

Bags & Wallets



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BAGS & WALLETS

Supplier capability in China

EXECUTIVE SUMMARY

Suppliers of bags and wallets in China are positive 2010 will bring better prospects for export sales, but are nonetheless being prudent about their expectations. While several companies have been reporting improved business in recent months, it is still uncertain whether exports are on their way to full recovery or if the rebound is only temporary.

In the eight months to August 2009, China shipped out nearly 333 million kilograms of fabric, leather and plastic fashion bags worth \$2.2 billion. It is difficult to ascertain how the volume of exports has changed year-on-year as previous data was collected in terms of pieces and not kilograms. Overseas sales, however, fell 12 percent. During the same period, the country sent abroad more than 235 million wallets at a value exceeding \$686 million, down 21 and 3 percent compared with the previous corresponding span.

The following are some of the key developments we see in China's bags and wallets industry.

- Companies are continuing to invest in measures to boost efficiency. This measure has, in fact, kept many factories in the black, even when orders ran low.

- Suppliers are increasing their presence in emerging economies such as the Middle East and non-EU countries, believing that doing so will help bolster sales. Shipments have actually been increasing at a fast pace, with exports to the Middle East growing 153 and 102 percent for fashion bags and wallets in 2008.

- To boost overseas revenue, makers are increasing their participation in trade shows and online marketing promotions. In addition, some are offering samples of small or simple models for free. Fees charged for larger or more complicated prototypes can be refunded as well, but only once a minimum quantity is ordered.

- Despite the heightened focus on new markets, businesses will continue targeting traditional destinations. Among the respondents in Global Sources' survey, 88 percent indicated that the EU and North America will remain their primary export markets.

China suppliers produce wallets, business, special-purpose, and fabric, leather and straw bags. 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 as well.

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

The Industry Overview explains how suppliers are responding to the sudden surge in orders from overseas markets amid a persistent shortage of labor. Moreover, it illustrates the types of operations that have been hit badly by the deficit in workers and which ones have been relatively unaffected.

Roughly 70 percent of the bags and wallets export manufacturing industry in China is comprised of small and midsize companies.

Approximately 80 percent of all suppliers are private locally owned companies, and the rest have outside participation.

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

Reflecting this structure, 86 percent of suppliers profiled in this report are private local businesses. The rest have participation from Hong Kong investors.

Nearly 50 percent of featured companies come from Fujian. About one-fourth are based in Guangdong. Exporters from Shandong and Zhejiang each account for 14 percent of profiled suppliers.

In this report

- 28 in-depth company profiles
- 22 additional suppliers
- 136 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. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

CONTENTS

INDUSTRY OVERVIEW	7
Supplier summary	
Production & exports	
Main production centers	
Supplier demographics	
Fashion bags	10
Business bags	14
Wallets	16
Special-purpose bags	18
Supplier survey	19
Export prices, export sales, target markets, capital expenditure, challenges, capability, R&D focus	
SUPPLIER PROFILES	23
Supplier locations	
Industry composition	
Exporter ranking	
Supplier matrix	
Production checklist	
Supplier profiles	
PRODUCT GALLERY	89
Top-selling export products	
ADDITIONAL SUPPLIERS	114
Key products, contact details	

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INDUSTRY OVERVIEW

The bags and wallets industry in China is seeing some signs of recovery from the global economic slump. Cautious suppliers, however, are reining in optimism as they try to ascertain whether the rebound is due only to seasonal factors.

Many businesses in the coastal hub of Guangdong province, for instance, have seen transactions jump in recent months. But the majority are rush orders scheduled to be shipped out in time for the Christmas retail season. In some cases, buyers needed only to replenish dwindling stock.

Despite the uncertainty of whether production will continue through the next year, most companies accepted the purchase requests, even those that have limited manpower.

During the past year, several factories had to suspend some production lines and cut down on their workforce to keep expenses to a minimum and maximize cash flow. Many of those who were laid off, however, were able to find employment in their hometowns and have stopped seeking jobs in the coastal factories.

To accommodate rising demand, several businesses are negotiating extended lead times with clients, often by an additional eight to 10 days. In these instances, the turnaround can be as long as three months.

The only other alternative for most operations is to raise prices by about 5 percent. The added charge is to pay for the extra hours workers need to render to finish orders and for the resulting overhead expenses. It may also be used to account for supplemental costs incurred if some jobs need to be subcontracted, just to meet the deadlines.

But not all makers have this problem. Many of those that had to extend lead times or raise quotes are based in Guangdong, where there were the most number of layoffs and factory closures.

A large number of Fujian suppliers, however, were able to maintain their

workforce even at the height of the financial downturn. Several plants granted extended vacations to their employees during the low season, thereby ensuring they still have sufficient manpower when demand rises. Some operations also received orders from buyers who previously contracted with Guangdong factories. As such, production did not fluctuate dramatically at these plants.

Because Fujian businesses have a relatively stable labor force and a steady stream of purchase requests, many of them were able to reduce lead times. At some makers, turnaround has been cut to 20 days from the usual 40. This comes as clients continue to procure in smaller quantities.

Most of these companies were able to keep export prices unchanged.

Further, suppliers that expanded to new markets such as the Middle East and non-EU countries are enjoying

Supplier summary

Suppliers surveyed	28
Export sales	\$123.6mn
Export ratio	86%
OEM business	59%
Capacity utilized	70%
Annual R&D spending	\$6.4mn
Full-time employees	14,363

Data: All surveyed suppliers

moderate growth. China's exports of fashion bags in leather, plastic and fabric to these destinations exceeded \$80 million and \$718 million in 2008, up 153 and 120 percent year-on-year. Outbound shipments of wallets to the Middle East also improved 102 percent to about \$25 million.

In contrast, the EU's share of fashion bag imports fell from 40 percent in 2007 to 29 percent last year. In the eight months leading to August 2009, the market absorbed only 23 percent of total outbound shipments.

Major customers

Company	
Chanch	MK1 (UK)
Fineness	HTC (Taiwan); Apple, Belkin (US)
Fuzhou Chans	Wal-Mart (US); Kaufland (Germany); OX Srl, Carpisa (Italy)
Fuzhou Hunter	Office Depot, Office Max (US)
Green Numen	Bebe (US)
Guangdong Winpard	Walker (Austria), Umbro (UK)
Huanghua	L'Oreal (France), Nivea (Germany), Avon (US)
Ningbo Sureway	Bagzone, Next (UK); NKD (Germany)
Qingdao Benteng	Kmart, Liz Claiborne, Marlboro (US)
Quanzhou Best	Ogio, Target (US); Kipling (Brazil)
Quanzhou Hongwei	High Sierra, Kmart, Target, Wal-Mart (US)
Quanzhou Sandoo	Disney, Wal-Mart, Budweiser (US)
Rongcheng	HSN, Carlos Falchi, Office Depot, Officemax (US); Sony (Taiwan); Panasonic (Japan)
Sky	Kristine (US), Giftcraft (Canada)
Sunlik	Wal-Mart, Kmart (Australia)
Wenling Shunpu	Tesco (UK), Wal-Mart (US)
Xiamen Idea Star	Schreuders Sport (the Netherlands), Stag (UAE)

Data: All surveyed suppliers

Fineness Communication Accessories Co. Ltd

Bags and wallets account for 90 percent of Fineness' \$3.8 million annual revenue.

Total sales in the line reached \$3.4 million last year, with 200,000 pieces made each month. Of this, 85 percent is exported to North America, the EU and the Middle East.

ODM orders constitute 60 percent of shipments. OEM contracts make up 35 percent and the in-house brand accounts for the rest.

The line consists of business, special-purpose and leather fashion bags, and wallets.

The company's 3,500sqm factory runs at 67 percent of capacity. The ISO 9001:2000-certified facility has 200 workers, 20 of whom carry out QC.

There are also 23 R&D members. Product development in the line emphasizes convenience features such as organizer pockets.

Export sales are expected to increase by more than 20 percent in the next 12 months, with North America as the intended target market.

In the same period, Fineness will raise capital expenditure by more than 50 percent.

Company facts

Year established	2003
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Dongguan (Guangdong)
Number of factories	1
Factory location(s)	Dongguan (Guangdong)
Total factory area	3,500sqm
No. of full-time employees	200
No. of R&D/design staff	23
No. of QC staff	20
Annual sales (all products)	\$3.8mn
Annual R&D spending	\$12,000
ISO certification	Yes

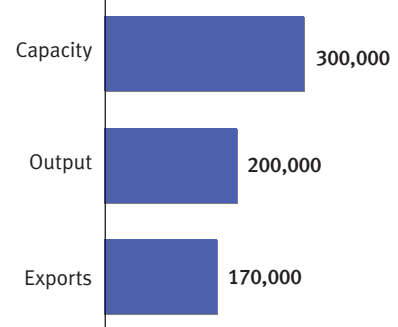
Sales & output: Bags & wallets

Annual sales	\$3.4mn
Share of total sales	90%
Annual export sales	\$3.1mn
Total monthly capacity	300,000 pieces
Average monthly output	200,000 pieces
Capacity utilized	67%
Average monthly exports	170,000 pieces
Export ratio	85%
OEM % of exports	35%
ODM % of exports	60%
OBM % of exports	5%
Major customers	HTC (Taiwan); Apple, Belkin (US)
Other products made	Armbands

Profile

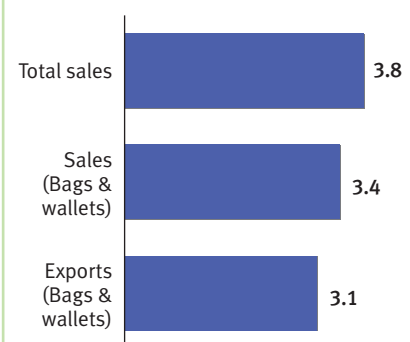
Production

pieces/mth



Sales

\$mn/yr



Contact details

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Capability

Production checklist

Cutting machines	14
Hot-sealing machines	2
Mechanical sewing machines	36
Needle detectors	5
Printing lines	—
Riveting machines	8

Exports by product

Business bags	5%
Fabric fashion bags	—
Leather fashion bags	5%
Straw fashion bags	—
Special-purpose bags	85%
Wallets	5%

Exports by market

North America	50%
European Union	10%
Europe (non-EU)	—
Asia-Pacific	—
Middle East	40%
Other	—

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase more than 20%
- **Target market**
North America
- **Capital expenditure**
Increase more than 50%
- **Major challenge**
Labor costs
- **Export capability**
Shorten design/development time
- **R&D focus**
Convenience features (organizer pockets, durable zippers, etc.)

Popular export models



E-book reader case

Model	GE001
MOQ	3,000 pieces
Packaging	PP bag, carton
Delivery	15 days
Price	\$2.85

Description: Neoprene; nylon zipper closure; custom sizes; in various colors



E-book reader case

Model	GE005
MOQ	3,000 pieces
Packaging	PP bag, carton
Delivery	25 days
Price	\$3.45

Description: PU, microsuède, neoprene and molded EVA; microsuède lining; nylon zipper closure; custom sizes; in various colors



Laptop sleeve

Model	GF001
MOQ	1,000 pieces
Packaging	PP bag, carton
Delivery	15 days
Price	\$3.15

Description: Suitable for 14in notebook; neoprene; nylon zipper closure; one compartment; in black

PRODUCT GALLERY

Leather fashion bags



Bagteam
(profile page 30)
Model: 09-A0016
MOQ: 800 pieces
Packaging: Polybag
Delivery: 50 days
Price: \$2.37
Description: Bowler bag; patent PVC leather; 190t nylon lining; water-resistant; nylon zipper closure; two pockets; 33x20.5x9cm; in various colors



Bagteam
(profile page 30)
Model: 09-A0017
MOQ: 800 pieces
Packaging: Polybag
Delivery: 50 days
Price: \$3.36
Description: Shoulder bag; patent PVC leather; 190t nylon lining; water-resistant; nylon zipper closure; two pockets; adjustable strap; 21x26x8.5cm; in various colors



Bagteam
(profile page 30)
Model: 09-A0018
MOQ: 800 pieces
Packaging: Polybag
Delivery: 50 days
Price: \$2.68
Description: Tote bag; patent PVC leather; 190t nylon lining; water-resistant; nylon zipper closure; two pockets; 41x28.5x13cm; in various colors



Bagteam
(profile page 30)
Model: 09-B001
MOQ: 800 pieces
Packaging: Polybag
Delivery: 50 days
Price: \$3.16
Description: Shoulder bag; PU leather; 190t nylon lining; nylon zipper closure; two pockets; 34x21x9cm; adjustable webbing strap; in various colors



Bagteam
(profile page 30)
Model: 09-B002
MOQ: 800 pieces
Packaging: Polybag
Delivery: 50 days
Price: \$2.81
Description: Shoulder bag; PU leather; 190t nylon lining; nylon zipper closure; two pockets; 29x21x14cm; adjustable webbing strap; in various colors



Chanch
(profile page 32)
Model: CBG19447
MOQ: 100 pieces
Packaging: Polybag
Delivery: 25 days
Price: \$8.30
Description: Hobo bag; PU suede; cotton lining; PU handles; water-resistant; leopard-skin printed side panels; zinc alloy zipper closure and trimming; 43x33x17cm; in black, brown or red

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