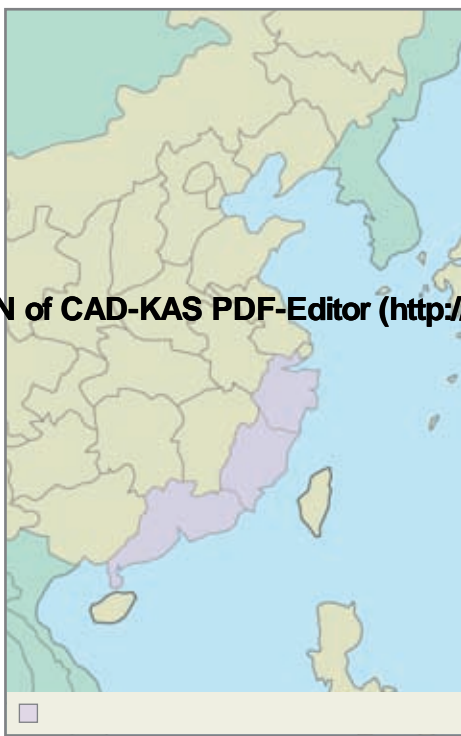


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# Zippers

## Zip at a go



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# ZIPPERS

## Supplier capability in China

### EXECUTIVE SUMMARY

China's zippers industry is bracing itself for an export slowdown as suppliers cave in to rising overhead and production costs.

The country's 2,500 suppliers exported \$362.6 million worth of zippers in 2007. While sales increased almost 40 percent year-on-year, volume shipments grew a little more than 9 percent. The downtrend has accelerated in 2008, with exports in the eight months to August falling less than 1 percent to 2.6 billion meters.

Rising material and labor costs are the primary factors affecting the industry's exports. Since zippers are a type of low-value product, companies engaged in the line usually have very thin margins. As such, the high cost of energy, financing and operating expenses impact them in a major way. With a strong yuan exacerbating the situation, about 100 plants are expected to fold in the next 12 months.

Even so, companies are trying to maintain a positive outlook for the months ahead. Many of them are expecting between 10 and 20 percent growth, and are taking steps to improve their efficiency under efforts to cut down on costs.

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

- Export prices are expected to continue moving upward in the months ahead. While some makers are trying to limit increases to 5 percent, many will be adjusting quotes up to 10 percent. Certain suppliers even expect 2009 prices to grow by 15 percent.

- Many companies are recognizing the need to automate and upgrade their manufacturing machinery not only to boost efficiency but also to produce higher-value zippers. Such factories are purchasing equipment from Taiwan and South Korea, while some are hiring professional machinists to retrofit existing facilities.

- Although low-end models still dominate exports, intense competition in this highly mechanized industry is pushing many large and well-established suppliers to move upmarket. Such makers are releasing zippers with multicolor or zircon-inlaid teeth, patterned tape and customized sliders and pull tabs. They are also using imported or branded materials, despite higher costs.

China suppliers produce nylon or polyester, Delrin or plastic, and metal zippers for export. Nylon dominates exports, accounting for more than two-thirds of total shipments.

The Products & Prices section in this report details the features and prices of a range of low-end, mid-range and high-end zippers in each product category.

The Industry Overview discusses how suppliers are responding to major challenges, and elaborates on the industry composition, highlighting key characteristics of the different types of companies.

The zipper export manufacturing industry in China is comprised mainly of small companies and around one-third has direct export capability.

About 70 percent of all suppliers are private locally owned companies, 25 percent have foreign participation and the rest are publicly listed or SOEs.

This report covers two of the largest zipper manufacturers in China. Fujian SBS, the country's biggest maker, produces 80 million meters monthly. The company has a factory in Shanghai, which is also home to Shanghai East Dragon, another large supplier capable of producing 60 million meters each month.

Zhejiang is the top exporter province for zippers, accounting for 42 percent of China's total shipments from January to August 2008. Thirty-five percent of profiled companies are based in the province.

### In this report

- 15 in-depth company profiles
- 64 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 members 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

Various economic challenges are forcing China's zippers export manufacturing industry to invest in technology and product upgrades.

The cost of major materials has soared since the last time Global Sources analyzed the industry in 2005. Brass, for example, has increased 419 percent from \$1,600 to \$8,300 per ton. Zinc alloy, stainless steel and iron have also become 120, 100 and 50 percent more expensive, respectively, in the same period. Nylon monofilaments and polyester thread cost 10 percent more than what they did at the start of 2008, while quotes for dyes are 30 percent higher.

About 20 percent of makers are using recycled materials to keep price increases at bay. Locally sourced recycled polypropylene costs \$3,500 per ton, but the recycled version costs almost 143 percent less at \$3,500. Similarly, virgin TPU is \$4,900 per ton, 216 percent more than its recycled counterpart, which is about \$1,550.

Zippers made of recycled materials, however, are weaker and easily damaged. There is also a limited range of colors that can be used for production. Recycled plastic, for example, can only be colored black. All of the suppliers interviewed for this report claim that they do not use recycled materials.

Labor expenses have also grown significantly since 2005, increasing by about 30 percent. Costs have risen 10 percent in the past year alone, and are expected to climb by another 10 percent in the next 12 months.

These factors are leaving suppliers little choice but to raise product prices. The stronger yuan has exacerbated the situation, growing by more than 20 percent since 2005. Some makers tried quoting in currencies other than the US dollar at one point, but this strategy is no longer a viable option. The US mortgage crisis that forced the country's economy to slow down is now affecting the EU and Asia.

In fact, China customs statistics show that the average unit export value in 2007 increased 27.5 percent and has grown by an additional 26 percent in the first eight months of 2008 alone.

A survey of the companies in this report reveals that export prices are expected to increase between 5 and 10 percent in the next six months, but many of them believe quotes may rise up to 15 percent by the end of 2009.

In an effort to maintain existing clients, many suppliers are improving the services they provide. A number of companies, for instance, are setting up sales offices in or near major markets to facilitate orders better.

But more than improved services, suppliers recognize the need to automate production and upgrade machinery. If such upgrading measures will not only reduce costs in the long run, they will also enable makers to start producing higher-value models.

At present, low technology is the biggest challenge zipper suppliers in China are facing, and the reason low-end models continue to dominate output and exports. For instance, the technology used in electroplating metal teeth and parts is not as advanced. Compared with zippers electroplated by industry leader YKK,

### Supplier summary

Suppliers surveyed	15
Export sales	\$117.9mn
Export ratio	40%
OEM business	77%
Capacity utilized	79%
Annual R&D spending	\$5.7mn
Full-time employees	19,514

Data: All surveyed suppliers

China models oxidize faster.

Only large and well-established makers such as Fujian SBS and Shanghai East Dragon have equipment that is on a par with industry standards. Shanghai East Dragon is even cooperating with machinery companies in South Korea to upgrade its equipment. It also hired machinists who have worked at YKK for more

Many of the small and midsize companies still lack sufficient funds to enable them to invest in technology upgrades. A number of these makers also believe their current equipment is enough to satisfy the needs of buyers.

Nevertheless, industry analysts are projecting that even these suppliers will embark on technology upgrades within the next five years.

Some of those that are already working on improving their capability are purchasing machines from South

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### Major customers

Company	
CMZ	Target (US), G-Star (the Netherlands)
Jinjiang Fuxing	Umbro (UK), Nike (US), Fila (France)
Shanghai East Dragon	Polo, Tommy Hilfiger (US)
Welltern	Puma (Germany), Reebok (US)
Well-Tex	Lee (US), Wrangler (Australia)
Yongjia Sunhand	Sritrims (Sri Lanka), Queenson (US)
Zhejiang Tianyang	Hang Sang Accessories (Pakistan)
Zhejiang Weixing	Zara, Mango (Spain); Only, Bestseller (Denmark); Next (UK); H&M (Sweden); C&A (the Netherlands); Max Mara, Kappa (Italy); J.C. Penney, Target, Gap (US)

Data: All surveyed suppliers

## Zippers

### SUPPLIER PROFILES

## CMZ Zipper (Wuxi) Co. Ltd

Specializing in midrange and high-end zippers, CMZ produces about 120 million meters annually. About 20 percent of these Oeko-Tex Standard 100-compliant zippers are exported, mainly under OEM contracts. Products are sent primarily to the US, Germany, the Netherlands and the UK.

The selection consists of metal, nylon and Delrin zippers. Models have matching teeth and tape color, or reflectorized tape with transparent teeth. Some designs have mesh tape with a shiny, silvery or water-resistant surface. Pull tabs come shaped like a star, flower, lock, heart or traffic light.

Metal chains are electroplated in various finishes, including nickel, brass and gunmetal. A few nylon filaments are coated with black nickel, gold or

The material and design are the main price determinants. Closed-end nylon zippers are \$0.06 while open-end models go for \$0.14.

A 60cm-Delrin type with closed-

and open-end structures are \$0.08 and \$0.19, respectively. Closed-end metal designs are quoted at \$0.12 while open-end versions average \$0.28.

Prices are anticipated to increase by 5 percent in the next six months, primarily because of rising costs.

CMZ spends \$260,000 on product development annually. Five to 10 new models are released each year.

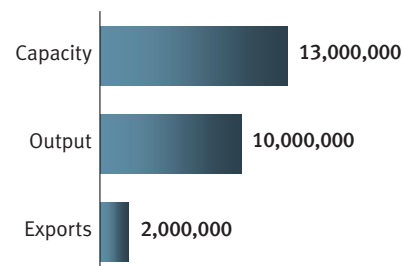
The company operates a 50,000sqm factory in Wuxi, Jiangsu province, that houses two production areas for tape weaving, and workshops for metal slider, zippers manufacture, dyeing, tape ironing and painting.

The painting area has 14 spraying and 20 dyeing machines, and a Gretag Macbeth Judge II, a portable light booth for visual comparison of color

CMZ has 140 inspectors who perform quality checks at every stage of production. Zippers are also sent to SGS and Intertek for tests on strength and colorfastness.

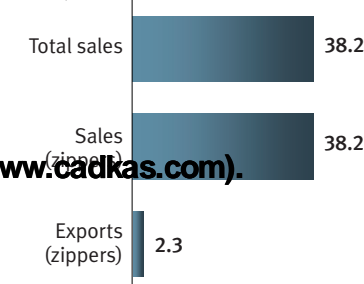
#### Production

meters/mth



#### Sales

\$mn/year



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#### Profile

##### Company facts

Year established	1985
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Wuxi (Jiangsu)
Factory location(s)	Wuxi (Jiangsu)
Total factory area	50,000sqm
No. of full-time employees	1,500
Annual sales (all products)	\$38.2mn
Annual R&D spending	\$0.26mn
ISO certification	Yes

##### Sales & output: Zippers

Annual sales	\$38.2mn
Share of total sales	100%
Annual export sales	\$2.3mn
Total monthly capacity	13,300,000 meters
Average monthly output	10,000,000 meters
Capacity utilized	75%
Average monthly exports	2,000,000 meters
Export ratio	20%
OEM % of exports	70%
ODM % of exports	10%
OBM % of exports	20%

• Information not disclosed

#### Contact details

##### Business contact

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**URL**  
 www.cmz.cn  
**Address**  
 Qiting Street, Yixing, Wuxi, Jiangsu, China



Capability	
<b>Production checklist</b>	
In-house R&D/design staff	26
Production line QC staff	140
Assembly lines	•
Metal die-cast machines	9
Tape weaving machines	49
Monofilamenting equipment	60
In-house electroplating	No
In-house dyeing	Yes
<b>Exports by product</b>	
Nylon/polyester	35%
Delrin/plastic	25%
Metal	40%
<b>Exports by market</b>	
North America	40%
European Union	40%
Europe (non-EU)	—
Asia (incl. Australia)	28%
Middle East	—
Other	—

Outlook	
● <b>Export prices</b>	Increase
● <b>Export price increase</b>	5-10%
● <b>Export sales</b>	Increase 10-20%
● <b>Target market</b>	European Union
● <b>Production capacity</b>	Increase 20-50%
● <b>Major challenge</b>	Cost of raw materials
● <b>Export capability</b>	Reduce production costs
● <b>Major production trend</b>	Use of improved production techniques

**Popular export models**



**Delrin/plastic**  
 Model  
 Minimum order  
 Packaging type  
 Delivery time  
 Indicated price

Delrin  
 1,000 pieces  
 Carton  
 10 days

•  
**Description:** Closed-end; Delrin teeth; polyester tape; #3, #8, #10



**Metal**  
 Model  
 Minimum order  
 Packaging type  
 Delivery time  
 Indicated price

Metal  
 1,000 pieces  
 Carton  
 10 days

•  
**Description:** Closed-end; brass teeth; polyester tape; #3, #8, #10



**Nylon/polyester**  
 Model  
 Minimum order  
 Packaging type  
 Delivery time  
 Indicated price

Nylon  
 1,000 pieces  
 Carton  
 10 days

•  
**Description:** Closed-end; nylon teeth; polyester tape; #3, #8, #10

• Information not disclosed

PRODUCT GALLERY

Nylon/polyester



**CMZ**  
(profile page 26)  
**Model:** Nylon  
**Minimum order:** 1,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 10 days  
**Indicated price:** •  
**Description:** Closed-end, one-way; nylon teeth; 20cm-long polyester tape; #3, #8, #10

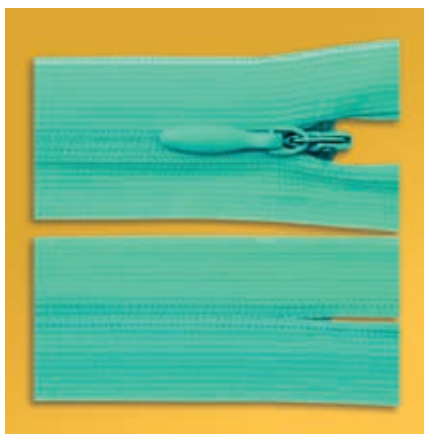


**Fujian SBS**  
(profile page 28)  
**Model:** SBS-5  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 5 days  
**Indicated price:** •  
**Description:** Closed-end, one-way; 20cm-long polyester tape; auto-lock slider; #3; for skirts

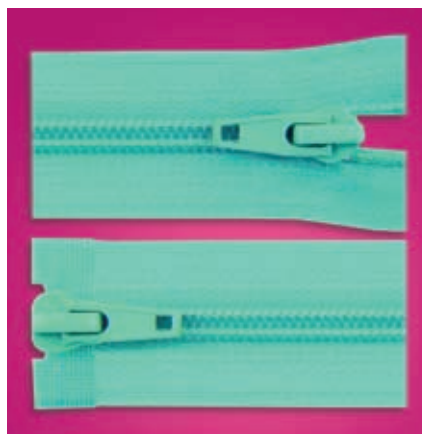


**Fujian SBS**  
(profile page 28)  
**Model:** SBS-1  
**Minimum order:** 100,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 6 days  
**Indicated price:** •  
**Description:** Closed-end; 20cm-long polyester tape; auto-lock slider; #3; for trousers

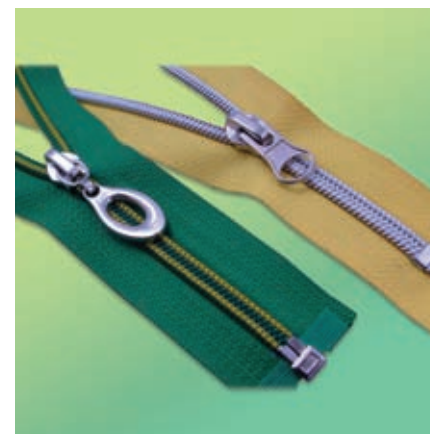
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**Guangzhou Sanhui**  
(profile page 30)  
**Model:** D-3204  
**Minimum order:** 1,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 14 days  
**Indicated price:** •  
**Description:** Invisible zipper; closed-end, one-way; nylon teeth; 25cm-long polyester tape; #3; for skirts



**Guangzhou Sanhui**  
(profile page 30)  
**Model:** C-3204  
**Minimum order:** 1,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 14 days  
**Indicated price:** •  
**Description:** Closed-end, one-way; nylon teeth; 15cm-long polyester tape; #3; for garments



**Jinjiang Fuxing**  
(profile page 32)  
**Model:** #5 Nylon Zipper  
**Minimum order:** 10,000 pieces  
**Packaging type:** Carton  
**Delivery time:** 7 days  
**Indicated price:** •  
**Description:** Open- or closed-end; for bags and garments

• Information not disclosed

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