

Fashion Accessories



March 2009 US\$395

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FASHION ACCESSORIES

Supplier capability in China

China's fashion accessories industry is hopeful of an exports rebound in 2009.

Outbound shipments in nearly all product lines contracted in 2008, due mainly to the global economic crunch. But higher VAT rebates, preferential government policies and more stable manufacturing costs are leading companies to forecast moderate growth.

Some hosiery makers are even projecting sales to triple in 2009. Apart from the factors mentioned above, quota elimination is bringing rise to a more positive outlook for the months ahead.

The following are some of the key trends and developments we see in China's fashion accessories industry:

- To minimize losses and utilize idle production lines, many companies have turned to the domestic market. But bigger profits can still be gained in the export arena. In addition, the majority of suppliers do not have an established local brand. As a result, they are not likely to pursue long-term partnerships with domestic retailers in the months ahead.

- The US and the EU will remain the major export destinations. Insufficient knowledge of trading policies at emerging markets such as South America and Africa are preventing companies from expanding fully into those regions.

- Makers continue to adapt to buyers' changing sourcing habits. In addition, they are implementing measures aimed at providing more flexible client services such as reduced MOQ and waived tooling costs.

- Suppliers are upgrading their equipment to improve efficiency. Advanced and imported units such as Stäubli jacquard weaving machines from Switzerland can also enable them to offer value-added designs. Some are taking steps to vertically integrate as well, including setting up wholly owned silkworm breeding centers.

China suppliers produce belts and accessories, sunglasses, optical frames, reading glasses, gloves, hats, caps, hosiery and neckwear. These are also the scope of this report.

Each product category has its own section with details on the features and prices of low-end, midrange and high-end models.

The manufacturing and QC processes are discussed for some of the key products as well.

The section also elaborates on the industry composition, highlighting key characteristics of the different types of companies.

The Industry Overview illustrates the effects of the current financial crisis on suppliers' export sales and growth projections. Further, it explains the measures makers are taking to minimize losses.

This section also provides a general review of the major export and manufacturing hubs for each product category.

The fashion accessories export manufacturing industry in China is comprised of small and midsize companies, and about 50 percent have direct export capability.

At least 80 percent of all suppliers are private locally owned companies, less than one-fifth have foreign participation and the rest are publicly listed or SOEs.

The provinces of Zhejiang, Jiangsu and Fujian are the main manufacturing centers for fashion accessories. Zhejiang contributes 37 percent of national exports in the line, while Jiangsu generates 13 percent. Fujian accounts for 4 percent of overseas sales.

Reflecting that structure, 79 percent of suppliers profiled for this report are private local businesses.

Roughly two-thirds of featured companies come from Zhejiang, 13 percent from Jiangsu and 10 percent from Fujian.

In this report

- 30 in-depth company profiles
- 31 additional suppliers
- 94 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry in the next 12 months. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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INDUSTRY OVERVIEW

The global economic slowdown is no doubt the biggest challenge facing all suppliers of fashion accessories in China.

The financial crisis has negatively affected the export growth rate. In the past, shipments increased about 20 percent annually. Last year, however, overseas sales rose by an average of 10 percent.

Some product lines are more heavily affected than others. Belt shipments, for instance, dropped almost 6 percent in 2008. Sales of genuine leather gloves fell 5 percent in the same year. Exports of sunglasses grew a marginal 1 percent.

Most makers are reluctant to disclose how much they have actually lost in overseas sales. But there have been reports of as much as a 30 percent reduction in exports, even at large companies. Factories producing only for traders have it worse, generating half as many orders as they did in previous years.

In fact, many of those that stopped operations in 2008 are plants that only did subcontracting work for trading companies and larger businesses. In Shenzhen, Guangdong province, 50 such eyewear makers folded.

Hosiery is perhaps the only category that has not been impacted by the economic crunch. Most likely buoyed by the elimination of quotas, sales increased more than 30 percent last year.

When the limits were in place, a number of US buyers and distributors in South Korea and Japan sourced from Turkey, Pakistan, Indonesia and Cambodia. But some suppliers there reportedly could not equal the product quality and delivery terms from China. In addition, the range is limited and has less variety.

With quotas lifted, the Zhuji Hosiery Association is expecting exports to the US to triple in 2009. On the downside, companies estimate prices to drop by as much as 20 percent, especially on

low-end models. Makers no longer have to pay quota fees and, in the current economic climate, it is almost certain that buyers will ask for a commensurate reduction in quotes.

Despite the challenging business environment, a number of suppliers were able to minimize losses or even post sizeable export growth. Such makers were attuned to the subprime mortgage crisis in the US early on, and so were able to explore alternative markets ahead of competitors. Many of these businesses now ship steadily to South America, Africa and Asia.

At some eyewear companies, exports to South America and Africa have doubled year-on-year. But unfamiliar import and export policies at these emerging markets, coupled with some language problems, are leading many suppliers to continue targeting the US and the EU. Their trading personnel is familiar with the policies of these two traditional export destinations.

Those companies that have established a presence in the China market have managed to leverage this advantage as well. Unlike suppliers that have not established themselves firmly in the domestic arena, such companies found it easier to penetrate the country's retail scene. As a result, they were still able to profit from products that were part of cancelled overseas orders. In addition, manufacturing lines that would have been left idle as a result of insufficient export demand were utilized for local sales.

Such makers are not likely to concentrate on the local market, however. Many of these companies will reallocate capacity to export production once the demand returns.

There are also a number of headwear suppliers that have achieved moderate growth by modifying buyers' designs. For them to be able to reduce export prices, they suggested minor aesthetic changes to their clients that will not affect product quality or the overall look. This includes reducing slightly

Supplier summary

Suppliers surveyed	30
Export sales	\$271.3mn
Export ratio	69%
OEM business	64%
Capacity utilized	60%
Annual R&D spending	\$10.3mn
Full-time employees	16,013

Data: All surveyed suppliers

the size or intricacy of embroidered patterns. The measure boosted sales as much as 20 percent at some factories.

Irrespective of the product and market focus, suppliers are anticipating exports to contract further during the first half of 2009. But many of them are optimistic of healthier growth in the second half, when the effects of preferential government policies will most likely be felt.

Apart from higher VAT rebates, companies that are recognized as high-tech enterprises enjoy additional tax reductions. From the typical 25 percent, such businesses will now be levied an income tax rate of only 15 percent for the next three years.

Changing buyer, supplier habits

As a direct result of the global financial crunch, makers have seen numerous changes in their clients' purchasing patterns.

For instance, many buyers are now ordering fewer items per transaction. Certain factories have reported a 10 percent reduction in volume per client.

Other buyers are requesting early or delayed shipments, sometimes by as many as 30 days. Those asking expedited orders are hoping to generate better sales by staying ahead of competitors. Clients that postpone deliveries to a later date are doing so in case the exchange rate fluctuates in their favor.

Still, there are some that delay confirming orders for two weeks to about a month.

Most fashion accessory companies accommodate the requests and delays

A Cap Ltd

Hong Kong-based A Cap exports \$40 million worth of fashion accessories each year. About 680,000 gloves, hats, caps and neckwear are produced each month. Nearly all of these are exported, mainly to the EU.

Shipments also go to North America, non-EU countries and the Asia-Pacific region.

Exports are expected to stay the same in the next 12 months. The EU will continue to be the major market as well.

The company operates two factories with a combined floor space of 133,340sqm. The ISO 9001:2000-

certified plants are equipped with 450 flatbed, 80 high-speed and 80 double-needle sewing machines. In addition, there are 50 sergers, and 10 embroidery and 18 computerized flatbed knitting machines.

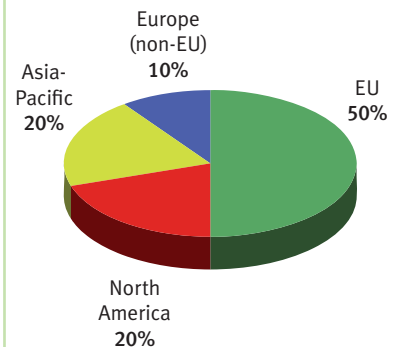
There are 2,000 full-time employees, including 40 R&D specialists and 80 QC inspectors.

A Cap spends \$1 million on R&D each year. It is planning to increase annual capital expenditure up to 50 percent in coming months.

Apart from fashion accessories, the company makes wristbands.

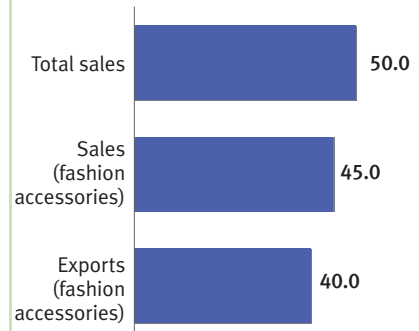
Profile

Export markets



Sales

\$mn/year



Contact details

Business contact

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Company facts

Year established	2002
Business type	Manufacturer
Company ownership	Hong Kong-invested
Head office location	Hong Kong
Number of factories	2
Factory location(s)	Dongguan (Guangdong), Shanghai
Total factory area	133,340sqm
No. of full-time employees	2,000
No. of R&D/design staff	40
No. of QC staff	80
Annual sales (all products)	\$50.0mn
Annual R&D spending	\$1.0mn
ISO certification	Yes

Sales & output: Fashion Accessories

Annual sales	\$45.0mn
Share of total sales	90%
Annual export sales	\$40.0mn
Total monthly capacity	700,000 pieces
Average monthly output	700,000 pieces
Capacity utilized	100%
Average monthly exports	680,000 pieces
Export ratio	97%
OEM % of exports	30%
ODM % of exports	70%
OBM % of exports	—
Other products made	Wristbands

Capability

Production checklist

Automatic frame-forming machines	—
Automatic lens cutters	—
Cutting machines	—
In-house fabric testing	No
Forming machines	—
Knitting machines	70
Mechanical sewing machines	660
Needle detectors	2
Plastic-injection machines	—
Soldering machines	—

Exports by product

Belts & accessories	—
Eyewear	—
Gloves	20%
Hosiery	—
Headwear	60%
Neckwear	20%

Exports by market

North America	20%
European Union	50%
Europe (non-EU)	10%
Asia-Pacific	20%
Middle East	—
Other	—

Outlook

- **Export prices**
Stay the same
- **Export sales**
Stay the same
- **Target market**
European Union
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Labor costs
- **Export capability**
Improve operating efficiency
- **R&D focus**
Unique designs

Popular export models



Description: Beanie; 100% cotton; all-over discharge print; embroidery, applique with rhinestones, studs; 21x21cm; 50g

Headwear

Model	ZH0808002
Minimum order	1,000 pieces
Packaging type	10 pieces in polybag
Delivery time	25 days
Indicated price	\$1.50



Description: Sports cap; 100% cotton; enzyme washed; applique on front panel; metal studs on curved peak, front panel; 58cm

Headwear

Model	DSC0199
Minimum order	1,000 pieces
Packaging type	12 pieces in polybag
Delivery time	25 days
Indicated price	\$2.00



Description: Trucker cap; 100% PU; glitter effect, embroidery on curved peak, front panel; metal eyelets on front panel; 58cm

Headwear

Model	Y060575
Minimum order	1,000 pieces
Packaging type	12 pieces in polybag
Delivery time	25 days
Indicated price	\$1.80

PRODUCT GALLERY

Belts & accessories



Aibo
(profile page 40)
Model: AB-7967
Minimum order: 800 pieces
Packaging type: Polybag
Delivery time: 30 days
Indicated price: \$2.00
Description: PU leather and elastic belt; metal buckle; 7x70cm; 197g; custom colors



Aibo
(profile page 40)
Model: AB-7508
Minimum order: 500 pieces
Packaging type: Polybag
Delivery time: 30 days
Indicated price: \$1.60
Description: Braided PU leather belt; metal buckle; 6x105cm; 96g; custom colors



Aibo
(profile page 40)
Model: AB-7523-1
Minimum order: 500 pieces
Packaging type: Polybag
Delivery time: 30 days
Indicated price: \$2.00
Description: Cutout PU leather belt; metal buckle; 4x105cm; 117g; custom colors



Aibo
(profile page 40)
Model: AB-7879
Minimum order: 1,000 pieces
Packaging type: Polybag
Delivery time: 30 days
Indicated price: \$7.40
Description: Cowhide belt; metal buckle; 3.8x105cm; 220g; custom colors



Chanch
(profile page 44)
Model: CHBT73
Minimum order: 1,000 pieces
Packaging type: Polybag
Delivery time: 20 days
Indicated price: \$0.92
Description: Braided PU leather belt; metal buckle; 1.3x100cm; various colors



Chanch
(profile page 44)
Model: CHBT74
Minimum order: 1,000 pieces
Packaging type: Polybag
Delivery time: 20 days
Indicated price: \$0.98
Description: PU leather belt; flower and leaf trimmings; 1.2x100cm; various colors

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