

Luggage & Travel Goods



May 2009

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LUGGAGE & TRAVEL GOODS

Supplier capability in China

EXECUTIVE SUMMARY

China's luggage and travel goods industry is maintaining a positive outlook for the year ahead, despite current economic challenges.

After increasing steadily in the first two quarters of 2008, exports started falling in the second half, contributing to negative year-end growth. Slow sales are due mainly to the global financial downturn but low product differentiation is a factor as well.

As a result, many of the smaller businesses have folded, with several more expected to stop operations in coming months.

Companies are implementing a series of measures that they hope will help stave off further contraction. In fact, more than 70 percent of suppliers surveyed for this report believe exports will grow in 2009.

The following are some of the key developments we see in China's luggage and travel goods industry:

- Many companies will be reducing prices by about 5 percent in coming months, under efforts to boost sales amid the difficult export environment. Nearly two-thirds of suppliers in this report, regardless of product specialization, will be offering lower quotes in the next half-year.

- Suppliers are now exploring alternative markets, although the EU and the US will continue to be the main destinations. Many suppliers have already done research on the Middle East and Africa, and are releasing designs specific to these areas.

- Makers and traders are implementing measures aimed at providing more flexible client services such as shorter sampling and delivery time, and faster response to inquiries. In addition, they are updating clients with new models more frequently.

- To improve efficiency and cut costs, suppliers are restructuring their workshops to maximize resources and investing in advanced equipment such as computerized sewing machines.

China suppliers produce softside, hardside and hybrid luggage, travel bags such as backpacks, and travel accessories, including passport holders and luggage tags. 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.

The luggage and travel goods industry in China is comprised of small and midsize companies and about 70 percent export directly or through traders.

At least 60 percent of all suppliers are private locally owned companies, roughly one-third have foreign participation and the rest are SOEs.

The provinces of Guangdong, Zhejiang and Fujian are the main manufacturing centers for luggage and travel goods. Zhejiang is the largest hub for softside luggage, contributing almost 60 percent of national exports. Guangdong is the biggest producer of passport holders and luggage tags, accounting for 40 percent of total shipments. Fujian is the top hub for backpacks, with exports making up one-third of the country's overseas sales in the line.

Reflecting this structure, 78 percent of suppliers profiled in this report are private local businesses. More than 40 percent of featured companies come from Fujian, 21 percent from Zhejiang and 14 percent from Guangdong.

In this report

- 28 in-depth company profiles
- 13 additional suppliers
- 77 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 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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Published by Publishers Representatives Limited (on behalf of Trade Media Limited)
P.O. Box 219 GT, Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands
c/o 22/F Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong

ISBN 978-988-8004-75-1

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INDUSTRY OVERVIEW

China's luggage and travel goods industry is undertaking several measures targeted at staving off further contraction.

Customs statistics are not available for the entire industry, but data for China's exports of softside luggage show the volume of shipments dropped more than 3 percent in 2008. Overseas sales were increasing steadily in the first few months of that year. In March, exports grew an impressive 57 percent compared with the corresponding month of the previous year. Shipments started falling in August with the decline continuing through the rest of the year. By December, exports dropped almost 38 percent compared with the same month in 2007.

Although there is no official data, shipments in the travel bags and accessories segments are likely to follow the same pattern. But negative growth is perhaps more evident in the travel accessory line, as there is a greater percentage of promotional models being exported than in other luggage categories. In addition, production of travel accessories such as passport and document holders involves more labor-intensive processes than hardside luggage, for example. As a result, companies are usually unable to lower prices because they still have to make enough to cover expenses. Consequently, many of them lose out to suppliers that can quote more competitive rates.

There are more than 3,500 makers of luggage and travel goods in China. As a direct result of the global financial downturn, several companies closed in the past year with a few more expected to stop operations in the months ahead. Many of the affected businesses are small suppliers that have fewer than 100 full-time employees and do subcontracted work for larger factories and traders. They generally do not have direct export capability. But a number of large operations have been hit as well, particularly those that

were unable to maintain an appropriate cash flow.

About 70 percent of suppliers in the line export directly or through trading companies. Approximately two-thirds are private locally owned businesses. Thirty percent of companies are foreign-invested and the rest are state-owned.

Despite the spate of factory closures, small and midsize makers continue to comprise the bulk of the supplier base, accounting for more than 90 percent.

Guangdong, Zhejiang and Fujian are the major production centers of luggage and travel goods in China. These three provinces contribute more than 60 percent of the country's exports. Most suppliers from these hubs, however, have weak risk-management capability. In fact, many of the factories that closed down in the past year came from Zhejiang and Guangdong.

The EU, the US and Japan are the

Supplier summary

Suppliers surveyed	28
Export sales	\$319.1mn
Export ratio	87%
OEM business	57%
Capacity utilized	73%
Annual R&D spending	\$20.2mn
Full-time employees	10,614

Data: All surveyed suppliers

main export markets, absorbing about two-thirds of annual shipments. During the past year, several manufacturers reported a 10 percent reduction of orders from each of these destinations, with some suppliers claiming exports to the US dropped 20 percent.

Coping strategies

Regardless of whether they are traders or makers, companies are implementing various measures to cope.

Free samples used to be offered to existing clients only, but these are now made available even for new buyers. Many suppliers are also promising

Major customers

Company	
Danbio	Target (US), Vichy (France)
Foshan Nanhai Donghui	Olympus, Hitachi (Japan); Kimo (France)
Fujian Hengte	Reebok (US)
Fujian Promark	Lacatoni (Portugal), Legea (Italy), Caribee (Australia)
Fuzhou Hunter	Wenger, Rick Steves, Office Depot (US)
Hangzhou Gema	Carrefour (France), Target (US)
Jiar	Wal-Mart, Leeds, Samsonite (US); Delsey (France)
Ningbo Hi-Sun	Wal-Mart (US), Carrefour (France), Aldi (Germany)
Pinghu Haomai	Wal-Mart, J.C. Penney (US)
Quanzhou Debei	Samsonite (US)
Quanzhou Hongwei	Walt-Mart, Target, High Sierra (US)
Quanzhou Xinheng	Polo, Hein-Gericke (Germany); HPA (France); Gemline (US); Spencer (Italy); Capventure BV (Netherlands)
Shanghai Epic	Carrefour, Delsey (France); Atlantic (US)
Shanghai L&J	Antalis (Spain)
Shanghai Paloon	Wal-Mart, Disney, Coca-Cola (US)
Sunbao	Dicota (Germany)
Xiamen Hindar	Wal-Mart (US)
Xiamen Senyang	Cabela (Australia)
Yiwu Zhongnan	Coca-Cola, Wal-Mart, KFC (US)

Data: All surveyed suppliers

Delly International Co. Ltd

Established in 1975, Taiwan-invested Delly is a manufacturer of luggage, and travel bags and accessories. Briefcases, and cooler, laptop, tote and handbags are also available.

Products in the line are between \$10 and \$25 per piece.

While the headquarters is located on the island, production is carried out in two mainland China factories in Shenzhen, Guangdong province.

Both plants are ISO 9001:2000-certified and have a combined area of 10,000sqm.

The monthly capacity is 1.7 million

pieces, although only 58.8 percent is currently utilized.

Of the 1,100 employees, 20 are part of the QC department, while 10 belong to the product development team.

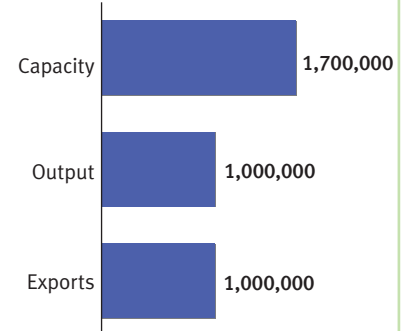
The company intends to lower prices by less than 5 percent in the next six months. Capital expenditure will remain at current levels.

At present, all output is exported to North America and non-EU countries. Delly will explore the Middle East as a new market. OEM orders make up 60 percent of shipments. The rest is split evenly between ODM and OBM.

Profile

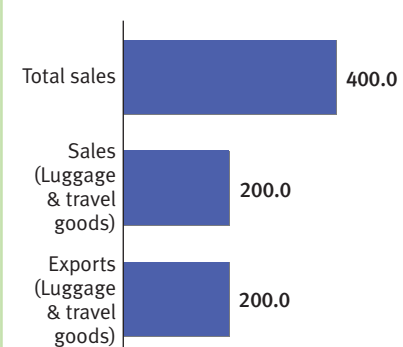
Production

pieces/mth



Sales

\$mn/year



Contact details

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Company facts

Year established	1975
Business type	Manufacturer
Company ownership	Taiwan-invested
Head office location	Taiwan
Number of factories	2
Factory location(s)	Shenzhen (Guangdong)
Total factory area	10,000sqm
No. of full-time employees	1,100
No. of R&D/design staff	10
No. of QC staff	20
Annual sales (all products)	\$400.0mn
Annual R&D spending	\$8.0mn
ISO certification	Yes

Sales & output: Luggage & travel goods

Annual sales	\$200.0mn
Share of total sales	50%
Annual export sales	\$200.0mn
Total monthly capacity	1,700,000 pieces
Average monthly output	1,000,000 pieces
Capacity utilized	59%
Average monthly exports	1,000,000 pieces
Export ratio	100%
OEM % of exports	60%
ODM % of exports	20%
OBM % of exports	20%
Other products made	Briefcases, cooler, laptop, tote and handbags

Capability

Production checklist

Assembly lines	6
Computerized sewing machines	210
Cutting machines	4
Extrusion machines	2
In-house testing	No
Mechanical sewing machines	—
Needle detectors	—
Plastic-injection machines	—
Printing lines	—
Riveting machines	—

Exports by product

Luggage	30%
Travel bags	60%
Travel accessories	10%

Exports by market

North America	90%
European Union	—
Europe (non-EU)	10%
Asia-Pacific	—
Middle East	—
Other	—

Outlook

- **Export prices**
Decrease
- **Export price decrease**
Less than 5%
- **Export sales**
Decrease
- **Target market**
South America
- **Capital expenditure**
No increase
- **Major challenge**
Labor costs
- **Export capability**
Widen product range
- **R&D focus**
Improved durability, shock protection

Popular export models



Luggage

Model	5458
Minimum order	600 pieces
Packaging type	Carton
Delivery time	60 days
Indicated price	•

Description: Softside trolley case; 1200d PVC-backed polyester shell; three exterior pockets; 23.5x19x10in; removable travel organizers with metal hook



Travel bag

Model	5366
Minimum order	600 pieces
Packaging type	Carton
Delivery time	60 days
Indicated price	•

Description: Rolling duffel bag; 600d PVC-backed polyester shell; 68.5x38x35.5cm; two main compartments; shoe or wet pack; four exterior zipped pockets; adjustable and detachable shoulder strap



Travel bag

Model	5220
Minimum order	1,500 pieces
Packaging type	Carton
Delivery time	45 days
Indicated price	•

Description: Backpack; 600d polyester ripstop shell; 3D mesh lining; foam padding; 36x61.5x20cm; shoe compartment; personal electronics pocket with headphone port; mesh side pockets

• Information not disclosed

PRODUCT GALLERY

Luggage



Danbio
(profile page 30)
Model: DBO-C01H1
Minimum order: 2,000 pieces
Packaging type: Polybag
Delivery time: 35 to 45 days
Indicated price: •
Description: Softside trolley case; 600d polyester twill shell; 190t polyester lining; leather carry handles; aluminum telescopic handles; #5 zipper closure; 33x22x45cm; 2.06kg; one main compartment



Delly
(profile page 32)
Model: 5458
Minimum order: 600 pieces
Packaging type: Carton
Delivery time: 60 days
Indicated price: •
Description: Softside trolley case; 1200d PVC-backed polyester shell; three exterior pockets; 23.5x19x10in; removable travel organizers with metal hook



Foshan Nanhai Donghui
(profile page 34)
Model: HA010
Minimum order: 500 pieces
Packaging type: Carton
Delivery time: 25 days
Indicated price: •
Description: Hardside trolley case; aluminum shell, frame, handle; MDF interior; jacquard lining; plastic wheels; two tool locks; 500x362x195mm; 3kg



Foshan Nanhai Donghui
(profile page 34)
Model: HA013
Minimum order: 288 pieces
Packaging type: Carton
Delivery time: 25 days
Indicated price: •
Description: Hardside trolley case; aluminum shell, frame, handle; MDF interior; EVA lining; plastic wheels; six tool locks; six interior compartments; 435x223x690mm; 3kg



Foshan Nanhai Donghui
(profile page 34)
Model: HHA002
Minimum order: 300 pieces
Packaging type: Carton
Delivery time: 25 days
Indicated price: •
Description: Hardside trolley case; aluminum shell, frame, handle; MDF interior; jacquard lining; plastic wheels; two combination locks; two interior compartments; 455x195x345mm



Fujian Hengte
(profile page 36)
Model: 08B031
Minimum order: 300 pieces
Packaging type: Polybag
Delivery time: 40 days
Indicated price: \$11.00
Description: Softside trolley case; 600d PVC shell; polyester lining; PE foam padding; aluminum telescopic handle; #10 zipper closure; combination lock; 4kg; four zipped exterior pockets

• Information not disclosed

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