

# Tools



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# TOOLS

## *Supplier capability in China*

### EXECUTIVE SUMMARY

China tool suppliers will continue to export heavily to the EU and North America in the year ahead.

In this regard, production will focus on DIY designs in line with companies' efforts to strengthen their foothold in the repair and maintenance sector. Despite overall slowing demand, this segment remains lucrative as consumers divert funds away from new-home purchases, practically putting the construction industry at a standstill.

The bulk of shipments will target the EU as suppliers ramp up production of RoHS-compliant designs.

This trend applies particularly to the power tools segment, which in recent months has seen the release of numerous models that use environment-friendly battery chemistries such as NiMH and Li-ion.

The EU has actually overtaken North America as the leading export destination for China-made tools.

Based on customs statistics, the EU accounted for 33 percent of the country's total exports last year, which reached nearly \$9.2 billion.

North America was a close second at 30 percent. A YoY comparison of figures, however, shows a 7 percent drop in the region's revenue as demand slowed considerably. Sales to the EU, in contrast, more than doubled in 2008 to almost \$3 billion.

Nevertheless, suppliers still consider North America a key market, specifically the US, which is the single-largest country importer of China-made tools. The US procured nearly \$2.5 billion worth of products in 2008, or 27 percent of total shipments.

In line with their aggressive export stance, suppliers are keeping a tight lid on prices, facilitated by falling material costs and the recent upturn in export tax rebates.

The series of VAT increases has yet to fully address and revive dwindling

sales. It has, however, helped boost profits to levels where companies can now easily adjust to sudden fluctuation in the cost of materials.

The following are some of the key trends we see in China's tools industry:

- Despite weak sales in 2007, projections for the year ahead are positive with some suppliers expecting overseas shipments to rise by as much as 20 percent.

- Suppliers will utilize product-based differentiation and low prices to attract orders. R&D will focus on ergonomics, with upcoming releases featuring modified lightweight constructions.

- Although the EU and North America will continue to be the primary markets for China-made tools, suppliers will venture into nontraditional destinations such as South America and the Asia-Pacific region. Shipments to these markets will consist mostly of low-end products.

This report covers the industry's main categories, namely hand, power and garden tools, and tool storage.

They are described separately according to the type and grade of materials used, construction and key features. The discussion also lists the most-common types of tools available for every product line and the factors that determine pricing and market positioning.

The Industry Overview focuses on the major issues affecting production and exports and how companies are coping with these challenges.

To reflect the industry structure, most of the suppliers in this report are China-owned with direct exporting capability.

In addition, 80 percent of profiled suppliers are from Zhejiang, Guangdong and Jiangsu provinces, which are China's largest exporters of tools.

### In this report

- 24 in-depth company profiles
- 76 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

China suppliers of tools are maximizing growth opportunities that continue to exist in the key markets of the EU and North America.

This export thrust is part of efforts to prop up business, which has been declining due to slow orders from abroad.

Customs statistics for hand, power and garden tools, and toolboxes and cabinets support this observation. Aggregate figures for 2008 show an 11 percent decrease in volume YoY. Shipments reached 1.6 billion kilograms.

Sales climbed a marginal 5 percent to \$9.1 billion, driven solely by high prices.

The industry is seeing no signs of a reprieve. In the first two months of 2009, volume, which totaled 187 kilograms, plunged 28 percent compared with exports in the same period last year. Earnings of \$1 billion represent a 17 percent drop.

The hand tools segment was hit hardest. Volume in January and February plummeted 29 percent while revenue went down 25 percent YoY. In 2008, shipments fell 28 percent to 508 million kilograms, and sales 9 percent to \$1.6 million from 2007 figures.

Power tools also posted double-digit declines. Export volume and value in early 2009 are 27 and 13 percent lower than 2008, respectively.

To minimize the risk of further loss, companies are also diversifying into locations with more-resilient economies.

With Brazil, Argentina and Chile ranking high among the prospective markets, many suppliers are now participating in major trade exhibitions there.

### EU overtakes US

The EU has passed the US as the largest market for China-made tools and tool storage. Exports to the former more than doubled in 2008 and reached \$2.9 billion, or one-third

of the country's total earnings from the line.

Shipments to North America, in contrast, fell 7 percent to \$2.7 billion due to sluggish orders, specifically from the US.

In the months ahead, the EU will remain a key destination. For one, companies are confident that their price edge will continue to attract orders there, particularly in the upscale segment.

Suppliers of garden tools, meanwhile, will target the agricultural industry, which remains practically untapped.

For the power tools segment, the introduction of more RoHS-compliant units is expected to spur sales further. This comes as companies increase the use of environment-friendly NiMH and Li-ion battery packs. A few leading players are even setting up laboratories dedicated to RoHS testing.

Amid the EU focus, suppliers will continue to regard North America as an important market. To sustain sales there, makers are veering away from the shrinking construction and real estate industries. Attention is shifting instead to the more-lucrative home repair and maintenance sector.

In this regard, companies are introducing user-friendly upgrades to make DIY designs more appealing.

For hand tools, the emphasis is on handle ergonomics. To help reduce fatigue from prolonged use, soft, and at times textured, grips are being incorporated.

Contoured designs are also gaining ground, with certain sections slimmer or wider to better fit the palm of the hand.

As regards power garden tools, suppliers are modifying handlebar constructions so these can rotate 180 degrees, permitting access in tight spaces.

Telescopic shafts are adopted for easy length adjustment.

### Supplier summary

Suppliers surveyed	24
Export sales	\$375.7mn
Export ratio	69%
OEM business	65%
Capacity utilized	61%
Annual R&D spending	\$19.7mn
Full-time employees	8,196

Data: All surveyed suppliers

Downsizing is another trend in this category. Cordless models are made more compact to accommodate smaller battery packs.

To reduce the weight of housings and blades, PP, ABS, nylon and steel are being used.

### Impact of higher tax rebates

To help revive exports, the China government pushed up tax rebates for certain types of tools.

But contrary to expectations, the industry is seeing little relief from the adjustments since these do not address the fundamental problem of dwindling sales.

Tariff incentives for power tools were adjusted in November 2008 and January 2009. This brought final rates up to 14 percent for electrical, gasoline and pneumatic saws, drills, routers, rotary tools and garden implements.

For hand saws, nippers, pliers, pipe cutters, wrenches and sockets, the refund ratio was lifted from 5 to 9 percent in April.

While not deemed as a wholly effective solution for the export slump, such reforms are helping mitigate its impact.

For one, better profits are now attainable since the added incentive goes primarily into suppliers' margins. This leeway has enabled companies to lower prices without incurring loss, enabling them to accept discount negotiations for orders of at least one TEU.

Manufacturers are also gaining more room to absorb higher material

## Anhui/Zhejiang Goodluck Science & Technology Co. Ltd

Sales at Anhui/Zhejiang Goodluck exceeded \$23 million last year, all from tools. Production is heavily export-oriented, with more than 80 percent of output shipped overseas.

The Asia-Pacific region and non-EU countries are the primary markets. They absorb 70 percent of exports.

Garden and power tools and toolboxes are made in two factories in the cities of Wuhu and Wenzhou. The plants cover a total of 70,000sqm. Running at 60 percent of capacity, output averages 30,000 pieces each month.

Anhui/Zhejiang Goodluck spends nearly \$1.7 million on R&D every year. This represents about 7 percent of overall sales. The product development team has 25 members. Twenty personnel are in charge of QC.

The company estimates export revenue to rise between 10 and 20 percent in the next 12 months. Earnings last year reached \$19.5 million.

Half of shipments are under the in-house Goodluck brand. OEM orders account for more than one-third of exports. ODM models represent the rest.

### Company facts

Year established	2003
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Wuhu (Anhui)
Number of factories	2
Factory location(s)	Wuhu (Anhui); Wenzhou (Zhejiang)
Total factory area	70,000sqm
No. of full-time employees	300
No. of R&D/design staff	25
No. of QC staff	20
Annual sales (all products)	\$23.4mn
Annual R&D spending	\$1.7mn
ISO certification	Yes

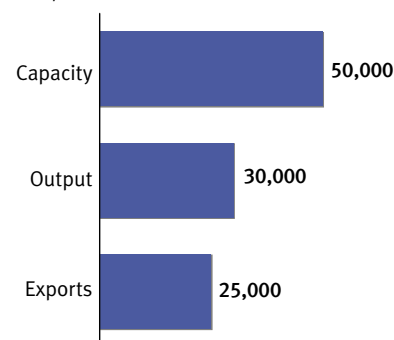
### Sales & output: Tools

Annual sales	\$23.4mn
Share of total sales	100%
Annual export sales	\$19.5mn
Total monthly capacity	50,000 pieces
Average monthly output	30,000 pieces
Capacity utilized	60%
Average monthly exports	25,000 pieces
Export ratio	83%
OEM % of exports	35%
ODM % of exports	15%
OEM % of exports	50%
Major customers	Walbro, Oregon (US)

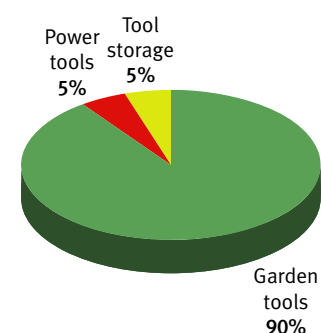
### Profile

#### Production

pieces/mth



#### Products made



### Contact details

#### Business contact

TANG Xiaorong

#### Phone

(86-553) 257-7777

#### Fax

(86-553) 257-1666

#### E-mail

godluck@vip.163.com

#### URL

www.cngoodluck.com

www.globalsources.com/cngoodluck.co

#### Address

Wuhu Mechanical Industrial Zone,  
Wuhu, Anhui, China

## Capability

### Production checklist

Makes molds in-house	Yes
Makes motors in-house	No
Salt-spray testing	Yes
Rockwell, Vickers hardness testing	Yes
Plastic-injection machines	30
Drilling machines	35
Punching machines	10
RoHS compliance	Yes

### Exports by product

Hand tools	—
Power tools	5%
Garden tools	90%
Tool storage	5%

### Exports by market

North America	2%
European Union	20%
Europe (non-EU)	30%
Asia-Pacific	40%
Middle East	3%
Other	5%

## Outlook

- **Export prices**  
Decrease
- **Export price decrease**  
5-10%
- **Export sales**  
Increase 10-20%
- **Target market**  
Europe (non-EU)
- **Capital expenditure**  
Increase up to 50%
- **Major challenge**  
Yuan-USD exchange rate
- **Export capability**  
Widen product range
- **R&D focus**  
Improved ergonomics

## Popular export models



### Garden tool

Model:	GL5200
Minimum order:	100 units
Packaging type:	Carton
Delivery time:	15 days
Indicated price:	•

**Description:** Chain saw; gasoline; 2.2kW maximum output; 2,900rpm no-load speed; 6,000 to 10,000rpm operating range; 49.3cc displacement; 20, 22in cutting capacity; 3/8x0.063in Oregon chain pitch and gauge; boot-mount Warlbro WT carburetor; 20in guide bar; 550mL fuel tank; ANSI, CE



### Garden tool

Model:	GL4500A
Minimum order:	100 units
Packaging type:	Carton
Delivery time:	15 days
Indicated price:	•

**Description:** Chain saw; gasoline; 2kW maximum output; 2,900rpm no-load speed; 45cc displacement; 43x31mm bore/stroke; Oregon chain pitch and gauge: 3/8x0.063in (75LP), 3/8/0.05in (91VG), 0.325x0.05in (21BP); 16, 18, 20in guide bar; 7-tooth sprocket; 500mL fuel, 260mL oil tanks; 410x250x270mm; CE



### Garden tool

Model:	GL3300
Minimum order:	100 units
Packaging type:	Carton
Delivery time:	15 days
Indicated price:	•

**Description:** Chain saw; gasoline; 1.1kW maximum output; 2,900rpm no-load speed; 31.8cc displacement; 38x28mm bore/stroke; 3/8x0.05in Oregon chain and pitch gauge; 12, 14in guide bar; 270mL fuel, 200mL oil tanks; 3.4Kg without bar, chain; CE

• Information not disclosed

## PRODUCT GALLERY

### Hand tools



**CPower**  
(profile page 40)  
**Model:** 170-270  
**Minimum order:** 200 pieces  
**Packaging type:** Blister card  
**Delivery time:** 30 days  
**Indicated price:** \$30.00  
**Description:** Combination pliers; 6in; 65Mn steel; nickel plated; 50HRC; VDE, TÜV/GS



**CPower**  
(profile page 40)  
**Model:** 170-271  
**Minimum order:** 2,000 pieces  
**Packaging type:** Plastic bag  
**Delivery time:** 30 days  
**Indicated price:** \$10.00  
**Description:** Curved claw hammer; 16oz; #45 steel; polished; 65HRC; ASME



**CPower**  
(profile page 40)  
**Model:** 170-273  
**Minimum order:** 1,008 pieces  
**Packaging type:** Double blister  
**Delivery time:** 30 days  
**Indicated price:** \$15.00  
**Description:** Socket wrench; 6in; #45 steel; polished; 65HRC; ASME



**Everpower**  
(profile page 42)  
**Model:** PT4181  
**Minimum order:** 1,000 sets  
**Packaging type:** Color box  
**Delivery time:** 35 days  
**Indicated price:** \$5.80  
**Description:** 123-piece combination tool set; carbon steel; one each of 8oz hammer, slip-joint pliers, scissors, knife, screwdriver bit holder, extension bar, tape measure; four precision screwdrivers; 20 screwdriver bits; 11 hex keys; 80 fasteners; blow-molded case



**Everpower**  
(profile page 42)  
**Model:** PT2001  
**Minimum order:** 1,000 sets  
**Packaging type:** Color box  
**Delivery time:** 35 days  
**Indicated price:** \$17.50  
**Description:** 168-piece combination tool set; carbon steel; one each of 6in long nose, diagonal pliers, 16oz hammer, 4.8V cordless screwdriver, aluminum level, 25mm adapter, 60mm bit extension bar, 3m tape measure, adapter; six 8 to 15mm combination wrenches; 12 1/4in sockets; six precision screwdrivers; RoHS



**Everpower**  
(profile page 42)  
**Model:** PT8201  
**Minimum order:** 1,000 sets  
**Packaging type:** Color box  
**Delivery time:** 35 days  
**Indicated price:** \$12.00  
**Description:** 10-piece pliers set; carbon steel; 4.5, 6in diagonal pliers; 4.5, 6in long nose pliers; 8, 10in groove joint pliers; 4.5in combination pliers; 4.5in flat nose pliers; 8in slip joint pliers; 7in linesman pliers

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