

Holiday & Party Decorations



August 2010 US\$395

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HOLIDAY & PARTY DECORATIONS

Supplier capability in China

EXECUTIVE SUMMARY

Suppliers of holiday and party decorations in China are encountering higher production expenses amid the ongoing labor shortage and the fluctuating cost of materials.

In response to this challenge, the majority of makers are exerting efforts to keep workforces at optimal levels while streamlining their operations for improved manufacturing efficiency.

The imposition of such measures coupled with strengthening demand from key markets is leading to an optimistic export outlook, with most companies anticipating higher overseas shipments through the next 12 months.

The following are some of the key trends we see in the holiday and party decorations industry:

- The utilization of nonstandard colors, patterns and shapes is growing in popularity as makers attempt to increase visual appeal. Examples of these include Christmas lights that form a crown and beer mug-contoured party masks.
- Suppliers of products with electronic components will be improving energy efficiency in line with growing consciousness over this performance aspect.
- The use of environment-friendly materials is among the top R&D concerns of most suppliers. For this end, many of the latest party masks and hats employ PVC instead of the less-expensive PP variant.
- The current workforce shortage is having a detrimental effect on this traditionally labor-intensive industry. To cope, a growing number of makers are boosting salaries and improving factory conditions to keep attract and retain staff.
- Prices are expected to rise in the various categories as material and production costs grow. Such increases, however, will typically be restrained to less than 5 percent as companies attempt to keep quotes at levels attractive to buyers.

- The EU and North America will continue to be the major export destinations in coming months.
- To spur revenue growth, many makers will be focusing on inexpensive models for shipment to alternative markets with less-demanding standards.
- In line with positive expectations for overseas sales, the majority of suppliers are planning increases in their capital expenditure.

This report covers the major categories exported from China: Christmas trees, ornaments and lights, party supplies, masks and costumes, and other holiday decorations.

For each product, the report describes the latest designs, materials, finishes and treatments employed by makers.

It also highlights the factors that are key in determining the price and quality of low-end, midrange and high-end releases.

Projections for the next 12 months for prices, overseas sales, capacity expansion plans and R&D focus are detailed in the Supplier Survey.

The Industry Overview section looks into the key issues faced by manufacturers of holiday and party decorations, and their methods of coping with such challenges.

Reflecting the industry structure, about 85 percent of the enterprises interviewed for this report are mainland-China owned. The rest is backed by Hong Kong, Taiwan and Western investors.

Most are manufacturers with direct export rights, and have at least 11 years of experience in the industry.

The provinces of Guangdong and Zhejiang, and Shanghai are the key manufacturing centers for China-made holiday and party decorations. To represent this accurately, 74 percent of profiled suppliers are from these centers.

In this report

- 28 in-depth company profiles
- 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 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 suppliers of holiday and party decorations are adopting various measures as they try to cope with the current industry challenges. Foremost among these difficulties is the ongoing labor shortage. After the 2010 Spring Festival, many workers did not return from their hometowns to factories in Guangdong and Zhejiang provinces.

As a result, competition for staff has become fierce. To attract new people while retaining existing ones, companies are improving operating conditions and raising salaries, both of which add to expenditure.

The latter step is in line with guidelines imposed by the government in China that impose minimum increases of 10 percent in 24 provinces, with some areas implementing adjustments of more than 20 percent. In Guangdong and Zhejiang, wages are now up by 20 to 30 percent.

In the Christmas lights line, suppliers are boosting subcontracting and increasing stock levels to cope with the labor issue. The first strategy, however, poses the problem of inconsistent product quality.

To deal with this, makers take advantage of the industry's 100 to 200 brokerage firms in Zhejiang. These agents perform inspections for companies, which can send in-house representatives as well.

Further, manufacturing processes are assigned to local workers, mostly idle farmers, who are more experienced and skillful than internal greenhorns.

Going through these middlemen likewise translates to shorter assembly and delivery time because, aside from providing extra manpower, gathering of materials, components and finished items are taken care of.

Prices are not affected despite the addition of brokers to the process since resultant outlay is basically the same as with in-house production.

Subcontractor fees are much lower

than monthly salaries and expenses for maintaining full-time employees.

Farming out through intermediaries is being practiced for several years now but grew exponentially due to the current labor shortage. It is also in effect in other coastal provinces.

Meanwhile, increasing stock, a measure usually taken by large companies, addresses the problem of material availability. Suppliers can estimate the number of models they would need for the season because the line is very traditional, and sales are predictable. Resources are then reserved for rush or extremely large orders.

As China's Halloween mask and costume suppliers are likewise reeling from the impact of the labor shortage, these operations are taking diverse actions to maintain output and delivery terms.

In Fujian and Guangdong provinces, where the scarcity is widespread, companies are reluctant to accept either extremely large or small orders.

With the manpower deficit, bulk manufacture is a challenge. Low-volume purchases are manageable but yield slim margins. They also require the same amount of time, outlay and human resources in sample making as big quantities.

For mass orders, most costume suppliers farm out stitching to local sewing shops, and mask specialists tap artists to handle drawing and painting. Doing so, however, may affect quality since not all subcontractors are highly skillful and may lack workers themselves.

A solution is to set the MOQ from 1,000 to 3,000 pieces until the labor crisis subsides. Makers are adjusting the standard turnaround times as well. Sampling is stretched from 10 to 15 days, while the actual production of a 3,000-piece order, which usually takes 15 to 30 days, gets an extra 30 days.

Another way of addressing the problem is by preparing blanks in

Supplier summary

Suppliers surveyed	28
Export sales	\$107.4mn
Export ratio	70%
OEM business	54%
Capacity utilized	59%
Annual R&D spending	\$9.2mn
Full-time employees	12,330

Data: All surveyed suppliers

advance. When a new order comes, the preformed masks simply have to be trimmed and decorated per specifications, therefore saving time and effort.

But since the customization process goes through a series of buyer-specified revisions, some makers have shifted to in-house designs to have better cost and production control. Many Halloween mask suppliers are moving toward this direction.

In the costumes segment, a lot of companies now rely on automatic machinery more than manual work.

R&D focus

Suppliers of holiday and party decorations in China are rethinking product positioning and tweaking models under efforts to boost overseas shipments.

Makers of Christmas trees and ornaments, for example, are turning to low-end and midrange releases as certain export markets have remained price-sensitive and cautious in their sourcing.

This is contrary to the strategy of some makers in 2009, when moving upmarket was deemed effective to fetch higher margins and remain in the business.

Previously, most manufacturers of artificial Christmas trees were purchasing high-quality PVC in South Korea and Taiwan despite the 20 to 30 percent cost difference with domestic versions. Now, many are reverting to plastic providers in Guangdong, Zhejiang and Jiangsu provinces to cut down primarily on material and

Andy Gift and Pack Industry Co. Ltd



Andy dedicates the whole holiday and party decorations line to party supplies. It manufactures and ships 83,000 pieces each month. Seventy percent of international orders are under OEM contracts.

North America receives four-fifths of exports. Williams-Sonoma, Target and Barnes & Noble in the US are among the company's major clients.

The EU will be the target market in coming months. At present, it acquires 20 percent of shipments.

In a year, the supplier generates \$1 million from the line, which

accounts for one-fifth of total sales.

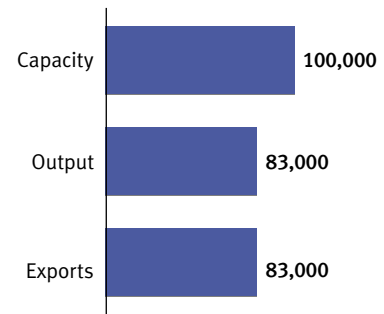
Andy is positive that foreign income will grow more than 20 percent in the next 12 months despite the revaluation of the yuan. To achieve this, the company sees widening product range and concentrating on multifunction designs as key steps to boosting export capability. Such actions will be supported by an increase in capital expenditure of at least 50 percent.

Other products for international markets include greeting cards and dinnerware.

Profile

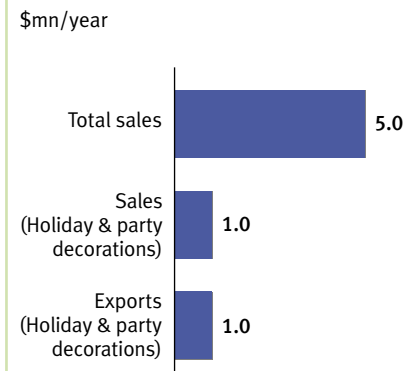
Production

units/mth



Sales

\$mn/year



Contact details

Business contact

XU Carol

Phone

(86-579) 8571-0918

Fax

(86-579) 8571-0996

E-mail

sales@andygiftpack.com

URL

www.andygiftpack.com

www.globalsources.com/

andygiftpack.co

Address

Jiangnanjie Village Industry Zone,
Fotang, Yiwu, Jinhua, Zhejiang, China

Company facts

Year established	1992
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Shanghai
Number of factories	2
Factory location(s)	Jinghua (Zhejiang), Chaohu (Anhui)
Total factory area	5,000sqm
No. of full-time employees	400
No. of R&D/design staff	10
No. of QC staff	10
Annual sales (all products)	\$5.0mn
Annual R&D spending	\$100,000
ISO certification	No

Sales & output: Holiday & party decorations

Annual sales	\$1.0mn
Share of total sales	20%
Annual export sales	\$1.0mn
Total monthly capacity	100,000 pieces
Average monthly output	83,000 pieces
Capacity utilized	83%
Average monthly exports	83,000 pieces
Export ratio	100%
OEM % of exports	70%
ODM % of exports	30%
OBM % of exports	—
Major customers	Willams-Sonoma, Target, Barnes & Noble (US)
Other products made	Paper napkins, greeting cards, disposable dinnerware

Capability

Production checklist

Makes molds in-house	Yes
Plastic-injection machines	—
Painting lines	2
Stretching machines	—
Extrusion machines	—
Cutting machines	1
Sewing machines	—
In-house surface treatment	Yes

Exports by product

Christmas trees & ornaments	—
Christmas lights	—
Other holiday decorations	—
Party supplies	100%
Party masks & costumes	—

Exports by market

North America	80%
European Union	20%
Europe (non-EU)	—
Asia-Pacific	—
Middle East	—
Other	—

Survey

- **Export prices**
Increased
- **Export price increase**
More than 15%
- **Export sales**
Increase more than 20%
- **Target market**
European Union
- **Capital expenditure**
Increase more than 50%
- **Major challenge**
Yuan-USD exchange rate
- **Export capability**
Widen product range
- **R&D focus**
Multifunction designs

Popular export models



Description: Piñata; shaped like a bag; paper or polyester; in animal, Christmas, dinosaur, wedding and Halloween themes; various sizes

Party supplies

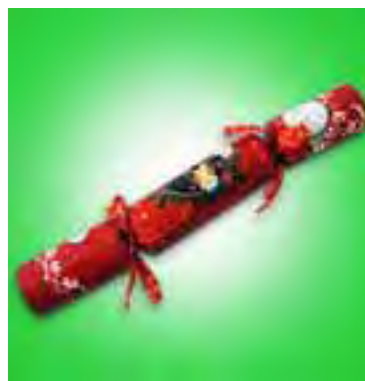
Model	AGPPNT003-1
MOQ	10,000 pieces
Packaging	Polybag, carton
Delivery	10 days
Price	•



Description: Christmas cracker; cardboard, soft and foil paper; various designs; in blue, red, green and gold; size: 6, 8.5, 10, 12, 13 and 16in; includes small toys

Party supplies

Model	AGPCX030-1-1b
MOQ	10,000 pieces
Packaging	Polybag, carton
Delivery	10 days
Price	•



Description: Christmas cracker; cardboard, soft and foil paper; various designs; in red, green and gold; 6, 8.5, 10, 12, 13 and 16in; includes small toys

Party supplies

Model	AGPCX030-1-1a
MOQ	10,000 pieces
Packaging	Polybag, carton
Delivery	10 days
Price	•

• Information not disclosed

PRODUCT GALLERY

Christmas trees & ornaments



Beijing Stronger Rich
 (profile page 30)
Model: S-CMB020
MOQ: 10,000 pieces
Packaging: PVC box
Delivery: 15 days
Price: •
Description: Ball; PS; shiny surface with glitter powder; 6cm diameter; 6g; in various colors



Beijing Stronger Rich
 (profile page 30)
Model: S-CHC013
MOQ: 5,000 pieces
Packaging: OPP bag
Delivery: 20 days
Price: •
Description: Stocking; 100% polyester plush; 19x26.5cm; 25g; in various colors



Dongguan Jian
 (profile page 32)
Model: Etched Through Hanging Ornament03
MOQ: 300 pieces
Packaging: OPP bag
Delivery: 12 days
Price: •
Description: Round hanging ornament with cutout Christmas tree design; bronze; gold-plated; soft enamel colors; 6.5cm diameter; 20g



Dongguan Jian
 (profile page 32)
Model: Etched Through Hanging Ornament02
MOQ: 300 pieces
Packaging: OPP bag
Delivery: 12 days
Price: •
Description: Round hanging ornament with cutout design; bronze; gold-plated; 6.5cm diameter; 20g



Dongguan Jian
 (profile page 32)
Model: Etched Through Hanging Ornament01
MOQ: 300 pieces
Packaging: OPP bag
Delivery: 12 days
Price: •
Description: Hanging ornament; shaped like a Christmas tree; bronze; gold-plated; etched; soft enamel colors; 7.5x4.5cm; 18g



Fly Ocean
 (profile page 34)
Model: ROD080150
MOQ: 500 pieces
Packaging: White box, carton
Delivery: 30 days
Price: \$63.50
Description: Inflatable Santa Claus in chair with gifts; head rotates 180 degrees, left hand shakes; built-in sound box with songs; three 230V, 7W bulbs inside; 230VAC/50Hz, ~0.26A SCH1112S6A fan; 100% polyester; water-resistant; 4.3kg; 150x120x150cm

• Information not disclosed

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