employed by suppliers either on a permanent or temporary basis, and contribute ideas to enhance style.

Strong design capability has resulted in robust potential for OEM business. Most suppliers can accept customized product specifications, in addition to models designed in-house. In fact, a number of companies manufacture items for prominent buyers in the US, the EU and Australia.

Stable material supply is another key advantage enjoyed by the industry. Many makers are able to source different types of components from

local vendors such as wood, bamboo and clay.

### Challenges

Although the craft gifts industry in Vietnam boasts several competitive advantages, it is facing a number of difficulties that threaten to hamper its development.

Chief of these are the effects of the global economic crisis. Export figures from the General Statistics Office of Vietnam reveal that major product categories under which craft gifts are divided were affected significantly by the downturn.

The rattan, bamboo, rush and carpet segment contracted by 19.7 percent in 2009 over the previous year. The ceramic and porcelain line shrunk by 22.3 percent over the same period. The wooden products sector registered a YoY decline of 7.1 percent.

Nonetheless, the business climate has seen improvements as major overseas markets have started recovering from the slump. Exports across all three product classifications have been up by an average of 23 percent over the first five months of 2010, and local economists believe growth is likely to be sustained until the end of the year.

The industry's strong OEM competency does not come without its difficulties. Because orders in buyers'

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

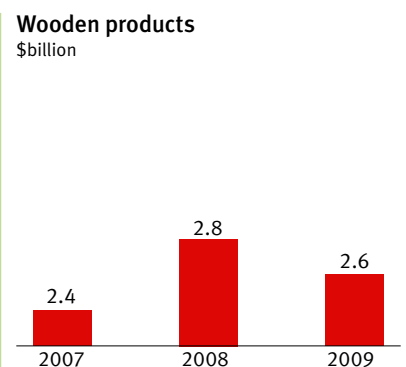
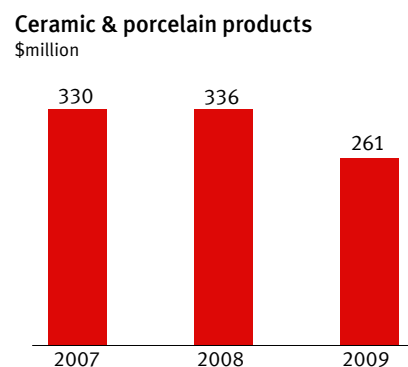
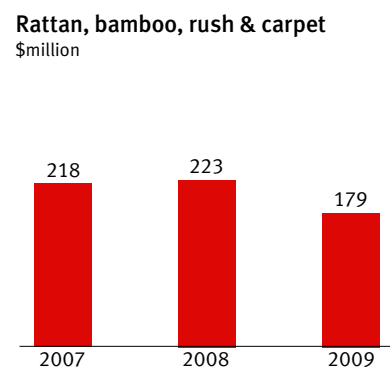
Data: All surveyed suppliers

specifications generally take up a significant amount of output, suppliers are mostly unable to allocate resources toward researching new product trends and create more models designed in-house. To remedy the situation, some suppliers concentrate on the midrange and high-end segments, where designs are more specialized and distinctive.

Another challenge facing the industry is increasing raw material costs. Vietnam's high inflation rate, which was 9.2 percent as of April 2010, is a major contributing factor as it affects fuel and transportation costs. Compared with 2009 levels, the price of wood has surged between 15 and 100 percent, depending on the type. The cost of ceramic has similarly gone up by as much as 100 percent. Fabric, acrylic and glass prices have also jumped by at least 30 percent. Auxiliary materials such as glue, dyes, paper and magnets have become more expensive by 15 percent.

To maintain viability, some

### Export value



Source: General Statistics Office of Vietnam

## Ann Handicraft JSC

Ann specializes in handcrafted pop-up cards featuring origami and kirigami influences. The company was established in 2003.

All output is exported, with the EU, particularly France and Switzerland, taking up the bulk of shipments. Asia and the US are secondary markets.

The supplier produces greeting cards for most occasions, including birthdays, Christmas, Valentine’s Day, Mother’s Day and New Year. They can open 90 or 180 degrees, and have ample space for writing messages. Envelopes are provided.

The company also makes wedding invitations, bookmarks and business cards.

Different types of paper are used, although most models are made of construction paper. Materials are sourced from Concorror and Kishu Rainbow, which are from France and Japan, respectively.

Prices range from \$0.75 to \$2.50, and generally depend on the type of paper and design complexity. A 10x15cm greeting card with a pop-

up Eiffel Tower motif is available for \$1.20.

The design department is composed of three members who can release 15 to 20 items every month. Customer’s designs are accepted, with samples usually provided within one week.

Ann’s head office, showroom and production facility are located in Hanoi. Its 300sqm factory is equipped with five cutting and two printing machines purchased from local vendors. The monthly capacity is 30,000 cards.

The company has a full-time workforce of 35 employees. QC is performed on all manufacturing stages, including cutting, assembly, gluing and printing.

Each card and envelope is packed in a polybag. A small box contains 20 to 25 pieces. Sixty boxes are shipped in an export carton.

The minimum order is 500 pieces per design. Delivery takes 10 to 20 days after order confirmation.

Ann is planning to hire two more designers over the next 12 months.

### Capability

#### Materials used

Wood	No
Metal	No
Fabric	No
Plastic, resin & rubber	No
Glass & ceramic	No
Other	Yes

#### Exports by product

Crafts	90%
Gifts	10%
Novelties	—

#### Exports by market

United States/Canada	5%
European Union	80%
Europe (non-EU)	—
Asia-Pacific	15%
Middle East	—
Other	—

### Company facts

Year established	2003
Head office location	Cau Giay (Hanoi)
Ownership	Locally owned
Factory location(s)	Cau Giay (Hanoi)
Full-time employees	35
Total annual sales (all products)	\$150,000

#### Sales & output: Craft gifts

Annual sales	\$150,000
Share of total sales	100%
Annual export sales	\$150,000
Total monthly capacity	30,000 pieces
Average monthly output	20,000 pieces
Capacity utilized	67%
Average monthly exports	20,000 pieces
Export ratio	100%
Major export customers	Lovepaper (France), Herorragend (Switzerland)

### Contact details

#### Business contact

TA Thi An

#### Phone

(84-4) 3792-0788

#### Fax

(84-4) 3792-0788

#### E-mail

contact@ann-craft.com

#### URL

www.ann-craft.com

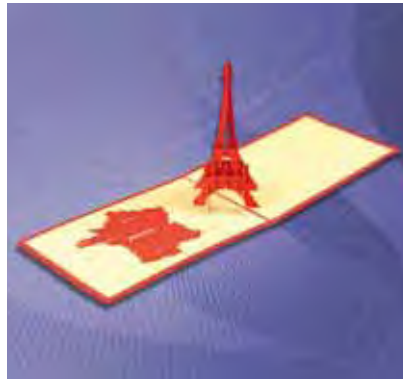
#### Address

3 Row 41, Lane 12, Tran Quoc Hoan Street, Cau Giay, Hanoi, Vietnam

Popular export models



**Model:** BD011  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$2.55  
**Description:** Greeting card; construction paper; Kumamoto Temple design; opens 180 degrees; 15x15cm



**Model:** BD010  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$1.20  
**Description:** Greeting card; construction paper; Eiffel Tower design; opens 180 degrees; 10x15cm



**Model:** BD011  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Greeting card; construction paper; Ferris wheel design; opens 180 degrees; 12x12cm



**Model:** MC042  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Christmas card; construction paper; Santa Claus and reindeer design; opens 180 degrees; 10x15cm



**Model:** BG008  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Birthday card; construction paper; owl and tree branch design; opens 180 degrees; 10x15cm



**Model:** QN064  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Birthday card; construction paper; bear and balloon design; opens 180 degrees; 10x15cm

## PRODUCT GALLERY

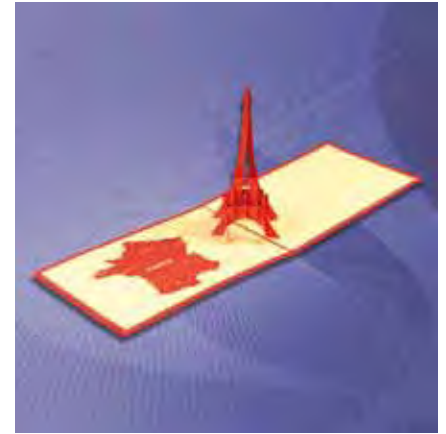
### Crafts



**Ann**  
(profile page 24)  
**Model:** BD019  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$3.20  
**Description:** Greeting card; construction paper; Khue Van Cac design; opens 180 degrees; 15x15cm



**Ann**  
(profile page 24)  
**Model:** BD011  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$2.55  
**Description:** Greeting card; construction paper; Kumamoto Temple design; opens 180 degrees; 15x15cm



**Ann**  
(profile page 24)  
**Model:** BD010  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$1.20  
**Description:** Greeting card; construction paper; Eiffel Tower design; opens 180 degrees; 10x15cm



**Ann**  
(profile page 24)  
**Model:** BD011  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Greeting card; construction paper; Ferris wheel design; opens 180 degrees; 12x12cm



**Ann**  
(profile page 24)  
**Model:** MC042  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Christmas card; construction paper; Santa Claus and reindeer design; opens 180 degrees; 10x15cm



**Ann**  
(profile page 24)  
**Model:** BG008  
**MOQ:** 500 pieces  
**Packaging:** Envelope, polybag  
**Delivery:** 20 days  
**Price:** \$0.95  
**Description:** Birthday card; construction paper; owl and tree branch design; opens 180 degrees; 10x15cm

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