A photograph of a woman in traditional Vietnamese attire, including a white long-sleeved tunic and a conical hat, smiling while on a boat. The background is a blurred view of water and greenery.

# UPS Snapshot for Small Businesses

## Doing business in Vietnam

### IN THIS REPORT

#### **Why Vietnam for Small Businesses?**

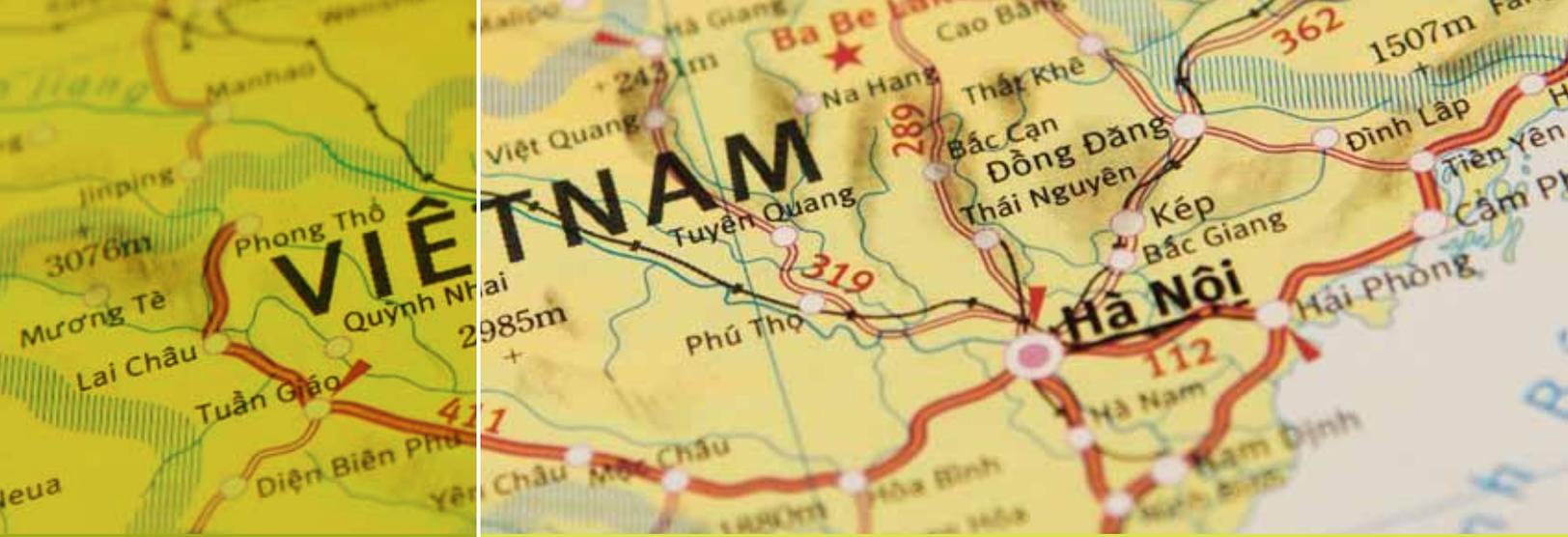
A growing economy, despite global recession

#### **Small Business Trailblazers**

Skirts Plus: Successfully luring suppliers in Vietnam

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## Why Vietnam for Small Businesses?

Vietnam offers many opportunities for U.S. small-to-mid-sized businesses. The U.S.-Vietnam Bilateral Trade Agreement and Vietnam's admittance to the World Trade Organization have opened new doors of commerce and sent U.S. exports to Vietnam soaring. Immediately after the country joined the WTO in 2007, U.S. exports to Vietnam grew by an impressive 73 percent to reach \$1.9 billion.

While Vietnam, like all nations, is affected by the global recession, its long-term opportunities remain strong. The Economist Intelligence Unit expects real Gross Domestic Product growth in Vietnam will slow to 3 percent in 2009, but pick up to 4 percent in 2010 and 6.5 percent in 2013. The nation has a large population with a growing middle class that is receptive to American products. And for manufacturers, Vietnam's lower-cost, highly educated labor force can be a clear advantage to U.S. companies during these tough economic times.

### Sources:

- U.S. Commercial Service. Doing Business in Vietnam: 2008 Country Commercial Guide for U.S. Companies.
- The Economist Intelligence Unit

# Vietnam: Key Facts and Figures

**Population:** 86,116,560 (July 2008 est.)

## Age Structure:

- 0-14 years: 25.6 percent  
(male 11,418,642/female 10,598,184)
- 15-64 years: 68.6 percent  
(male 29,341,216/female 29,777,696)
- 65 years and over: 15.8 percent  
(male 1,925,609/female 3,055,212) (2008 est.)

## Median Age:

- total: 26.9 years
- male: 25.8 years
- female: 28 years (2008 est.)

## Life Expectancy at Birth:

- total population: 71.33 years
- male: 68.52 years
- female: 74.33 years (2008 est.)

**Population Growth Rate:** 0.99 percent (2008 est.)

## Ethnic Groups:

- Kinh (Vietnamese) : 86.2 percent
- Tay: 1.9 percent
- Thai: 1.7 percent
- Muong: 1.5 percent
- Khome: 1.4 percent
- Hoa: 1.1 percent
- Nun: 1.1 percent
- Hmong: 1 percent
- Other: 4.1 percent (1999 census)

## Official Language:

- Vietnamese is the official and most widely-spoken language in Vietnam.
- English is increasingly favored as a second language in Vietnam.
- Less common languages include French, Chinese, Khmer and mountain-area languages.

**Literacy:** (Age 15 and over who are able to read and write)

- 90.3 percent (2004 est.)

**Area:** 329,560 sq. km

## Government:

- Government type: Communist state
- Capital: Hanoi
- Other major cities: Ho Chi Minh City (formerly Saigon), Haiphong, Danang, Can Tho

## Sources:

- *CIA World Factbook*
- *U.S. Department of State*

**Currency:** Dong

**GDP (purchasing power parity):** \$246.6 billion (2008 est.)

**GDP (official exchange rate):** \$90.88 billion (2008 est.)

**GDP (real growth rate):** 6.3 percent (2008 est.)

**GDP (per capita):** \$2,900 (2008 est.)

## GDP (composition by sector):

- Agriculture: 19 percent
- Industry: 42.7 percent
- Services: 38.4 percent (2008 est.)

## Exports

- \$63.73 billion (2008 est.)
- Crude oil, marine products, rice, coffee, rubber, tea, garments and shoes
- Partners: United States (20.8 percent), Japan (12.5 percent), Australia (7.3 percent), China (6.9 percent) and Singapore (4.5 percent) (2007 figures)

## Imports:

- \$79.37 billion (2008 est.)
- Machinery and equipment, petroleum products, fertilizer, steel products, raw cotton, grain, cement and motorcycles.
- Partners: China (19.9 percent), Singapore (12.1 percent), Taiwan (11 percent), Japan (9.9 percent), South Korea (8.5 percent) and Thailand (6 percent) (2007 figures)

**Labor Force:** 47.41 million (2008 est.)

**Unemployment Rate:** 4.9 percent (2008 est.)

## Natural Resources:

- Phosphates
- Coal
- Manganese
- Bauxite
- Chromate
- Offshore oil and gas deposits
- Forests
- Hydropower

## Environment — Current Issues:

- Logging and slash-and-burn agricultural practices contribute to deforestation and soil degradation.
- Water pollution and overfishing threaten marine life populations.
- Groundwater contamination limits potable water supply.
- Growing urban industrialization and population migration are rapidly degrading environment in Hanoi and Ho Chi Minh City.

# Small Business Trailblazers

## Skirts Plus

### Low Labor Costs—and High Quality—Lure Minnesota Wholesaler

#### What?

Skirts Plus is a wholesaler of fishing lure components, called fishing skirts. Every week, Skirts Plus sells approximately 250,000 products.

#### Where?

Based in Minnesota, Skirts Plus has customers worldwide. It manufactures almost all of its products in Vietnam.

#### Who?

Tim Link, the company's general manager, and a staff of five.

Tim Link, Skirts Plus general manager, is growing the business his father started more than 20 years ago. He talks about the advantages of manufacturing in Vietnam.

#### Please tell us about your business.

We make and sell fishing skirts, which are components on fishing lines attached to bait. We sell our products directly to businesses, including hook and lure manufacturers in the United States and around the world. Every week, we take approximately 10 orders that have an average of 25,000 pieces per order – which equals about 250,000 skirts per week. In the years ahead, our goal is to diversify into other hunting and fishing products.

#### How did you start to do business in Vietnam?

We started manufacturing in Vietnam in the 1990s when my father found the right partner—a U.S. citizen originally from Vietnam who knows the market and what U.S. businesses need. Our products are manufactured in his facilities to this day. We started off small—testing just one small phase of production in Vietnam. Over time, we have moved almost all of our manufacturing there.

#### What do you consider to be the biggest benefit about doing business in Vietnam?

Certainly, the lower labor rates really help a small business like ours. But it's not just about cost—it's about quality. We have found our manufacturers to be very meticulous about the work they do. Over the years, this commitment to quality has built a tremendous trust between us.

#### Your business requires a lot of shipping. Do you have any logistics or shipping-related advice for businesses?

One of the best things we did was to start using a consolidated shipping method called UPS Trade Direct®. UPS consolidates our orders into one bulk shipment in Vietnam and transports it to the United States. When the shipment arrives, it's flown to a central facility in Chicago. Then, it's divvied up into individual orders and shipped to our customers. This process has several advantages: It gets our orders through customs more quickly and cuts our shipping costs. What we used to do in eight international shipments, we can now do in one.

#### What advice would you offer other small businesses seeking to go into Vietnam?

First of all, you have to visit Vietnam to make educated decisions and build trust with your business partners. When we first started manufacturing in Vietnam, I traveled there every other month, for two-to-three weeks at a time. Today, I visit about once a year, and that's really important. The other thing you must do is pick the right partners. We have been really lucky to have the same partner for 10 years, and the trust and understanding we have established together is what makes all the difference.



## Minding Your Manners: Business Etiquette in Vietnam

### What's in a Name?

- Vietnamese names are the reverse of Western names—they begin with the family name, followed by the middle name and the given name.
- It is customary for people in Vietnam to address each other by their given names.
- Always address individuals as Mr., Mrs., Ms. or Miss, followed by the given name.
- Professional titles are always preferred in business.

### Business Basics

- Business people in Vietnam appreciate details; be prepared to answer in-depth questions about your company when making business proposals.
- Vietnamese dislike doing business with foreign colleagues unless the individuals have been introduced properly because they value long-term business relationships.
- It is best to be introduced to colleagues through a third party because relationships in business are highly valued.
- If a third-party introduction is not possible, self-introductions should start with an explanation of why you are contacting the individual or organization.
- Appointments are essential and should be set up several weeks in advance.
- It's important to arrive on time for appointments; Vietnamese are very punctual and expect their business colleagues to be the same.
- People are up and about very early in the morning in Vietnam, and business hours usually begin at 7 a.m. or 8 a.m.
- Handshakes are customary when meeting and departing,

and only are exchanged between members of the same gender.

- Business cards are exchanged at all initial meetings and should be presented with both hands; if your business card is printed in English and Vietnamese, present the card with the Vietnamese side facing up.
- When receiving business cards, be sure to show proper respect by reading the card before placing it in your wallet or purse.
- Be patient with negotiations; Vietnamese believe in building consensus, so all parties must be given a vote.
- Do not make verbal promises you cannot keep; the spoken word is very important.
- A business meeting typically lasts no longer than one hour; the visitor is expected to initiate or signal the close of the meeting.
- Business gift-giving is common at the end of meetings or during a meal with business associates. Gifts should be small and inexpensive.

### Talking Points

- Vietnamese is the official language of Vietnam; older citizens speak and understand French, while young professionals are learning Chinese.
- English is widely-spoken in business.
- Learning a few phrases in Vietnamese will be appreciated.
- Be prepared for a different definition of personal space, characterized by close talking, friendly touching, patting and hand holding.
- Do not publicly embarrass, correct or scold a Vietnamese

individual; the concept of “face” is extremely important.

- Avoid talking about the Vietnam War and Vietnamese politics.
- Appropriate topics of conversation include children, families, the American political system, economy and hobbies.

#### **What to Wear**

- Dress conservatively.
- Normal business attire consists of a suit and tie for men and suit or dress for women.
- Open-collar shirts and slacks sometimes may be worn to more informal meetings.
- During the warmer months, formal dress for men is a shirt and a tie. Foreigners displaying navels, chests or shoulders will attract stares.

#### **Outside of the Office**

- Vietnamese typically eat a very early breakfast, a long, relaxing lunch and an early evening meal.
- Local Vietnamese eat an early lunch, usually just after 11 a.m.
- Family meals are eaten on the floor around a central banquet.
- It is standard practice to wipe utensils with a napkin before eating.
- When invited to someone’s home in Vietnam, it is appropriate to bring fruit, sweets or flowers. Avoid giving handkerchiefs, anything black, yellow flowers or chrysanthemums.
- At a restaurant, wait to be seated; in most cases, the oldest in the group will be seated first.
- Use both hands to pass items and never pass anything over someone’s head.

#### **Sources:**

- *New York Times*
- *Kwintessential Cross Cultural Solutions*
- *U.S. Commercial Service*

- [Vietnam-Culture.com](http://Vietnam-Culture.com)
- [AskViet.com](http://AskViet.com)
- *Asian Nation*
- [ThingsAsian.com](http://ThingsAsian.com)
- [Wikipedia](http://Wikipedia)

## **Culture Corner**

### **Tết Nguyên Đán – Vietnamese New Year**

Tết Nguyên Đán (tet win dan), the Vietnamese New Year or Feast of the First Morning, is the most significant holiday and festival in Vietnam. Also known as Tết, the holiday is celebrated on the first day of the first month of the Lunar calendar (typically in late January or early February), and spans seven days. During the week, businesses are closed, so major decisions or negotiations are put on hold until after the festivities.

Vietnamese families begin preparing for Tết two weeks before the New Year celebration. In anticipation of the holiday celebrations, Vietnamese citizens pay their debts and resolve differences with family and friends. Parents buy children new clothes, and families clean their homes to rid bad fortune from the old year. On New Year’s Eve, families gather at midnight for a special ceremony, Le Tru Tich. It is a tradition to make loud noises with firecrackers, gongs and other festival items to usher out the old and welcome in the new.

The first day of Tết is for the immediate family. Children wear their new clothes to visit their elders and receive a red envelope containing money. Families display an artificial tree, cây nêu, consisting of a bamboo pole, and decorated with good luck charms, paper fish and cactus branches. Vietnamese people are very careful about what they do on New Year’s Day because it determines luck for the rest of the year. In fact, tradition says that the first visitor of the year determines a family’s fortune for the entire year. Usually, the second day is reserved for visiting friends and the third day celebrates teachers.

Similar to the Chinese, each year in the Vietnamese calendar is represented by an animal. The Year of Water Buffalo began on Jan. 26, 2009, and 2010 will bring in the Year of the Tiger.

# The Export Expert: Vietnam Vantage Points

Don Nay has been a senior commercial officer with the U.S. Commercial Service in Vietnam since July 2007. He oversees U.S. Commercial Service operations in Hanoi and Ho Chi Minh City. Nay's office focuses on facilitating U.S. exports into Vietnam.

## **How have relations between the United States and Vietnam improved over the past 15 years?**

Since diplomatic ties between Vietnam and the United States were restored in 1995, there have been significant, positive strides in the relationship between the two nations. Most recently, Vietnam's entry into the World Trade Organization in 2007 has been extremely beneficial. That year, U.S. exports to Vietnam went up by 73 percent, and increased 47 percent in 2008. Overall bilateral trade with Vietnam reached \$15.7 billion in 2008, an increase of 25 percent over 2007.

## **Why should American small-to-mid-sized businesses consider doing business in Vietnam?**

Vietnam is a true emerging market, but it is not immune to the global economic downturn. Growth in 2008 slowed to 6.2 percent—but this still is a good number. While it is now clear that growth in 2009 won't be as strong and could drop to 4 percent or 5 percent, Vietnam's long-term prospects cannot be ignored.

## **How has Vietnam's rapid growth affected the country?**

Recently, Vietnam's gross domestic product (GDP) per capita broke through the \$1,000 level, which is really significant. Because of this rapid growth, many people have been lifted out of poverty. In fact, over the past decade, the actual poverty rate has been reduced from as high as 50 percent to 13.5 percent in 2008.

## **What makes Vietnam an attractive market for exporters?**

Vietnam has been a center of trading activity for thousands of years, in large part due to its central location between China, Japan and India. Today, the country's labor force is a strong advantage for foreign investors. Vietnam's labor force contains more than 47 million people and it has a high literacy rate of approximately 90 percent. Plus, 75 percent of the labor force is under 40 years of age, making the market well-positioned for long-term growth.

## **Can you tell us more about Vietnamese society?**

It's important to remember that Vietnam was ruled by China for 1,000 years. Even today, Confucian culture is still pervasive in Vietnamese society. However, Vietnam is facing an interesting cultural shift. Vietnam's younger generation has access to the Internet, cable television, Western movies and pop culture. Today, there's definitely an old, established and structured culture merging with a dynamic and young perspective.

## **Regarding business etiquette, what should Americans keep in mind when doing business in Vietnam?**

First and foremost, bring your common courtesy and humility with you. Next, take a genuine interest in the people with whom you're dealing; families, children and sports are all acceptable topics of conversations; stay away from Vietnamese politics. Keep in mind that most Vietnamese have a very high opinion of Americans nowadays and it certainly is appropriate to talk at great lengths about the American political system—especially the new administration. It's fascinating; everyone in Vietnam has an awareness of President Obama. To them, he represents the fact that anyone can work hard and achieve their dreams in America.



*Don Nay says the relationship between Vietnam and the United States has seen "significant, positive strides."*



## Ho Chi Minh City's Path to Prosperity

Since Vietnam's entry into the World Trade Organization in 2007, the influx of foreign investment into Vietnam has been overwhelming. In fact, in 2008, the country received a record US\$11 billion in foreign direct investment (FDI)—an increase of more than 37 percent.

One of the most prosperous cities in the region is Ho Chi Minh City. Formerly known as Saigon, the government renamed the city in 1975 after the Vietnam War. However, many Vietnamese still use its original name.

Located 37 miles from the South China Sea, Ho Chi Minh City is the country's industrial and trading hub. Businesses with operations in Ho Chi Minh City benefit from its strategic location, which serves as a gateway to China, Japan, Taiwan, Thailand and Malaysia.

In 2008, Ho Chi Minh City garnered more than US\$8.24 billion in FDI, an increase of more than 400 percent from 2007. Pham Phuong Tao, chairwoman of the Ho Chi Minh City People's Council, acknowledged that 2009 will be a more difficult year for the city; however, she's still expecting an increase of 270,000 new jobs in the city and a decrease in the unemployment rate to 5.3 percent.

Before visiting Ho Chi Minh City, small-business owners should know:

- There are few direct flights from the United States to Ho Chi Minh City. Several airlines, including Continental and Cathay Pacific, fly to Ho Chi Minh City through either Hong Kong or Tokyo.
- Ho Chi Minh City is a muggy, tropical climate that averages 75 percent humidity. Business travelers should pack appropriate light-weight clothing, raincoats and umbrellas.
- The rainy season in Ho Chi Minh runs from May to late November. The driest and coolest months are December through April.
- Approximately 8 percent of Ho Chi Minh City's residents are Chinese and the city is home to the largest Chinatown in Vietnam.
- Most of Ho Chi Minh City's residents are Buddhist or practice ancestor worship, but nearly 13 percent are Roman Catholic or Protestant, which can be attributed to French missionary work.

### Sources:

- *Vietnam Business Finance*
- *Bernamea.com*
- *BusinessinAsia.com*
- *Discover Vietnam*
- *New York Times*
- *Vietnam.com*



## Shipping Essentials

Phat Tran, UPS's general manager in Vietnam, offers some logistics advice to help U.S. companies spread their wings to Vietnam.

### **Why should U.S. companies consider doing business in Vietnam?**

Vietnam offers many advantages. It's set up for international trade, with many ports and airports, as well as lower labor costs than other emerging economies like China. For U.S. exporters, Vietnam offers a huge and growing market. We have a population of approximately 85 million people with a growing consumer class that is very receptive to American brands and products.

### **What should U.S. small businesses look for in a logistics partner?**

The most important thing is reliability. Choose a carrier that gives you an accurate account of how long it will take to ship your products and how much the shipping's total cost—called landed cost—will be. Also, you want a partner that offers total visibility into its network, so you know where your goods are at all times.

### **Are there any specific customs challenges that are unique to Vietnam?**

First, any import documentation errors—such as a misspelled address or an incorrect conversion from pounds to kilos—can cause lengthy delays. In Vietnam, even the smallest of errors on a customs form requires an amendment to correct. This means that correspondence between United States and Vietnamese authorities has to take place, which can hold

shipments back for several days. So it's really important to get all of your information right. Having automated shipping processes can really help reduce these errors.

Another important thing for companies to be aware of is that Vietnam has strict laws against importing used IT equipment to prevent electronic waste being sent here. Bringing in new IT equipment is simple, however.

### **What is UPS doing to help its customers navigate shipping hurdles in Vietnam?**

UPS is committed to being a reliable partner to help customers navigate through logistical challenges in Vietnam. We're known as the most reliable and fastest shipper between the United States and Vietnam, and that's a reputation we want to keep building on by delivering the highest quality service.

For companies that manufacture in Vietnam, UPS Trade Direct® can be a really useful option. It consolidates multiple shipments into one. So when that shipment arrives in the United States, it is separated and then sent to customers around the country, which is much more cost-effective than sending shipments from Vietnam to multiple U.S. locations.

### **What advice would you offer U.S. businesses seeking to set up shop in Vietnam?**

Quite simply, look for reliable partners. And gather your facts first.