COMPETITIVENESS OF VIETNAMESE CERAMICS

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Ceramics are special products that reflect the Vietnamese culture and they are appreciated by foreign buyers. Earnings from export of ceramics rose from USD22.4 million in 1995 to 148.5 million in 2003 accounting for some 40% of export value of the handicraft business. Their export markets include many demanding economies instead of being limited to some socialist countries in the 1970s and 1980s.

The Vietnamese ceramics, however, have to face keen competition from other countries, such as China, Thailand, Malaysia and Indonesia, with better technologies and well-established brand names. The competition between them is determined by prices, quality, diversity of designs and rate of development of new products. Most importantly, the fact that they could sell the same products at a price from 25% to 30% lower than the Vietnamese offer puts Vietnam at a disadvantage on foreign markets.

1. Competition in terms of price

A survey of 30 concerns in Bình Dương, Đồng Nai, Vĩnh Long and Bát Tràng shows that the high production cost comes from the following factors:

- Raw materials: prices of all materials rose in the past few years: natural gas by 47%, wood by 28.57%, raw clay by 15%, chemicals by 19.36%, and molds by 8.11%.

- Labor cost: Most ceramic concerns are facing shortage of both skilled workers and unskilled labor because most laborers could find better paid jobs in industrial parks in Đồng Nai and Bình Dương. And as a result, they have to raise the piece rate by 12% - 15%.

- Transport cost: the freightage charged by both local and foreign freighters increased continuously in 2003 and 2004 because rises in the petrol price. The sea freightage from Vietnam that increased at a higher rate in comparison with ones from neighboring countries made many buyers reluctant to buy Vietnamese ceramics. One of reasons for higher freightage is the fact that the increasing export of goods from Vietnam led to shortage of empty containers. Some shipping companies had to transport them

Table 1: Local freightage per container in 2003-2004

Transport route	Kind of cont.	Freightage (VND)		Rise (%)
		2003	From March 2004	
1. Empty cont. from Phước Long loaded in Đồng Nai and back to ship in Phước Long	20ft	500,000	530,000	6.00
	40ft	800,000	850,000	6.25
2. Empty cont. from Thủ Đức loaded in Đồng Nai and sent to ship in Cát Lái	20ft	530,000	560,000	5.66
	40ft	830,000	880,000	6.02
3. Empty cont. from Thủ Đức loaded in Đồng Nai and sent to ship in Khánh Hội	20ft	580,000	650,000	12.07
	40ft	880,000	950,000	7.95

Photo by C.T.V

Table 2: Freightage per 40-ft. container to Europe and the U.S. in December 2004

Port of export	Port of discharge: European ports		Port of discharge: US west coat ports		Port of discharge: US east coat ports	
	Freight (US$)	Difference between Vietnam and others (%)	Freight (US$)	Difference between Vietnam and others (%)	Freight (US$)	Difference between Vietnam and others (%)
Saigon	3,090	0.00	4,000	0.00	2,950	0.00
Chaozhou	2,657	16.30	3,300	21.21	2,650	11.32
Shenzhen	2,657	16.30	3,250	23.08	2,550	15.69
Port K'Lang	3,036	1.78	4,000	0.00	–	–
Bangkok	3,198	-3.38	4,000	0.00	2,950	0.00
Jakarta	3,036	1.78	4,000	0.00	2,950	0.00
Hong Kong	2,819	9.64	3,700	8.11	2,550	15.6

Table 3: Importers' satisfaction of ceramics from Vietnam, China, Thailand and Malaysia

Indicator	China	Vietnam	Thailand	Malaysia	Average
Quality	4.00	3.29	3.00	2.29	3.15
Price	3.23	3.57	3.00	3.82	3.41
Diversity of design	3.86	3.00	3.27	2.13	3.07
Rate of introducing new designs	3.55	3.00	2.73	2.02	2.83
Suitability of products for market demand	3.59	3.02	2.30	2.71	2.91
Package	3.14	3.71	3.29	2.71	3.21
Ability to fill orders quickly	3.61	2.61	3.16	3.14	3.13
Timely delivery	3.29	2.71	2.98	2.84	2.96

from neighboring countries. In addition, most Vietnamese ports couldn't house mother ships with the result that most containers destined to Europe and North America have to be sent to Singapore, Taiwan, Hong Kong and South Korea, which make the freightage higher.

- Low productivity: Most stages of production are still done by hand and depend on natural conditions. Choice of clay relies on experience or suppliers. Ceramic concerns have no equipment for analyzing the clay supplied with the result that the quality of raw materials is not stable and reliable.

Most concerns have simple machines for pressing and mixing clay. Up till now, there are only some factories, such as Thái Dương and Việt Thành in Đồng Nai, that use imported machines to process raw clay but they couldn't supply raw clay to all ceramic concerns in the province.

Products have been molded manually for generations without mechanization. There is no drying machine and products are dried by the sun or heat from the kilns. That is why the output and quality fall during the rainy season. My survey shows that most ceramic concerns have no funds for expanding their business and building new factories. Most factory buildings were built on a piece of land next to their houses in the 1970s and expanded step by step when their businesses developed.

- High waste: My survey shows that waste and defective products equal 15%-18% of the average output in Đồng Nai; 15% - 18% for products made indoor and 15%-30% for products made outdoor in Bình Dương; 20% in Vĩnh Long; and 15% in Bát Tràng. Moreover, some 10% of the lorry-load is broken in transit from Vĩnh Long to Bình Dương and Đồng Nai.

The waste takes place in all stages of production, which also makes the cost higher.

2. Competitiveness of the ceramic industry

To assess the competitiveness of the Vietnamese ceramic industry in comparison with regional countries, I use questionnaires based on Linkert scale to estimate the satisfaction of 56 importers of ceramics in Europe and North America. The following is the result.

Statistics show that Chinese ceramics are the most competitive in comparison with their counterparts in Asia. Vietnamese ones are more competitive than Malaysian and equal to Thai ones.

The biggest weakness of the Vietnamese ceramic industry is its ability to fill the order on time and ensure timely delivery. This means that local ceramic concerns have small scales, poor technology and low productivity. As for the price, most buyers find Vietnamese offers are more reasonable than Chinese ones but less competitive than Thai and Malaysian ones. However, this is the second biggest factor affecting the decision by foreign buyers.

3. Some suggested measures to improve the competitiveness of the ceramic industry

- Making more investment in all stages of production in order to improve the productivity and reduce the production cost.
- Enhancing the R&D activities with a view to making designs and new products more suitable to foreign tastes.
- Giving short-time training courses with support from provincial governments to reduce the shortage of skilled laborers.■