

V-TRUST INSIGHTS

March 2019



SWOT ANALYSIS OF WOOD FURNITURE IN VIETNAM

STRENGTHS
WEAKNESSES
OPPORTUNITIES
THREATS



Although the Vietnamese furniture export business is still considered new to the international trade of indoor and outdoor furniture, Vietnam has a respected history of making traditional style furniture.

Begun by a fair amount of Foreign Direct Investment looking for lower labor costs, the furniture manufacturing industry in Vietnam has developed swiftly over the past decade.

Big organizations such as Walmart, Carrefour, and IKEA, have arrived in Vietnam from other Far East locations such as Thailand, Malaysia, Philippines, and recently China, and this production influx of Foreign Direct Investment in Vietnam has given enormous opportunities to a very significant number of Vietnamese startups in this sector to meet the demand.

Exports are rising at a dramatic rate, employment is rising, and industry appears to be on a roll. But is it? What's the catch?

Well, it is a fact that the current success is being achieved against a background of shortage of skilled workers, lack of an adequate home produced supply of raw materials, weakness in design and under-capacity of infrastructure. However, considering the limitations of the indigenous furniture export industry and the fact that a very considerable volume of the exports achieved are produced by big foreign invested companies, small to medium-sized companies willing to import furniture from Vietnam MUST fully understand the industry strengths, weaknesses, opportunities and threats.

MORE

V-Trust Team



After finishing the holidays of Chinese New Year, V-Trust Inspection company enjoyed the gathering with colleagues from headquarters and inspectors, auditors from Guangdong, Fujian, Sichuan, Hebei, Hunan, Chongqing, Jiangxi. This year we had three meetings in different provinces according to where our inspectors are based.

All are excited to look into 2019 with new goals and stable mission of bringing best Quality Control service to our clients!



Great team-building this February with our office staff and inspectors! Cheerful team work which is so important for achieving company's goals and growth.



On the 8th of March, V-Trust congratulated all the women in our Asian offices for the International Women's Day. Girls were happy to receive gifts and flowers and the office was full of joy and warm spring atmosphere. Most of our female team work as account managers in the office assisting clients with excellent customized services. Hope you also had a wonderful celebration and spent the day with your beloved ones!

Welcome to visit us at the upcoming fairs!



HKTDC Hong Kong International Lighting Fair 2019 (Spring Edition)
6-9 Apr 2019
Hong Kong Convention and Exhibition Centre



Global Sources Consumer Electronics, Hong Kong
11-14 Apr 2019



HKTDC Hong Kong Electronics Fair (Spring Edition)
13-16 Apr 2019
Hong Kong Convention and Exhibition Centre



125th Canton Fair Phase I, Guangzhou
15-19 Apr 2019



125th Canton Fair Phase II, Guangzhou
23-27 Apr 2019



125th Canton Fair Phase III, Guangzhou
1-5 May 2019



Global Sources Mobile Electronics, Hong Kong
18-21 Apr 2019



Global Sources Fashion, Hong Kong
27-30 Apr 2019



HKTDC Hong Kong Gifts & Premium Fair
27-30 Apr 2019

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SWOT Analysis of Wood Furniture in Vietnam

Here are the SWOT highlights extracted from an International Trade Centre’s report regarding the growth of furniture manufacturing in Vietnam:

Strengths

- Plentiful labor that is readily adaptable and low cost relative to neighboring countries.
- Excellent handicraft skills and a wide range of handicraft materials that give a basis for decoration and differentiation in the product.
- An attractive environment for FDI by furniture companies due to its plentiful low cost labor and relatively stable environment both socially and fiscally.
- The Government of Vietnam facilitates incentives for the sustainable development of the furniture industry.
- The Vietnamese worker is flexible and has a striving work ethic that makes the development of a business an exciting and rewarding activity for those entrepreneurs able to invest in enterprise
- Vietnam has a growing name as a good destination for investment in furniture production, capable of competing with China with much less exposure to risk.
- Recent accession to membership of WTO gives Vietnam a regulatory environment which is relatively predictable.
- In no small measure due to its recent history Vietnam is the focus of much international development aid and it is developing the capacity to effectively absorb such aid.
- There is a working export oriented infrastructure in Vietnam that has successfully minimized ‘red tape’ on both necessary imported inputs and exported product.
- Foreign owned furniture factories, -around 50% of the factories are owned and managed by Taiwanese, Chinese, Korean, Singaporean, European, etc. You got the benefit of stable and low cost labor with foreign management.

Weaknesses

- The Vietnamese furniture industry is heavily dependent on imported raw material. Almost 80% of wood used is imported.
- The very rapid growth of the furniture producing industry is masking serious problems in management such as lack of marketing, poor pricing, lack of training and a general euphoria that the increases in exports can continue regardless.
- There is a shortage of training institutions. Those that do exist are weak and have little input to industry’s needs. The institutions urgently need adaptation to meet the needs of the industry.
- The supplies infrastructure for machinery, tooling, finishing and fittings materials is underdeveloped for an industry as large as it is.
- The lack of a design culture in furniture and the lack of designers and design schools to develop it
- The lack of basic market information has led to acceptance of pricing well below that achievable in the market place.
- General technical know-how is only embryonic and there are no institutions that are catering expressly for the urgent upgrade of technological know – how.
- Industry overall is producing relatively low quality product selling with no advantage other than ‘lowest price’ to large multinationals who bring large quantities of sales but with little or no margins.
- Lack of an International Exhibition facility that meets international standards reduces the opportunity for exposure to international buyer.

Opportunities

- Furniture manufacture is still a ‘sunrise’ industry in S.E. Asia. There is ample space in the market place for quality producers supplying well designed furniture to controlled quality and on time.
- Vietnam has a long history of stability from the 10th Century through to the latter half of the 19th Century during which arts and crafts flourished leaving behind a legacy that can now be drawn upon for design and decoration. This was further tempered by the French period which enhanced the already developed arts.
- Being a relative newcomer to the market there is still time for Vietnam to develop a presence in the market through design, quality and business culture. It is essential to differentiate from its immediate neighbors but this differentiation should be based on positive aspects of quality, design, presentation, service and consistency and NOT just on price.
- The traditional furniture production area in Bac Ninh has enormous potential in a number of areas;
a) Product designed for the international market using the existing styles as the basis for design development to meet international tastes, and,
b) The production of Classic French and English styles initially for the US market and then the European market.
c) The production of decorative components as sub-contractors to the large indigenous and FDI companies.
- The need to develop a material supply side in Vietnam is clear. It is essential that in doing so plantations and natural forests are developed within the guidelines of sustainability whether it be under Forest Stewardship Council (FSC) or other model.
- The development of a strong furniture industry, of necessity, demands the development of a strong service industry to supply that production. This has the potential to create as many jobs as the furniture industry itself and can lead to many more exporting companies serving the needs of manufacturers overseas and in adjacent countries.
- Innovation in the production of panel materials from rice husk waste, bamboo and other fibrous materials will help to reduce the dependency on imports and lead to product innovation as well.

Threats

- The biggest threat to the long term development of the Vietnamese furniture is unprofitable or only very marginal production for large multinationals. This ties up vast amounts of capacity for minimum, if any, profit and leaves little or no scope for future development of the enterprises or workforces engaged in this business.
- Lack of exposure of senior management to international markets and technical and financial training and the lack of training for designers, middle management, technical supervisors and skilled workers presents a major threat to the medium term development of the industry. Indeed the necessity to introduce training on short, medium and long term perspectives could be termed a crisis needing immediate action.
- The ongoing debate on global warming may substantially increase the cost of transport and thus increase the cost of wood imports and the export of finished product. This would threaten the competitiveness of many marginal producers.
- India, with cheap labor, maturing Teak plantations and an excellent position on sea routes may emerge as a competitive threat to the outdoor producers before they have had time to establish themselves and develop their identity and their market niche.
- Competition from Vietnam’s neighboring countries is expected to intensify as a result of the implementation of the Asian Free Trade Agreement (AFTA). This may also lead to curtailment of their raw material supply to Vietnam.
- Competition from wood material supplying countries like Brazil, South Africa... when these countries go into furniture production.

For more information about Vietnam’s manufacturing industry, quality control management, and other relevant topics regarding this new sourcing destination, please visit our [Vietnam page](#).

Source: International Trade Centre - <http://www.intracen.org>

Regulation Updates

EN 62368-1 Updates for Audio & Video Products

For audio, visual, information and communication equipment export to EU and US markets, EN 62368-1 and UL 62368-1 will become the mandatory safety standard. EN 62368-1 or UL 62368-1 are based on IEC 62368-1 (edition 2.0), which is the new standard to cover the products under IEC 60950-1 and IEC 60065. In comparison to these two standards, IEC 62368-1 has been totally rewritten and so its structure and logic are completely different.

REACH Update Restricts More Substances in Imported Products to the EU

Since Jan. 2019, REACH expanded the list of substances of very high concern, limiting 6 more chemicals to be used in products on the EU market. The regulation update applies to all consumer products to be imported to the European Union and is designed to limit human and environmental exposure to certain chemicals.

It is worth mentioning that all importers to Europe need to make sure that products are compliant with REACH before placing them on the market, non-compliance can result in your product recalls and great losses. V-Trust labs can help you get your products tested for updated REACH 197 SVHC at the previous rates. For any inquiries, feel free to contact us.



10 Most Common Defects Every Buyer Should Know About Furniture

OFFICE FURNITURE | Knowing common defects for office furniture can help you better understand what problems might affect your order. And if you know what can go wrong, you can prevent it from happening to ensure that your customers have a pleasant experience with your product. Here are the common defects in office furniture found on a daily basis by our inspectors in China, Vietnam, and India. Read more

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