



Analysis of Fastening Tools Export of Vietnam

越南緊固工具出口分析

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In this article, I will analyze the fastening tool category falling within HS Code 820730 (Note: Vietnam’s export of the fastening tool category falling within 820740 is quite low, which is on average less than 10 thousand USD in a quarter; and therefore, I’ll ignore this category in this article.)

Vietnam following Thailand is the biggest exporter of tools of the HS code 820730 in the ASEAN countries. The exported value of Vietnam was around 5 million USD, while the exported value of Thailand was around 9 million in each quarter from 2019 to the 3rd quarter of 2020.

Japan bought around 60% and USA bought about 20% of Vietnam’s exported fastening tools; and therefore, they were the main markets for Vietnamese tools.

The figures for Vietnam (around 5 million USD) in comparison with those for Japan (around 213 million USD), the leader of this category (820730), were very small. Vietnam’s power in this category was only 2% of Japanese power! How can Vietnam get started on a successful journey in this category? I believe that it’s not easy. However, there are already some active factories that manufacture fastening tools in Vietnam and export to foreign customers, so thinking about this problem (i.e., the small size of their business compared to their Japanese counterparts) and trying to find a solution are very vital for them.

Road Map of Introducing Vietnamese Fastening Tools to the World

1- In What Market Can They be Successful?

If Vietnamese fastening tools manufacturers want to generate better results from their marketing programs, they should think in reverse. Instead of starting with themselves, they should start with the mind of their prospects. Instead of asking what they are, they should ask why Japanese and American customers buy their products?

Changing customers’ buying nature of fastening tools in a super competitive market is an extremely difficult task; and therefore, even if Vietnamese fastening tools feature high quality, few consumers believe it. Therefore, it’s much easier to work with what’s already there (i.e., Why the two biggest exporters in this category in the world also buy from Vietnam?) Vietnamese suppliers should spend a few dollars on research, and they should be aware that their answer is not “because of better

The following table shows the “Main Buyers of Vietnamese Fastening Tools.”

Unit: Thousand USD	2017-Q4	2018-Q1	2018-Q2	2018-Q3	2018-Q4
Japan	4,162	3,580	3,886	3,221	3,431
USA	1,277	1,354	1,058	1,100	1,177
South Korea	95	100	101	99	180
Portugal	330	371	391	458	389
Canada	165	471	168	133	184
		2019-Q1	2019-Q2	2019-Q3	2019-Q4
Japan		2,935	3,275	3,316	3,285
USA		1,105	1,083	989	1,483
South Korea		99	148	299	376
Portugal		327	491	462	416
Canada		189	175	155	154
		2020-Q1	2020-Q2	2020-Q3	
Japan		3,044	2,400	2,470	
USA		907	1,078	876	
South Korea		195	412	454	
Portugal		423	329	226	
Canada		163	71	112	

quality or cheaper prices.” Better quality is not their answer because consumers believe that the quality of Japan, South Korea, Taiwan, Germany, or USA is much higher than that of Vietnam, and changing this concept is almost impossible. A better price is not an answer for Vietnamese manufacturers, either, because even if their price is better than Chinese price, China remains the most powerful country in resources, and they can break Vietnamese prices anytime.

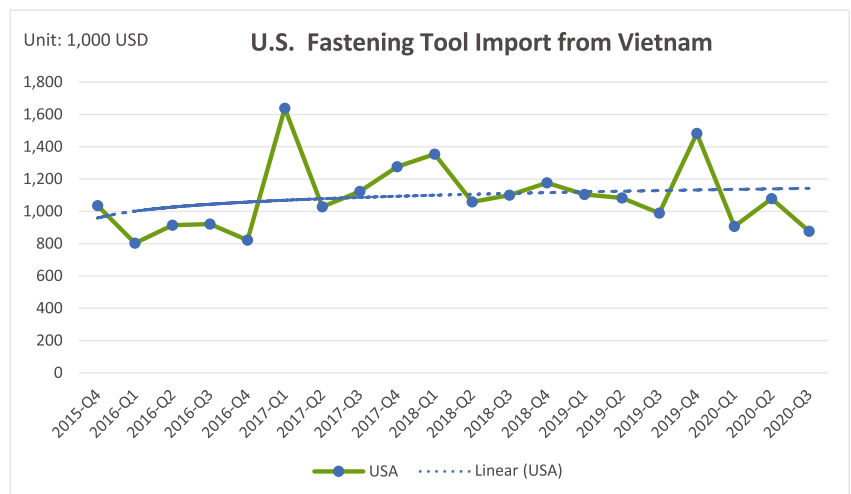
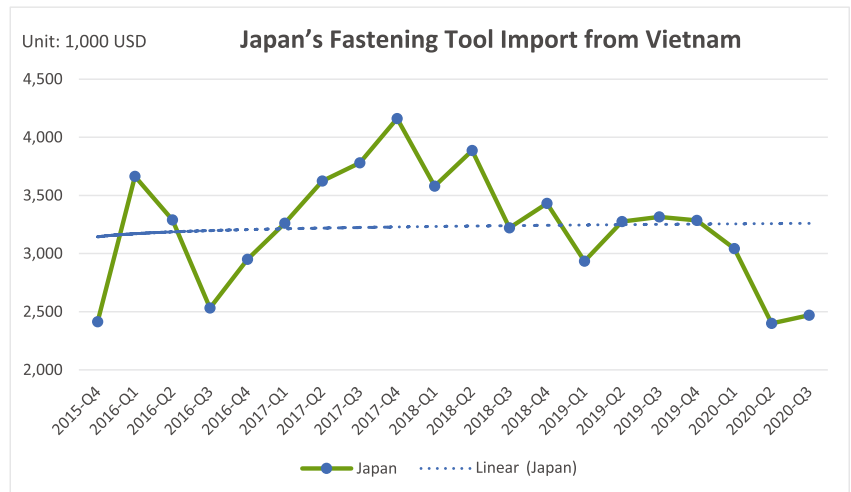
2- Who Can Vietnamese Fastening Tools Manufacturers Outgun?

Vietnamese fastening tools manufacturers should know the fact that they can't compete with Japanese and U.S. manufacturers especially inside of their countries. Statistics show that Vietnamese producers couldn't expand their market in these two countries.

It's better that Vietnamese manufacturers should start through the ASEAN and attack directly to Thai manufacturers as the ASEAN export leader. They must select a position that no one else has a firm grip on. They must spend as much time as possible thinking about the situation from the point of view of their competitors as they do thinking about it from their own. “Prospects don't buy, they choose,” which means the normal sales technic of a supplier is not enough to convince a customer to buy its products, as the customer thinks and chooses his/her supplier. As a result, when Vietnamese suppliers want to get a success in this field, they must think how they can be chosen by customers and forget about the normal sales technic. They should use the advantage of their current markets in Japan and USA as a leverage to compete with Thai manufacturers. They can spread this message “The tools which their Japanese customers would like to buy.”

3- Allocate Enough Money?

A big obstacle to be successful in the export programs is attempting to achieve the impossible. It takes money to build market share. It takes money to establish a position. It takes money to hold a position once Vietnamese can establish it. The competition today is fierce. There are too many similar products and too many companies doing similar things vying for the minds of prospects. Getting noticed is getting tougher. If Vietnamese manufacturers don't spend enough to get above the competition level, their competitors will come in to take the market away from them. **The solution for Vietnamese manufacturers to cope with the competition problem is to reduce their geographic scope.** Look at the first table included in this article, Vietnamese manufacturers sell their fastening tools to two countries in East Asia, two countries in America, and one country in Europe. The geographical distribution is their problem.



4- Joint Ventures with Other Manufacturers

Do Vietnamese manufacturers do business on their own, or do they make JVs with strong companies? A better way is to look for allies with the financial, marketing, and production muscles to take the idea and run with it. Joint ventures. Franchising can help Vietnamese manufacturers speed up their growth journey.

Last Words

Some of the key points fastening tools producers in Vietnam should consider are:

- 1- None of ASEAN countries are listed in the first 5 designations of Vietnamese fastening tools export, however, for playing an international role, Vietnamese fastening tool suppliers have to be credible in their local region (which is ASEAN).
- 2- This credibility can build through focusing on their current clients in Japan and USA. As a common idea “Made in Japan” and “Made in USA” mean better quality than any ASEAN production.

Using a message like “we know how to do it because Japanese buy our tools” is an accelerator to convince the other consumers.

- 3- To find some European, American leaders in their field and make joint venture agreements would help Vietnamese fastening tools suppliers increase their competitive edge. □

