

# Promotional Items



March 2010 US\$395



## Essential sourcing intelligence for buyers

### China manufacturer profiles

Detailed profiles of 34 verified suppliers and contact details of an additional 18 exporters

### Product & price trends

Prices and specifications of 126 top-selling export products

### Supply centers & market trends

Coverage of leading and emerging supply centers, plus insight into capacity, output and R&D

# PROMOTIONAL ITEMS

## *Supplier capability in China*

### EXECUTIVE SUMMARY

China's promotional items industry is optimistic that exports will be back on the growth track as the global economy enters the post-crisis stage.

Many suppliers, in fact, are anticipating 10 to 20 percent sales increases in 2010. This forecast is prompted by the upbeat fourth-quarter trend in 2009, during which the estimated number of inquiries was 20 percent higher than in the same period of the previous year.

Consequently, some makers in the country are seeing the opportunity to move up the value chain to recoup margin losses faster. Car dealers, top-tier corporations, airlines and international banking institutions are typical customers for upscale premiums.

The high-end shift also goes hand in hand with the growing demand for environment-friendly designs, which generally are more expensive than regular models. Wearables that contain bamboo fiber, phthalate-free keychains and drinkware, and RoHS-compliant electronic novelties are examples of these.

But because competitive pricing is crucial in the line, companies are exercising measures to keep quotes steady or adjust them minimally despite the product upgrades. To this end, they are setting cost-cutting strategies in place, among which are the use of economical material alternatives and sourcing components in bulk.

Moreover, suppliers are reducing minimum order requirements and delivery lead times, which are important to clients when purchasing high-volume products such as premiums.

The following are some of the trends we see in China's promotional items industry:

- More than 50 percent of bag premiums are now being manufactured using recyclable

materials, with nonwoven fabrics leading the trend.

- Despite the increasing popularity of upscale releases, low-end models such as basic pens and keychains continue to dominate, as buyers in certain markets remain price-sensitive.

- Silk-screening and offset printing remain the most widely adopted logo application methods for their cost effectiveness and high-volume capability. Heat transfer, laser engraving and embroidery are the other common techniques.

- Traditional markets such as the EU and the US will remain the export targets of most suppliers in the next six months. Shipments to alternative locations are not anticipated to increase.

This report covers the major promotional items exported from China—wearables, bags, keychains, USB accessories, calendars, drinkware and watches. It also has a section on logo application, which serves a vital role in the line.

For each product category, the latest designs and materials used, and the key factors that differentiate low-end, midrange and high-end releases are explained. The industry composition and sourcing centers of the segments are likewise discussed.

Overseas sales projections, capacity expansion plans and upcoming R&D focus are detailed in the Supplier Survey.

The Industry Overview section underscores the key issues surrounding China promotional item exporters, and their means of coping with these challenges.

Reflecting the industry structure, 88 percent of the companies in this report are mainland-China owned. The rest are invested in by Hong Kong or Taiwan enterprises. Most of the featured suppliers are manufacturers with direct export rights.

### In this report

- 34 in-depth company profiles
- 18 additional suppliers
- 126 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 each company profile, 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 capabilities of each supplier.

All 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

In China's promotional items industry, many suppliers are increasing the "green" aspects of their releases in line with strengthening environmental consciousness in the major export markets.

Some cap makers, for instance, are exploring sustainable textiles in the development of breathable, moisture-absorbent and odor-resistant designs.

Among these is hypoallergenic, soft and water-absorbent bamboo-charcoal fiber that possesses anti-bacterial properties.

Similarly, more than 50 percent of promotional bags are now being produced from recyclable materials.

Nonwoven fabric, which is the most popular, dissolves within 90 days in an outdoor setting while being durable enough to be used indoors for up to five years. Releases in this construction are breathable, lightweight, nontoxic and recyclable.

The product redirection came after China's State Council restricted the manufacturing, sale and distribution of plastic shopping bags less than 0.025mm in thickness in 2008.

Bamboo fiber models are also available but cost 50 to 60 percent more.

In the keychain segment, nontoxic PVC is the material of choice for environment-friendly plastic models. Metal versions are finished via lead- and nickel-free electroplating methods.

In an effort to go green, many makers of electronic novelties are employing RoHS-compliant processes. To ensure conformity, they only use lead-free chips and packaging.

Almost all promotional item suppliers, regardless of size, offer environment-friendly models.

Large enterprises, however, are the ones actively engaged in ecologically safe manufacturing, encouraged by the stricter requirements of their clients. Compared with small makers,

they also have greater purchasing capability that enables cost-effective sourcing of green components, which are generally more expensive than regular counterparts.

### Shifting to high-end models

As earth-friendly materials and production processes entail additional outlay, China's promotional items industry is paying increased attention to upscale models. For a number of suppliers, moving upmarket is also a means to evade the cutthroat competition in the low end.

Moreover, the high-end shift comes as makers become more positive with their sales projections. In fact, some companies expect China's annual revenue from the line to surpass \$5 billion in 2010. On average, the number of inquiries was 20 percent higher in the last quarter of 2009 compared with the same period the previous year.

To add product value, some of the latest releases utilize high-quality materials, components and finishes.

To this end, suppliers are emphasizing the models' physical attributes such as the shape, color and surface treatments.

Many makers, including those offering drinkware premiums, are likewise utilizing gift-themed packaging in place of the traditional white or colored kraft-paper boxes.

But while most suppliers are revamping the exterior, some also perform material innovation, and incorporate functions that augment the core capability.

In the promotional digital clock category, several companies are incorporating a neon frame, radio-controlled time adjustment and sensor that detects indoor and outdoor temperature. Such components are estimated to increase costs by 10 to 30 percent and can raise prices accordingly.

Suppliers of promotional umbrellas

### Supplier summary

Suppliers surveyed	34
Export sales	\$142.6mn
Export ratio	82%
OEM business	72%
Capacity utilized	69%
Annual R&D spending	\$4.7mn
Full-time employees	11,088

Data: All surveyed suppliers

are developing designs in double-layer constructions to improve wind resistance.

Recent trends in the face towel category include the use of rayon from bamboo. Models in this material are more expensive than cotton versions because they are softer and exhibit superior moisture-wicking properties.

Companies are also boosting output of products intended for practical applications. Such items include emergency chargers, large-capacity USB flash drives, bathroom scales and exercise kits.

Low-end pieces, however, are expected to continue dominating overseas shipments as buyers in certain markets remain price-sensitive.

Production of such models involves less-strict quality standards. In keychains, for example, slight color deviations can occur. Inexpensive USB flash drives claim a higher capacity than the actual space.

Other efforts to boost export competitiveness include the more frequent release of new shapes, colors and constructions.

While design piracy is not seen as the most prevalent industry challenge, constant development allows makers to stay abreast of aesthetic and function trends.

To improve the promotional aspect of items, many suppliers are releasing products optimized for logo application. These have configurations with large spaces for buyers' patterns.

Moreover, a growing number of operations are implementing sales-

### Best Fortune Product Co. Ltd

Best Fortune exports all of its promotional timepieces, USB-powered accessories and other premiums to North America, the EU, the Asia-Pacific region and Eastern Europe. The last will be the target market in the coming year.

Amid the challenge of stricter overseas standards, the Hong Kong-invested supplier sees export sales increasing more than 20 percent this year. It will improve operating efficiency to be more aggressive in the international arena.

The manufacturer's 1,200sqm

factory in Guangdong province turns out a total of 210,000 pieces in a month, 70 percent of which is shipped on an ODM basis. Five percent is offered under the in-house Zurie brand, while the rest is OEM.

The line accounts for 80 percent of Best Fortune's total sales of \$5 million. The company spends \$20,000 annually on product development, which will focus on novelty colors and shapes.

Aside from promotional items, the supplier exports digital jump ropes, novelty radios, book lights with LED torches and instant phone books.

#### Company facts

Year established	1984
Business type	Manufacturer
Company ownership	Hong Kong-invested
Head office location	Hong Kong
Number of factories	1
Factory location(s)	Shenzhen (Guangdong)
Total factory area	1,200sqm
No. of full-time employees	100
No. of R&D/design staff	2
No. of QC staff	2
Annual sales (all products)	\$5.0mn
Annual R&D spending	\$20,000
ISO certification	No

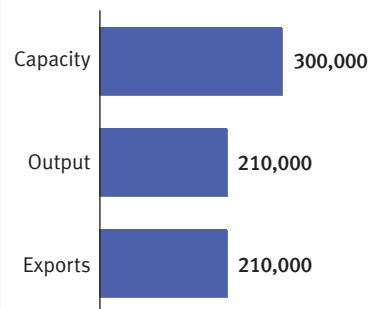
#### Sales & output: Promotional items

Annual sales	\$4.0mn
Share of total sales	80%
Annual export sales	\$4.0mn
Total monthly capacity	300,000 pieces
Average monthly output	210,000 pieces
Capacity utilized	70%
Average monthly exports	210,000 pieces
Export ratio	100%
OEM % of exports	25%
ODM % of exports	70%
OBM % of exports	5%
Other products made	Digital jump ropes, novelty radios, book lights with LED torch, instant phone books

#### Profile

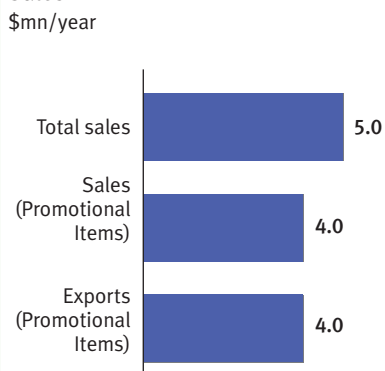
##### Production

pieces/mth



##### Sales

\$mn/year



#### Contact details

##### Business contact

TAM Kelvin

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Capability

Production checklist

Makes molds in-house	Yes
Plastic-injection machines	—
Cutting machines	—
Computerized sewing machines	—
Painting lines	—
Printing lines	No
Powder-coating lines	—
In-house surface treatment	No

Exports by product

Wearables	—
Bags	—
Umbrellas	—
Timepieces	70%
Drinkware	—
Pens	—
USB-powered accessories	10%
Keychains	—
Other promotional items	20%

Exports by market

North America	25%
European Union	10%
Europe (non-EU)	40%
Asia-Pacific	25%
Middle East	—
Other	—

Survey

- **Export prices**  
Stayed the same
- **Export sales**  
Increase more than 20%
- **Target market**  
Europe (non-EU)
- **Capital expenditure**  
Increase up to 50%
- **Major challenge**  
Stricter overseas standards
- **Export capability**  
Improve operating efficiency
- **R&D focus**  
Novelty colors & shapes

Popular export models



Timepiece

Model	LP991N
MOQ	3,000 units
Packaging	Polybag
Delivery	30 days
Price	•

**Description:** Digital multifunction wristwatch; ABS; silk-screening; 4.5x3.5cm; 40g; RoHS



Timepiece

Model	FT1122P
MOQ	3,000 units
Packaging	Polybag
Delivery	30 days
Price	•

**Description:** Analog multicolor wristwatch; ABS; silk-screening; 40cm; 30g; RoHS



Timepiece

Model	TC139S
MOQ	3,000 units
Packaging	Polybag
Delivery	30 days
Price	•

**Description:** Digital 5-alarm pillbox clock; ABS; silk-screening; 9x6x2.8cm; 60g; RoHS

• Information not disclosed

## PRODUCT GALLERY

### Bags



**BH**  
(profile page 40)  
**Model:** BH-91026  
**MOQ:** 5,000 pieces  
**Packaging:** PP bag  
**Delivery:** 30 days  
**Price:** •  
**Description:** 190d nylon; 38x61cm



**BH**  
(profile page 40)  
**Model:** BH-91028  
**MOQ:** 5,000 pieces  
**Packaging:** PP bag  
**Delivery:** 30 days  
**Price:** •  
**Description:** 190d nylon; 38x61cm; can be folded and stored in animal-themed pouch



**Hangzhou Linter**  
(profile page 48)  
**Model:** 34  
**MOQ:** 3,000 pieces  
**Packaging:** OPP bag  
**Delivery:** 10 days  
**Price:** •  
**Description:** Nonwoven fabric; silk-screening; 12x13x8in



**Hangzhou Linter**  
(profile page 48)  
**Model:** 24  
**MOQ:** 3,000 pieces  
**Packaging:** OPP bag  
**Delivery:** 10 days  
**Price:** •  
**Description:** Nonwoven fabric; silk-screening; 13x14x8in



**Hangzhou Linter**  
(profile page 48)  
**Model:** 6  
**MOQ:** 3,000 pieces  
**Packaging:** OPP bag  
**Delivery:** 10 days  
**Price:** •  
**Description:** Nonwoven fabric; silk-screening; 12x15x8in



**Hi-Power**  
(profile page 52)  
**Model:** HPB-0004  
**MOQ:** 1,000 pieces per color per style  
**Packaging:** Polybag  
**Delivery:** 35 days  
**Price:** •  
**Description:** Children's drawstring bag; 210d polyester; silk-screening; 30x35cm

• Information not disclosed

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