Women's Wear

December 2009 US$395

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WOMEN'S WEAR

Supplier capability in China

EXECUTIVE SUMMARY

China's women's wear industry is anticipating an improved export climate for 2010, despite several challenges that continue to beset suppliers. In fact, the majority of businesses are expecting at least 10 percent growth for 2009. This comes even as exports in the first nine months of 2009 were down 4 percent by volume at 5.8 billion pieces and 6 percent by value at $26 billion.

To reach projected targets, however, measures aimed at cutting expenses and maximizing cash flow remain in place. These include streamlining operations and manpower, and keeping some production lines open to domestic sales.

The following are some of the key developments we see in China's women's wear industry.

• Companies are continuing to invest in measures to boost efficiency. For many factories, this has been one of the best practices to keep them in the black, even when orders ran low.

• Suppliers are fortifying efforts to improve R&D capability, including collaborating with overseas design teams for seasonal collections and local universities for fabrics research.

• Enterprises with considerable liquid assets are setting up sales and product development offices in key markets. Apart from being able to speed up transactions, doing so allows them to release targeted designs.

• The move from low-end to upscale production is expected to carry on through 2010. Basic models now account for roughly 40 percent of total exports. This share is expected to fall further in the months ahead.

• In addition to the upmarket shift, several companies are bolstering their ODM lines and some are introducing in-house brands to overseas clients.

• Despite the emphasis on upscale, ODM and OBM models, many makers are maintaining relationships with domestic customers. Doing so ensures production lines will not be left idle in case similar financial difficulties are encountered in coming months.

• Although some suppliers are exploring opportunities in emerging economies, businesses will continue targeting traditional destinations. Among the respondents in Global Sources' survey, 87 percent indicated that the EU and North America will remain their primary export markets.

China suppliers produce women's blouses, sweaters, pullovers, shorts, pants, skirts, dresses, suits, business separates, coats and jackets. 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.

The Industry Overview details reasons for suppliers' optimism for the year ahead. It explains companies' strategies for ensuring sustained sales despite lingering difficulties such as the labor shortage.

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

Small and midsize companies comprise the majority of China's women's wear manufacturing pool. Approximately 70 percent of all suppliers are private locally owned companies, and the rest have outside participation or are SOEs.

The provinces of Guangdong, Zhejiang and Jiangsu are the main production centers. Reflecting this structure, 63 percent of suppliers profiled in this report are privately owned. About 10 percent have participation from Hong Kong investors. The rest are SOEs or publicly listed. More than 90 percent of featured companies come from Zhejiang. About 2 percent are located in Jiangsu and 1 percent are Guangdong-based.

In this report

- 30 in-depth company profiles
- 14 additional suppliers
- 118 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 companies 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

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INDUSTRY OVERVIEW

China's women's wear industry is seeing signs of recovery, with several suppliers projecting up to 10 percent export growth by year-end.

The months from October 2008 to March 2009 were the worst for suppliers. Many small operations that rented workshops and carried out only cutting, sewing and ironing in-house folded during the period.

Midsize and large companies with their own factories that subcontract few of the processes are mostly the ones still in business. Many buyers prefer to source from makers that can perform more steps in-house. Further, some of the bigger enterprises have a line for domestic sales, which helped tide them over. But even among the remaining suppliers, overseas revenue in the period dropped at least 20 percent compared with the previous six-month span.

Many of these makers have already implemented several measures to cut expenses and maximize cash flow. About 15 percent of exporters reduced monthly salaries by roughly 10 percent. Those that were underutilizing capacity had to lay off workers. In fact, more than 40 percent of factories were estimated to have decreased their manpower between 10 and 30 percent at the height of the economic crisis.

Several businesses enforced material modifications as well to cut costs. As long as clients are amenable, less-expensive alternatives are used in designs. For example, polyester-cotton blends are adopted in lieu of pure cotton. Doing so can reduce product prices between 5 and 10 percent.

Outbound shipments, however, started bouncing back in May. The volume per transaction is still smaller than normal and export quotes remain low, but orders have been on a gradual upward trend. This is leading many makers to expect moderate growth by year-end.

Despite hopeful prospects, the majority of businesses remain cautious. Demand may have grown at a healthy pace during the past months, but whether the trend will continue through the next year is uncertain. The resurgence in orders may be attributed more to the need for retailers to restock amid dwindling inventory than a market rebound.

To cushion against developments that may affect sales negatively, many suppliers are increasing their emphasis on boosting R&D capability and moving upmarket. Such measures were already in place even before the global economic crisis hit, but efforts are now being intensified.

Designers are sent regularly to international trade shows and enrolled in training courses to keep them abreast of trends and hone their skills.

Some departments work with overseas creative teams in developing seasonal collections or local universities for fabrics and materials research.

Those with larger budgets set up sales and R&D offices in major markets and hire talents based there for product development. Doing so has helped them facilitate orders faster and release on-trend styles.

Upscale shift

Approximately 20 percent of the supplier base is currently engaged in the production of high-end women's wear. Roughly 40 percent focuses on midrange designs and the rest concentrates on low-end models.

The majority of companies emphasizing high-end manufacture are midsize and large operations that export about 70 percent of output to the US and Europe. Such businesses generally have strong R&D teams, which consist of 10 to 50 specialists, and advanced sewing machines.

The export breakdown may even change in the months to come as several traders have expressed intent to move upmarket. In general, roughly 5 percent of the supplier base is expected to shift to high-end production during the next half-year. Buyer response toward China-made upscale apparel has been positive. In many cases, makers have been able turn out stylish models in premium fabrics at a price that is more competitive than what counterparts in Europe can offer.

Supplier summary

Suppliers surveyed	30
Export sales	$440.2mn
Export ratio	74%
OEM business	82%
Capacity utilized	58%
Annual R&D spending	$48.6mn
Full-time employees	23,334

Data: All surveyed suppliers

Most of the smaller plants, however, will continue focusing on the low end as they do not have sufficient resources to take the upscale shift.

High-end designs are typically made from natural-fiber and environment-friendly textiles and accessories, many of which are imported. These include pure silk and wool, and intricate jacquards. Genuine leather is often employed as well. For closures, most models adopt YKK zippers, some of which are water-resistant. The apparel features larger and complicated embroidered patterns, or incorporate more trimming. Some styles are colored using natural and ecologically safe dyes.

Midrange versions may also be made from natural fibers such as cotton, cashmere, wool, silk and flax, but nylon and polyester are adopted as well. Lightweight nylon or cotton is employed for the lining. Designs may be dyed, allover printed, embroidered or be fitted with pockets and belts.

Apart from moving upmarket, several companies are introducing or expanding their ODM or even OBM lines. The in-house styles are presented to prospective clients online or via trade shows. Most makers accept slight modifications on the design prior to mass production.

BCM Bridal Co. Ltd

A specialist in women's wear, BCM generates $4.5 million annually from exports of dresses. Products go mostly to Europe, the Asia-Pacific region and the Middle East.

The majority of orders are on an ODM basis, and only 5 percent are under OEM. The average monthly shipment is 2,700 pieces.

The Hong Kong-invested company operates two factories in Guangdong and Fujian provinces with a combined area of 5,000sqm. Their total capacity is 5,000 pieces, of which 60 percent is currently being utilized.

There are 200 workers, 10 of whom concentrate on creating samples and releasing new designs. The focus is currently on using innovative clothing construction details.

About $500,000 is invested in R&D each year. This accounts for roughly 10 percent of total sales.

Prices stayed the same in the past three months.

The company plans to boost exports to the Middle East. Total sales from outbound shipments are expected to increase by more than 20 percent in the months ahead.

Company facts

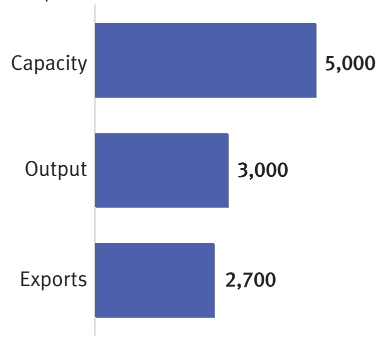
Year established	2002
Business type	Manufacturer
Company ownership	Hong Kong-invested
Head office location	Hong Kong
Number of factories	2
Factory location(s)	Zhongshan (Guangdong), Quanzhou (Fujian)
Total factory area	5,000sqm
No. of full-time employees	200
No. of R&D/design staff	10
No. of QC staff	5
Annual sales (all products)	$5.0mn
Annual R&D spending	$500,000
ISO certification	No

Sales & output: Women's wear

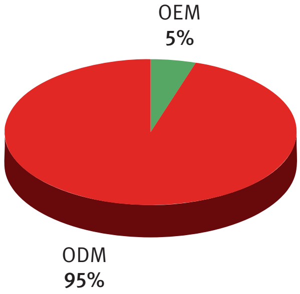
Annual sales	$5.0mn
Share of total sales	100%
Annual export sales	$4.5mn
Total monthly capacity	5,000 pieces
Average monthly output	3,000 pieces
Capacity utilized	60%
Average monthly exports	2,700 pieces
Export ratio	90%
OEM % of exports	5%
ODM % of exports	95%
OBM % of exports	—

Profile

Production
pieces/mth



Manufacturing profile



Contact details

Business contact
ZENG Martin
Phone
(86-755) 8225-2880
Fax
(86-755) 8220-3448
E-mail
master@bcmgroups.com
URL
www.bcmgroups.com
www.globalsources.com/bcmgroups.co
Address
Room 8, 20F Block B, Carrianna Friendship Square, 2002 Renminnan Road, Shenzhen, Guangdong, China

Capability

Production checklist

In-house fabric production	No
In-house dyeing	Yes
In-house embroidery	Yes
Printing lines	2
In-house fabric testing	No
Cutting machines	4
Mechanical sewing machines	104
Computerized sewing machines	2
Needle detectors	4
Oeko-Tex Standard 100 certification	No

Exports by product

Bottoms	—
Dresses	100%
Outerwear	—
Suits & separates	—
Tops	—

Exports by market

North America	—
European Union	60%
Europe (non-EU)	30%
Asia-Pacific	5%
Middle East	2%
Other	3%

Survey

- **Export prices**
  Stayed the same
- **Export sales**
  Increase more than 20%
- **Target market**
  Middle East
- **Capital expenditure**
  Increase up to 50%
- **Major challenge**
  Yuan-USD exchange rate
- **Export capability**
  Widen product range
- **R&D focus**
  Clothing construction details

Popular export models

Bridal gown

Model	57101
MOQ	1 piece
Packaging	Plastic bag or carton
Delivery	30 days
Price	•

Description: Nylon chiffon; nylon lining; beaded straps and bodice; ruched waist; A-line skirt; in ivory or white

Ball gown

Model	90069
MOQ	1 piece
Packaging	Plastic bag or carton
Delivery	30 days
Price	•

Description: Nylon taffeta and organza; nylon lining; strapless; beaded neckline; flower trimming; in purple

Bridal gown

Model	57111
MOQ	1 piece
Packaging	Plastic bag or carton
Delivery	30 days
Price	•

Description: Nylon; beaded nylon lace overlay; nylon lining; halter neck; empire waist with bow trimming; serpentina skirt; chapel train; in white or ivory

• Information not disclosed

PRODUCT GALLERY

Outerwear

Alfa
(profile page 38)
Model: 7944
MOQ: 500 pieces
Packaging: Carton
Delivery: 50 days
Price: •
Description: Vest; 100% polyester, 550gsm; bonded faux fur lining; button closure; embroidered bodice; sizes S to XL; in solid colors

Hangzhou Bestsino
(profile page 46)
Model: 115H
MOQ: 1,500 pieces
Packaging: Hanger
Delivery: 60 days
Price: •
Description: Coat; 85:15 polyester-viscose; polyester lining; button closure; cable-knit epaulets; two waist pockets; sizes 36 to 44; in solid colors

Hangzhou Nice
(profile page 50)
Model: MGB0930
MOQ: 500 pieces per color
Packaging: PP bag
Delivery: 90 days
Price: •
Description: Trench coat; 60:40 polyester-nylon; polyester lining; snap button closure; two waist pockets; belted waist and cuffs; sizes 34 to 44; in beige

Hangzhou Nice
(profile page 50)
Model: Guess-1
MOQ: 500 pieces per color
Packaging: PP bag
Delivery: 90 days
Price: •
Description: Trench coat; 100% nylon; polyester lining; button closure; belted cuffs; two waist pockets; sizes 34 to 44

Hangzhou Nice
(profile page 50)
Model: 1608W
MOQ: 500 pieces per color
Packaging: PP bag
Delivery: 90 days
Price: •
Description: Aviator jacket; 100% polyester; press polish; polyester lining; zipper closure; two zipped breast and two flap waist pockets; elasticized cuffs; optional elastic belt; sizes 34 to 44; in black

Hangzhou Nice
(profile page 50)
Model: SHA57055
MOQ: 500 pieces per color
Packaging: PP bag
Delivery: 90 days
Price: •
Description: Coat; 68:29:3 polyester-viscose-spandex; polyester lining; button closure; stand-up collar; double-breasted; belted waist; sizes 34 to 44; in red

• Information not disclosed

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