

Indoor & Outdoor Furniture



Essential sourcing intelligence for buyers

Vietnam manufacturer profiles
Detailed profiles of 37 suppliers with verified manufacturing and export credentials

Product & price trends
Prices and specifications of 109 top-selling export products

Design & material innovations
Coverage of the latest trends in materials, style and finish

September 2008 US\$100



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

INDOOR & OUTDOOR FURNITURE

Supplier capability in Vietnam

EXECUTIVE SUMMARY

Demand for Vietnam-made furniture has seen exponential growth in the past decade. Innovative designs, superior craftsmanship and structural integrity have enabled suppliers to carve a niche for themselves in markets worldwide.

From the \$200 million sales revenue in 2000, Vietnam's exports of wooden products have increased by more than 1,000 percent to an impressive \$2.36 billion in 2007. This positions the country among the top three sourcing centers for furniture in Asia.

Vietnam's Ministry of Trade anticipates continuous growth, with exports of wooden products expected to reach \$5.5 billion by 2010.

To expand their export markets further, furniture suppliers are focusing R&D on current market trends, accepting mixed orders, investing in automated equipment, and sending their employees for training overseas. Some are also exploring new markets to export to.

Despite seeing strong overseas demand, however, furniture makers in Vietnam are preparing themselves for a challenging time ahead.

Suppliers have been forced to adjust furniture quotes as production costs continue to rise. This makes them more vulnerable to competition from China, Malaysia and Indonesia.

In response, most suppliers are putting measures in place to increase their export revenue. Some companies, for instance, are improving their after-sales service, while others are releasing more high-value furniture that can bring better margins.

The following are some of the key trends we see in Vietnam's indoor and outdoor furniture industry:

- Exports in the line are expected to see robust growth in the next 12 months, with a slight change in main export markets. While the US is currently the biggest importer of Vietnam-made furniture, many suppliers will target the EU in the coming months.

- Most, if not all, suppliers will increase export prices by end 2008 to early 2009. The rising production costs has prompted suppliers to implement price adjustments. In fact, all companies interviewed for this report plan to do so. However, suppliers will limit increases to 15 percent.

- In the next 12 months, many suppliers will focus R&D efforts on models with contemporary styles and colors, and feature multifunction designs.

- Many makers will continue to address the growing consumer awareness of sustainable forest use by purchasing wood from FSC-certified suppliers in Vietnam and overseas.

This report covers all types of indoor and outdoor furniture produced in Vietnam, including chairs, benches, tables, cabinets, beds and consoles. Suppliers typically offer furniture for both indoor and outdoor use. There are many, however, that just focus on indoor furniture.

The *Products & Prices* section in this report details the features and price ranges of furniture made in Vietnam. This includes the latest trends in style and materials.

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

The majority of furniture makers in Vietnam are locally owned, although there are a growing number of foreign-invested companies. This report reflects the nature of the industry, with 76 percent of featured suppliers locally owned. Many of the investors are from mainland China, Taiwan, Singapore, Malaysia, Norway and Sweden.

Production of indoor and outdoor furniture is concentrated in Ho Chi Minh, and the provinces of Binh Duong and Dong Nai, where the majority of companies interviewed for this report are based.

In this report

- 17 in-depth company profiles
- 20 short company profiles
- 109 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 currently one of the major furniture supply centers in Asia, and is among the largest wooden products exporters in the world. In the past 10 years, the country’s indoor and outdoor furniture has built a strong following not only in Europe and the US but in other countries in Asia as well.

Furniture made in Vietnam has gained a reputation for its craftsmanship and structural integrity. It is also known for its uniqueness and diversity in style. Models feature traditional or contemporary designs combined with Asian or European influences.

The design strength of Vietnam suppliers lies in their ability to merge indigenous materials such as bamboo, water hyacinth and rattan with hardwood like mahogany, acacia and rubberwood, and with metal and synthetic materials.

The other factors that have helped Vietnam’s furniture industry become competitive in the international market include the country’s large pool of highly skilled workers, the abundant supply of indigenous materials, the low minimum order requirements for some suppliers, and the acceptance of mixed orders.

The growing demand for reasonably priced furniture has also helped boost Vietnam’s exports of wooden products to \$2.36 billion in 2007. This represents an increase of 24 percent over the previous year. In fact, the wooden products sector is among the highest export revenue earners in the country.

However, despite strong sales growth, suppliers are facing a number of challenges that are taking a toll on business and prompting them to rethink their business strategies.

Challenges

One of the key problems furniture makers in Vietnam are facing is the rising cost of materials. Lumber prices have increased by 20 to 40 percent since 2004, mainly due to a

ban on timber exports in neighboring countries, and Vietnam’s rising inflation.

In July 2008, the country’s year-on-year inflation rate reached 27 percent, which is the highest recorded rate since 1991.

High inflation has also pushed up transportation costs, translating to further increases in material and production costs. As a result, suppliers have been forced to adjust their product prices, with some trying to keep increases to a maximum of 10 percent to remain competitive. Pieces made of imported hardwood saw bigger price hikes than models with locally available materials.

Aside from costs, material unavailability is a growing concern for furniture makers. To safeguard Vietnam’s natural resources, the government has set a limit to wood harvesting from natural forests. From 2000 to 2010, a maximum of 300,000 cubic meters of wood can be harvested per year. As a result, Vietnam needs to import lumber or source from commercial forests to maintain a steady supply.

Many companies, for instance, import acacia, merbau, cherry, mahogany and other types of wood from Malaysia, Indonesia, Laos, Cambodia and Myanmar. Some also source from New Zealand, Australia, South Africa, Canada and the US.

Supplier summary

Suppliers surveyed	37
Export sales	\$77.5mn
Export ratio	95%
Capacity utilized	82%
Full-time employees	13,565

Data: All surveyed suppliers

In fact, Vietnam shipped in around \$1 billion worth of wood and wood auxiliary materials in 2007, an increase of 32 percent over 2006. And for the first four months of 2008, the country imported \$369 million worth of timber, representing a year-on-year increase of 27 percent.

Another way the government protects Vietnam’s natural forests is through taxes. Exported furniture made of wood from natural forests is levied higher than those that utilize lumber from commercial ones.

To address rising production costs, many suppliers are using less expensive wood or materials. Some companies have also started to utilize recycled and engineered wood such as MDF, which are easier to source and are more environment-friendly. Meanwhile, many makers are adopting bamboo, rattan, water hyacinth and seagrass, which are readily available and are less expensive than hardwood.

E-Green, for example, specializes in furniture made of natural materials such as bamboo and rattan.

OEM/ODM PARTNERS

Company	Major customers
Ba Nhat	Target (US); Ikea (Sweden); Next (UK); Hema, Hann’s (Netherlands)
Pacific Craftworks	Stone Concepts, Apex Living (US)
Tan Khoa	Heine, Otto Group, Klingel (Germany); Anttila (Finland)
Viet Style	Hello (Denmark), Asian Line (France), Blitz (Australia), Beppler (Brazil)

Data: All surveyed suppliers

3H Co. Bamboo & Rattan

Established in 2000, 3H offers low-end and midrange indoor and outdoor furniture such as chairs, stools, tables, sofa sets, shelves, beds and gazebos.

The company can produce 10 to 15 FEUs a month, with all output shipped overseas. Designs are mainly exported on an OEM basis, most of which are sent to Australia, Japan and South Korea. Sales revenue reached more than \$1 million in 2007.

3H maintains an office in Go Vap district in Ho Chi Minh, where it receives bulk orders for furniture. It specializes in using natural materials such as bamboo, rattan and hardwood. Aside from furniture, it manufactures home decorations such as screens, trays, baskets, boxes, mats and vases. These items are made of jute, palm leaf, rattan, water hyacinth or bamboo.

Prices range from \$4 to \$120, depending on the size and the design. A bamboo stool is available for \$4, while a 94x47x34cm chair of the same material costs \$5.75. A three-piece

stool set is priced at \$9.

Sampling takes at least four days, while production lead time is between 30 and 45 days.

3H operates a 1,000sqm factory in Chuong My district in Ha Tay. This facility is responsible for producing rattan and bamboo furniture, and tableware. Meanwhile, the workshop in Hoa Thanh district in Tay Ninh province specializes in bamboo furniture. The Tay Ninh facility, which is about 100km from Ho Chi Minh, is strategically located near bamboo suppliers.

All manufacturing processes are carried out in the two factories, including cutting, weaving, varnishing and packing.

There are about 100 full-time employees combined for both workshops. During peak seasons, up to 50 additional workers are hired.

To ensure the quality of its products, two QC employees are responsible for inspecting each piece's structure and finish before shipment.

Contact details

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3H is a member of the Handicraft and Wood Industry Association of Ho Chi Minh. It participates regularly in trade shows in Ho Chi Minh every October.

To attract more orders and to maintain its competitiveness, the company plans to invest more in its production facility and to join more exhibits. It will be targeting the EU market in the next 12 months.

Profile

Company facts

Year established	2000
Head office location	Thuan An (Binh Duong)
Ownership	Locally owned
Factory location(s)	Chuong My (Ha Tay), Hoa Thanh (Tay Ninh)
Full-time employees	100
Part-time employees	50
Total annual sales (all products)	\$1,100,000

Sales & output: Indoor & outdoor furniture

Annual sales	\$1,100,000
Share of total sales	100%
Annual export sales	\$1,100,000
Total monthly capacity	20,000 pieces
Average monthly output	18,000 pieces
Capacity utilized	90%
Average monthly exports	18,000 pieces
Export ratio	100%

Capability

Materials used

Bamboo	Yes
Rattan (real/synthetic)	Yes
Water hyacinth	Yes
Other natural materials	Yes
Acacia	Yes
Other types of wood	Yes

Exports by product

Indoor furniture	75%
Outdoor furniture	25%

Exports by product

North America	5%
European Union	—
Europe (non-EU)	—
Middle East/Africa	5%
Asia	65%
Other	25%

Popular export models



Model: 5106
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$8.63
Description: Lounge chair; bamboo; 56x24cm; natural finish



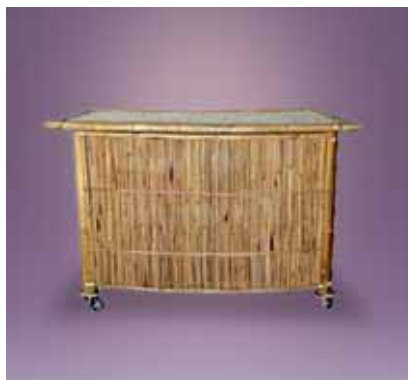
Model: 5108
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$6.04
Description: Armchair; bamboo; 38x22x18cm; natural finish



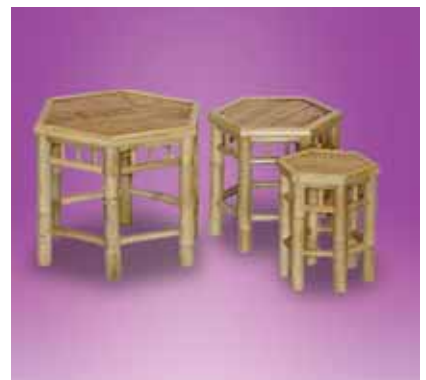
Model: 5427
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$4.39
Description: Folding chair; bamboo; 34x16.5x13cm; natural finish



Model: 5461
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$5.76
Description: Bar chair; bamboo; 94x47x34cm; natural finish



Model: 5454
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$22.38
Description: Bar; bamboo; 43x25x60cm; natural finish



Model: TG-2610
Minimum order: One TEU
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$9
Description: Set of three stools; bamboo; 39x39x70cm, 34x34x60cm, 27x27x50cm; natural finish

PRODUCT GALLERY

Indoor furniture



Ba Nhat
(profile page 26)
Model: BNFV 1948/4
Minimum order: 70 sets
Packaging type: Wooden pallet
Delivery time: 60 days
Indicated price: \$550
Description: Sofa set; water hyacinth; one 111x78x29x61x76cm double seat sofa, one 221x88x29x61x76cm sofa and one 96x96x57cm table



Ba Nhat
(profile page 26)
Model: BNFV 1947/4
Minimum order: 70 sets
Packaging type: Wooden pallet
Delivery time: 60 days
Indicated price: \$700
Description: Sofa set; water hyacinth; one 250x100x26x60x71cm long sofa, one 122x92x27x61x70cm double seat sofa and one 120x120x36cm table



Ba Nhat
(profile page 26)
Model: BNFC 1241
Minimum order: 500 pieces
Packaging type: Wooden pallet
Delivery time: 60 days
Indicated price: \$13.50
Description: Ottoman; abaca; 20x35x60cm



Ba Nhat
(profile page 26)
Model: BNFV 2291
Minimum order: 500 pieces
Packaging type: Wooden pallet
Delivery time: 60 days
Indicated price: \$21.50
Description: Rocking chair; water hyacinth; 43-49cm top, 60x70x27-76cm bottom



Ba Nhat
(profile page 26)
Model: BNFC 2515
Minimum order: 500 pieces
Packaging type: Wooden pallet
Delivery time: 60 days
Indicated price: \$40.60
Description: Chair; abaca and iron frame; 76cm length, 53-72cm width, 26-64cm height



Ba Nhat
(profile page 26)
Model: BNFS 2825
Minimum order: 500 pieces
Packaging type: Carton
Delivery time: 60 days
Indicated price: \$29.99
Description: Shelf with drawers; wood and seagrass; rose shape weaving; 46x23x63.5cm

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