

Baby & Children's Wear



July 2010 US\$395

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BABY & CHILDREN'S WEAR

Supplier capability in China

EXECUTIVE SUMMARY

China's baby and children's wear exports are expected to increase 20 percent by the end of 2010.

Recent export figures indicate suppliers are on track to meet this growth rate. The country's garment shipments for the first quarter of the year rose 8 percent to \$21 billion worth, while overseas revenue from footwear grew 15 percent to \$7.2 billion. The data includes sales of men's and women's models, although approximately 30 percent represents designs for users up to 12 years old.

Escalating labor and material expenditure, however, is threatening profitability. Various measures are being employed to sidestep such increases. Keeping outlay low helps maintain competitive pricing and protect net gains.

The following are some of the key developments we see in China's baby and children's wear industry:

- Companies are upgrading machinery to compensate for a leaner team. Automatic sewing equipment aids in sustaining output because of higher yield despite fewer operators.
- Suppliers are relocating factories to inland provinces such as Anhui, Jiangxi and Sichuan to sidestep the worker deficit in the coastal areas. Those unwilling to leave the Southern provinces are moving to districts that are less-developed.
- Businesses are emphasizing upscale products to broaden margins. Releases employ inputs compliant with REACH and CPSIA. They also boast better construction and intricate detailing.
- Exporters are purchasing textiles of various grades from multiple locations. The fibers are then blended to achieve the lowest possible cost without compromising design integrity.
- Makers with weaving and knitting capability are boosting the utilization of in-house fabrics to dodge processing fees from upstream providers and create savings.

China suppliers of baby and children's wear produce coats, jackets, vests, cardigans, sweaters, pullovers, shirts, blouses, shorts, pants, skirts, dresses, bodysuits, undergarments, nightclothes, swimsuits, fashion accessories and footwear. 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 cotton rates and the scarcity of manpower. It also details the steps companies are taking to address these challenges.

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 operations comprise the majority of China's baby and children's wear manufacturing base. Approximately 75 percent of all companies are private locally owned and the rest have outside participation or are SOEs.

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

Reflecting this structure, 90 percent of suppliers profiled in this report are private locally owned businesses. About 5 percent has funding from Hong Kong. The rest is publicly listed.

Roughly one-half of featured companies come from Fujian. Nearly one-fourth is located in Zhejiang and 11 percent consists of Guangdong-based exporters.

More than 50 percent of the suppliers in this report have been in the manufacturing and export industry for at least a decade.

In this report

- 37 in-depth company profiles
- 13 additional suppliers
- 169 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.

CONTENTS

INDUSTRY OVERVIEW	7
Supplier summary	
Production & exports	
Main production centers	
Supplier demographics	
Babywear	10
Children's wear	12
Sunglasses	22
Hair accessories	23
Hats & caps	24
Footwear	25
Supplier survey	28
Export prices, export sales, target markets, capital expenditure, challenges, capability, R&D focus	
SUPPLIER PROFILES	31
Supplier locations	
Industry composition	
Exporter ranking	
Supplier matrix	
Production checklist	
Supplier profiles	
PRODUCT GALLERY	117
Top-selling export products	
ADDITIONAL SUPPLIERS	149
Key products, contact details	

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INDUSTRY OVERVIEW

China suppliers of baby and children's garments, footwear and fashion accessories are confident that the rest of the year will bring up to 20 percent export growth in terms of both volume and value.

In the first quarter of 2010, the country's apparel shipments reached nearly 6.5 billion pieces worth \$21 billion, reflecting a year-on-year increase of 9 and 8 percent quantity- and saleswise. More than 30 percent is estimated to be for users 12 years old and younger.

Overseas revenue for footwear in the same period amounted to \$7.2 billion for 995.2 million kilograms, rising 15 and 16 percent from the previous corresponding span. Less than 30 percent represent models for infants and children.

Despite the positive outlook, however, manufacturers are taking steps to counter rising production outlay. Companies are also boosting efficiency so that they can keep prices competitive while maintaining profit margins.

In particular, cotton costs have been on an upward trend since the second half of last year.

The material is the most widely utilized in the clothing and headwear categories. It is also commonly adopted for shoe uppers.

The factors influencing the escalation go back to 2008, during which soaring crude oil prices increased farmers' expenditure for fertilizers, pesticides and agricultural film. When the financial crisis hit, demand for the crop plummeted. By December, only 60 percent of yield was sold at rates 30 percent lower than in 2007.

Unable to recoup disbursements, growers reduced 2009 planting area by 15 percent. Coupled with climate problems, this brought annual output down by a similar ratio to 6.4 million tons.

As global economies recover and consumers return to spending, the

limited fiber supply is stimulating rates.

Another challenge is higher transport expenses from Xinjiang, where one-third of China's cotton is grown, to textile mills and garment factories in the coastal provinces.

The country has been importing to augment stock, mainly from India and the US.

In January and February 2010, 265,460 tons of the fiber was purchased from the latter, 1,694 percent more YoY. A decision to halt exports of cotton for five weeks from April 19, however, put the US as the top foreign source. India has since resumed outbound shipments under a license system.

China also procures from Africa and Uzbekistan.

The mid-June spot price for 328-grade cotton fiber was 17,862 yuan per ton, nearly 40 percent higher than a year ago.

As processing costs are being passed downstream, companies are currently purchasing 160 to 180gsm cotton jersey and interlock at \$5,000 to \$6,000 per ton. Fabric rates have gone up by about 30 percent in the past six months.

Further, the shortage of manpower, particularly in coastal locations, is resulting in elevated labor expenses. Outlay climbed 10 to 30 percent in many plants.

A primary cause of the problem is that the new generation of workers is concerned with quality-of-life issues.

Opportunities for travel, learning, career development and nurturing a family are being considered before relocating to the southern region.

Migrants are opting to find employment in inland provinces, which not only boast lower living costs, but are also near the staff members' homes. More jobs with competitive remuneration are now available there as a result of various industrial and infrastructure developments.

Supplier summary

Suppliers surveyed	37
Export sales	\$236.5mn
Export ratio	61%
OEM business	67%
Capacity utilized	46%
Annual R&D spending	\$31.2mn
Full-time employees	41,169

Data: All surveyed suppliers

Consequently, suppliers are augmenting wages to fill empty positions.

At present, the average monthly salary in the majority of factories is between \$300 and \$370, including overtime pay. Free board, lodging and recreational activity centers are also provided.

Besides raising compensation, many businesses are improving working conditions and giving better benefits to retain personnel. All staff members of garment maker Quanzhou Qingyi, for instance, are covered by social security.

Some manufacturers, however, believe these are only short-term solutions. Plants are therefore taking another approach in facing the labor challenge.

Facilities are being upgraded by replacing manually operated machines with automatic or computerized versions. This way, production can proceed smoothly despite having fewer workers.

Efficiency is also improved, as output is higher while defect rates are decreased.

Allwear Fashion Ltd, a trading company featured in this report, invested almost \$45,000 in procuring 100 units of automatic sewing equipment. Each machine yields 600 pieces daily, about 8 percent more than the quantity made using the old hardware.

In addition, a number of enterprises have seized the opportunity to establish factories in interior provinces such as Anhui, Sichuan and Jiangxi.

A&J Import & Export Co. Ltd



A&J's selection of baby and children's footwear generated \$3.8 million last year, representing 80 percent of aggregate sales. The balance is from men's and women's shoes.

All output in the featured line is sent to North America, Europe and the Asia-Pacific region. Seventy percent of orders are ODM-based. The rest falls under OEM contracts.

The ISO 9001:2000-compliant company yields 64,000 pairs monthly. Operations are held in a 5,000sqm factory running at 80 percent of capacity.

Located in Fujian province, the plant is equipped with 150 sewing, eight cutting and two lasting machines. Needle detectors are also available.

The manufacturer has a workforce totaling 500. Ten personnel are assigned to the QC department, while 20 employees handle product development.

About 7 percent of total sales are allotted to R&D of all categories each year. Functional elements will be the focus for baby and children's footwear.

Overseas revenue is forecast to increase more than 20 percent.

Company facts

Year established	2007
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Quanzhou (Fujian)
Number of factories	1
Factory location(s)	Quanzhou (Fujian)
Total factory area	5,000sqm
No. of full-time employees	500
No. of R&D/design staff	20
No. of QC staff	10
Annual sales (all products)	\$4.8mn
Annual R&D spending	\$350,000
ISO certification	Yes

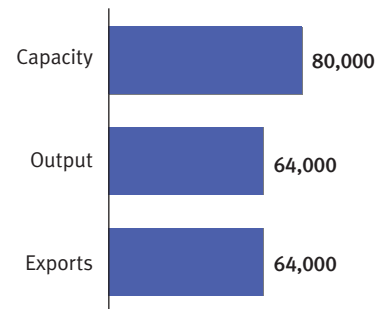
Sales & output: Baby & children's wear

Annual sales	\$3.8mn
Share of total sales	80%
Annual export sales	\$3.8mn
Total monthly capacity	80,000 pairs
Average monthly output	64,000 pairs
Capacity utilized	80%
Average monthly exports	64,000 pairs
Export ratio	100%
OEM % of exports	30%
ODM % of exports	70%
OBM % of exports	—
Other products made	Men's and women's shoes

Profile

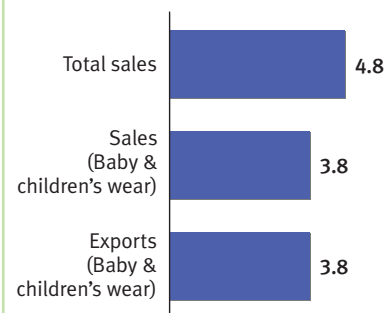
Production

pairs/mth



Sales

\$mn/yr



Contact details

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Capability

Production checklist

Cutting machines	8
In-house embroidery	No
In-house printing	No
In-house testing	No
Knitting machines	—
Lasting machines	4
Needle detectors	2
Oeko-Tex Standard 100 certification	No
Plastic-injection machines	—
Sewing machines	150

Exports by product

Bodysuits	—
Outerwear	—
Shirts & blouses	—
Shorts & pants	—
Skirts & dresses	—
Sleepwear & underwear	—
Swimwear	—
Accessories	—
Footwear	100%

Exports by market

North America	15%
European Union	75%
Europe (non-EU)	5%
Asia-Pacific	5%
Middle East	—
Other	—

Survey

- **Export prices**
Increased
- **Export price increase**
11-15%
- **Export sales**
Increase more than 20%
- **Target market**
North America
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Labor costs
- **Export capability**
Improve operating efficiency
- **R&D focus**
More functional elements

Popular export models



Sports shoe

Model	AJ-1001
MOQ	1,500 pairs
Packaging	Colored box
Delivery	45 days
Price	\$4.30

Description: Soft PU upper; mesh lining; pigskin insole; TPR outsole; European sizes 28 to 35; in various colors; one pair per colored box, 12 or 24 pairs per carton



Sports shoe

Model	AJ-J101
MOQ	1,500 pairs
Packaging	Colored box
Delivery	45 days
Price	\$4.85

Description: Soft PU upper; mesh lining; mesh and soft EVA insole; TPR outsole; European sizes 26 to 35; in various colors; one pair per colored box, 12 or 24 pairs per carton



Sneaker

Model	AJ-J105
MOQ	1,500 pairs
Packaging	Colored box
Delivery	45 days
Price	\$5.50

Description: Action cowhide and PU upper; mesh lining; pigskin and EVA insole; TPR outsole; European sizes 23 to 35; in various colors; one pair per colored box, 12 or 24 pairs per carton

PRODUCT GALLERY

Bodysuits



Allwear

(profile page 42)

Model: AW-09884

MOQ: 1,500 sets

Packaging: Hanger

Delivery: 90 days

Price: \$1.80

Description: Two-piece romper set; 100% combed cotton; 1x1 jacquard pattern and 2x2 rib; 180gsm; for 3 to 24 months old; in various colors; 20 or 30 sets per carton



Allwear

(profile page 42)

Model: AW-09888

MOQ: 1,500 pieces

Packaging: Hanger

Delivery: 90 days

Price: \$1.80

Description: Romper; 100% combed cotton interlock; 180gsm; for 3 to 24 months old; in various colors; 20 or 30 pieces per carton



Allwear

(profile page 42)

Model: AW-09890

MOQ: 1,500 pieces

Packaging: Hanger

Delivery: 90 days

Price: \$1.80

Description: Romper; 100% combed cotton single jersey; 180gsm; for 3 to 24 months old; in various colors; 20 or 30 pieces per carton



Beingmate

(profile page 48)

Model: Baby-V001

MOQ: 2,000 pieces

Packaging: Polybag

Delivery: 60 days

Price: •

Description: Romper; 80:20 organic cotton-polyester velvet; 220gsm; metal button closure; applique and embroidery; in various colors; IMO



Beingmate

(profile page 48)

Model: Baby-V003

MOQ: 2,000 pieces

Packaging: Polybag

Delivery: 60 days

Price: •

Description: Romper; 80:20 organic cotton-polyester velvet; 220gsm; metal button closure; applique and embroidery optional; in various colors; IMO



Beingmate

(profile page 48)

Model: Baby-V002

MOQ: 2,000 pieces

Packaging: Polybag

Delivery: 60 days

Price: •

Description: Romper; 80:20 organic cotton-polyester velvet; 220gsm; metal button closure; applique and embroidery; in various colors; IMO

• Information not disclosed

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