



# Global and China Microfiber Leather Industry Report, 2011-2012

Feb. 2012

## STUDY GOAL AND OBJECTIVES

This report provides the industry executives with strategically significant competitor information, analysis, insight and projection on the competitive pattern and key companies in the industry, crucial to the development and implementation of effective business, marketing and R&D programs.

## REPORT OBJECTIVES

- ◆ To establish a comprehensive, factual, annually updated and cost-effective information base on market size, competition patterns, market segments, goals and strategies of the leading players in the market, reviews and forecasts.
- ◆ To assist potential market entrants in evaluating prospective acquisition and joint venture candidates.
- ◆ To complement the organizations' internal competitor information gathering efforts with strategic analysis, data interpretation and insight.
- ◆ To suggest for concerned investors in line with the current development of this industry as well as the development tendency.
- ◆ To help company to succeed in a competitive market, and

## METHODOLOGY

Both primary and secondary research methodologies were used in preparing this study. Initially, a comprehensive and exhaustive search of the literature on this industry was conducted. These sources included related books and journals, trade literature, marketing literature, other product/promotional literature, annual reports, security analyst reports, and other publications.

Subsequently, telephone interviews or email correspondence was conducted with marketing executives etc. Other sources included related magazines, academics, and consulting companies.

## INFORMATION SOURCES

The primary information sources include China Custom and Wind.

## Abstract

As an upgrading product of traditional artificial leather and an alternative to genuine leather, microfiber leather has been in tight supply. From 2004 to 2010, the global output of microfiber leather maintained a CAGR of 8.7%. In 2010, the figure grew 7.6% YoY to 118 million square meters. Along with the new capacity release of major manufacturers, the world's output of microfiber leather is expected to reach 141 million square meters in 2012. Although the growth rate of microfiber leather output is greater than that of the demand, the product is still in short supply because of the large supply-demand gap at present, and the balance between supply and demand is estimated to be achieved around 2013.

### **Chinese microfiber leather industry characterizes the followings:**

- ◎ **The industry features a high degree of concentration.** Presently, three listed companies including Zhejiang Hexin Industry Group, Wuxi Double Elephant Micro Fiber Material and Huafon Microfibre (Shanghai), as well as to-be-listed Shandong Tongda Island New Materials occupy more than 50% of the market, among which, Huafon Microfibre accounted for around 22.1% market share in 2010.
- ◎ **Shoe and furniture microfiber leather prevail and automotive interior microfiber leather becomes new bright spot.** The demand for microfiber leather mainly comes from downstream sectors such as shoes, furniture, car and bag & luggage. Microfiber leather for shoes and furniture makes up approximately 70.2% of the downstream demand, and that for clothing and cars each accounts for around 6.1%. Microfiber leather for automotive interiors is expected to become new growth engine of demand from downstream industries.

© **China outpaces Japan to rank first in production.** In 2010, the output of microfiber leather in China got to 48.6 million square meters, accounting for 41.36% of the global total, and China thus excelled Japan for the first time to become the world's largest producer. As Chinese manufacturing enterprises enhance their technology development strength, microfiber leather production keeps being transferred to China.

© **The balance between supply and demand will be realized in 2013.** Currently, Chinese microfiber leather industry is in short supply. In 2010, the consumption of microfiber leather in China reached 92 million square meters, while the output barely attained 48.6 million square meters in the same period, so China is currently a net importer of microfiber leather. Coveted by the high profitability of microfiber leather products, many enterprises are expanding their production capacities. It is estimated that the tight supply of microfiber leather will be replaced by supply-demand balance or even oversupply after 2013.

**It is in the report that covers the followings:**

- The current status, market size, competition pattern and supply & demand of microfiber leather in China and in the world;
- Import & export, entry barriers, development prospects and trends of Chinese microfiber leather industry;
- The upstream and downstream sectors of Chinese microfiber leather industry, focusing on the current status of and demand from the downstream industries including shoes, furniture, clothing, automotive interiors, bag & luggage and sporting goods;
- Operation, project planning and forecasts of the world's 5 leading microfiber leather manufacturers and China's 10 major microfiber leather enterprises.

Japanese companies represented by Toray and Kuraray are the leading manufacturers equipped with the most advanced technologies and boasting of the largest output and the most complete product portfolio in the industry. Chinese microfiber leather enterprises still lag behind Japanese producers in technical level, but enjoy high growth speed. Additionally, it is noteworthy that the gross margin of ordinary synthetic leather approximates 10%-25%, while that of microfiber leather products averages around 30%, with 5-20 percentage points higher than the former, which also explains microfiber leather manufacturers' increasing efforts in capacity release.

<b>Preface</b>	<b>4. Upstream and Downstream of Chinese Microfiber Leather Industry</b>	5.5 TEIJIN
<b>1. Overview of Microfiber Leather</b>	4.1 Upstream	5.5.1 Profile
1.1 Definition and Classification	4.2 Downstream	5.5.2 Microfiber Leather Business
1.1.1 Definition	4.2.1 Shoes	5.5.3 Development in China
1.1.2 Classification	4.2.2 Furniture	<b>6. Chinese Microfiber Leather Enterprises</b>
1.2 Development Course	4.2.3 Clothing	6.1 HUAFON MICROFIBRE (SHANGHAI) CO., LTD
1.3 Industry Chain	4.2.4 Automotive Interiors	6.1.1 Profile
1.4 Industry Characteristics	4.2.5 Bag & Luggage, Sporting Goods	6.1.2 Operation
<b>2. Development of Global Microfiber Leather Industry</b>	Summary	6.1.3 Prospects and Forecast
2.1 Current Status	<b>5. Global Microfiber Leather Enterprises</b>	6.2 WUXI DOUBLE ELEPHANT MICRO FIBRE MATERIAL CO., LTD
2.2 Supply and Demand	5.1 KURARAY	6.3 ZHEJIANG HEXIN INDUSTRY GROUP CO., LTD
2.3 Dynamics	5.1.1 Profile	6.4 SHANDONG TONGDA ISLAND NEW MATERIALS CO., LTD
2.3.1 Manufacturers	5.1.2 Microfiber Leather Business	6.5 ZHEJIANG KEY SYNTHETIC LEATHER CO., LTD
2.3.2 Technical Level	5.1.3 Development in China	6.6 WENZHOU HUANGHE MICROFIBRE CO., LTD
2.4 Industry Barriers	5.2 MITSUBISHI RAYON GROUP	6.7 FUJIAN LONGSHANG MICROFIBER CO., LTD
<b>3. Development of Chinese Microfiber Leather Industry</b>	5.2.1 Profile	6.8 ZHEJIANG MEISHENG INDUSTRIAL CO., LTD
3.1 Policy	5.2.2 Microfiber Leather Business	6.9 SHANDONG XINLONG HI-TECH CO., LTD
3.2 Supply and Demand	5.2.3 Development in China	6.10 XIAMEN HONGXIN MICROFIBRE MATERIALS CO., LTD
3.2.1 Supply	5.3 TORAY	Summary
3.2.2 Demand	5.3.1 Profile	
3.3 Competition Pattern	5.3.2 Microfiber Leather Business	
3.4 Import and Export	5.3.3 Development in China	
3.5 Prospect and Trend	5.4 ASAHI KASEI CORPORATION	
Summary	5.4.1 Profile	
	5.4.2 Microfiber Leather Business	
	5.4.3 Development in China	

- Schematic Diagram of Microfiber Leather
- Classification and Composition of Artificial Leather
- Development Course of Artificial Leather
- Feature Comparison between Natural Leather and Microfiber Leather
- Industry Chain of Microfiber Leather
- Global Microfiber Leather Output, 2004-2012
- Output of Microfiber Leather by Country/Region, 2004-2010
- Major Microfiber Leather Enterprises in the World, 2010
- Microfiber Leather Industry Policies in China, 2005-2011
- Output of Microfiber Leather in China, 2005-2012
- Consumption of Microfiber Leather in China, 2005-2012
- Application and Consumption of Artificial/Synthetic Leather and Microfiber Leather by Product, 2005-2010
- Sales Volume of China's Major Microfiber Leather Enterprises, 2007-2012
- China's Import Volume of Microfiber Leather, 2005-2012
- Output and Consumption of Microfiber Leather in China, 2005-2012
- Price Trend of PA6, Adipic Acid, LLDPE and MDI Products in China, 2007-2011
- Demand for Artificial/Synthetic Leather and Microfiber Leather for Shoes in China, 2006-2013
- Demand for Artificial/Synthetic Leather and Microfiber Leather for Sofa Furniture in China, 2006-2013
- Demand for Artificial/Synthetic Leather and Microfiber Leather for Clothing in China, 2011-2015
- Demand for Artificial/Synthetic Leather and Microfiber Leather for Automotive in China, 2006-2013
- Demand for Artificial/Synthetic Leather and Microfiber Leather for Bags, Balls and Decoration in China, 2011-2015
- Downstream Structure of China Microfiber Leather Industry, 2010
- Application and Consumption of Microfiber Leather in China by Product, 2005-2010
- Net Sales and Operating Income of Kuraray Fibers and Textiles, FY2010-FY2011
- Net Sales of Kuraray by Region, FY2006-FY2010

- Operating Revenue and Total Profits of Hexin Kuraray (Jiaxing), 2007-2009
- Sales and Operating Income of Mitsubishi Rayon Group Acetate Fibers & Membranes and Others, FY2007-FY2009
- Sales Revenue Structure of Mitsubishi Rayon Group by Region, FY2010
- Operating Revenue and Total Profits of Mitsubishi Rayon Group Polymer Materials (Nantong), 2007-2009
- Net Sales and Operating Income of Toray Fibers and Textiles, FY2009-FY2011
- Capacity Structure of Toray by Region, FY2011
- Net Sales Growth of Toray in Developing Countries/Regions, FY2000-FY2020
- Operating Revenue and Total Profits of Toray Fibers (Nantong), 2007-2009
- Subsidiaries of Asahi Kasei Group
- Net Sales, Operating Income and Operating Margin of Asahi Kasei Fibers, FY2008-FY2010
- Net Sales Structure of Asahi Kasei by Product, FY2010
- Net Sales and Operating Income of Asahi Kasei by Product, FY2010&FY2015
- Operating Revenue and Total Profits of Hangzhou Asahi Kasei Textile, 2007-2009
- Operation of Teijin by Product, FY2010-FY2011
- Operating Revenue and Total Profits of Teijin Composite Plastic (Shanghai), 2007-2009
- Operating Revenue and Net Income of Huaфон Microfibre (Shanghai), 2008-2011
- Operating Revenue Structure of Huaфон Microfibre (Shanghai) by Product, 2008-2011
- Operating Revenue Structure of Huaфон Microfibre (Shanghai) by Region, 2008-2011
- Capacity of Huaфон Microfibre (Shanghai) by Product, 2008-2014
- Operating Revenue, Net Income and YoY Growth of Huaфон Microfibre (Shanghai), 2010-2013
- Operating Revenue and Net Income of Wuxi Double Elephant Micro Fibre Material, 2008-2011
- Operating Revenue Structure of Wuxi Double Elephant Micro Fibre Material by Product, 2008-2011
- Operating Revenue Structure of Wuxi Double Elephant Micro Fibre Material by Region, 2008-2011
- Operating Revenue, Net Income and YoY Growth of Wuxi Double Elephant Micro Fibre Material, 2010-2013
- Operating Revenue and Net Income of Zhejiang Hexin Industry Group, 2008-2011



- Operating Revenue Structure of Zhejiang Hexin Industry Group by Product, 2008-2011
- Operating Revenue Structure of Zhejiang Hexin Industry Group by Region, 2009-2011
- Capacity of Zhejiang Hexin Industry Group by Product, 2011-2012
- Sales Volume and Gross Margin of Zhejiang Hexin Industry Group by Product, 2011-2013
- Operating Revenue, Net Income and YoY Growth of Zhejiang Hexin Industry Group, 2010-2013
- Operating Revenue and Net Income of Shandong Tongda Island New Materials, 2008-2011
- Operating Revenue Structure of Shandong Tongda Island New Materials by Product, 2008-2011
- Operating Revenue and Total Profits of Zhejiang KEY Synthetic Leather, 2007-2009
- Operating Revenue and Total Profits of Wenzhou Huanghe Microfibre, 2007-2009
- Operating Revenue and Total Profits of Fujian Longshang Microfiber, 2007-2009
- Operating Revenue and Total Profits of Zhejiang Meisheng Industrial, 2007-2009
- Operating Revenue and Total Profits of Shandong Xinlong Hi-tech, 2007-2009
- Operating Revenue and Total Profits of Xiamen Hongxin Microfibre Materials, 2007-2009
- Global Main Microfiber Leather Enterprises, 2010
- Gross Margin of Main Microfiber Leather Enterprises in China, 2007-2011

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