

Profile: Zhejiang Shouwang

"Upon seeing the lion, the tiger will crouch, the leopard will close its eyes, and the bear will leap away." The name for the king of the animal kingdom is Shouwang in Chinese—not surprising then that the Zhejiang Shouwang Group chose it for its brand name as the company continues to hold sway with its massive leather clothing production capacity.

Four million garments a year and now moving into sofas

China's Zhejiang Shouwang Group, a privately owned company, claims to be the largest production base of leather and fur garments in the world. Nestling within the Yangtze River Delta, in HangZhou, 180 km from the Shanghai, it is listed as one of the top eight clothing companies in the country. With twelve garment factories employing a total of 10,000 people, a turnover of Y1 billion (\$120 million) from clothing alone and producing around four million fur and leather garments per year, this is probably no idle claim.



The company also began to produce leather sofas during 2003 in yet another new factory, a business which employs an additional 1,500 people and it is developing two additional units to start to process its own leather and fur from the raw hides and skins. In total, the company has fifteen factories and joint ventures with many subcontract units. The company spreads across some 66 hectares (over 160 acres), with construction work utilising 62,000 sq.m. The factory buildings already cover 43,000 sq.m., the equivalent of more than six football pitches.



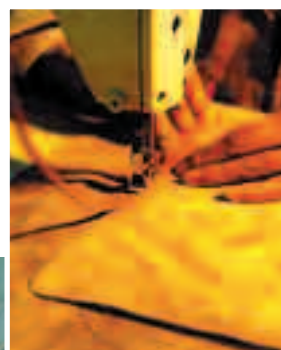
A new leather garment production area is due to be completed in September 2004 which will employ 4,500 people, moved from current manufacturing sites to consolidate all garment production in one complex. This 'Shouwang Industry Town', which covers an area of 150,000 sq.m. will be situated in the west of HangZhou. The industry town will be a modernised manufacturing entity for both export and domestic production, design and development, quality control and inspection, and has been

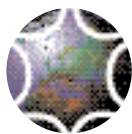
designed to produce 6.2 million items of clothing—including leather, furs, PVC/PU, leisure and knitted clothing, as well as cashmeres. One of the new leather processing plants is already in production, the other will be operational before the end of 2004. Much of this leather production will be used by the group, apart from any shoe grade leather that will be sold to shoe manufacturers. The company has no short term plans to enter shoe manufacturing, though this may be an avenue for the future.

Planned expansion

The company has also diversified into restaurants and real estate with hotels in Wuxi, Shanghai and Huanghoa, though in 2003 80% of its turnover was still in leather apparel.

Although output in clothing is still budgeted at Y1 billion for 2004, business remaining at the current level, company turnover is set to almost double to Y2 billion in total, Y0.7 billion coming from additional exported leather sofa sales.





Shouwang has developed its own successful domestic brand of leather and fur garments, selling under its own name, which they sell through 360 of its own shops throughout China, though currently 95% of its production is designed for export to more than 20 countries—approximately 35% of which goes to the USA, 35% to Europe and 30% to countries such as Korea, Japan and Australia. Customers include many well known brands such as J. C. Penney, Lane Bryant, Sears, Nordstrom, Kohl's, Zara, Top Shop, New Look, H&M, Naf Naf, Marks & Spencer, TJ Maxx, Oasis, Freeman's, John Lewis and Bilka, and long established partnerships have been formed with many of these.

The company has set itself an export target of \$600 million by 2006, a considerable growth from its 2002 level of \$83.9 million. To gain new export customers the company exhibits at all the main international leather exhibitions including those in Finland and Italy.

Nearly all types of leather and fur are used including pig, goat, sheep, cow, horse, rabbit, donkey and fox. Reptile skins are not part of their production. Shouwang works hard in co-developing new leather products, processing technologies and technical equipment both with overseas companies and local leather suppliers. Popular newly developed products include washable pigskin suede, washable pigskin splits, antiqued pigskin splits, printed suede, embroidered leather and leathers bonded with fur.

Style runs vary from 30-40 garments for a trial production to 10-20,000, though their largest order to date was a suit for Sears with a production run of 60,000. All own brand design is carried out in-house. Export customers may select from the company designs, work in partnership with the company to develop new ideas, or provide the designs themselves.

Emphasis on training and systems

Gerber Technology CAD systems are used to produce the patterns and grades, though cutting of the hides is carried out manually, the cutters responsible for the positioning of the pattern pieces to make maximum use of each hide. Thus hard card patterns are required and a combined Gerber single-ply automated cutter and plotter is used to cut out and mark up the pattern pieces. 220 technicians are employed in the design, pattern and marker making areas. Linings and ancillary fabrics are cut using a GTXL NC cutter.

The factories are divided into production lines of 25 operatives, all being multi-skilled with each operator given two months off-line training before they enter mainstream production where training continues for another month. When required a whole line is stopped for additional training for new products, methods, and other production processes. Juki is the main supplier of sewing machinery, mainly lockstitch, though many specialised machines such as whip stitching, peeling,



prying, keyhole, buttoning and bag opening machines are also used. An ISO 9001 certified quality system is in place.

Not just good luck

The company began in 1988 as a small unit with an investment of Y30,000 and 50 sewing machines. It started with domestic production, entering the export markets on a gentle step-by-step basis whilst simultaneously establishing its own brand.

A spokesman for the company put the success of the company down to three main factors: good fortune, the quality of their production, and the extremely hard work of the staff. No manager has yet left the company since its commencement. With the strategy of always putting people first and 'making full use of each person's ability' its major human resource principle, the company aims 'to make every effort to tap each staff member's potential to the maximum extent'. The key to the success is 'the interrelation of strict management systems and modern scientific and technological means, implementing the management philosophy "quality means life of an enterprise" into every procedure from production to sales'.