

Fashion Accessories



April 2010 US\$395

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FASHION ACCESSORIES

Supplier capability in China

EXECUTIVE SUMMARY

China's fashion accessories industry remains positive that 2010 will see an overall recovery from the worldwide economic slump. In fact, most suppliers anticipate overseas sales to climb at least 10 percent during the next 12 months.

In 2009, exports in some product lines rose as businesses boosted sales to alternative markets. For the hosiery segment, moreover, US quota elimination served as a boon to companies. Other categories, however, still contracted due to weak demand.

Apart from a market rebound, caution that the recent winter snowstorms in the Northern Hemisphere may be repeated is expected to stimulate orders for hats, caps, gloves and scarves.

Even as export growth is forecast, however, profitability is being jeopardized by rising material and labor outlay.

Suppliers are absorbing most of the additional expenses as price sensitivity is still a general sentiment among buyers. Therefore, cost controls are presently being emphasized.

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

- Makers are suggesting less expensive materials and fabrication techniques to achieve buyers' desired quotes and product appearance. An example is substituting brass with zinc alloy.

- Manufacturing inputs for large orders are being procured in just one batch to avoid future rate increases.

- Strategic alliances are being formed among businesses so that component requirements can be pooled and bigger discounts requested. The partnerships also foster efficiency and output consistency.

- More exporters are transferring production facilities to inland provinces to take advantage of lower rent, utility and labor rates.

China suppliers of fashion accessories offer belts and buckles, sunglasses, optical frames, reading glasses, gloves, hats, caps, hair accessories, hosiery, and neckwear. These are also the scope of this report.

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

The manufacturing and QC processes are discussed for some of the key products. It also elaborates on the industry composition, highlighting key characteristics of the different types of companies.

This section provides a general review of the major export and manufacturing hubs for each line as well.

The Industry Overview illustrates how suppliers' overseas sales in the past year are influencing growth projections. Further, it explains the measures businesses are taking to reduce expenses.

The fashion accessories export manufacturing industry in China is comprised of small and midsize operations, and about 50 percent have direct export capability.

At least 80 percent of all suppliers are private locally owned companies, less than one-fifth have foreign participation and the rest are publicly listed or SOEs.

The provinces of Zhejiang, Jiangsu and Guangdong are the main manufacturing centers for fashion accessories. Zhejiang contributes roughly 37 percent to national exports in the line, while Jiangsu accounts for 13 percent. Guangdong represents 11 percent of overseas sales.

Reflecting this structure, 84 percent of suppliers profiled for this report are private local businesses. Nearly one-half of featured companies come from Zhejiang, 21 percent from Jiangsu and 17 percent from Guangdong.

In this report

- 29 in-depth company profiles
- 18 additional suppliers
- 135 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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INDUSTRY OVERVIEW

Signs of recovery and opportunities for growth are present in China's fashion accessories industry, but rising material and labor costs are threatening to erode suppliers' profitability.

Exports in the various product categories performed differently in 2009. For example, shipments of optical frames for the whole year increased 17 percent in terms of volume to 200 million pairs worth \$517 million compared with 2008. Reading glasses volume sales were also higher by 15 percent. Stronger demand from Asia is one of the main reasons for the increase. Two years ago, combined exports to the region from both lines averaged \$27 million per month. The same was \$31.8 million by 1Q09.

Likewise, overseas revenue of socks, pantyhose and legwarmers climbed 3 percent YoY to \$1.5 billion during the first half of 2009. Growth is attributed to the lifting of US quotas on imports of cotton, wool and synthetic-fiber hosiery. Additionally, many suppliers have been targeting markets other than the US and the EU, including South America, Africa, the Middle East and Southeast Asia.

China makers also sent 10 percent more scarves and shawls to foreign destinations in 2009 than the previous year. Popularity is mainly because the items are an economical way to update wardrobes. In the final month, rush orders due to winter storms in the Northern Hemisphere also contributed to revenue.

The headwear and gloves segments received a boost from the weather phenomenon as well, but not enough for full-year figures to register positive growth. Income from foreign transactions each dropped approximately 20 percent.

Moreover, exports of synthetic and genuine leather belts between January and October 2009 decreased 16 percent YoY to \$289.1 million.

Necktie exports throughout the year also declined more than 10 percent. Sales of sunglasses were reduced by a similar rate in both volume and value to just over 800 million pairs worth \$714 million.

Regardless of 2009 performance, makers are optimistic that 2010 will see an increase in transactions. Apart from an overall recovery from the financial slump, suppliers of headwear, gloves, hosiery and neckwear, in particular, expect buyers to augment orders in case the extreme conditions will be repeated in the coming winter.

An escalation in material and worker expenditure, however, is cutting into manufacturers' margins.

The rate for 328-grade cotton is now 33 percent higher than a year ago at 15,236 yuan per ton. During the same period, polyester went up between 29 and 40 percent in 2009, with various densities of DTY going for 11,700 to 14,650 yuan.

Viscose filament prices rose 4 percent to 34,100 yuan per ton. The same weight of 40d spandex grew 38 percent to 56,000 yuan.

Metal is also following the upward trend. Since January 2009, the per-ton rates for zinc and iron have been augmented by \$70, while those for copper and brass increased by more than \$1,000.

At the start of 2010, the cost of bronze was \$7,800 per ton, twice as much as 12 months ago. Aluminum and nickel also climbed 35 and 50 percent YoY.

Further intensifying inflation is the low stock and lean workforce that material suppliers maintained during the global economic crisis. Once demand for manufacturing inputs rebounded, providers had to hire extra workers or pay for overtime under efforts to boost yield.

Makers face the same scenario in their own plants so labor spending has gone up as well.

Apart from the urgency of staffing

Supplier summary

Suppliers surveyed	29
Export sales	\$189.8mn
Export ratio	68%
OEM business	69%
Capacity utilized	57%
Annual R&D spending	\$7.1mn
Full-time employees	11,145

Data: All surveyed suppliers

requirements, fewer migrants are willing to take jobs at the coastal hubs because positions with competitive salaries are available in their hometowns, where the cost of living is much lower. As a result, companies have increased wages by about 10 percent to attract applicants.

To maintain skilled workers, 5 to 10 percent raises are granted to those who are able to shift swiftly from producing one style to another. This is important as buyers now order fewer items per transaction. Free use of the canteen, air-conditioned dormitory, multimedia recreation center and basketball court is also offered to encourage employee loyalty.

Moreover, incentives are given to personnel who stay or return promptly from the Chinese New Year holiday. A \$60 bonus is given to those who are able to recruit relatives and friends.

Over the past year, crude oil prices rose 75 percent from roughly \$46 per barrel to \$80. This development is reflected in shipping expenses. For example, sea freight rates from Ningbo, Zhejiang province, to South America have doubled compared with the first half of 2009.

Despite larger outlay, most makers are unable to pass the extra costs to buyers. Many inform clients of upward adjustments in expenditure to convince them to accept price markups, but most are unwilling to do so. Often, suppliers have to handle orders at margins no higher than 5 percent. Some even agree to just break even so that they can maintain existing customers, and prevent production lines from being

Guangzhou Xinchao Yue Hardware Co. Ltd

Guangzhou Xinchao Yue exports belts and accessories to clients in North America, Europe, the Asia-Pacific region, the Middle East and South Africa.

Production is carried out at three factories in Shishi, Fujian province. Together, the plants have an area of 12,000sqm. The combined monthly capacity and output is 5 million and 3 million pieces, respectively.

Among the company's 1,200 workers are 20 specialists who spend \$400,000 on product development in all categories every year.

The supplier posted total income of \$15 million last year, with sales in the line representing 96 percent. It ships an average of 2.4 million pieces each month. Of these, 80 percent is under OEM contracts. The rest is sent abroad on an ODM basis.

Guangzhou Xinchao Yue plans to boost its annual capital expenditure by up to 50 percent in the year ahead. During the same period, revenue is anticipated to grow between 10 and 20 percent.

Prices increased less than 5 percent in the past three months.

Company facts

Year established	1983
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Shishi (Fujian)
Number of factories	3
Factory location(s)	Shishi (Fujian)
Total factory area	12,000sqm
No. of full-time employees	1,200
No. of R&D/design staff	20
No. of QC staff	15
Annual sales (all products)	\$15.0mn
Annual R&D spending	\$400,000
ISO certification	No

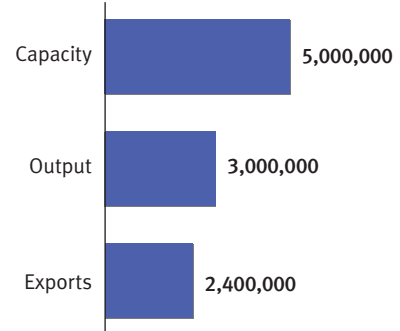
Sales & output: Fashion accessories

Annual sales	\$14.4mn
Share of total sales	96%
Annual export sales	\$11.5mn
Total monthly capacity	5,000,000 pieces
Average monthly output	3,000,000 pieces
Capacity utilized	60%
Average monthly exports	2,400,000 pieces
Export ratio	80%
OEM % of exports	80%
ODM % of exports	20%
OBM % of exports	—
Other products made	Metal labels, bag buckles

Profile

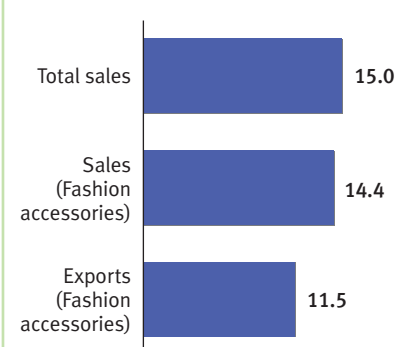
Production

pieces/mth



Sales

\$mn/yr



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Capability

Production checklist

Automatic frame-forming machines	—
Automatic lens cutters	—
Cutting machines	—
In-house fabric testing	No
Forming machines	12
Knitting machines	—
Mechanical sewing machines	5
Needle detectors	—
Plastic-injection machines	—
Soldering machines	—

Exports by product

Belts & accessories	100%
Eyewear	—
Gloves	—
Headwear	—
Hosiery	—
Neckwear	—

Exports by market

North America	35%
European Union	10%
Europe (non-EU)	10%
Asia-Pacific	35%
Middle East	2%
South Africa	8%

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase 10-20%
- **Target market**
North America
- **Capital expenditure**
Increase up to 50%
- **Major challenge**
Price competition
- **Export capability**
Improve operating efficiency
- **R&D focus**
Classic/minimalist designs

Popular export models



Belt buckle

Model	CY32929
MOQ	300 pieces
Packaging	PP bag
Delivery	8 days
Price	\$2.30

Description: Zinc alloy; nickel plating; flower shape; rhinestone trimming; 87x87mm; 93g; 10 pieces per inner box



Belt buckle

Model	CY32934
MOQ	300 pieces
Packaging	PP bag
Delivery	8 days
Price	\$1.27

Description: Zinc alloy; brushed bronze plating; also suitable for bags; 83x83mm; 77g; 10 pieces per inner box



Pin belt buckle

Model	CY75719
MOQ	600 pieces
Packaging	PP bag
Delivery	8 days
Price	\$1.72

Description: Zinc alloy; light gold plating; rhinestone inlays; 36mm wide; 73g; 10 pieces per inner box

PRODUCT GALLERY

Belts & accessories



Guangzhou Xin Tian Di
(profile page 42)
Model: BC-C854
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; finished cowhide; zinc alloy buckle with rhinestones; 90 to 115cm long; 1 to 5cm wide; in various colors



Guangzhou Xin Tian Di
(profile page 42)
Model: Lady's Belt-B632
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; finished cowhide; zinc alloy buckle; 90 to 115cm long; 1 to 5cm wide; in red



Guangzhou Xin Tian Di
(profile page 42)
Model: Men's Belt-B922
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; full-grain cowhide; zinc alloy buckle; 105 to 160cm long; 3 to 3.5cm wide; in black or brown



Guangzhou Xin Tian Di
(profile page 42)
Model: BC-D953
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; full-grain cowhide; zinc alloy buckle with rhinestones; 105 to 160cm long; 3 to 3.5cm wide; in black or brown



Guangzhou Xin Tian Di
(profile page 42)
Model: BC-D996
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; finished cowhide; zinc alloy buckle; studded or embossed; 90 to 115cm long; 1 to 5cm wide; in various colors



Guangzhou Xin Tian Di
(profile page 42)
Model: BC-A516
MOQ: 100 pieces per color
Packaging: Cardboard, carton or gift box
Delivery: 30 days
Price: •
Description: Belt; cowhide; PU padding; zinc alloy buckle; 105 to 160cm long; 3 to 3.5cm wide; in black

• Information not disclosed

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