

Fitness Equipment



May 2009

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FITNESS EQUIPMENT

Supplier capability in China

EXECUTIVE SUMMARY

China's fitness equipment suppliers are taking diverse steps to survive another challenging year. Since Global Sources' last coverage of the industry in September 2008, several companies have noted a weakening in external demand amid the financial turmoil that has hit North America and other key markets. Additionally, tightened consumer spending has shifted their sales mix toward lower-priced models.

Nonetheless, revenue from shipments of gymnasium, general physical exercise, gymnastics and athletics equipment remained on a growth track last year. Export sales rose 16 percent to reach nearly \$3 billion, buoyed primarily by the higher value of units shipped overseas.

For 2009, the industry's outlook is generally positive, despite a year-on-year decline of 21 percent in export revenue during the first quarter. A number of companies are even expecting growth to exceed 20 percent.

Part of this optimism stems from the fact that participation in fitness activities remains high in the US and other traditional markets. Further, the trend for healthy lifestyles is gaining strength in emerging economies.

To take advantage of this opportunity, and at the same time mitigate the effects of the economic slowdown on sales, many suppliers have cut prices in the past few months. Adjustments have generally been limited to within a 10 percent range, however, since margins in most lines remain slim.

In coming months, a number of companies intend to keep their quotes stable or implement further cuts. Maintaining competitive prices may prove to be a challenge for many, however, with certain raw material costs showing signs of increasing.

Amid this business climate, the following are some of the key trends we see in China's fitness equipment industry:

- To lessen the effects of raw material cost increases on price and margins, suppliers will continue to trim overhead and production expenses through measures such as streamlining and reducing product defects.

- In terms of product development, models with smaller footprints are scheduled for release. Additionally, suppliers will continue to highlight multifunctionality, safety and ergonomics in their designs to avoid competing solely on price.

- Some companies will shift from low-value lines such as mini steppers to treadmills and other products with higher technological content.

- North America, the EU and the Asia-Pacific region will remain key markets, but shipments to emerging economies in Africa, the Middle East, South America and Eastern Europe are expected to increase. Suppliers with known brands will also strengthen their position within China.

This report covers the major lines of China's fitness equipment industry, namely treadmills, exercise bikes, steppers and stair climbers, elliptical trainers and strength training machines. Popular resistance and balance training accessories such as exercise balls and bands are also discussed.

The different types offered in each category, their common features and price determinants are detailed in the Products and Prices section.

The Industry Overview illustrates the effects of the global economic downturn on export sales. It also identifies the strategies that are being employed at most companies to stimulate demand and boost revenue.

In addition, the section describes the composition of the supplier base, and the key characteristics of small, midsize and large companies. Details about the local industries in Guangdong, Fujian, Zhejiang and Jiangsu are provided as well.

In this report

- 18 in-depth company profiles
- 13 additional suppliers
- 67 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's fitness equipment industry registered double-digit growth in export sales last year despite a challenging business climate. Revenue from overseas shipments of equipment for gymnasiums, general physical exercise, athletics and gymnastics reached nearly \$3 billion, exceeding 2007 by 16 percent.

The surge was largely driven by the higher value of units shipped overseas. This is, in part, a result of suppliers having raised their prices during the period to cover increases in raw material costs and other expenses. Several enterprises also improved their sales mix by releasing designs with a greater number of value-added features, a development noted in Global Sources' previous coverage of the sector.

Companies are generally optimistic that revenue will remain positive in the months ahead as the trend for a healthy lifestyle gains strength worldwide. Participation in fitness activities is quickly growing in the emerging economies of Africa, the Middle East, South America and Eastern Europe. Meanwhile, it remains popular in the developed countries of North America, the EU and the Asia-Pacific region.

Still, concerns about the impact of the economic slowdown are mounting, with businesses reporting 40 to 70 percent fewer orders from North America and the EU this year. These two are the largest markets for China-made exercise machines and accessories, accounting for more than 70 percent of export sales.

A number of enterprises have also noted more buyers asking for lower prices or looking for less-expensive models, since consumers in their markets are trading down amid the current economic climate. In steppers, for instance, the bulk of sales now consists of products below \$25. Before, the best-sellers were units priced between \$25 and \$30.

These changes in buying behavior

are reflected in export sales during the first three months of 2009. Overall, revenue from fitness equipment and related products posted a year-on-year decline of 21 percent to \$503 million.

Responding to this, many suppliers cut their prices to attract more orders. Most limited adjustments to within 10 percent, however, as margins generally remain slim despite the decrease in plastic and other raw material costs, and the higher export tax rebate.

In the months ahead, maintaining competitive prices may prove to be a more of a challenge, as the cost of key manufacturing inputs can possibly rise to levels that will put pressure on prices. Several makers, for instance, are keeping a wary eye on steel quotes, which are on the upswing once again, owing largely to China's fiscal stimulus program. Aiming to pump prime the economy, the government in November 2008 announced a two-year \$586 billion package that includes expenditure for social services, infrastructure, earthquake reconstruction and subsidies.

To minimize the risk of loss should costs rise significantly, a number of suppliers reduced the validity of their prices to one month. Some even shortened it to one week.

Further, various measures to cut overhead and operating expenses are being implemented. These include process optimization, maximization of raw material usage and reduction of defect rates.

Product strategies

Even as they are taking steps to lower expenses, suppliers are generally reluctant to compete solely on price. Consequently, most continue to strive for a differentiation advantage that will add to their products' value.

As regards their strategies, the majority of companies are opting to provide variety via low-cost changes in the fitness equipment's appearance. Efforts in line with this include

Supplier summary

Suppliers surveyed	18
Export sales	\$102.2mn
Export ratio	78%
OEM business	59%
Capacity utilized	62%
Annual R&D spending	\$3.3mn
Full-time employees	3,386

Data: All surveyed suppliers

modifications in the shape of certain parts, simple add-ons to enhance user safety and convenience, and the adoption of environment-friendly surface coatings.

Some are offering designs in smaller sizes, which also helps in generating savings without compromising product quality. In these releases, although less material is utilized, the thickness of the plastic and metal parts is similar to the ones used in previous models.

Only a few companies are experimenting with new constructions or materials for existing lines, since these require a relatively significant investment in molding and testing. A number of businesses, however, are moving away from low-value products such as mini steppers and shifting to treadmills, elliptical trainers and other exercise machines with higher technological content and value.

Many enterprises will continue to target North America, the EU and the Asia-Pacific region, but designs for emerging economies in Africa, the Middle East, Eastern Europe and South America are expected to increase. Customs statistics already indicate this trend among suppliers, with export revenue from the latter regions having grown more than 30 percent in the past two years. In contrast, sales from shipments to the three traditional markets rose an average of 16 percent.

Some companies, usually those with well-known brands, are pushing for a greater share of the domestic market. To support releases, many have established or are expanding their distribution channels in China.

Dongguan Hengfu Toy's Accessories Fty

Dongguan Hengfu exported an average of 67,000 exercise balls, and resistance bands and tubes monthly in 2008. These were sent to North America, Europe, South Africa, the Middle East and the Asia-Pacific region.

Fifty percent of shipments were under OEM agreements. The other half consisted of ODM orders.

The line generated overseas sales of \$0.2 million. This represents 15 percent of the company's total revenue last year, which reached \$2 million.

Founded in 2001, Dongguan Hengfu also offers artificial flowers,

cigarette holders, ashtrays, and Christmas and Easter decorations. It has a 2,000sqm production facility in Guangdong province. The plant is ISO 9001:2000-certified.

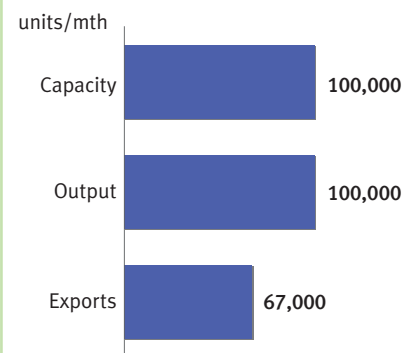
Of the company's 300 workers, 30 carry out QC procedures. A five-member team handles R&D.

The company is anticipating export revenue in the fitness equipment line to increase between 10 and 20 percent within the next 12 months. Prices will be maintained at current levels.

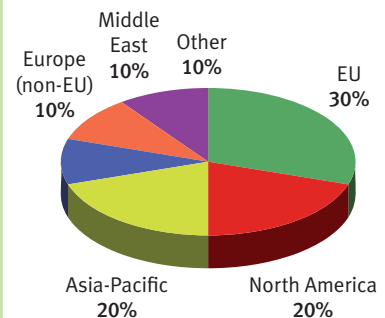
Dongguan Hengfu plans to focus overseas shipments in the EU.

Profile

Production



Export markets



Contact details

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Company facts

Year established	2001
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Dongguan (Guangdong)
Number of factories	1
Factory location(s)	Dongguan (Guangdong)
Total factory area	2,000sqm
No. of full-time employees	300
No. of R&D/design staff	5
No. of QC staff	30
Annual sales (all products)	\$2.0mn
Annual R&D spending	\$100,000
ISO certification	Yes

Sales & output: Fitness equipment

Annual sales	\$0.3mn
Share of total sales	15%
Annual export sales	\$0.2mn
Total monthly capacity	100,000 units
Average monthly output	100,000 units
Capacity utilized	100%
Average monthly exports	67,000 units
Export ratio	67%
OEM % of exports	50%
ODM % of exports	50%
OEM % of exports	—
Other products made	Eye masks, artificial flowers, garment hooks, fancy keychains, cigarette holders, ashtrays, beach balls, baby toys, dolls, Christmas trees and ornaments, Easter decorations

• Information not disclosed

Capability

Production checklist

Makes molds in-house	Yes
Cutting machines	•
Bending & punching machines	•
Welding machines	•
Die-casting machines	•
Plastic-injection machines	•
In-house surface treatment	Yes
Assembly lines	•

Exports by product

Treadmills	—
Exercise bikes	—
Steppers & stair climbers	—
Elliptical trainers	—
Multigyms & weight machines	—
Other fitness equipment	100%

Exports by market

North America	20%
European Union	30%
Europe (non-EU)	10%
Asia-Pacific	20%
Middle East	10%
South Africa	10%

Survey

- **Export prices**
Stay the same
- **Export sales**
Increase 10-20%
- **Target market**
European Union
- **Capital expenditure**
No increase
- **Major challenge**
Yuan-USD exchange rate
- **Export capability**
Decrease product defects
- **R&D focus**
Multiple functions

Popular export models



Description: Resistance ring; latex and EVA; in various sizes; Pantone colors

Other fitness equipment

Model	HF002
Minimum order	1,000 pieces
Packaging type	On inquiry
Delivery time	10 days
Indicated price	•



Description: Resistance ring; latex and EVA; 83g

Other fitness equipment

Model	HF003
Minimum order	1,000 pieces
Packaging type	On inquiry
Delivery time	10 days
Indicated price	•



Description: Resistance tube; latex and EVA; 6 and 10.6mm inner and outer diameters; 1.22m length; stretches 7 to 8x the length; Pantone colors

Other fitness equipment

Model	HF001
Minimum order	1,000 pieces
Packaging type	On inquiry
Delivery time	10 days
Indicated price	•

• Information not disclosed

PRODUCT GALLERY

Treadmills



Ningbo Kailisi
 (profile page 36)
Model: TD101A
Minimum order: 200 units
Packaging type: Carton
Delivery time: 25 days
Indicated price: •
Description: Home use; 1.25hp DC motor; PWM technology; LED screens for time, speed, distance, calories burned and heart rate; 1 to 12kph speed range; 110kg maximum user weight



Ningbo Kailisi
 (profile page 36)
Model: KLS-2162B21S
Minimum order: 50 units
Packaging type: Carton
Delivery time: 25 days
Indicated price: •
Description: 2.5hp DC motor; PWM technology; LED screens for time, speed, distance, calories burned and heart rate; 1 to 18kph speed range; 120kg maximum user weight; 1,490x490mm running surface; 1,030x860x1,580mm folded, 1,860x860x1,450mm unfolded dimensions



Power First
 (profile page 44)
Model: T8.1
Minimum order: 50 units
Packaging type: Carton
Delivery time: 45 days
Indicated price: •
Description: 1.5hp motor; 50x95mm backlit LCD screen for time, speed, distance, incline, calories burned, pulse rate and body fat; 0.8 to 16kph speed range; 0 to 10% elevation; with book rack, cup holders and speakers; 840x817x1,730mm folded, 1,836x817x1,383mm unfolded dimensions



Power First
 (profile page 44)
Model: T8.2
Minimum order: 50 units
Packaging type: Carton
Delivery time: 45 days
Indicated price: •
Description: 2.5hp motor; 68x110mm backlit LCD screen for time, speed, distance, incline, calories burned, pulse rate and body fat; 0.8 to 16kph speed range; 0 to 10% elevation; with book rack, cup holders and speakers; 840x817x1,383mm folded, 1,836x817x1,383mm unfolded dimensions

• Information not disclosed



Power First
 (profile page 44)
Model: T8.3
Minimum order: 50 units
Packaging type: Carton
Delivery time: 45 days
Indicated price: \$440.00
Description: 2.5hp motor; 94x160mm backlit LCD for time, speed, distance, calories burned, pulse rate and body fat; 0.18 to 16kph speed range; 0 to 12% elevation; with book rack, cup holders and speakers; 955x856x1,779mm folded, 1,919x856x1,429mm unfolded dimensions



Xiamen Keep Running
 (profile page 52)
Model: 801C
Minimum order: 216 units
Packaging type: Carton
Delivery time: 35 days
Indicated price: \$31.00
Description: Console for time, speed, distance and calories burned; 1,648x372x1.3mm running belt; 13.8kg

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