

Jackets & Sportswear



March 2009 US\$395



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JACKETS & SPORTSWEAR

Supplier capability in China

EXECUTIVE SUMMARY

The jackets and sportswear industry in China is preparing for a difficult year as exports continue to drop as a result of the global economic slowdown.

Customs statistics for major product categories have already shown significant contractions in export growth.

The skiwear segment seems to be the most affected by the financial crisis. Already plagued by changing weather patterns that resulted in weaker sales, exports in the 11 months ending November 2008 plummeted 34 percent by volume and 22 percent by value.

This came after consecutive negative growth in 2006 and 2007.

Likewise, exports of T-shirts continue to go downward. In the same 11-month period, shipments dropped 8.5 percent with sales falling 6 percent.

Parkas and windbreakers are perhaps the only products in this industry that have weathered the economic crunch. Exports in the line remain in the black, growing 15.6 and 3.3 percent in value and volume terms, respectively.

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

- In an effort to cut costs, makers are trimming their workforce and renting out or closing down unutilized factories. In the denim garments line, some companies have laid off up to half of their workers.

- A number of suppliers are now forgoing product value additions for enhanced buyer services. Instead of investing in tracking trends and sourcing innovative materials, these makers are reducing sampling time and offering flexible MOQ.

- To protect themselves against substantial losses, certain suppliers are now requiring their clients to pay a 50 to 70 percent down payment before finalizing transactions.

China suppliers of jackets and sportswear produce parkas, windbreakers, T-shirts, polo shirts, denim garments, skiwear, sports tops and bottoms, athletic uniforms and tracksuits. These are also the scope of this report.

Each product category has its own section with details on the features and price ranges of low-end, midrange and high-end models for every classification.

The manufacturing and QC processes are discussed for some of the key products as well. It 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 manufacturing hubs for each product category.

The jackets and sportswear export industry in China is comprised of small and midsize companies and about two-thirds have direct export capability.

At least 70 percent of all suppliers are private locally owned companies, about one-fourth have foreign participation and the rest are publicly listed or SOEs.

The provinces of Zhejiang, Jiangsu and Fujian are the main manufacturing centers for jackets and sportswear. Zhejiang contributes 21 percent of the country's total parka and windbreaker exports. It accounts for the same share of T-shirt exports.

Reflecting this structure, more than 80 percent of suppliers profiled for this report are private local businesses. Almost half of featured companies come from Fujian, 18 percent from Zhejiang and 12 percent from Jiangsu.

In this report

- 17 in-depth company profiles
- 23 additional suppliers
- 66 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

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 companies 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

While some China suppliers of jackets and sportswear are optimistic about exports after textile quotas and safeguards were lifted at the beginning of 2009, most makers are anxious as to the year ahead. Specifically, they are worried about a potential increase in domestic competition and the possibility of new restrictions from the US and the EU.

For a few companies, particularly the smaller ones, this development brings the prospect of higher exports to the US and the EU, increased output of value-added products, or both. Many such makers used to buy quotas from large suppliers and traders. Now, their expenditure has been reduced.

In fact, recent data from the US' Office of Textiles and Apparel shows that January 2009 China imports surged by as much as 50 percent in categories that were previously under the quota system. For instance, shipments of cotton knit shirts into the US grew 42.8 percent compared with imports of the category in January 2008.

Man-made fiber knit shirts increased more than 53 percent, while man-made fiber pants rose 31 percent.

Among the products affected by the quota-free environment are T-shirts, polo shirts, denim garments, sports tops, sports shorts and pants, and tracksuits.

The majority of companies, however, are gearing up for intense competition. Some makers even believe that the freer trade environment will bring little relief. Unlike in 2007 when quotas were about \$18 per dozen, these cost just \$2 in 2008. They feel that the savings gained by not having to buy quotas are not significant enough to help them ride out internal and external economic challenges.

In addition, companies focusing on low-value, high-volume production might intensify the price competition. Instead of increasing their spending on R&D work or equipment upgrades,

they might just reduce product prices. Worse, in order to pull down quotes even further, some of these companies might sacrifice quality for low prices and erode the advances other suppliers might have made toward improving the perception of China-made products.

Moreover, makers are not assured of a trading environment devoid of any restrictions.

The US government's preference of fair over free trade means that it can impose monitoring policies that may result in another round of product-specific safeguards, or countervailing or anti-dumping duties.

Further, many of the companies believe that the EU will continue its licensing and monitoring program through 2009. This is despite the fact that the EU expressed its intentions for the program to end in 2008.

With retail sales slowing in these areas, it is very likely for a new set of import restrictions to be implemented in the months to come.

To cope with possible monitoring policies, suppliers are shifting their focus to destinations other than the US and the EU such as the Middle East, South America and Africa. While some of these regions are feeling the effects of the global economic slowdown, their trade policies are not as limiting as in the US and the EU. Moreover, some buyers from these emerging markets require higher-value products, unlike a number of discount stores and retailers in the US.

At some companies, Africa now absorbs as much as 70 percent of outbound shipments.

Developing ODM or OBM lines might seem like a more viable option, but companies are wary of increasing their expenditure in the face of the current economic climate.

Most makers do not even have long-term strategies. Many of them are waiting for the current financial crunch to stabilize before laying out three- or five-year plans.

Supplier summary

Suppliers surveyed	17
Export sales	\$79.6mn
Export ratio	82%
OEM business	75%
Capacity utilized	49%
Annual R&D spending	\$2.7mn
Full-time employees	8,565

Data: All surveyed suppliers

In addition to external challenges, suppliers of jackets and sportswear had to deal with a number of difficulties at home. These include lower rebate rates, stronger yuan values against the dollar and the euro, and higher material and labor costs.

Various policies have been enforced to help ailing industries, but while these measures brought some relief, makers continue to feel the effects of such challenges.

For instance, the China government raised the VAT refund twice in late 2008. It was increased yet again in February. This measure, however, is not necessarily helping suppliers. Buyers are aware of any changes in the export tax rebate, and a large number are quick to ask for commensurate price adjustments as soon as the new rate is enforced.

This poses a problem for suppliers. Their clients are asking for a reduction in quotes now, and to maintain good relations, many manufacturers acquiesce to the request. But it takes up to six months before companies can receive the refund. Their cash flow is therefore affected, leaving smaller makers unable to cope.

Material costs have been falling as well. Compared with the past 12 months, 328 grade cotton is now 17.6 percent less expensive. Polyester filaments are lower by 22 to 30 percent, depending on the type and grade.

But most companies cannot take advantage of lower quotes right away. To minimize costs, many purchased raw materials in bulk, which allowed

Fuzhou Fedtex Garment Co. Ltd

Jackets and sports apparel constitute 60 percent of Fuzhou Fedtex's total sales. Revenue for all products amounted to \$10 million last year.

Prices are expected to stay the same in the next six months. Currently, the company can manufacture up to 60,000 jackets and sports apparel monthly.

Fuzhou Fedtex has a workforce of 1,000, including a 15-member team that handles product development. The 18,000sqm factory houses 320 sewing machines, of which 20 are computerized units. Jackets are seam-sealed in-house.

The company ships out \$6 million worth annually, all under OEM contracts. Products go to North America, Europe and the Asia-Pacific region. Chile is also an export destination. The EU will be the primary market in the next 12 months.

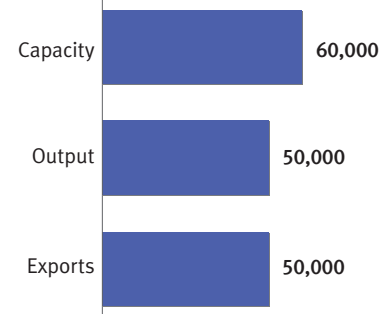
Overseas revenue of jackets and sportswear is estimated to stay the same in coming months.

About \$150,000 is set aside for R&D annually, representing 1.5 percent of total sales. Current efforts are geared toward finding new materials and fabric treatments.

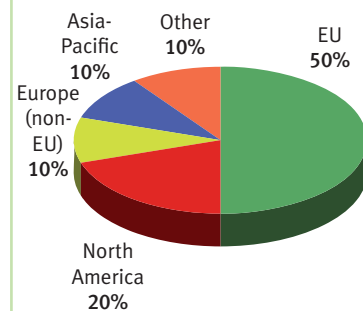
Profile

Production

pieces/mth



Export markets



Contact details

Business contact

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Company facts

Year established	1992
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Fuzhou (Fujian)
Number of factories	1
Factory location(s)	Fuzhou (Fujian)
Total factory area	18,000sqm
No. of full-time employees	1,000
No. of R&D/Design staff	15
No. of QC staff	20
Annual sales (all products)	\$10.0mn
Annual R&D spending	\$150,000
ISO certification	No

Sales & output: Jackets & sportswear

Annual sales	\$6.0mn
Share of total sales	60%
Annual export sales	\$6.0mn
Total monthly capacity	60,000 pieces
Average monthly output	50,000 pieces
Capacity utilized	83%
Average monthly exports	50,000 pieces
Export ratio	100%
OEM % of exports	100%
ODM % of exports	—
OBM % of exports	—
Major customers	A.F. (Germany); Rucanor (the Netherlands); Gangotra, Trespass (UK); Maui (Chile); Alpine Pro (Czech Republic)
Other products made	Baby and children's apparel, men's vests

Capability

Production checklist

Cutting machines	7
Elastic band machines	8
In-house dyeing	No
In-house fabric production	No
In-house sealing	Yes
In-house washing	No
Mechanical sewing machines	300
Needle detectors	2
Plaiting machines	—
Printing lines	—

Exports by product

Denim	—
Jackets	70%
Sports apparel	30%
T-shirts & polo shirts	—

Exports by market

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

Outlook

- **Export prices**
Stay the same
- **Export sales**
Stay the same
- **Target market**
European Union
- **Capital expenditure**
No increase
- **Major challenge**
Price competition
- **Export capability**
Improve operating efficiency
- **R&D focus**
New materials/finishes

Popular export models



Description: Men's tracksuit; 100% polyester microfiber; single-jersey polyester body lining; 210t taffeta sleeve lining; sizes S to XXL; in various colors

Sports apparel

Model	FEDMSUI 001
Minimum order	2,000 sets
Packaging type	Polybag
Delivery time	60 days
Indicated price	•



Description: Women's jacket; 100% 300t polyester microfiber; 2,000mm PU coating; 100% 210t polyester taffeta lining; 80gsm polyester padding; sizes S to XXL; in various colors

Jacket

Model	FEDMJKT 201
Minimum order	2,000 pieces
Packaging type	Buyer-specified
Delivery time	60 days
Indicated price	•



Description: 3-in-1 jacket; 100% polyester microfiber; 1,500mm PU coating; 210t polyester lining; 100% anti-pilling polyester polar fleece inner jacket, 280gsm; adjustable cuffs, hood; zipped pockets; sizes S to XXL; in various colors

Jacket

Model	FEDMJKT 207
Minimum order	2,000 pieces
Packaging type	Polybag
Delivery time	60 days
Indicated price	•

• Information not disclosed

PRODUCT GALLERY

Jackets



Dongguan Rainwear House
(profile page 38)
Model: C2160
Minimum order: 1,000 pieces
Packaging type: Polybag
Delivery time: 75 days
Indicated price: \$16.00
Description: Windbreaker; nylon with PU coating; sizes S to XXL



Fuzhou Fedtex
(profile page 40)
Model: FEDMJKT 201
Minimum order: 2,000 pieces
Packaging type: Buyer-specified
Delivery time: 60 days
Indicated price: •
Description: Women's jacket; 100% 300t polyester microfiber; 2,000mm PU coating; 100% 210t polyester taffeta lining; 80gsm polyester padding; sizes S to XXL; in various colors



Fuzhou Fedtex
(profile page 40)
Model: FEDMJKT 207
Minimum order: 2,000 pieces
Packaging type: Polybag
Delivery time: 60 days
Indicated price: •
Description: 3-in-1 jacket; 100% polyester microfiber; 1,500mm PU coating; 210t polyester lining; 100% anti-pilling polyester polar fleece inner jacket, 280gsm; adjustable cuffs, hood; zipped pockets; sizes S to XXL; in various colors



Jiangsu Teamwork
(profile page 42)
Model: JTG-M08026
Minimum order: 2,000 pieces
Packaging type: Polybag
Delivery time: 60 days
Indicated price: \$6.59
Description: Men's sports jacket; 100% polyester tricot, 260gsm; sizes S to XXL; in various colors



Jiangsu Teamwork
(profile page 42)
Model: JTG-L08085
Minimum order: 2,000 pieces
Packaging type: Polybag
Delivery time: 60 days
Indicated price: \$6.99
Description: Women's hoodie; 100% polyester tricot, 220gsm; polyester fleece lining; side pockets; sizes S to XL; in various colors



Jiangsu Teamwork
(profile page 42)
Model: JTG-M08028
Minimum order: 2,000 pieces
Packaging type: Polybag
Delivery time: 60 days
Indicated price: \$7.49
Description: Men's hoodie; 35:65 cotton-polyester fleece, 420gsm; sizes S to L; in various colors

• Information not disclosed

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