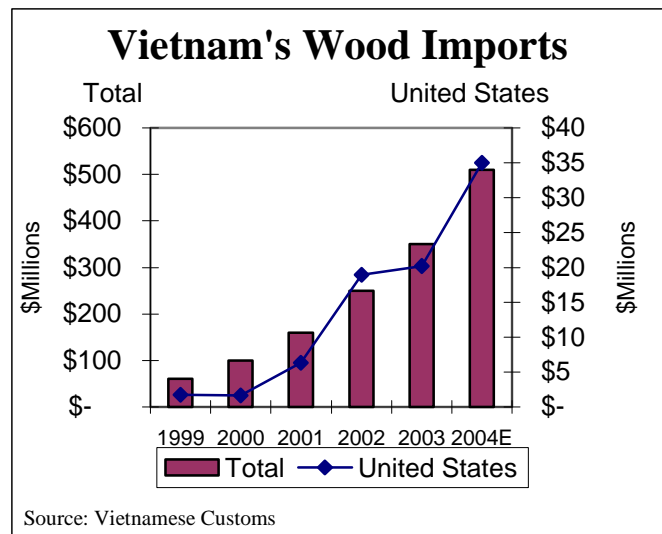


International Trade Report

Exporting Wood to Vietnam's Furniture Sector

Vietnam has recently emerged as a world-class competitor in the arena of wooden furniture production, with exports growing from \$200 million in 1999 to an estimated \$1.1 billion in 2004. Furniture production has been driven primarily by demand from the United States, Japan and Europe. To keep pace with production, Vietnam's wood imports have grown from \$60 million in 1999 to an estimated \$510 million in 2004. U.S. exporters have benefited from this growing market, increasing wood exports from less than \$2 million in 1999 to an estimated \$35 million in 2004, and increasing market share from 3 percent to 7 percent.



Where In the World – A Guide for Exporters



U.S. wood exports to Vietnam could expand further if furniture producers are approached effectively. Even with an experienced guide, simply visiting furniture producers in Vietnam presents its own set of challenges. The country's rudimentary infrastructure combined with its expansive furniture industry has a limiting effect on the number of businesses that one can logistically visit during a typical business trip. To compensate, successful U.S. exporters have adapted to these constraints.

For exporters new to Vietnam (or any market), the first objective is to gather information about potential buyers. A typical business trip, whether domestic or international, is scheduled to maximize business contacts in a minimal amount of time. Your initial trip to Vietnam will likely include conducting multiple business meetings each day to identify potential customers. To the extent possible, these meetings should not seem hurried.

Though relatively small geographically, traveling to different cities within Vietnam is time-consuming. With furniture production spread between Hanoi in the north, Qui Nhon City in the center and Ho Chi Minh City in the south, it would be difficult to conduct multiple meetings successfully in more than one location during a given week.

Shake and Fax Doesn't Fly

As more U.S. exporters travel to China, an increasing number are visiting Vietnam for a few days either on the way to or from China. Though practical and economical from the U.S. exporters' perspective, Vietnam's emerging market has characteristics requiring a bit more attention than one would normally give to other markets. After interviewing a number of furniture producers in Vietnam, many expressed their reluctance to accept or conduct "quick" business meetings. One producer laughed at the memory of not even sitting during one of these brief encounters. To determine whether meetings fall into this category, strategies range from eleventh-hour schedule changes to sending junior representatives to meetings, both of which minimize your ability to make successful business contacts.

A common theme echoed by furniture producers was that U.S. suppliers do not dedicate enough time to understand the particular needs and constraints of each company. Whether real or perceived, this belief was expressed often. Many furniture producers indicated that meetings followed only by faxed communications without additional visits rarely resulted in purchases. When asked about characteristics of successful business relationships, additional business trips to Vietnam were cited as healthy indications of one's dedication. During these subsequent visits, meeting with a particular company could span the better part of a day.



A typical full day might include meeting with a junior company representative during the first-half of the day to tour the production facility. This will give you a chance to ask basic questions about the company's product lines, number of employees, types of species used, seasonality of demand, etc. Though your morning visit may have included meeting the salesperson, production manager and/or owner (a group that could range from one to many), they may not join you until later. During tea or lunch, demonstrating your newly acquired knowledge of the company will greatly impress your host. By patiently waiting until the afternoon to discuss anything resembling your interests of selling wood products, you will demonstrate your willingness to conduct business with a level of trust and familiarity not found on a price sheet.

During your week-long visit to a given market in Vietnam, reserve at least one day to meet briefly with each company a second time. For example, you could meet with one company each day, Monday through Thursday. After each meeting, you could then schedule a second meeting that would last one to two hours on Friday.

Coffee or Tea

On the pretext of finding a great coffeehouse or teahouse, you could schedule the follow-up meeting in the city center, saving you the frustration of trying to be in four different places in one day. Though tea consumption continues to be an important social activity in Vietnam, visiting a local coffee house has become a popular business activity. Don't be surprised if you are served instant coffee. Remembering whether someone drank coffee or tea during previous visits would be a subtle but impressive way of demonstrating familiarity of your potential client.

Sustainable Trees

During discussions with furniture producers and government officials, the issue of sustainability and forest certification was a common theme. Most Vietnamese furniture producers feel that they will lose the European furniture market if they do not have a supply chain that identifies certified wood products. Driven primarily by perceived market demands in Europe, Vietnamese government officials have worked with industry and non-governmental organizations to set-up a forest and lumber certification system modeled on one common international certification system. To achieve this goal, an inter-ministerial committee was formed in 1999 to develop the necessary laws and guidelines. According to local companies, about 20 percent of recently signed contracts between wood suppliers and Vietnamese furniture companies required that the wood be certified. However, it is not clear whether the final furniture products are in any way labeled as being made from certified wood.

To learn more about the sustainability of the U.S. timber supply and to better answer potential questions from Vietnamese furniture producers, the following website provides additional information about the sustainability of the U.S timber supply.

<http://www.fs.fed.us/research/sustain/>

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