

Apparel



June 2010 US\$395

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APPAREL

Supplier capability in China

EXECUTIVE SUMMARY

China's apparel industry remains upbeat that the next 12 months will bring export growth of about 20 percent. In fact, shipments for January and February 2010 were up 27 percent by volume at 3.3 billion pieces and 24 percent by value at \$14 billion.

One reason for the increase is higher product quotes caused by elevated material and labor outlay. Large orders slated before the Chinese New Year is another.

To keep buyers interested, suppliers are managing price markups by limiting fabric and accessory expenditure. Strategies are also in place to minimize the impact of the manpower shortage.

The following are some of the key developments we see in China's apparel industry:

- To lower expenses, companies are procuring manufacturing inputs in bulk to get discounts from providers. They are also asking for payment and delivery options.

- Suppliers are substituting cotton, silk and wool with polyester and rayon to save on costs, even in upscale models. Structure and embellishments remain the same to uphold value. Designs in synthetic fabrics will therefore dominate the selection in coming months.

- Makers are moving factories to inland provinces such as Hunan and Henan to sidestep the labor deficit in the coastal areas. Some are delegating simple steps to existing plants.

- Businesses are automating fabrication processes to ease the need for hiring workers. Computerized knitting machines have improved quality, boosted capacity and cut manpower by as much as two-thirds.

- Companies are training staff to compensate for a leaner team. Guidance is being provided at various levels in the organization, from managers to employees at subcontractors.

China suppliers of men's and women's garments offer coats, jackets, vests, cardigans, dresses, suits, business separates, sports apparel, woven and knitted shirts, sweaters, pullovers, shorts, pants, and skirts. 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. Design trends, and the manufacturing and QC processes are discussed as well.

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

The Industry Overview explains the factors leading to the rise in material costs and the scarcity of workers. It also details the steps companies are implementing to address these difficulties.

Projections for the next six to 12 months on overseas sales, capital expenditure plans and R&D focus are detailed in the Supplier Survey.

Small and midsize enterprises comprise the majority of China's apparel manufacturing pool. Approximately 85 percent of all suppliers are private locally owned companies, and the rest have outside participation or are state-owned.

The provinces of Guangdong, Zhejiang and Jiangsu are the main production centers.

Reflecting this structure, 79 percent of suppliers profiled in this report are private locally owned businesses. About 12 percent have outside participation. The rest are SOEs.

More than one-third of featured companies come from Zhejiang. One-fourth is located in Guangdong and 13 percent consists of Jiangsu-based exporters.

Nearly 50 percent of the suppliers in this report have been in the manufacturing and export industry for more than a decade.

In this report

- 32 in-depth company profiles
- 17 additional suppliers
- 151 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 are verified by Global Sources.

Each supplier is confirmed to be authentic with a legally registered business. All companies are visited three or more times to ensure they are export-ready and have real offices and products.

The listed contact person has been verified to represent the registered company. In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry. All survey questions are single choice.

Suppliers are ranked based on a 6-star ranking system. Companies with a higher star ranking provide more business information and verification reports on their Global Sources online homepages.

Suppliers rated 5 or 6 stars have a Credit Check report from First Advantage or Sino-Trust and a Supplier Capability Assessment report provided by Bureau Veritas online.

The rankings are correct at the time of publication and may be subject to change.

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INDUSTRY OVERVIEW

China apparel suppliers anticipate strong export growth in 2010 owing to price markups and a rebound in demand.

Rising material and labor costs are pushing makers to augment quotes, although slow market recovery is limiting adjustments to 10 percent.

After garment shipments declined 8 and 9 percent YoY in terms of volume and value to 19.5 billion pieces worth \$81.5 billion in 2009, orders have been picking up. In the first two months of 2010, overseas sales amounted to nearly \$14 billion for 3.3 billion pieces, higher by 24 and 27 percent.

In all categories, however, March revenue dropped at rates varying from 9 percent for skiwear and T-shirts, to 44 percent in parkas and windbreakers. In most cases, the quantity plunge was worse. For example, only 8.1 million winter and rain jackets were sent abroad that month, 56 percent fewer than the same span in the preceding year. This may indicate that earlier figures surged because of inventory restocking before the Chinese New Year but suppliers are optimistic that orders will remain strong for the rest of the year.

At the same time, fiber expenses are escalating. In May, one ton of 1.4d, 38mm polyester staple fiber was 9,750 yuan, jumping 11 percent in 12 months. An equal amount of 68d, 24f polyester FDY went for 13,700 yuan per ton, growing 28 percent over the same span. The May rate for 328-grade cotton was 17,191 yuan per ton, a boost of 35 percent. From a year ago, 21 micron Australia wool gained 24 percent to \$7.56 per kilogram.

While the cost of synthetic materials may stabilize in the coming months, cotton is expected to continue rising as supply remains low.

China's crop yield in 2009 went down 10 percent YoY to 6.5 million tons. This caused imports of the natural fiber from India to reach 265,460 tons in January and February

2010, soaring 1,694 percent from the previous corresponding period.

The South Asian country halted cotton shipments for five weeks beginning April 19, further stimulating rates. During this period, the US became the prime overseas source. India has resumed exporting cotton under a license system.

The labor shortage is pushing up expenditure as well. The main reason for the manpower deficit is that migrant workers are choosing to stay in their hometowns, where comparable pay can be obtained in a setting that has a lower cost of living.

For example, skilled personnel can earn \$260 to \$330 per month in the coastal areas, but at least 80 percent of this is spent. Companies located inland give up to \$220 per month, but the savings rate is higher.

Salaries increased by an average of \$30 in the second half of 2009 as businesses vied to fill positions. Further, many exporters offered to augment pay by another \$30 after the 2010 Chinese New Year, but numerous employees did not return. Some factories in the Southeast said as many as 60 percent of staff members abandoned their posts.

Moreover, between February and May 2010, the industry's major hubs of Guangdong, Jiangsu, Shandong and Zhejiang provinces raised the minimum wage by 12 to 21 percent. Although most companies already provide compensation higher than the new mandates, this affects those hiring inexperienced people as a last resort.

To encourage loyalty among personnel, benefits and incentives are being provided. These include medical insurance, performance and recruitment bonuses, and cable TV and broadband Internet access. Some are even providing family housing for workers with spouses and children.

With these challenges necessitating price markups, businesses expect sales to rise about 20 percent this year.

Supplier summary

Suppliers surveyed	32
Export sales	\$763.9mn
Export ratio	74%
OEM business	77%
Capacity utilized	55%
Annual R&D spending	\$21.4mn
Full-time employees	18,900

Data: All surveyed suppliers

Makers control material spending

Suppliers are looking for ways to create savings and sustain reasonable margins as they are unable to pass on additional costs to clients fully. Regulating procurement habits and design choices are the main methods being adopted.

A number of manufacturers are renegotiating payment and delivery options with their long-term providers of fabrics and accessories. Many are requesting for more favorable quotes.

Some are procuring popular inputs in bulk when costs are low. This last measure helps them maintain price competitiveness. On the other hand, it may affect their cash flow if trends change while inventories are high or if buyers haggle for reduced quotes.

To meet clients' price points, several suppliers are suggesting alternatives to preferred materials. In lieu of pure cotton or CVC, for instance, polyester is adopted either as the only fiber or the primary blend. The design and trimmings remain unchanged. Doing so can cut quotes by at least 5 percent.

This strategy is also applied for several high-end models. Instead of using 100 percent silk for skirts, some customers now agree to mix polyester or rayon into the fabrics. Others replace silk completely with the synthetic fibers. Such materials are about half the cost of silk but boast a similar hand, drape and texture.

Even for upscale bridal gowns and other formal dresses, price sensitivity among buyers has driven up the adoption of polyester and rayon. These materials are becoming

BCM Bridal Co. Ltd



Hong Kong-invested BCM exports an average of 2,400 formal dresses each month, with products going mostly to the EU. North America and Africa are the other destinations.

ODM releases make up 80 percent of foreign orders. The rest consists of models under OEM contracts.

Total revenue in the past year reached \$2.5 million. The company is anticipating overseas sales to increase more than 20 percent in the next 12 months.

R&D investment is at least \$10,000. Of the 250 full-time workers, 10 are

assigned to product development. They will be focusing on prints, trims and embroidery. The in-house QC team has 10 members.

Manufacturing is carried out at two factories based in Guangdong and Fujian provinces. Running at 83 percent of capacity, the plants are equipped with printing lines, needle detectors, and cutting and mechanical sewing machines. Fabric testing, washing and embroidery are performed in-house.

BCM plans to keep capital expenditure at current levels.

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)	Zhongshan (Guangdong), Quanzhou (Fujian)
Total factory area	2,000sqm
No. of full-time employees	250
No. of R&D/design staff	10
No. of QC staff	10
Annual sales (all products)	\$2.5mn
Annual R&D spending	\$10,000
ISO certification	No

Sales & output: Apparel

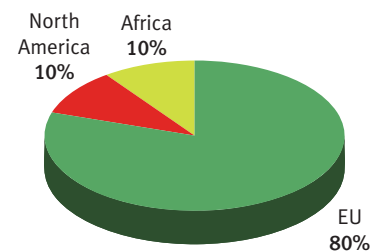
Annual sales	\$2.5mn
Share of total sales	100%
Annual export sales	\$2.4mn
Total monthly capacity	3,000 pieces
Average monthly output	2,500 pieces
Capacity utilized	83%
Average monthly exports	2,400 pieces
Export ratio	96%
OEM % of exports	20%
ODM % of exports	80%
OBM % of exports	—

Profile

Production



Export markets



Contact details

Business contact

TSANG Martin

Phone

(86-755) 8225-2880

Fax

(86-755) 8220-3448

E-mail

info@bcmgroups.com

URL

www.bcmgroups.com

www.globalsources.com/
bcmgroups.co

Address

Room 8, 20F Block B, Carrianna
Friendship Square, 2002 Renminnan
Road, Shenzhen, Guangdong, China

Capability

Production checklist

In-house fabric production	No
In-house fabric testing	Yes
In-house dyeing	No
In-house embroidery	Yes
In-house washing	Yes
Cutting machines	2
Mechanical sewing machines	104
Needle detectors	2
Oeko-Tex Standard 100 certification	Yes
Printing lines	5

Exports by product

Bottoms	—
Dresses	100%
Outerwear	—
Sports apparel	—
Suits & separates	—
Tops	—

Exports by market

North America	10%
European Union	80%
Europe (non-EU)	—
Asia-Pacific	—
Middle East	—
Africa	10%

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase more than 20%
- **Target market**
Africa
- **Capital expenditure**
No increase
- **Major challenge**
Yuan-USD exchange rate
- **Export capability**
Improve operating efficiency
- **R&D focus**
Prints, trims & embroidery

Popular export models



Bridal gown

Model	57907
MOQ	10 pieces
Packaging	Carton
Delivery	40 days
Price	\$180.00

Description: Nylon organza; nylon lining; embroidered floral motif; white or ivory; in various sizes; other designs and colors available



Evening dress

Model	8231
MOQ	10 pieces
Packaging	Carton
Delivery	40 days
Price	\$90.00

Description: Nylon chiffon; nylon lining; apricot; in various sizes; other designs and colors available



Evening dress

Model	90220
MOQ	10 pieces
Packaging	Carton
Delivery	40 days
Price	\$120.00

Description: Nylon organza; nylon lining; deep blue; in various sizes; other designs and colors available

PRODUCT GALLERY

Outerwear



Fuzhou Fedtex
(profile page 54)
Model: FEDLJKT 181
MOQ: 800 pieces per color
Packaging: Buyer-specified
Delivery: 60 days
Price: •
Description: Women's softshell jacket; 75d polyester pongee and Lycra; 200gsm microfleece backing; custom colors; sizes S to XXL



Fuzhou Fedtex
(profile page 54)
Model: FEDMJKT 207
MOQ: 800 pieces per color
Packaging: Buyer-specified
Delivery: 60 days
Price: •
Description: Men's two-piece winter jacket; outer: 100% polyester microfiber with PU coating, 210t polyester taffeta lining, 1,500mm water resistance; inner: 100% polyester polar fleece, 280gsm, anti-pilling; full taped seams; in various colors; sizes S to XXL



Gozi
(profile page 56)
Model: G0053
MOQ: 200 pieces
Packaging: PE bag
Delivery: 30 days
Price: \$13.70 to \$21.50
Description: Casual jacket; 100% cotton; zipper closure; green, white, black or orange; sizes XS to XL; 350g



Haining Zhanao
(profile page 60)
Model: YT018
MOQ: 500 pieces
Packaging: Polybag
Delivery: 45 days
Price: •
Description: Women's casual jacket; 95:5 combed cotton-spandex French terry; 250gsm; zipper closure; cowl neck; three-fourth sleeves; in various colors; sizes XS to XXL



Hangzhou Bestsino
(profile page 62)
Model: Padding Short Blazer
MOQ: 500 pieces
Packaging: Polybag
Delivery: 35 days
Price: \$9.50
Description: Cropped blazer; 65:30:5 cotton-nylon-spandex; 220gsm; 100% polyester lining; button closure



Hangzhou Bestsino
(profile page 62)
Model: BST0127-19
MOQ: 500 pieces
Packaging: Polybag
Delivery: 35 days
Price: \$25.80
Description: Parka; 100% nylon; 210t polyester lining; 70% down padding; button closure; sizes 36 to 44

• Information not disclosed

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