



State of the Sector Report on Philippine Holiday Décor 2006

April 2007
Pearl2 Project

The State of the Sector Report - Philippine Holiday Décor 2006 is one of a series of State of the Sector Reports published by the Pearl2 Project. This report also updates the one prepared for 2005.

Pearl2 is a project funded by the Canadian International Development Agency and managed by Agriteam Canada Consulting Ltd.

Pearl2 is a five-year initiative (2002-2007) designed to support the development of small and medium enterprises throughout the Philippines. It aims to help create meaningful jobs for both men and women through the strengthening of Business Support Organizations (BSOs) and Investment Promotion Centers (IPCs).

This report uses the definition provided by the Department of Trade and Industry (DTI) for micro, small and medium enterprises. Micro firms are companies with assets totaling below Php3 million. Small enterprises are those with total assets of over Php3 million to Php15 million, while medium enterprises have assets ranging from over Php15 million to Php100 million.

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Contents

1. Background	1
Methodology	2
Limitations	2
Acknowledgments	3
2. Executive Summary	5
3. Industry Overview	11
Industry Background	11
Product Coverage	12
Industry Coverage	13
4. Global Holiday Decor Market	15
World Imports of Holiday Decor	15
<i>Chart 1: World Imports of Holiday Decor, 2002-2005</i>	
<i>Chart 2: World Imports of Holiday Decor by Major Product Line, 2002-2005</i>	
<i>Chart 3: World Imports of Major Country, 2005</i>	
World Exports of Holiday Decor	19
<i>Chart 4: World Exports of Holiday Decor 2002-2005</i>	
<i>Chart 5: World Exports of Holiday Decor by Major Country, 2005</i>	
China Holiday Decor Exports	20
<i>Chart 6: China Holiday Decor Exports, 2002-2005</i>	
US Holiday Decor Imports	21
<i>Chart 7: US Holiday Decor Imports, 2002-2005</i>	
<i>Chart 8: US Holiday Decor Imports by Country, 2005</i>	
European Union Holiday Decor Imports	24
<i>Chart 9: EU25 Holiday Decor imports, 2000-2005</i>	
<i>Chart 10: Major EU25 Holiday Decor Importing Countries, 2005</i>	
<i>Chart 11: EU25 Holiday Decor Imports by Country of Origin, 2005</i>	

State of the Sector Report - Philippine Holiday Decor

4. Global Holiday Decor Market (cont'd)	
<i>Chart 12: Holiday Decor Imports From China of EU25 Countries, 2000-2005</i>	
Philippine Holiday Decor Exports	25
<i>Chart 13: Philippine Holiday Decor Exports, 2000-2006</i>	
<i>Chart 14: Philippine Holiday Decor Exports by Country, 2006</i>	
<i>Table 1: US Imports of Holiday Decor from Selected Asian Countries, 2005</i>	
<i>Table 2: US Imports of Holiday Decor from Selected Asian Countries, 2002-2005</i>	
<i>Table 3: EU25 Imports of Holiday Decor from Selected Asian Countries, 2005</i>	
5. Sectoral Profile	33
Summary of Key 2006 Survey Findings	34
Key Survey Findings 2004 to 2006	36
<i>Number of Respondents, Company Set-up, Ownership and Management, Product Lines, Facilities, Employment, Subcontractors, Sources of Raw Materials, Mode of Production and Operations, Capacity Utilization, Quality Control, Product Development, Market Coverage, Export Markets, Competitors, Sales, Market Access, Finance</i>	
6. Value Chain Analysis	49
Structure of the Sector	49
Process Flow	50
The Holiday Decor Sector Value Chain Diagram	53
Key Findings	54
The Holiday Decor Value Chain Cross Reference Matrix ..	72
7. Needs Assessment	65
Firm Infrastructure	65
Inbound Logistics	65
Operations	66
Outbound Logistics	67
Marketing and Sales	67
Service	68
9. Strategic Direction	69

Table of Contents

Annexes	75
Annex 1: The Value Chain Analysis	77
Annex 2: Harmonized System and Philippine Standard Commodity Classification for Holiday Decor Products	79
Annex 3: Commonly Used Raw Materials in Holiday Decors	80
Annex 4: World Holiday Decor Imports by Country, 2002-2005	81
Annex 5: World Holiday Decor Exports by Country, 2002-2005	82
Annex 6: U.S. Holiday Decor Imports by Country, 2002-2005	83
Annex 7: Major EU25 Holiday Decor Importers, 2000-2005	84
Annex 8: EU25 Holiday Decor Imports, by Country, 2000-2005	85
Annex 9: Philippine Holiday Decor Exports by Product, 2000-2006	86
Annex 10: Philippine Holiday Decor Exports by Country, 2000-2006	87
Annex 11: Summary of Key Findings From 2004-2006 Pearl2 Survey of Holiday Decor Firms	88
Annex 12: The Holiday Decor Process Flow	98
<i>Annex 12.1: Inbound Logistics</i>	
<i>Annex 12.2: Operations</i>	
<i>Annex 12.3: Outbound Logistics</i>	
<i>Annex 12.4: Marketing and Sales</i>	

Acronyms

BETP	Bureau of Export Trade Promotion
BSO	Business Support Organization
CDPEAP	Christmas Décor Producers and Exporters Association of the Philippines
CIDA	Canadian International Development Agency
CITEM	Center for International Trade Expositions and Missions
DCP	Design Center of the Philippines
DTI	Department of Trade and Industry
EU	European Union
HAPI	Home Accents Group of the Philippines
ICT	Information and Communication Technology
PCHI	Philippine Chamber of Handicrafts Industries
PDDCP	Product Development and Design Center of the Philippines
R&D	Research and Development
UNSD	United Nations Statistics Division

Background

The Pearl2 Project, in coordination with the Department of Trade and Industry, has been actively assisting the local holiday décor industry since 2003. The manufacture of holiday décor items is highly labor intensive with significant direct and indirect employment generated throughout its value chain. The sector makes creative use of native materials, fashioning these into different décor designs for the global market. This study is a continuing effort by Pearl2 to provide updated information on the status of the holiday décor sector. It is the fourth to be released since 2003.

The present report features updated market information on holiday décor products. Key findings from the previous three surveys conducted by the Project among décor manufacturers are also included in the Sectoral Profile section. The value chain for the sector has also been updated based on data obtained from industry representatives. As in the previous study, a brief discussion on the proposed strategic direction for the industry is provided at the end of the report.

Methodology

The Pearl2 Project partnered with De LaSalle University (DLSU), Manila through its Center for Business and Economic Research and Development (CBERD) to undertake the development of this edition of the holiday décor report. The researchers used primary and secondary sources of information in this study. Primary research was undertaken through a survey of holiday décor producers and consultations with some industry personalities. The survey was conducted among members of the Christmas Decor Producers and Exporters Association of the Philippines (CDPEAP), a beneficiary of the Project. These firms are engaged in the production, processing and marketing of various holiday décor products. The secondary sources of data include statistics and reports from government agencies as well as online research from various sources.

This report uses the value chain model developed by Dr. Michael Porter of the Harvard Business School to analyze industry activities. (Please see Annex 1 for a background on the Value Chain Analysis) Based on the value chain analysis, the needs of the industry were assessed covering the sector's primary activities- inbound logistics, operations, outbound logistics, marketing and sales, and service. Based on an analysis of the sector's value chain and industry data, a proposed strategic direction for the holiday décor products sector was developed and is presented at the end of this report.

Limitations

The respondents to the survey conducted for this report are limited to members of the CDPEAP. A total of 18 firms participated in the survey. This sample represents about 26% of the total membership of CDPEAP at the time the survey was conducted.

The major focus of this study is on exporting and would-be exporting firms, so there is very limited information on support industries such as raw material suppliers and traders.

The value chain used in this report is limited to the primary and support activities of exporters and would-be exporters. It does not cover the value chains of external entities such as suppliers or buyers. The value chain analysis consolidates findings from different firms. It provides an overall view of the industry. However, it does not cover any financial or cost information on the firms since such data was difficult to obtain and will be hard to reconcile for an industry-level evaluation.

Acknowledgments

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- Mr. Ricardo B. Sales, Jr., CDPEAP President;
- Ms. Marlane Villa-Real, immediate past CDPEAP President;
- Ms. Shierley Cuyo, CDPEAP executive director;
- and the other officers and members of the CDPEAP for their support in providing data for this report.

2 Executive Summary

The local holiday décor industry's strengths are the natural materials available in the country and the ingenuity of local crafts persons. The industry is labor-intensive since products are mainly handcrafted and relies on a network on subcontractors, raw materials suppliers and gatherers. Product lines include handcrafted ornaments and decorations for Christmas, Halloween, Easter and other festive celebrations. Most items produced by the industry are Christmas ornaments, such as tree balls, lighting sets, trimmings, wreaths and other handcrafted articles. The sector's focus is primarily the export market where Christmas Décor items are the main product line.

The Department of Trade and Industry (DTI) estimates that there are about 2,000 producers of holiday décor throughout the country employing around 250,000 workers. About 50 of these companies are considered big producers; the rest range from micro, small and medium-sized firms. Most firms are family-owned and may be informal in structure. Holiday décor firms are located mainly in different areas of Luzon including Metro Manila, Southern and Central Luzon and the Bicol Region. There are also some enterprises in Cebu. The industry shares some common materials and production processes with the handicraft sector, and some

enterprises produce both holiday décor and houseware items. The sector has a trade association, the Christmas Decor Producers and Exporters Association of the Philippines (CDPEAP). Some firms are also members of the Philippine Chamber of Handicrafts Industries (PCHI) and Home Accents Group of the Philippines (HAPI), two of the country's houseware associations.

World demand for holiday décor has slowly risen over the past years, averaging a modest 6% average yearly growth for the period 2002 to 2005. In 2005, world imports of holiday décor amounted to US\$ 6.4 billion. Sixty-four percent of these consisted of articles for Christmas festivities. This was followed by articles for Easter activities and lighting sets for Christmas trees.

The United States remains the largest market for holiday décor items, accounting for slightly more than half (52%) or about US\$3.3 billion of holiday décor world imports in 2005. Other importing countries have relatively smaller shares of the market although steady increases were noted in imports of holiday décor by some members of the European Union (EU25) from 2002-2005. Imports of holiday decor by the EU25 reached about Euro1.5 billion in 2005.

China continued to be the largest holiday décor supplier for four consecutive years, from 2002 to 2005. It accounted for 52% of world exports and supplied 90% of the US imports of holiday décor in 2005. China also accounted for sixty-six percent of EU25's holiday décor imports for the same year.

Philippine holiday décor exports have been lethargic over the past few years. It has declined by an average of about 9% yearly from 2000 to 2006, with significant shortfalls in the early part of the period. Industry exports reached US\$57 million by the end of 2006. The bulk of Philippine exports in 2006 consisted of articles

for Christmas festivities, which accounted for about 97% of total industry exports. The US was the largest market for Philippine holiday décor throughout the past years, absorbing about half of exports.

The downtrend in industry exports reflects a decline in competitiveness of local holiday decor products caused by a variety of factors affecting the sector's value chain. At the inbound logistics part of the chain, there are problems in maintaining raw material quality due to lack of skills, quality standards and technology among materials suppliers. Information on sources of raw materials is also insufficient. In terms of quality control, there is a lack of standards in receiving, warehousing and inventory control of inputs. This often leads to rejected materials. There is also inadequate proper storage and warehousing facilities for raw materials. This has led to damaged raw materials and further rejects.

The industry relies heavily on manual means of production. However, worker productivity generally remains low. There is also a lack of proper tools and equipment which can improve the flow of production processes. Firms lack proper procedure and layout that conform to good engineering practices. A number of companies are also unaware of global standards such as those related to quality, health and safety, environmental and sizing requirements.

Subcontracting is prevalent in the industry but the quality of work by subcontractors fluctuates, as these are usually home-based family operations with insufficient equipment or quality control systems. Production standards are not set industry wide and depends more on the companies' needs. Formal quality control systems are also not widely used.

Local holiday decor firms have some advantage relative to competitors in the caliber of their designers and the use of indigenous materials. However, there are not enough designers outside the major urban centers. Product development can also be greatly improved if there were more R & D on the pre-processing, treatment and manipulation of raw materials. The link between design, market trends and production considerations also needs to be strengthened. There is also a need for firms to be more knowledgeable of the environmental, technical, sizing and other global standards for materials that can help them become more competitive overseas.

The outbound logistics show that the inventory systems, shipping and delivery schedules are not integrated with other systems such as finance, marketing and production. Order placement to order fulfillment should be properly integrated to enhance productivity. Packaging is a great concern of most firms. Better packaging material in terms of costs and product protection is needed. The sector also continues to experience high inter-island shipping rates and irregular shipment schedules.

Holiday décor firms continue to rely heavily on trade fair participation to get buyers and promote their products. However, going to such events, especially in Europe or the U.S. is costly and beyond the reach of most small enterprises. With the stiff competition coming from China, companies have to develop a better strategy to generate sales given their limited resources for marketing. The industry should use ICT more extensively in their marketing efforts. In after sales service, most firms do not properly document and record buyers' requests for product repairs in servicing clients. There is no systematic manner in handling customers' complaints.

Over the medium term, the holiday decor industry needs to push exports back on a consistent positive growth trend. A shift in marketing to the medium and high end segments of the markets abroad need to be sustained. Competing in terms of design, quality and other product features should be emphasized. The industry also has to seek out other buyers to reduce their dependency on the U.S. market where China predominates. Together with these marketing programs, the sector needs to make the necessary adjustments and improvements in its production operations. Research and development need to be expanded, investments in tools and equipment increased and worker productivity upgraded. Further down the holiday decor value chain, quality of output and reliability of subcontractors have to be raised and raw materials wastage and rejects significantly reduced.

3 Industry Overview

Industry Background

The manufacture of holiday décor is one of the oldest industries in the country. The abundant and varied natural materials found in the country coupled with the creativity of local crafts persons has encouraged the growth of the industry. The industry is closely related to the houseware and furniture sector with many firms capable of producing both home furnishings and decor items using similar raw materials and production methods.

The industry has been exporting its products to major buyers in North America, Europe and other developed countries over the past years. In 1999, the Philippines was among the world's top 10 exporters of holiday décor. The main markets are the US, Hong Kong, the UK, Germany, France and the Netherlands. However, the industry now faces competition from neighboring Asian countries like China, Vietnam, Bangladesh and Taiwan. Philippine exports have been fluctuating over the past few years. Although most firms still enjoy profit margins, exports have declined recently and have not recovered in spite of increasing world imports of holiday décor.

The increased competition in the global market has forced the industry to be more creative by using a wider variety of materials. Producers have turned to R&D programs, which help them cater to mid-range and high-end markets. Firms have also become more environmentally conscious in their products.

Product Coverage

The holiday décor industry includes handcrafted ornaments and decorations for Christmas, Halloween, Easter and other festive celebrations. Most items produced by the industry, however, are Christmas ornaments such as tree balls, lighting sets, wreaths and other handcrafted paper products. (Please see Annex 2 for the holiday decor product classification.)

Manufacturers use various materials such as fabric, wire, resin, wood, paper pulp, papier-maché, natural materials and mixed media finishes for their products. Producers can be highly innovative with indigenous materials like abaca, pine cones/needles, raffia, sinamay, vine stems, handmade paper and capiz shells. They fashion these materials into various designs and shapes of decor items for the world market. Please see Annex 3 for a list of the more common materials used in holiday decor manufacture.

Producers also use some imported materials for finishing and as accessories. These include glitters, jewels, paints and plastic trims. Finished products are usually packed in polyethylene bags, plastic bubble bags and carton boxes. Extra care is given to fragile and breakable products, which are packed in corrugated boxes with Styrofoam pads. In recent years, producers have also incorporated more imported materials as they shift to higher-end markets. They are also becoming more environmentally concerned, as can be seen in their use of water-based finishes.

Industry Coverage

Although most holiday décor firms are based in Luzon, producers are spread throughout the country particularly in areas where raw materials are abundant. In Luzon, major producing areas include the Cordillera Autonomous Region, Central Luzon, Southern Tagalog and the National Capital Region. Other exporters are located in Cebu, Pampanga, Laguna, Bicol and Negros Island.

The industry is labor-intensive since products are mainly handcrafted. However, to meet market demands, manufacturers usually subcontract production. Based on DTI estimates, the industry comprises some 2,000 firms, including subcontractors. About 50 of these companies are considered big producers; the rest range from micro, small and medium-sized firms. Most firms are family-owned and may be informal in structure. Nationwide, the sector employs about 250,000 workers.

Often, holiday décor firms produce items other than décor products. They also make gifts and holiday decor especially during the slack season for décorations. Most holiday décor firms belong to the Christmas Decor Producers and Exporters Association of the Philippines (CDPEAP), a group based in Metro Manila. CDPEAP has about 75 members at present. Some producers who also make gifts and holiday decor may belong to houseware groups like the Philippine Chamber of Handicrafts Industries (PCHI) and Home Accents Group of the Philippines (HAPI).

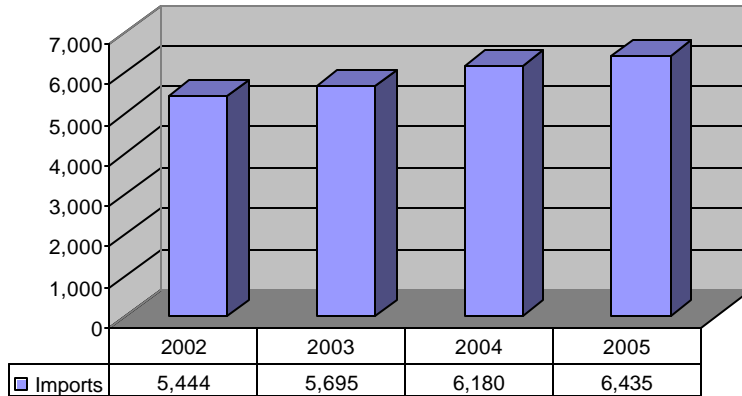
4 Global Holiday Decor Market

World Imports of Holiday Decor

World imports of holiday décor amounted to US\$6.4 billion in 2005. Global demand has been rising slowly but consistently over the past years, averaging a modest 6% average yearly growth for the period 2002 to 2005. Chart 1 on the next page shows the trend in global holiday décor imports based on data from the UNSD Comtrade database.

Please note that the figures included in this report cover only holiday decor products classified under HS nos. 940530 (lighting sets of a kind used for Christmas trees), 950510 (articles for Christmas festivities) and 950590 (festive, carnival and other entertainment articles). Please see Annex 2 for the list of these product codes.

Chart 1
World Imports of Holiday Décor, 2002-2005
(in US\$ million)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

Sixty four percent of world imports of holiday decorations as of 2005 consisted of articles for Christmas festivities. These included artificial Christmas tree decorations, imitation yuletide logs, nativity scenes and figures excluding lighting fittings and bulbs. Global imports of Christmas articles reached almost US\$4.2 billion in 2005. Festive and entertainment articles including carnival items made up 23% of world imports of holiday décor also for 2005 while the remaining 13% consisted of lighting sets used for Christmas trees.

The popularity of Christmas decor reflects the widespread use of such items to celebrate the Yuletide season in areas where Christmas is a major event.

Both Christmas decor articles and festive items exhibited consistent growth trends during the period 2002 to 2005 as shown in Chart 2 below. Festival articles showed particularly good performance averaging a growth of about 13% yearly during the period. Global imports of Christmas tree lighting sets remained almost static during the same time frame.

Chart 2
World Imports of Holiday Décor by Major Product Line,
2002-2005
(in US\$ million)

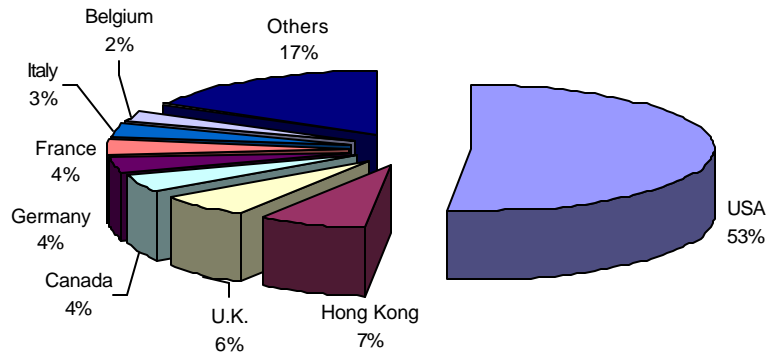


Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

In 2005, the U.S. accounted for 53% or US\$3.3 billion of the world holiday décor imports. Demand from other countries have remained relatively small as shown in Chart 3 on the next page which presents global imports of holiday décor for 2005 by major country.

Chart 3
World Imports of Holiday Décor by Major Country, 2005
(in percentage share to total world imports)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

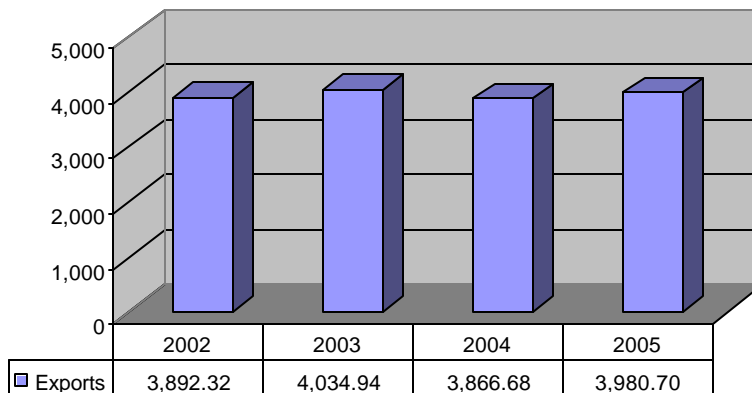
Over the past few years, the U.S. has maintained its predominant position as the largest market for holiday décor, particularly for Christmas articles. Christmas decorating is a widespread American activity which probably explains the high demand for Yuletide decor items in the country.

Although the other importing countries for holiday decor have smaller shares of the world market, a number of them have shown good growth in the past few years. Belgium, Italy, France, Germany and the United Kingdom have experienced double digit average yearly growth rates from 2002 to 2005 in their imports of decor items. Annex 4 provides more details on the world imports of holiday decor by major country for the period.

World Exports of Holiday Décor

Global holiday decor exports reached almost US\$4 billion in 2005. Over the past few years, growth in world exports of holiday decor has been negligible, averaging less than 1% per year from 2002 to 2005. Please see Chart 4 below for details.

Chart 4
World Exports of Holiday Decor, 2002-2005
(in US\$ million)

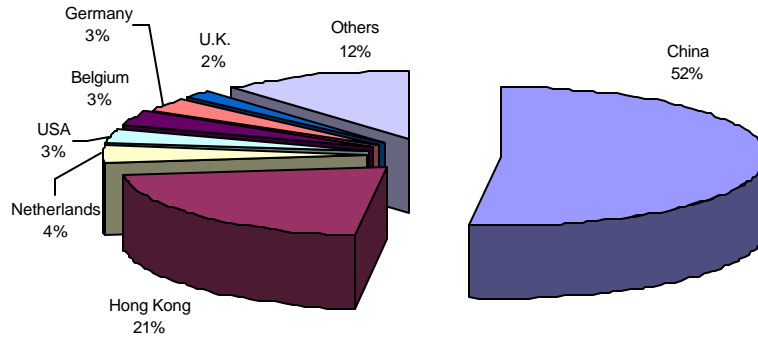


Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

China remains as the largest supplier of holiday decor products to the world market. In 2005, it accounted for about half (52%) of global exports for the industry. Hong Kong was the second biggest exporter with about 21% of world holiday decor exports for the same year. Other supplying countries including the Netherlands, U.S., Belgium and Germany had minimal shares of the market. Please see Chart 5 on the next page for details. More details on the major holiday decor exporting countries are provided in Annex 5.

Chart 5
World Exports of Holiday Decor by Major Country, 2005
(in percentage of world holiday decor exports)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

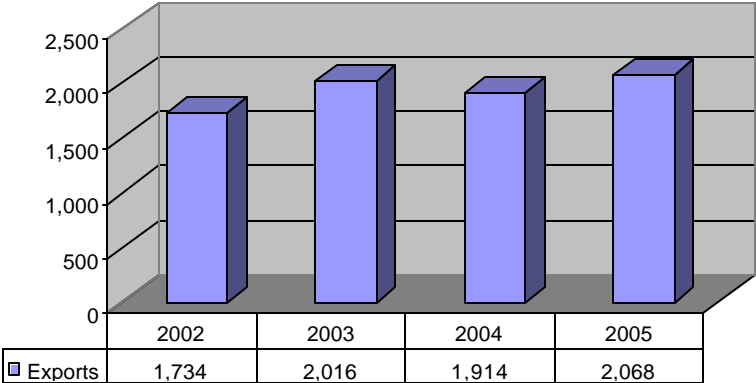
Source: UNSD Comtrade Database

China Holiday Decor Exports

Holiday décor exports from China totaled about US\$2.1 billion in 2005. Except for a 5% decline in 2004, exports have generally been rising since 2002, averaging a growth of 6% annually. Please see Chart 6 on the next page. More than half of Chinese world exports of holiday decor in 2005, or 52%, were articles for Christmas activities. Lighting sets accounted for 41% of exports while articles for Easter made up the remainder (7%).

About half of China's holiday decor exports go to the United States with the rest going to various countries in Europe and the Americas. China's predominance in the global holiday decor market is a reflection of its good manufacturing base, low labor cost and sustained efforts to capture market share abroad. More details on China's major markets for holiday decor are provided later in this report when the U.S. and E.U. markets are presented.

Chart 6
China Holiday Decor Exports, 2002-2005
(in US\$ million)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

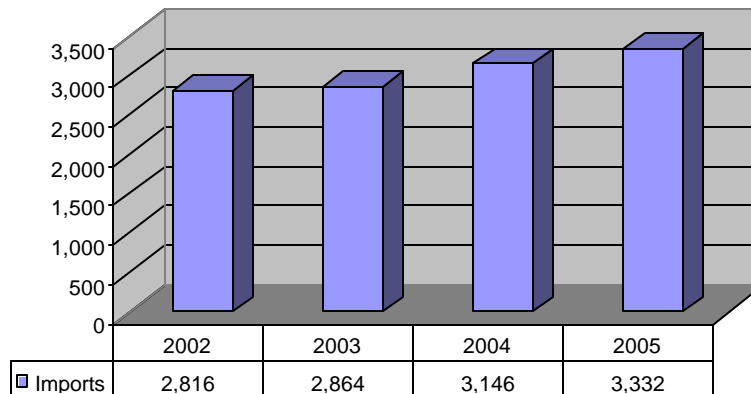
Source: UNSD Comtrade Database

U.S. Holiday Decor Imports

U.S. imports of holiday decors reached US\$3.3 billion in 2005, about 6% higher than the previous year. Since 2002, US imports of holiday décor have grown steadily increasing by an average of some 6% per annum as shown in Chart 7 on the next page.

The continued, although modest, growth of American demand for holiday decor items is due to the sustained passion by U.S. households for decorating their homes during festive events. According to the web site www.researchandmarkets.com, studies show that out of the 104 million total American households, some 82 million buy Christmas trees while 23 millions households add new items to their existing collection of ornaments, lights and decorations annually.

Chart 7
U.S. Holiday Decor Imports, 2002-2005
(in US\$ million)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

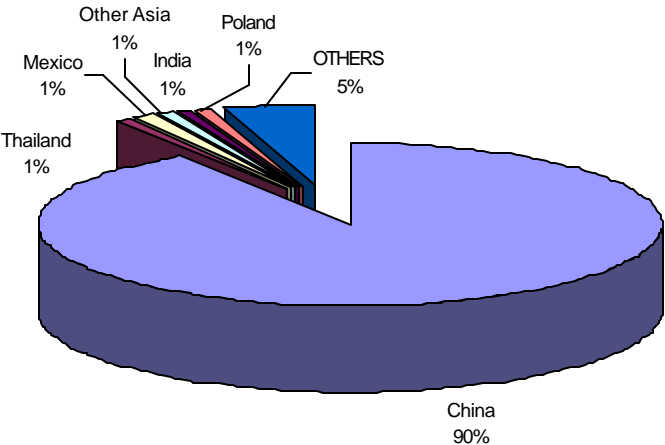
Source: UNSD Comtrade Database

Christmas articles made up 70% of U.S. holiday décor imports in 2005. Entertainment décor items made up 23% while the remaining 7% consisted of lighting sets.

China remains the single dominant supplier of holiday decor to the U.S. market. In 2005, China accounted for 90% of total holiday decor imports by the U.S. The share of other countries are negligible as shown in Chart 8 on the opposite page.

Imports of holiday decor from China by the U.S. has increased consistently for the past years. From 2002 to 2005, imports from China averaged a growth of just over 7% yearly. This growth has been at the expense of other supplying countries, most of whom have experienced a decline in their shares of the U.S. holiday decor market. Annex 6 provides more details on U.S. holiday decor imports by country from 2002 to 2005.

Chart 8
U.S. Holiday Decor Imports by Country, 2005
(in percentage to total U.S. holiday decor imports)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

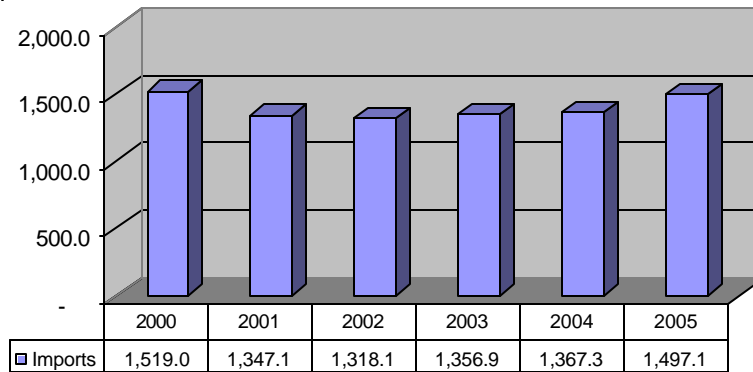
Source: UNSD Comtrade Database

China’s dominance of the U.S. holiday decor market is formidable and is the result of cheaper products marketed aggressively among U.S. buyers. According to the web site <http://www.giftimporter.com>, Chinese exporters have established their showrooms and offices in U.S. to promote their products. Not only do the Chinese offer competitive prices but they also travel within the United States to attract new customers.

European Union Holiday Decor Imports

Imports of holiday decor by the 25 member European Union (EU25) totaled almost Euros 1.5 billion in 2005, up by about 10% from the previous year. E.U. imports of holiday decor seemed to have modestly recovered in 2005 after a few years of stagnation as shown in Chart 9 below.

Chart 9
EU25 Holiday Decor Imports, 2000 to 2005
(in Euro million)

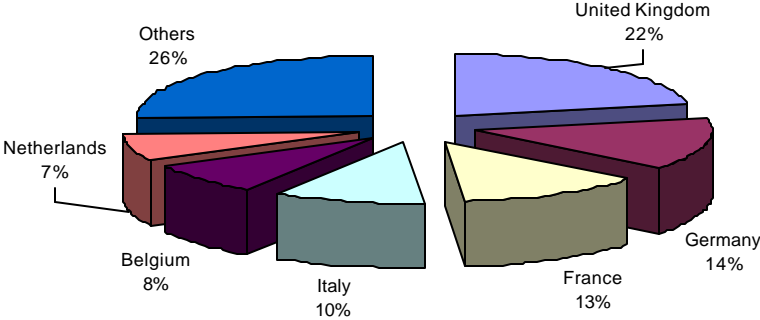


Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: Export Help Desk, External Trade, European Commission

Christmas articles make up most (58%) of holiday decor imports of the European Union in 2005. Articles for Easter comprise about 23% and lighting sets make up the balance (19%). The United Kingdom, Germany, France and Italy remain the biggest importers of holiday decor among the EU25 countries. In 2005, these countries continue to account for close to 60% of total holiday decor imports of the EU region. Please see Chart 10 on the next page.

Chart 10
Major EU25 Holiday Decor Importing Countries, 2005
(in percentage of total EU25 holiday decor imports)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: Export Help Desk, External Trade, European Commission

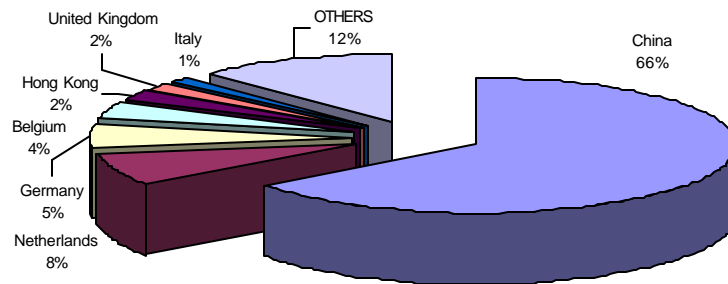
Among the major E.U. importers of holiday decor, Belgium and France experienced significant increases in demand in 2005. Imports of Belgium reached Euros 122 million for the year, up by 13% from 2004 while holiday decor imports of France rose by 10% for the same period to reach Euros 194 million.

Some of the smaller markets in the E.U. exhibited good growth trends in holiday decor imports during the period 2000 to 2005. Among these, Latvia and Lithuania averaged yearly growth rates of around 15% in their imports of decor items for the period. Hungary and Greece also had favorable market growth, increasing by an average of 12% yearly in their respective importations of holiday decor.

Annex 7 gives further details on the holiday decor imports of the major E.U. members countries.

About sixty six percent of the E.U. imports of holiday décor came from China in 2005. Other suppliers for the year include the Netherlands (8%), Germany (5%), Belgium (4%), Hongkong (2%) and U.K. (2%). Please see Chart 11 below.

Chart 11
EU25 Holiday Decor Imports by Country of Origin, 2005
(in percentage of total EU25 holiday decor imports)



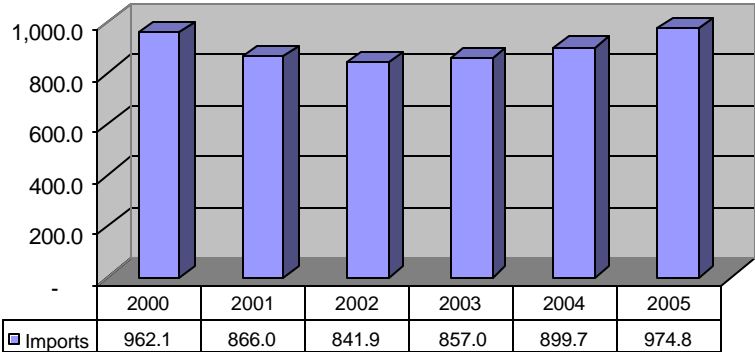
Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: Export Help Desk, External Trade, European Commission

Imports of holiday decor from China by the E.U.25 countries totaled Euro 975 million in 2005. The next closest supplier, the Netherland, only had Euro 114 million worth of imports for the same year. In 2005, Chinese holiday décor exports to the E.U. consisted mainly of Christmas articles (58%), followed by lighting sets (24%) and entertainment articles including carnival articles (18%).

Although large, imports of Chinese made holiday decor items by the E.U. have not grown significantly since the year 2000. After declining in the early part of the decade, imports from China only started to recover by 2004. Average growth from 2000 to 2005 was negligible (0.5%). Please see Chart 12 on the next page.

Chart 12
Holiday Decor Imports from China of EU25 Countries,
2000 to 2005
(in Euro million)



Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

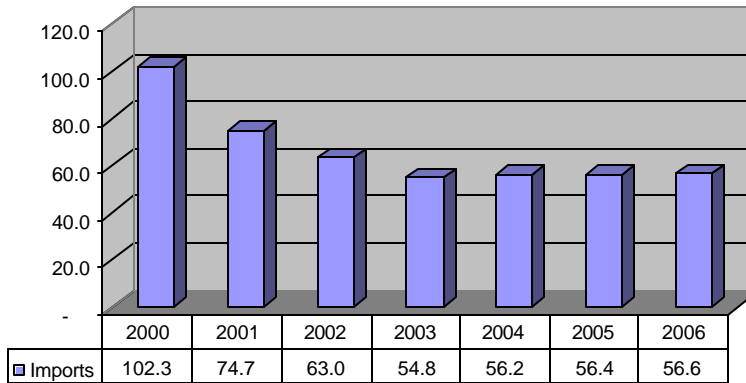
Source: Export Help Desk, External Trade, European Commission

Annex 8 provides details on the major supplying countries of holiday decor to the E.U.25 from 2000 to 2005.

Philippine Holiday Decor Exports

Data from the Department of Trade and Industry (DTI) place Philippine holiday decor exports at close to US\$57 million in 2006. Since the year 2003, industry exports have stagnated at around the US\$55 million to US\$56 million level. Holiday decor exports have not recovered from the large declines it experienced in the early part of this decade as shown in Chart 13 on the next page. From 2000 to 2006, exports declined by an average of about 9% yearly.

Chart 13
Philippine Holiday Decor Exports, 2000 to 2006
 (in US\$ million FOB)

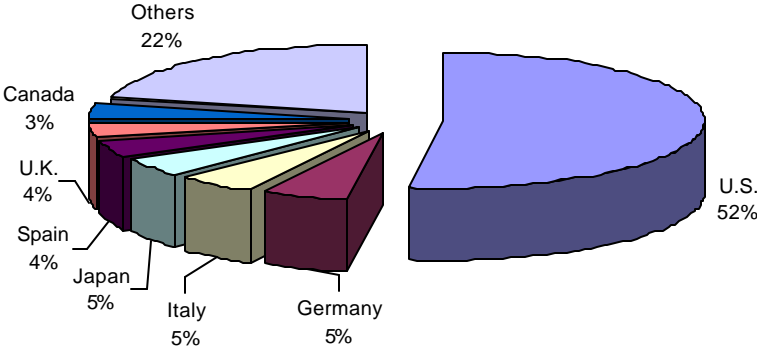


Source of basic data: Department of Trade and Industry

Articles for Christmas festivities remain the main export line of the industry. Since the year 2000, this product category accounted for 95% to 97% of total holiday decor exports. The balance is made up of various items including festive, carnival, other entertainment articles and lighting sets of the kind used for Christmas trees. Please see Annex 9 for the major holiday decor exports by product.

The United States remains the largest market for Philippine holiday decor. In 2006, exports to the U.S. comprised slightly more than half (52%) of total holiday decor sales abroad amounting to almost US\$30 million. Other notable countries include Germany, Italy, Japan, Spain, U.K. and Canada. Chart 16 on the next page shows the major holiday decor export markets of the country in 2006. Annex 10 provides more details on the major markets of Philippine holiday decor exports from 2000 to 2006.

Chart 14
Philippine Holiday Decor Exports by Country, 2006
(in percentage of total holiday decor exports)



Source of basic data: Department of Trade and Industry

The profile of Philippine holiday décor exports with articles for Christmas festivities constituting 97% of total exports reflect the demand in the US and European markets. As mentioned in earlier parts of this section, the major holiday décor products imported by the US and EU 25 consisted of articles for Christmas festivities. However, these are also the markets where China is the key supplier which puts local holiday decors on direct competition with Chinese products.

Although the U.S. is the largest market for Philippine holiday decor, the industry's exports to the U.S. accounted for only 0.67% of total U.S. holiday decor imports in 2005. Table 1 on the next page shows the levels of U.S. holiday decor imports from selected Asian countries for the year. As before, China dominate the U.S. market followed by Thailand, India and Hong Kong.

Table 1
U.S. Imports of Holiday Decor from Selected Asian Countries,
2005

Country	Value of U.S. Holiday Decor Imports (US\$)	% of Total U.S. Holiday Decor Imports
China	3,021,756,242	90.70%
Thailand	34,546,395	1.04%
India	29,726,101	0.89%
Hong Kong	26,814,916	0.80%
Philippines	22,206,653	0.67%
Indonesia	2,526,504	0.08%
Malaysia	918,005	0.03%
Vietnam	855,848	0.03%

Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

Imports of holiday decor into the U.S. from most Asian countries generally declined during the period 2002 to 2005 as shown in Table 2 on the next page. Imports from China grew by a modest 7% yearly. Among the smaller Asian suppliers, only Malaysia showed any consistent positive growth pattern, averaging an increase of close to 40% annually for the period. Imports of holiday decor from Vietnam showed a surge in 2003 but this was not maintained and declines were noted in the next two years.

Table 2
U.S. Imports of Holiday Decor from Selected Asian Countries,
2002 to 2005
(in US\$ '000)

Country	2002	2003	2004	2005	Ave. Growth Rate (%)
China	2,446,418	2,507,853	2,819,376	3,021,756	7.4%
Thailand	40,471	40,333	36,136	34,546	-5.0%
India	33,124	31,382	31,073	29,726	-3.5%
Hong Kong	32,433	36,976	30,429	26,815	-5.2%
Phils.	41,536	33,346	28,220	22,207	-18.8%
Indonesia	3,098	2,075	2,141	2,527	-3.9%
Malaysia	475	363	852	918	39.6%
Vietnam	328	1,565	1,072	856	108.4%

Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

In the European Union market, the Philippines accounts for less than half a percent of holiday decor imports of the region in 2005. The country still ranked sixth among major Asian countries supplying holiday decor products to the EU25 during the year. China is again the single largest supplier with about two thirds of the EU25 market in 2005. Please see Table 3 on the next page for details.

Table 3
EU25 Imports of Holiday Decor from Selected Asian
Countries, 2005
(in Euro '000)

Country	Value of EU25 Holiday Decor Imports	% of Total EU25 Holiday Decor Imports
China	974,839.78	65.12%
Hong Kong	30,578.37	2.04%
Thailand	18,682.60	1.25%
Taiwan	13,037.02	0.87%
India	7,352.48	0.49%
Philippines	6,680.79	0.45%
Indonesia	4,209.03	0.28%
Vietnam	1,565.78	0.10%

Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes. Rankings are based on 2005 import levels.

Source: Export Help Desk, External Trade, European Commission

5 Sectoral Profile

A survey was conducted among the members of the holiday decor BSO, CDPEAP, in the middle of 2006 to update the profile of the industry. A total of 18 firms participated in the survey representing about 27% of the active membership of CDPEAP. A summary of the key findings from the survey are presented in this section. In addition, this section also presents a comparison of the major findings from the Pearl2 survey of holiday decor firms covering the years 2004 to 2006.

It should be noted that some queries in the survey had multiple responses from the participants. In these cases, the total responses would be more than the number of respondents. There are also some data in 2005 and 2006 which were not available in the 2004 survey. Some of the data from previous surveys were also consolidated into fewer categories which resulted in the merging of some of the responses in the 2004 and 2005. In these cases, however, consistency was maintained in reporting the data across the three survey period. Statistical data from the the surveys taken in these three years are presented in Annex 11.

Summary of Key 2006 Survey Findings

A total of 18 respondents participated in the survey conducted among CDPEAP members in 2006. This number represents about 27% of the total members of the association at the time of the survey. Most of respondents are concentrated in the Metro Manila area.

Among the respondents, six firms (33%) have been operating for the last 11 to 15 years. About four firms (22%) were established from 16 to 20 years ago while three firms (17%) are from 6 to 10 years old. Another three firms (17%) have been operating longer, for 21 to 30 years. Two companies did not answer this query. Most of the respondents surveyed (67%) are small enterprises. Medium and micro enterprises have three respondents each. There is no respondent from a large enterprise in the survey.

The 18 firms that participated in the 2006 survey employed a total of 849 direct employees. Male personnel outnumbered females, accounting for 58% of total employees. On the average, a respondent firm employed 47 workers. Of the respondents' total employees, about half (50%) work in the production department. The rest were assigned to other areas in the following proportions: administration (8%), quality control (9%), marketing (12%) and R & D (15%). About 6% of employees were in other management positions. Women outnumbered men in all departments except in the production department. More than two thirds (68%) of production workers were men.

Subcontracting remains prevalent in the industry with close to 90% of respondents outsourcing part of their work. Credit is the foremost assistance given to subcontractors by the surveyed firms while quality of work is the primary problem. Mode of operations is still predominantly manual. About 72% used manual materials handling and production mode while 89% employed manual quality control and packaging activities.

The US remains the largest market among survey respondents. Other major markets for holiday decor were the European Union, Australia, the Middle East and Japan. Export sales varied among respondents. The largest proportion of firms (33%) reported exports between US\$100,000 and US\$300,000 in 2005¹. Another 22% sold between US\$500,000 and US\$1 million during the same year.

Twelve respondents in 2006 reported making local sales. Domestic sales are generally modest with 28% having sold less than Php1 million locally in 2005¹ while 22% sold between Php1 million and Php5 million. Another 17% had local sales of between Php5 million and Php10 million. Most domestic sales are made in the Metro Manila area.

In 2006, the biggest bulk of respondents' budget (47%) went to production while marketing received 17% and 21% went to administration. The remaining 13% was spent on research and development. Over two-thirds of companies (67%) used their own funds to finance their operations. About 61% also tapped bank credits while a third accessed private lenders.

¹all exports and local sales figures refer to the year 2005 although data was obtained during the 2006 survey.

Key Survey Findings 2004 to 2006

Number of Respondents

Total number of respondents in the 2006 survey was 18. In 2005, respondents numbered 21 while there were 36 who joined the 2004 survey.

Company Setup

Most of the respondents in all three surveys are classified as small in size. Moreover, there has been an increase in the proportion of small enterprises in the surveys. Small firms comprised 47% of the sample in 2004, 53% in 2005 and 67% in 2006. On the other hand, there has been fluctuation in the percentage of medium enterprises for the last three surveys, from 17% in 2004, 10% in 2005 and 17% in 2006. The proportion of micro-sized companies also varied. Micros accounted for 31% of the sample in 2004, 33% in 2005 and 17% in 2006. Except for 2004, no large firms were noted in the other two surveys.

Ownership and Management

Corporations made up most of the firms surveyed since 2004. Corporate entities made up 72% of the sample in 2004, 71% in 2005 and 61% in 2006. Sole proprietorships made up the next largest proportion accounting for 28% of the survey in 2004, 24% in 2005, and 33% in 2006. The balance of respondents were classified as partnerships.

Ownership by gender of sole proprietorships varied during the three surveys conducted. Males accounted for 60% of sole proprietors in 2004 but made up only 20% in the following year. For 2006, there was an even distribution of owners by gender.

Most owners of sole proprietorships are well educated. College graduates made up 70% of the sole proprietor sample in 2004, 60% in 2005 and 83% in 2006. Among corporations, there seems to be an more equitable distribution of Chairpersons by gender. Males made up 50% of the Chairpersons in 2004, 43% in 2005 and 55% in 2006. Most Chairpersons also hold a college degree with the proportion of college graduates ranging from 53% in 2005, 65% in 2004 and 82% in 2006.

Women made up a slight majority of corporate board members among the firms surveyed in the past three years. Females comprised about 52% to 56% of board members from 2004 to 2006. Females also made up a small majority of company Presidents in two out of the three surveys. Women comprised 56% of the Presidents in 2004 and 52% in 2005. In 2006, there slightly more men as company Presidents (6 males vs. 5 females).

Among other management positions, females consistently made up a slight majority among survey respondents ranging from 57% in 2004 to 52% in 2006.

Product Lines

Respondents' product lines are mainly concentrated in Christmas decor items. Some firms only produce articles for Christmas festivities as their sole product line. Items for Easter and other festive events make up a smaller proportion of respondents' output. Other major items made include gift boxes and lamps/lighting fixtures. The other products manufactured are more along the houseware line including papier-mâché boxes, votives and vases, containers and decorative items and garden accents.

Facilities

The size of respondents' business premises showed an interesting development in the 2006 survey. Whereas most companies surveyed in 2004 (72%) and 2005 (81%) had work premises over 250 square meters in size, no respondent in 2006 had any premises beyond this area. About 78% of firms surveyed in 2006 indicated operating areas of between 100 to 250 sq. m., up from 25% in 2004 and 14% in 2005.

Across the three survey periods, it was also noted that an increasing proportion of respondents' facilities were located in commercial areas. The percentage of firms surveyed that had facilities in commercial sections increased from 47% in 2004 to 57% in 2005 and to 67% in 2006. Respondents surveyed whose facilities are in residential areas were noted to have decreased from 53% in 2004, to 29% in 2005 and to 22% in 2006.

Respondents generally preferred to own their business premises. The proportion of firms who owned their facilities ranged from 57% in 2005 to 64% in 2004 to 66% by 2006. Those who rented their offices in 2006 comprised only 28%, down from 43% the previous year and 36% in 2004.

Employment

Employment levels among respondents totaled 1,815 in 2004, 931 in 2005 and 849 in 2006. Given the number of respondents during each of these survey periods, the average number of workers per firm amounts to 50 in 2004, 44 in 2005 and 47 in 2006. Females accounted for the majority of workers in 2004 (56%) and 2005 (63%). However, there were more male personnel (58%) in 2006.

Production workers always made up the majority of respondents' personnel making 80% and 77% of the workforce in 2004 and 2005 respectively. Although still the majority in the 2006 survey, the proportion of production workers declined to only 53% during this survey.

There was an increase noted in the percentage of technical and R & D workers from only about 3% to 4% in 2004 and 2005 to 14% by 2006. Marketing personnel also increased in proportion to total workers to 10% in 2006 from only 4% in the previous two years. The ratio of administrative and quality control staff did not vary much in the three surveys. Personnel in other management positions increased from 3% in 2005 to 6% the following year.

Females generally comprised the majority of workers in almost all departments throughout the three surveys. The only exceptions were in the production section in 2006 where males accounted for 88% of workers and in technical staff in 2004 when men comprised 54% of the total.

There were some slight variations in wage rates between men and women noted in the 2005 and 2006 surveys. In 2005, male workers had slightly higher wages than women, averaging Php8,247.50 per month vs. an average of Php8,202.00 monthly for female workers. In 2006, however, women had higher wages, averaging Php6,303.56 monthly while men averaged some Php6,279.77 per month in salaries. Both male and female workers were noted to have lower average monthly wages in 2006 compared to the previous year. In 2004, male and female workers received the same salary levels, averaging Php5,767.06 per month.

Subcontractors

Holiday décor companies normally utilize subcontractors. The number of respondents that had subcontractors was 94% of the sample in 2004, 100% in 2005 and 89% in 2006. The percentage of total work subcontracted varied within a narrow range of about 54% to 61% during the three surveys. Average number of subcontractors used by respondents ranged from 12 in 2004, 21 in 2005 and 10 in 2006. The average number of workers per subcontractor was around 28 to 30 in the three surveys.

Most respondents (55% to 86%) outsourced their production work. Another 44% to 50% also subcontract pre-production activities. In 2006, about three fourths of respondents sourced their subcontractors from within the province. During the previous year, most (67%) got their subcontractors from within the region while in 2004 half sourced from within the province.

Quality of work and delivery dates emerged as the two main problems with subcontractors during the three survey periods. Reliability ranked third. Credit was the foremost support given by respondents to their subcontractors followed by tools, product development and skills training.

Sources of Raw Materials

Most respondents continue to use mainly local raw materials. However, the proportion of local materials to total materials used was noted to have declined from about 79% in 2005 to only 61% in 2006. In 2004, local materials made up an average of 75% of those materials used by firms surveyed.

About 78% to 81% of respondents procured their raw materials through the open market in 2005 and 2006. In 2004, most firms (64%) utilized their own sources for materials. The primary problems experienced with raw materials varied in importance in the three survey periods. In 2006, most respondents ranked price first, followed by delivery and quality. The previous year, availability was the foremost concern while in 2004 quality of materials was rated by most firms as the leading concern.

Mode of Production and Operations

The holiday decor firms surveyed still relied on manual means of manufacturing. However, the proportion of companies on manual processes was noted have declined from an average of about 90% in 2004 to 86% in 2005 and 81% by 2006. The percentage of respondents using semi-mechanized operations increased to 25% in 2006, from 14% and 7% in 2005 and 2004 respectively. Companies using fully mechanized facilities remained minimal at about 6% in 2006 and 2004. No company was noted to have operated with full mechanization in 2005.

An increasing proportion of respondents was noted with semi-mechanized operations in materials handling and production processes during the survey periods. About 22% of firms in 2006 had semi-mechanized materials handling, up from 14% in 2005 and 6% in 2004. Some 28% also performed semi-mechanized production in 2006, an increase from the 14% noted in the previous two surveys. Quality control and packaging remained predominantly manual in the three surveys conducted.

Capacity Utilization

Capacity usage among surveyed companies seemed to have improved in 2006, where it averaged about 92%, up from the 60% average utilization noted the previous year. In 2004, capacity utilization was estimated at around 72%.

In 2006, about 16% of respondents indicated that they were operating at or at near full capacity when surveyed. This was not much different from the proportions noted at full capacity in 2005 (19%) and 2004 (17%).

The chief reasons for capacity underutilization among respondents in 2006 and 2005 was lack of raw materials, followed by personnel limitations. In 2004, insufficient space was the primary reason with equipment limitations as the second ranked factor.

Quality Control

Quality control systems of respondents rely heavily on specifically assigned personnel and internal facilities. About 67% of surveyed firms in 2006, 33% in 2005 and 70% in 2004 assigned quality assurance to specific workers. Firms with internal QC facilities made up 22% of the sample in 2006, 67% in 2005 and 50% in 2004. Companies that used outside QC services remained minimal, comprising 11% in 2004 and 10% in 2005. No respondent was noted to have used external testing facilities in 2006.

Problems in quality control center on raw materials and the production process. Concerns in production operations were rated as the leading QC problems in 2006 and 2004 while issues in the raw materials was ranked first in 2005.

Product Development

Respondents generally still rely on their own capabilities and resources for product development. Anywhere from 67% to 86% of the firms surveyed from 2004 to 2006 indicated doing product design and development on their own. Only about 28% to 39% said they used external parties for product development.

Leading sources of information for product design remain varied with data obtained from buyers, trade fairs, designers and publications. It is interesting to note, though, that the proportion of respondents getting product development information from the internet declined from about 81% in 2004 to only 33% in the 2005 and 2006 surveys.

About half of surveyed firms in 2006 and 2005 expressed satisfaction on their present sources of product design information. In 2004, the percentage of companies who expressed similar sentiments was higher at around 72%.

Majority of respondents maintain their own R & D facilities. In 2006, 89% said they had internal capabilities for R & D, up from 62% in 2005 and 81% in 2004. The proportion of companies that design based on buyers' specifications also remained high, ranging from 89% to 95% in the three surveys.

Market Coverage

Holiday decor firms continue to be export oriented. However, while still high, the proportion of respondents' sales going into exports was noted to have decreased from 93% in 2004 to 84% in 2005 and to 81% by 2006.

In all three surveys, majority of companies targeted the mid range market. In 2004, 69% sold to the middle market segment. This proportion increased to 76% in the following year and tapered down somewhat to 56% in 2006. The percentage of respondents that targeted the high end declined from 61% in 2004 to 33% in the next two years. Firms that covered the low end market remained small with their proportion declining from 22% in 2004 to 6% by 2006.

Export Markets

The U.S. and Europe remain the major markets for holiday decor exports in the three survey periods. The proportion of firms exporting to the U.S. was 94% in 2004, 71% in 2005 and 89% in 2006. Those selling to Europe made up 94% of the sample in 2004, 76% the following year and 83% in 2006. Other important markets during the past three surveys include Australia, Japan and the Middle East.

Slightly more than half of firms surveyed in 2005 and 2006 said that they exported to a new country during the time of the survey. There was no data on this item in 2004.

Competitors

China has always emerged as the single biggest threat to local holiday decor producers in the global market during the past three surveys. About 76% to 89% of respondents mentioned China as their main competitor in all three survey periods. Other significant competitor countries cited include India, Thailand, Vietnam and Taiwan.

Sales

Yearly exports of most surveyed enterprises remained at or below US\$300,000 in the three surveys. In 2004, about 64% of respondents exported at this level. The following year, 62% were in the same export bracket while 56% exported at the same level in 2006. Companies that exported from US\$500,000 to US\$1 million worth of holiday decor comprised 22% in 2006, up from 19% in 2005 and 14% in 2004. Less than 10% of companies exported at a level of between US\$1 million to US\$5 million during the survey periods.

Domestic sales of most respondents were at a level of Php5 million or below per annum. The proportion of firms with local sales in this range was 58% in 2004, 43% in 2005 and 50% in 2006. There was an increase noted in the percentage of companies that sold between Php5 million and Php10 million from 3% in 2004 to 17% in 2006. The highest local sales noted among respondents was in 2004 when one firm reported selling in the range of Php15 million to Php20 million.

Please note that the exports and sales levels mentioned during the survey period refers to the revenue figures for the preceding year among respondents. For instance, sales reported in the survey for 2006 were actually made for the whole year of 2005.

Market Access

Trade fairs remain the major source of foreign buyers for 89% to 100% of surveyed companies in the three surveys conducted. Other important sources include the respondents' own contacts and referrals. There was a decline noted in the proportion of companies who obtained buyers from business missions from 28% in 2004 to 10% in 2005. No firm reported getting buyers from business missions in 2006.

Market promotion activities similarly center around trade fairs for most respondents. About 76% to 94% of firms surveyed attend trade fairs to promote their products. A significant proportion of companies also rely on the internet and brochures for promotions. The percentage of respondents using the internet for marketing, however, was noted to have decreased from a high of 53% in 2004 to 19% in 2005 and 39% in 2006.

About 89% to 90% of companies rely on their importers/buyers to market their products abroad. A considerable percentage of 44% to 48% also market through chain stores while 22% to 28% use distributors. There was an increase noted in the number of firms selling to retailers from 10% in 2005 to 33% in 2006.

Department stores, traders and direct selling were noted to be the major marketing channels employed by respondents in the local market. The proportions of companies employing each of these methods, however, varied over the three surveys. Firms using department stores were noted to have declined from 50% of the sample in 2004 to 38% in 2005 and 33% by 2006. The proportion of respondents selling through boutiques also decreased from 25% in 2004 to 10% the following year and 6% in 2006.

Finance

The distribution of respondents' budget have remained essentially the same over the three survey periods. Production costs comprised from 46% to 56% of total budget while administrative expenses account for some 17% to 21%. Marketing takes about 13% to 19% of the budget. The rest are spent on various other expenses.

Although majority of surveyed firms still rely primarily on their own funds for operations, there was a decrease noted in the proportion of respondents who relied on self financing from 81% in 2004 to 76% in 2005 and 67% by 2006. A significant percentage of companies also borrowed from banks. These enterprises comprised 67% in 2004, 33% the following year and 61% in 2006. Those who used private money lenders made up 33% of respondents in 2006, up from 14% in 2005 and 22% in 2004.



Value Chain Analysis

Structure of the Sector

Most holiday décor producers are small and micro sized manufacturers who rely on manual production processes using simple tools and equipment. Although the industry shares similarities with the value chains of houseware and furniture, the tools and equipment used in holiday décor are simpler. Holiday décor producers share common materials and processes with the houseware industry. Thus, a company can be making both houseware and holiday décor items.

Subcontracting is common in the industry. Producers use both regular and piece-rate workers, often adding more workers when demand rises. The sector creates products from indigenous materials such as abaca, bamboo, rattan, raffia splits, capiz and coconut materials. Some imported components such as fabrics, gold leaf, beads, glitters, paints, dyes, etc., are also used. Product development is important to the industry and need to be a continuous process for firms to remain competitive in the market.

A number of holiday décor firms are exporters and the industry's main markets are the US and Europe. There is a local market for holiday décor through department stores and specialty shops but domestic sales are not yet at a high level.

Process Flow

The holiday décor industry uses indigenous materials and imported components and accessories. Procurement of raw materials is often done as needed. Firms practice just-in-time delivery with minimal inventory. Producers pick up the raw materials or these are delivered by the suppliers. Raw materials are not stocked due to limited storage and warehousing facilities. Bulk purchasing of raw materials is also not practiced with companies making their own individual purchases. It should be noted, however, that there have been attempts by industry leaders to purchase packaging materials from China in 2006.

The process flow for holiday décor starts with the receipt of raw materials or semi-processed materials from local sources, retailers or importers. The materials can be fabrics, cords, gold leaf, glitters, paper, tin wires, resin, glue, paints, dyes, abaca, bamboo, rattan, capiz, raffia, rattan splits, coconut, other finishing materials, various hardware, etc. There is random inspection of these materials and most inspection is visual. It is, however, difficult to conduct close inspection on small accessories such as beads, glitters and sequins. All materials are kept on storage for a limited time.

The next step in the holiday decor process involves the preparation of raw materials. The preparation will depend on the kind of materials used or the products to be produced. For example, Christmas balls or boxes that are covered with fabric will require the preparation of patterns, marking and cutting of the fabric. In the case of figurines, on the other hand, casting molds have to be prepared after the original carvings are done and ready.

There are firms that would have methodical production systems. These firms design tools such as patterns, jigs and fixtures, to facilitate production. These tools assure a uniform and consistent level of quality through guides and markers. In the case of sewing, attachments and footers can be used to maintain the sewing lines.

The different parts of the products are combined together in the assembly phase. This phase involves sewing, gluing and soldering. For figurines, casts are made at this stage. Quality control inspections are also conducted.

The assembly phase is followed by the finishing activities. At this stage, trims and accessories are added. In the case of figures, these are painted. Drop tests as in the case of Christmas balls may also be conducted to be sure that beads and glitters are glued properly.

The final activities will involve labeling and packing. This may involve individual wrapping of each item, use of inner boxes and master boxes and final inspections. The final inspections can be conducted randomly or can be done on 100 percent of the products. Manufacturers have in-house staff to inspect the products. Importers who have buying agents in the Philippines can also request their agents to inspect the items while these are being produced

and before these are packed. Inspections can be done when the goods are 25% finished, 50% finished, 75% finished and 100% finished depending on the agreed inspection procedures. Boxes should also have the required marks.

The most common method to ship the product is by sea. If delivery is delayed, the shipment can be by air and the producer that caused the delay shoulders the freight. If the buyers need the products urgently, shipment is by air.

To address the Christmas season, the production of holiday décor reaches its peak from May to about August. During the peak season, firms rely on subcontractors because their production is limited. To augment the work force, casual workers are also hired. Subcontracting is more of a personal rather than a formal arrangement in the industry. Since subcontractors have limited facilities and resources, manufacturers usually provide support to enable them to do their work. The assistance given to subcontractors can be in the form of credit/financing, provision of materials, equipment and tools, product development and skills training.

The subcontractors' work start with the product samples provided by the principal contractor. Once the sample has been copied, a prototype is delivered to the contracting firm, which corrects the design, size, color, material and other specifications. Once corrections are finalized, the sample is returned to the subcontractor who commences manufacturing activities.

The value chain diagram for the holiday decor sector is presented on the opposite page. More details on the findings from the value chain analysis is shown on the next few pages which includes a value chain cross reference matrix for the sector. Please see also Annex 12 for details on the holiday decor process flow.

The Holiday Décor Sector Value Chain Diagram

FIRM INFRASTRUCTURE	General management, planning, financing, accounting, labor relations, government affairs				
HUMAN RESOURCE MANAGEMENT	<ul style="list-style-type: none"> • Training on QC of raw materials • Training on materials sourcing and handling 	<ul style="list-style-type: none"> • Training on proper tools and equipment use • Training on manual production processes • Supervisor training • Upgrade skills of designers on materials properties and manufacturing processes 	<ul style="list-style-type: none"> • Training on distribution network • Training on packaging 	<ul style="list-style-type: none"> • Training on effective trade fair participation • Training on pricing, negotiation and collection • Training on market planning and marketing • Training on web site updating/maintenance 	<ul style="list-style-type: none"> • Training on handling customer complaints, product rejects
TECHNOLOGY DEVELOPMENT	<ul style="list-style-type: none"> • Internal norms for Quality Control standards • Systems in receiving, warehousing and inventory control of input materials • Procedures for semi processing and treatment of materials • ICT to research for suppliers • Manual materials' handling, quality control and packaging 	<ul style="list-style-type: none"> • Set appropriate quality management systems • Assess and install equipment • Maintenance of tools and equipment • Product development • R & D on production processes • Waste management 	<ul style="list-style-type: none"> • Outbound storage system • Distribution processes development • Packaging materials and processes R & D 	<ul style="list-style-type: none"> • Develop marketing collaterals • Web site development • Assess web hosting service • Develop market intelligence system 	<ul style="list-style-type: none"> • Procedures and system for handling complaints, rejects and referrals
PROCUREMENT	<ul style="list-style-type: none"> • Extensive travels to evaluate subcontractors' capability • Identification and screening of suppliers and subcontractors • Price monitoring of materials • Price negotiation • Inspection of inputs purchased 	<ul style="list-style-type: none"> • Canvass tools, equipment, packaging and transport suppliers • Price and terms negotiation • Acquire repair and maintenance service • Acquire tools, equipment, factory and office supplies • Acquire packaging supplies/service 	<ul style="list-style-type: none"> • Canvass and procure transport and shipping services • Canvass and procure packaging materials • Canvass and procure telecommunications service 	<ul style="list-style-type: none"> • Information-gathering on trade fairs • Purchase of marketing materials • Procure communications service • Canvass and procure exhibition materials 	<ul style="list-style-type: none"> • Canvass and acquire communications and courier services
	<ul style="list-style-type: none"> • Just-in-time delivery: pick up of raw materials or delivery by supplier • Quality check, grading and sorting at the manufacturer's premises • Inspection, return, rework or replacement of rejects by subcontractors • Chemical treatment • Air/sun drying • Dry storage • Warehousing • Cutting, sizing, releasing of materials to workers 	<ul style="list-style-type: none"> • In-house component production • In-house embellishments of components • Multi component assembly • Finishing, repair and touch up • Quality inspection • Equipment/tools maintenance 	<ul style="list-style-type: none"> • Carton construction and marking on boxes • Tagging, labeling, secondary protective packaging, packing inner cartons then master cartons • Storage • Final inventory and checking • Loading in containers • Shipping • Communications with buyers • Billing of payment 	<ul style="list-style-type: none"> • Product pricing • Market promotions • Trade fair participation • Business missions • Direct selling • E-Store management • Collection of payments • Payment of agents' commissions 	<ul style="list-style-type: none"> • Repair or replace products with damages • Charge back (exports) • Post-delivery follow-up to buyers • Monitoring of stocks or display (domestic)
	INBOUND LOGISTICS	OPERATIONS	OUTBOUND LOGISTICS	MARKETING & SALES	SERVICE

MARGINS MARGINS

Key Findings

An analysis of the holiday décor value chain shows that handling and processing of raw materials is a primary concern. Incorrect materials handling and lack of standards lead to rejects and wastage. This problem is extensive and affects all stages in the inbound part of the supply chain, from the materials gatherers through the traders, suppliers and even company personnel handling raw material purchasing and storage.

Firms use a quality control system that relies on assigned personnel and is highly visual in nature. Thus, there is high probability of variable work. Lack of standards in receiving, warehousing and inventory control of input materials contribute to the rate of rejects. Proper storage and warehousing facilities for raw materials are also inadequate. This has led to damaged raw materials and further rejects.

In operations, the firms rely on manual production. This implies that workers need proper training, supervision and motivation to raise productivity levels. However, this is not often the case. Training of new workers is an informal, on the job process. There are no standards in manufacturing that can be used as a guide for training, quality control and workers' evaluation. Firms lack proper procedure and layout that conform to good engineering practices. The productivity issue becomes more acute at the subcontractor level where there is even more limited resources and know-how.

Most firms are not aware of global standards such as those related to quality, health and safety, and environmental and sizing requirements. Some of these standards are required or may soon be required by buyers in developed countries.

Products in the industry are very unique and creative. Beyond aesthetics, however, there is a need to make the design functional and competitive in terms of production costs. Product designers are also often located in urban areas such as Manila. There are not enough designers in the provinces.

In outbound logistics, the inventory systems and shipping and delivery schedules are not integrated with other systems such as finance, marketing and production. To enhance productivity, order placement to order fulfillment should be properly integrated. Firms are also concerned about product packaging. There is a need for better packaging materials in terms of costs and product protection. Improved packaging can reduce costs and product defects. Companies also find local Inter-island shipment rates expensive and shipment schedules are irregular. Both issues contribute to higher costs.

Trade fair participation is the major tool used by the industry to promote their products to existing and potential buyers. However, firms need support especially in international trade fairs as the cost of participation can be expensive. Firms also do not use ICT extensively in their marketing efforts which can help reduce marketing cost. In servicing clients, most firms do not properly document and record buyers' requests for product repairs. There is also no systematic manner in handling customers' complaints.

The Holiday Décor Value Chain Cross Reference Matrix

FIRM INFRASTRUCTURE		
Findings/Observations	Concerns	Recommendations
Inadequate and inefficient port infrastructure and facilities due to existing maritime policies	Firms, especially those who rely on inter-island shipping, may experience higher cost and damages to goods.	Advocate for improved shipping facilities through the Philippine Shippers Council, CDPEAP and Philippine Exporters' Confederation Inc.
Shipment cost is high	High shipment rates are additional costs for both manufacturers and buyers.	Advocate for more competitive inter-island freight rates through the Philippine Shippers Council, CDPEAP and Philippine Exporters Confederation Inc.
INBOUND LOGISTICS		
Human Resource Management		
Workers lack skills on Quality Control of raw materials	Lack of QC skills leads to defects and product rejects further down the value chain.	Industry-wide standards on raw materials quality can be set up and appropriate training programs developed.
Materials sourcing and development among firms still need improvement	There is still considerable time and effort spent on materials sourcing and development.	The industry can tie up with TESDA on training programs for materials sourcing and development
The present level of materials handling skills is still insufficient leading to wastage.	Wastage in raw materials adds to the cost of the product, leading to higher prices or reduced income.	Develop standards for raw materials handling and allowable wastage and train workers on proper methods of materials handling.
There are wide variations in the quality of work from subcontractors due to insufficient skills and know how.	Rejects and rework of components from subcontractors causes delays as well as added cost.	Tie up with TESDA on having a continuous training program on basic production skills for subcontractors and their workers

INBOUND LOGISTICS (con't)		
Findings/Observations	Concerns	Recommendations
Technology Development		
Rejects from subcontractors continue to pose a problem for firms.	Rejected products delay production and add costs to firms and subcontractors.	Production experts can assist subcontractors in setting up quality programs to reduce or eliminate rejects.
Most firms use internal resources and norms for their QC standards.	Lack of institutionalized and documented standards may lead to variations in quality of products.	Facilitate the implementation of standardized quality requirements by engaging a technical consultant to document and consolidate current practices.
Quality management systems in receiving, warehousing and inventory control of input materials rely on assigned personnel and, thus, are highly variable.	Quality control problems can arise from the lack of standardized and documented quality management systems.	Establish quality and productivity improvement programs that have formal and documented standards and procedures.
Semi-processing and treatment of materials are done manually and using old technology.	This results to low productivity, inability to produce in big quantities and wide quality variance.	Develop a program to have common and affordable technologies for semi-processing and treatment of materials, such as kiln drying machine available to suppliers and manufacturers.
Searching for materials and components suppliers are usually done personally by firm owners and personnel.	Physically doing search for suppliers entails much time and effort which reduces productivity.	Promote the use of ICT in inbound functions. Invite firms to attend ICT courses at PTTC.
Materials handling, QC and packaging are done manually.	There is greater chance of deviations from desired quality using manual processes.	Document current procedures in material handling, QC and packaging and develop appropriate standards.

INBOUND LOGISTICS (con't)		
Findings/Observations	Concerns	Recommendations
Procurement		
Inbound procurement activities are not fully standardized and documented	This results in varying quality and cost of materials as there is no industry-wide standards	Hire industrial engineers to assist firms in standardizing and documenting inbound operations
Considerable time and resources are spent on procuring materials since it is done by open-market sourcing.	This situation adds to product cost.	Groups of companies can outsource raw material sourcing and focus on more important tasks. A database of suppliers can be established to further reduce time spent on materials procurement.
Evaluation of subcontractors' capability requires extensive travels and visits by manufacturers.	Travel and related activities increase overhead costs as well as take up much time of firm owners and personnel.	Develop a reliable accreditation system for subcontractors and support services to help guide decisions of manufacturers.
There are high tariffs on imported materials	High tariff rates add to product cost.	Advocate government for policies on reducing tariffs for exporting SMEs.
OPERATIONS		
Human Resource Management		
Firms lack properly trained and technically equipped workforce.	Companies that are shifting to high end markets need to have competently trained work force to satisfy buyers.	The industry can tie up with TESDA and PTTC to work out the needed training programs and schedule for workers.
The industry lacks designers based in the provinces.	It is expensive to go to Manila to avail of design services.	PDDCP can tie up with DTI provincial offices to enable designers to reach firms in provincial areas.
Workers do not have much knowledge on proper tools and equipment maintenance	Lack of technical knowledge of tools and equipment can lead to inefficient use and unnecessary downtime.	Work with tool and equipment suppliers as well as technical training institutes on having a program to teach workers on proper tools and equipment use and upkeep.

OPERATIONS (cont'd)		
Findings/Observations	Concerns	Recommendations
Human Resource Management (cont'd)		
Firms normally lose some of their workers during the lean season	Losing trained workers in the lean season leads to added cost later when new workers are hired and trained to help out during the peak season	The industry can develop common training programs for firms who need to augment their work force. Over the long term, firms need to develop the local market to help even out demand and work during the year.
There are designers who lack knowledge on material properties, processing and limitations.	Manufacturers need to design products that are not only innovative but can be produced efficiently.	Firms can encourage their designers to study materials properties and production processes. The industry can work with PDDCP to set up a training program on this area.
Technology Development		
Quality management systems among firms are usually worker based and manual.	Worker based QC systems can lead to variations in quality assurance.	The industry can engage industrial engineers to document and standardize quality control practices into a more systematic process. Encourage the use of tools in QA work.
Firms lack access to modern machines and processing know-how.	This inadequacy causes low productivity and higher cost.	Link CDPEAP members to Original Equipment Manufacturers Association of the Philippines (OEMAP), other equipment suppliers, industrial engineers from universities and R & D centers.
Maintenance of tools and equipment is generally reactive.	This can result to production downtime and shorten useful life of equipment.	Link CDPEAP and its members to equipment suppliers that can provide orientation on the maintenance of tools and equipment.
A significant percentage of costs can be traced to wastes by inappropriate processes.	Unit cost of production becomes higher than that of competitors because of such inefficiencies.	Facilitate exposure of firms to best practices in production both here and abroad.

OPERATIONS (cont'd)		
Findings/Observations	Concerns	Recommendations
Procurement		
Firms buy locally fabricated tools, which can be of inferior quality.	Inappropriate tools result to higher production cost	The industry can undertake a research project to locate tool and equipment suppliers whose products conform to international standards and link CDPEAP and its members to such suppliers.
OUTBOUND LOGISTICS		
Human Resource Management		
Findings/Observations	Concerns	Recommendations
Workers lack skills on managing the distribution network	Lack of knowledge and skills in distribution lead to inefficiencies and low productivity.	Link industry to PTTC for assessing training needs of workers in network distribution and work out appropriate training program.
Technology Development		
Firms have not maximized the use of information technology to streamline outbound activities.	Inefficient outbound processes lead to higher cost and lower productivity.	The industry can search for an appropriate package of software programs and system design for improving firms' outbound processes.
Packaging materials are limited and can be costly.	Innovative packaging can add value to the product.	Link with research institutions on latest developments in packaging R & D. The industry can do a systematic search of affordable packaging products.
Procurement		
Inter-island shipping schedules are irregular.	This situation leads to longer delivery time.	Advocate government for policies on more regular shipping schedules

MARKETING		
Findings/Observations	Concerns	Recommendations
Human Resource Management		
Marketing personnel lack exposure to trade fairs since it the owners who usually go to these events.	Trade fair experience in the firms are limited to the owners and top management.	Companies can provide training in trade fairs participation to their marketing staff. Lower ranked personnel can be given exposure in local fairs.
Marketing staff lack proper skills in export costing, pricing and negotiations.	Much of the burden on marketing products are on the owners especially for small firms which may lead to some lost market opportunities.	The industry can link with PTTC or other training institutions to train workers on required marketing skills.
The use of ICT among industry members for marketing is expanding.	Expanded use of ICT in marketing requires new skills and processes among participating firms.	Firms should proactively access training programs for their marketing staff on the use of web sites and ICT in their activities.
Technology Development		
The industry association, CDPEAP, has initiated a web based marketing program.	Participating firms in the marketing web site need to be properly equipped to handle promotions and order taking via internet.	The CDPEAP should continue to promote awareness on the use of its marketing web site among members and encourage them to upgrade their ICT systems and practices.
SMEs have not fully explored participation in virtual trade fairs	Firms may miss an opportunity to market their products at less cost relative to traditional trade fairs.	The industry association can explore an alternative platform like virtual trade fairs for their members and report on the feasibility of such a venture.
Firms lack access to product trends and market information materials	This limits their capabilities to conduct product and market development activities.	CDPEAP can spearhead collective efforts to establish an information base for sourcing, product development, market trends, etc. for producers and designers.
Some firms do not have access to list of buying offices and importers of holiday décor	These firms face limited marketing opportunities and lower sales.	CITEM can email list of importers and buying offices to CDPEAP, who can upload this in their website for access by members.

MARKETING (cont'd)		
Findings/Observations	Concerns	Recommendations
Procurement		
Sustaining adequate promotional campaigns is expensive for most holiday decor firms.	Irregular promotions lower market awareness of firms and leads to lower sales.	The government, through DTI and CITEM, can assist holiday decor firms in their promotional efforts.
Information on trade fairs and bazaars are not readily available.	Lack of data on available marketing events hampers market planning of firms.	The industry should work with the DTI in compiling and updating a list of bazaars and trade fairs for dissemination to holiday decor firms.
Companies sometimes experience difficulties in procuring exhibition supplies on time.	Delays in acquiring exhibition supplies and materials can lead to higher cost or loss of market exposure.	Firms should take special effort in planning their marketing events so that acquisition of needed materials for exhibitions are done early.
SERVICE		
Human Resource Development		
Sales staff of most firms lack skills in handling customer complaints.	Buyers are lost when merchandise complaints are not properly handled	Firms should send their workers to seminars on post sales services to buyers and update such skills regularly.
Technology Development		
Some firms do not have a systematic record of causes of rejects and buyers' complaints.	These firms find it difficult to assess nature of complaints which could lead to improved performance.	Use a database to record and monitor product defects and buyers' complaints. Review database content with a marketing specialist to devise remedial or preventive measures for future buyer complaints.
Handling customer complaints, especially for foreign buyers, entails much communications and even meetings.	Communications cost become high for the manufacturer which reduces income.	Firms should seek out alternative means of communications such as VOIP to reduce cost.

SERVICE (cont'd)		
Procurement		
Contacting suppliers for replacements of defective components or products takes time and effort.	Firms are not readily able to act on buyers' complaints to replace defective merchandise when suppliers cannot be contacted immediately.	Set up a database of accredited suppliers to reduce incidents of replacements due to poor quality of work. Update database regularly to ensure updated contact data of suppliers.



Needs Assessment

Based on the value chain analysis in the preceding section, the needs of the holiday décor sector are summarized below.

Firm Infrastructure

- The industry should collectively advocate for lower freight cost and improved port facilities

Inbound Logistics

- Producers and exporters need an updated database of raw-material suppliers and subcontractors.
- There is a need to establish a set of standards on the quality of work and/or products from material gatherers, suppliers and subcontractors.
- Research must be carried out on raw materials used and alternative materials that can be substituted for those in short supply.
- R & D needs to be expanded on understanding and improving the properties of major materials used to enable innovations in their use or processing.

- There is a need to upgrade suppliers' and subcontractors' skills on processing and handling of raw materials
- Firms need to find ways of reducing costs of raw materials through bulk buying or similar activities.
- Outsourcing activities must be improved, including identifying reliable and credible suppliers/subcontractors and monitoring work progress, deliveries and quality standards.
- Firms need to expand use of ICT to improve supply chain management.
- The industry needs to access common warehousing facilities with the proper specifications for raw materials.
- Raw-material processing must be upgraded using more semi-mechanized procedures and appropriate equipment.
- There is a need to advocate for lower tariffs on imported raw materials.
- QC measures have to be institutionalized and implemented among supplier and subcontractors.

Operations

- Product complementation need to be encouraged to foster cooperation, instead of competition, among firms.
- Piracy of workers and design copying needs to be discouraged by industry action (i.e. through the Ethics Committee of CDPEAP).
- Product designs needs to be more innovative, functional and cost-effective.
- The industry needs to tie up with training institutions such as TESDA and PTTC to ensure that skills training for management and workers can be sustained over the medium to long term.

- The industry needs to work with government (i.e. PDDCP) to develop a core group of designers that can disseminate design ideas through websites and electronic groups to designers, producers and Fine Arts Departments in schools in provincial areas
- Firms need access to high-quality tools and equipment at affordable prices.
- Firms need to know the benefits of applying industrial engineering practices in their factories. They can tie up with industrial engineering teachers from universities.

Outbound Logistics

- Better coordination of business processes, such as inventory, production, packaging, shipping and documentation, is needed to hasten outbound operations. Firms can be encouraged to expand their use of ICT to improve coordination of business activities.
- New and cost-effective packaging is needed.
- Companies need a training program for their workers on distribution network management.

Marketing and Sales

- Firms need to improve marketing intelligence on products most preferred by buyers.
- The industry needs to sustain efforts at joining trade fairs to meet existing and new buyers.

- Firms need to sustain other promotional tools such as ICT to attract buyers and expand their markets' geographical scope.
- The use of more cost effective means of marketing such as the CDPEAP e-commerce program and Decoro Pilipinas to generate sales need to be maximized.
- An integrated marketing campaign is needed that will allow firms to promote their best products under the Made in the Philippines brand.

Service

- Workers need to be trained on customer servicing, especially on merchandise claims from buyers.
- A system for properly documenting complaints from clients and buyers' rejects need to be developed.



Strategic Direction

Given the findings and data presented in this report as well as from interviews and discussions with industry personalities, this section provides some insight into the strategic direction of the holiday décor sector over the next few years.

The immediate concern of the holiday décor sector remains the sluggish level of exports over the past few years. As indicated in the Global Market Section of this report, local exports of holiday decor seemed to have stagnated at the US\$55 million to US\$57 million level since 2003. At around this same time frame (2002-2005), however, world imports for holiday decor was growing at around 6% yearly. Clearly, the industry has not benefited from this growth.

For the short to medium term, the sector needs to develop a clear competitive strategy based on updated market information. Although the industry's strengths include product design and use of indigenous materials, it should be supported by marketing activities that would recover lost accounts in the global market. It is increasingly difficult to use price as a marketing strategy because of China's low-priced holiday décor products. The option for local firms is to focus on medium to high-end market segments which

are not price-sensitive. Creating product value in terms of product design and craftsmanship will induce buyers to buy holiday décor at better prices. Promotional efforts should highlight this aspect of Philippine holiday decor.

The industry should also diversify its markets. This aims to decrease the dependence on the US and to consider European and other regions. Although China is the biggest supplier to the European Union, its presence in the EU market is not as dominant as in the US market. Local holiday decor firms should accelerate marketing efforts in the EU using product design and other features as main selling points. Sales to other countries such as Australia, the Middle East and Japan can also be improved.

Holiday décor makers can also expand their presence in the domestic market. A significant amount of holiday décor sold in the domestic market are imported indicating a demand for the products. Domestic buyers, however, may have certain preferences or may be more price sensitive. The industry would need to do some consumer research prior to promoting their products locally. Sales in the domestic market can be a good leverage against the ups and downs in the export market.

Coupled with marketing efforts, producers should also enhance their operational productivity. Presently, the industry relies on manual production processes. Operational productivity can be improved through continuous training and values formation not only at the producer/exporter level but also at the subcontractors' and suppliers' level. Further, operational productivity should include improvement in handling skills of material gatherers and suppliers to minimize rejects and wastage during raw materials acquisition.

Holiday décor companies should also work towards improving their production systems and facilities. Firms that compete globally should increase their investments in cost-effective tools and equipment. There is also a need to improve production management practices in inventory management, quality control and plant layout. Continuous research and development in materials treatment, processing and storage can assist the industry to have better products at lower costs. Environmental concerns also need to be addressed, to help reduce waste and facilitate compliance with buyers' requirements.

For the long term, the industry needs to undertake a strategic analysis of the holiday décor sector and to develop a plan to compete more effectively in the global market. Given below are some specific programs which the industry can consider as part of its strategic development:

1. Development of a market intelligence center for holiday decor firms where information on best selling products, buyers, competitors and market trends can be obtained.
2. Program for entry into new markets abroad using more cost effective methods such as e-commerce, business missions and the internet. This program will be driven by and linked to the proposed market intelligence center.
3. Study on an industry wide shift in market strategy to focus on the competitive edge of local holiday decor products vs. those from China and other major competitors. Again, this study will be closely linked to the market intelligence center.
4. Study on the domestic market for holiday decor. This study should give information on the size of the domestic markets and trends in market demand as well as consumer preferences.

5. Program for continuous product development using information also from the market intelligence center. The CDPEAP can also consider hiring European designers to make their products more saleable to the emerging markets in Eastern Europe.
6. A study on bulk-buying of raw materials is also recommended. This study will assess how the local holiday décor sector can benefit from the use of a bulk-buying facility. The legal, regulatory, logistical, production and financial concerns will be evaluated.
7. Study the sourcing of components from other countries such as Vietnam where prices may be cheaper. A sourcing mission can be undertaken to meet and evaluate possible components suppliers from Vietnam or other countries.
8. Develop a reliable source of information on suppliers in the Philippines using surveys and supplier mapping. Information on suppliers can be stored in a central database for access by firms.
9. Undertake regular assessment of the production management practices of holiday decor firms. This will serve to monitor manufacturing issues and recommend ways to improve efficiency and productivity.
10. Program for improving industrial design among manufacturers. This program will include regular seminars with special emphasis on design-for-manufacturability, structural integrity and durability.
11. Institute a continuous subcontractor upgrading program which covers worker training, better quality control measures, productive use of tools and materials.
12. Establish a training and common service facility for the semi-processing and treatment of raw materials. This facility can also provide warehouse and storage for materials purchased in bulk by groups of manufacturers.

13. Setup a research and development center for materials used in holiday decor items. The center can also provide inputs to product designers and R & D personnel of holiday decor firms.
14. A workshop on industry collaboration is also suggested. This workshop aims to promote collaboration within the industry so that specific competencies of various industry players can be enhanced.
15. Maintain a technical advisory team for the industry composed of technical consultants in different fields such as production, marketing and strategic planning to provide assistance to manufacturers and exporters.

Annexes

Annex 1: The Value Chain Analysis

The Value Chain Concept

Value chain analysis is a method of identifying and understanding the various activities of an organization that provide value to its products or services and the linkages among such activities. It is used to determine which aspects of a firm's operation can be enhanced, and where to reduce costs, optimize resource use, or even reconfigure the entire chain of operations for better performance. The end result of this effort is increased product or service value, lower costs of operation, or both.

A value chain covers two sets of activities. The first refers to the primary activities of a firm and consists of inbound logistics, operations, outbound logistics, marketing and sales, and service. These are the activities that organizations engage in to produce a product or service.

The second set covers support activities that indirectly contribute to the firm's operations. These include the organization's infrastructure, human resource management, technology development and procurement.

All these activities are interconnected and work in a process that can be structured into a value chain diagram. A firm's value chain can also be linked with external chains such as those of its suppliers or buyers.

Value Chain Analysis in Sectoral Enhancement

An adaptation of the generic value chain described in Dr. Michael Porter's book *Competitive Advantage* was used to analyze the structure and performance of industries or sectors covered in Pearl2's Sectoral Enhancement program. Originally, the value chain was designed for company-level evaluation. For the Pearl2 project, however, it is used to develop a framework for understanding how a particular industry operates, with the objective of determining the needs of that sector. On the basis of such a needs assessment, it is possible to identify areas where appropriate assistance can be provided.

Basically, work with all the sectors covered by the program included: (i) designing the value chain diagram, (ii) developing a value chain table, (iii) describing the main components of the value chain, and (iv) analyzing the flow of the chain to identify issues and problems and possible courses of action. Such an assessment brings to the surface the needs of the sector for closer evaluation. The value chain analysis focused primarily on producers which are members of

the Business Support Organization identified for the sector. The analyses are not by any means comprehensive and do not involve any cost estimates for the chain or a comparison of the value chain of a similar industry or with similar features in other countries or regions. Due to time and resource constraints, no references were made to external value chains.

Michael E. Porter, "Chapter 2: The Value Chain and Competitive Advantage," *Competitive Advantage* (New York: Simon & Schuster, 1985), pp. 33-61.

Annex 2: Harmonized System and Philippine Standard Commodity Classification for Holiday Decor Products

HS CODE	PSCC	DESCRIPTION
9505.1000	894.45.00	Other articles for Christmas festivities (e.g. artificial Christmas tree decorations, imitation Yule logs, nativity scenes and figures excluding lighting fittings and bulbs)
9505.9000	894.49.09	Other entertainment articles including carnival articles
9505.9000	894.49.01	Articles for Easter activities
9405.3000	894.41.00	Lighting sets of a kind used for Christmas trees

Source: Department of Trade and Industry

Annex 3: Commonly Used Raw Materials in Philippine Holiday Décor

MATERIALS	FORM	SOURCE
Fabrics/Cords	Yardage and bulk	Local, imported
Golf leaf	Roll and sheets	Local, imported
Beads/Glitters		Local, imported
Paper	Paper pulp, handmade, twine	Local
Tin/Wires/G.I.	Roll and sheets	Local traders
Resin	Chemical/As components	Local distributors
Glue		Local hardware, imported
Paints and dyes		Local distributors
Abaca	Fibers, sinamay, rope	Local
Bamboo	Laminated, pole, crushed	Local growers and traders
Rattan	Pole, split and wicker	Local traders, imported
Capiz	Raw, clean, semi-finished	Local growers, traders
Raffia	Woven	Local traders
Buri	Midrib, rope	Local traders
Coconut	Spike, midrib, wood	Local growers, traders
Other natural indigenous materials		Local growers, traders
Various hardware		Local distributors, imported
Other finishing materials		Local distributors, imported

Source: Department of Trade and Industry

Annex 4:
World Holiday Decor Imports by
Country, 2002-2005
(in US\$'000)

Country	2002	2003	2004	2005	Ave. Growth Rate (%)
U.S.A.	2,816,067	2,863,758	3,146,270	3,331,713	5.8%
Hong Kong	725,045	599,178	554,774	458,476	-14.0%
U.K.	309,126	376,449	404,329	411,175	10.3%
Canada	234,153	241,689	267,591	282,448	6.5%
Germany	188,296	233,699	251,790	253,750	10.9%
France	152,288	192,238	216,732	239,817	16.5%
Italy	123,822	146,196	176,605	191,400	15.7%
Belgium	82,556	114,700	135,061	153,908	23.5%
Netherlands	95,337	113,471	113,978	114,656	6.7%
Mexico	95,186	89,490	67,080	97,284	4.7%
Spain	53,367	69,703	79,947	88,144	18.5%
Greece	40,526	41,558	55,549	70,306	20.9%
Japan	55,885	52,491	60,012	68,808	7.6%
Australia	46,340	50,522	61,646	68,805	14.2%
Austria	31,029	40,929	50,996	51,235	19.0%
Others	394,777	469,368	537,214	553,217	12.1%
TOTAL	5,443,800	5,695,441	6,179,574	6,435,142	6.5%

Note: the above data covers only HS nos. 940530, 950510, and 950590.
Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

Annex 5:
World Holiday Decor Exports by
Country, 2002-2005
(in US\$'000)

Country	2002	2003	2004	2005	Ave. Growth Rate (%)
China	1,734,257	2,015,926	1,914,386	2,068,459	6.4%
Hong Kong	1,375,130	1,083,346	1,006,479	849,309	-14.6%
Netherlands	86,202	131,477	144,460	151,152	22.3%
U.S.A.	126,322	108,035	133,607	131,091	2.4%
Belgium	59,627	86,593	96,341	126,135	29.1%
Germany	95,896	107,961	117,811	117,217	7.1%
U.K.	47,706	61,347	64,230	67,737	12.9%
Thailand	-	61,164	-	62,691	-
Mexico	25,623	29,630	44,615	52,066	27.6%
Italy	55,488	60,467	52,565	50,189	-2.9%
Poland	53,599	45,599	47,944	48,522	-2.9%
Canada	41,069	40,581	49,814	47,567	5.7%
France	24,803	25,111	26,800	26,744	2.6%
Denmark	24,395	27,652	15	26,410	-
Spain	16,810	17,040	24,248	24,204	14.5%
Others	125,389	133,013	143,367	131,207	1.8%
TOTAL	3,892,317	4,034,942	3,866,682	3,980,698	0.8%

Note: the above data covers only HS nos. 940530, 950510, and 950590.
Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

Annex 6:
U.S. Holiday Decor Imports by Country
2002-2005
(in US\$'000)

Country	2002	2003	2004	2005	Ave. Growth Rate (%)
China	2,446,418	2,507,853	2,819,376	3,021,756	7.4%
Thailand	40,471	40,333	36,136	34,546	-5.0%
Mexico	29,183	24,431	32,322	31,955	5.0%
India	33,124	31,382	31,073	29,726	-3.5%
Poland	41,021	29,426	25,783	28,491	-10.0%
Hong Kong	32,433	36,976	30,429	26,815	-5.2%
Phils.	41,536	33,346	28,220	22,207	-18.8%
Germany	29,381	27,222	23,080	21,289	-10.1%
Austria	611	12,488	10,585	15,427	658.5%
Canada	9,506	9,392	11,916	8,516	-1.0%
Italy	10,609	8,865	6,843	7,276	-11.0%
Guatemala	4,261	6,477	5,643	6,297	16.9%
U.A.E.	5,219	-	3	5,705	-
Czech Rep.	7,262	5,218	5,129	5,279	-9.0%
Others	85,035	90,351	79,734	66,428	-7.4%
TOTAL	2,816,067	2,863,758	3,146,270	3,331,713	5.8%

Note: the above data covers only HS nos. 940530, 950510, and 950590.
Please see Annex 2 for details on these codes.

Source: UNSD Comtrade Database

Annex 7: Major EU25 Holiday Decor Importers, 2000-2005 (in Euro million)

Country	2000	2001	2002	2003	2004	2005	Ave. Growth Rate (%)
U.K.	350.6	309.1	325.5	326.1	316.7	327.2	-1.2%
Germany	249.2	225.4	206.9	209.5	196.7	208.4	-3.3%
France	212.6	171.2	161.4	174.4	175.6	193.6	-1.2%
Italy	163.1	145.8	131.0	129.3	141.5	153.7	-0.8%
Belgium	108.0	88.5	87.4	101.4	108.5	122.2	3.3%
Netherlands	138.5	121.2	112.2	112.0	105.9	108.2	-4.7%
Spain	60.1	53.3	55.6	62.5	63.4	70.6	3.6%
Greece	32.7	35.8	41.2	36.7	44.7	56.3	12.3%
Austria	40.1	37.2	33.8	38.0	42.3	42.9	1.8%
Ireland	26.1	32.5	35.4	34.5	34.5	37.0	7.6%
Sweden	35.9	31.8	30.3	32.1	28.4	33.7	-0.6%
Denmark	32.8	28.2	29.1	30.2	30.2	32.0	-0.3%
Portugal	21.9	20.0	20.4	23.0	23.1	24.3	2.3%
Poland	0.0	0.0	0.0	0.0	0.0	23.8	-
Czech Rep.	11.5	10.6	11.4	11.8	12.6	14.3	4.8%
Others	35.8	36.6	36.5	35.3	43.4	48.9	6.8%
TOTAL	1519.0	1347.1	1318.1	1356.9	1367.3	1497.1	-0.1%

Note: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes. These countries are the main importers of holiday decor in the EU25.

Source: Export Help Desk, External Trade, European Commission

Annex 8: EU25 Holiday Decor Imports by Country, 2000-2005 (in Euro million)

Country	2000	2001	2002	2003	2004	2005	Ave. Growth Rate (%)
China	962.1	866.0	841.9	857.0	899.7	974.8	0.5%
Netherlands	103.6	86.5	101.6	100.9	103.1	114.1	2.6%
Germany	78.0	69.9	67.4	66.3	76.3	81.1	1.1%
Belgium	47.8	47.4	39.6	42.3	52.4	61.8	6.3%
Hong Kong	45.2	36.5	31.2	39.3	33.4	30.6	-6.2%
U.K.	24.3	24.2	25.6	26.7	25.0	28.9	3.8%
Italy	27.6	22.3	23.4	24.7	22.6	21.1	-4.8%
Thailand	23.2	20.4	20.8	21.6	18.7	18.7	-4.0%
France	16.1	13.1	13.0	14.4	14.1	15.9	0.5%
Taiwan	35.1	26.0	24.6	20.1	14.2	13.0	-17.4%
U.S.A.	21.2	16.9	16.0	13.2	11.8	12.8	-9.1%
Spain	9.5	10.1	9.7	12.9	11.6	12.8	7.1%
Austria	5.3	3.0	4.5	4.3	7.0	11.2	24.8%
Poland	17.1	16.6	16.3	17.2	16.7	11.1	-7.1%
Venezuela	0.1	0.0	0.1	0.0	0.1	9.4	3742.3%
Others	124.5	109.4	105.8	101.0	88.1	79.6	-8.5%
TOTAL	1540.7	1368.2	1341.4	1361.7	1394.7	1497.0	-0.4%

Notes: the above data covers only HS nos. 940530, 950510, and 950590. Please see Annex 2 for details on these codes. The above refers to the countries of origin of EU25 imports of holiday decor.

Source: Export Help Desk, External Trade, European Commission

Annex 9: Phil. Holiday Decor Exports by Product 2000-2006 (in US\$)

Product	2000	2001	2002	2003	2004	2005	2006	Ave. Yearly Growth Rate (%)
Articles for Christmas festivities	97,206,021	70,923,641	60,142,783	52,845,107	54,407,796	54,924,092	53,684,348	-8.8%
Festive, carnival and other articles	3,285,586	2,324,862	1,799,585	980,752	997,504	1,044,412	1,299,018	-11.1%
Articles for Easter activities	1,528,668	1,264,862	961,760	744,569	715,610	309,198	729,323	1.9%
Christmas lightings sets	215,691	118,931	88,354	26,627	97,423	98,154	843,646	147.6%
Christmas tree bulbs	39,932	33,711	-	160,175	-	-	-	-
Total	102,275,898	74,666,007	62,992,482	54,757,230	56,218,333	56,375,856	56,556,335	-8.7%

Source: Department of Trade and Industry

Annex 10: Phil. Holiday Decor Exports by Country 2000-2006, (in US\$)

Country	2000	2001	2002	2003	2004	2005	2006	Ave. Growth Rate (%)
U. S.	64,319,442	43,559,335	36,998,052	29,773,948	30,728,455	27,908,607	29,600,725	-11.1%
Germany	5,770,210	3,969,662	3,450,636	3,592,756	3,170,634	2,774,762	2,962,825	-9.6%
Italy	4,478,757	2,697,950	2,117,276	2,069,241	2,702,698	3,213,454	2,861,625	-4.2%
Japan	5,073,534	5,435,056	3,918,055	2,758,393	2,917,266	3,198,580	2,602,926	-8.9%
Spain	1,712,557	1,275,629	1,145,148	1,635,097	1,651,273	2,018,321	2,287,069	7.3%
U.K.	3,150,507	2,832,443	2,160,159	2,708,540	2,384,625	2,289,411	2,104,026	-5.4%
Canada	1,871,180	1,520,484	1,856,777	1,495,762	1,396,174	1,891,582	1,926,500	2.4%
Australia	1,290,582	1,147,928	1,330,554	1,130,838	1,310,763	1,476,304	1,480,808	3.1%
France	2,287,918	2,822,594	1,152,243	1,418,977	1,130,957	1,531,407	1,191,619	-3.3%
Belgium	1,676,653	1,439,314	952,183	1,197,520	2,047,309	1,662,871	1,217,980	0.5%
Others	10,644,558	7,965,612	7,911,399	6,976,158	6,778,179	8,410,557	8,320,232	-2.9%
Total	102,275,898	74,666,007	62,992,482	54,757,230	56,218,333	56,375,856	56,556,335	-8.7%

Source: Department of Trade and Industry

Annex 11: Summary of Key Findings From 2004-2006 Pearl2 Survey of Holiday Decor Firms

	Total					
	2004		2005		2006	
<i>Years in Business</i>	N	%	N	%	N	%
1-5 Years	5	13.89	2	9.52	0	0.00
6-10 Years	8	22.22	3	14.28	3	16.66
11-15 Years	8	22.22	5	23.8	6	33.33
16-20 Years	10	27.77	6	28.5	4	22.22
21-25 Years	2	5.56	1	4.8	1	5.56
26-30 Years	1	2.78	0	0.00	2	11.11
31-35 Years	0	0.00	1	4.8	0	0.00
more than 45 years	0	0.00	1	4.8	0	0.00
No Answer	2	5.56	2	9.5	2	11.11
TOTAL	36	100.00	21	100.00	18	100.00
<i>Company Size</i>	N	%	N	%	N	%
Micro (assets below Php3M)	11	30.56	7	33.33	3	16.67
Small (assets below Php 3M to 15M)	17	47.22	11	52.38	12	66.67
Medium (assets from Php 15M to 100M)	6	16.67	2	9.52	3	16.67
Large (assets above Php 100M)	2	5.56	0	0.00	0	0.00
No response	0	0.00	1	4.76	0	0.00
Total	36	100.00	21	100.00	18	100.00
<i>Company Setup</i>	N	%	N	%	N	%
Sole Proprietorship	10	27.78	5	23.81	6	33.33
Partnership	0	0.00	1	4.76	1	5.56
Corporation	26	72.22	15	71.43	11	61.11
Cooperative	0	0.00	0	0.00	0	0.00
Total	36	100.00	21	100.00	18	100.00
<i>Owner of Sole Proprietorship</i>	N	%	N	%	N	%
Male	6	60	1	20.00	3	50.00
Female	4	40	4	80.00	3	50.00
Total	10	100.00	5	100.00	6	100.00

	Total					
	2004		2005		2006	
<i>Education of Sole Proprietor Owner</i>	N	%	N	%	N	%
Some College	1	10.00	0	0.00	0	0.00
College Graduate	7	70.00	3	60.00	5	83.33
Post Graduate	1	10.00	2	40.00	1	16.67
No Answer	1	10.00	0	0.00	0	0.00
Total	10	100.00	5	100.00	6	100.00
<i>Chairperson of Corporation</i>	N	%	N	%	N	%
Male	13	50.00	6	42.86	6	54.55
Female	13	50.00	8	57.14	5	45.45
No response	0	0.00	0	0.00	0	0.00
Total	26	100.00	14	100.00	11	100.00
<i>Education of Chairperson</i>	N	%	N	%	N	%
Some College	3	11.54	1	5.88	0	0.00
College Graduate	17	65.38	9	52.94	9	81.82
Post Graduate	6	23.08	7	41.18	2	18.18
No response	0	0.00	0	0.00	0	0.00
Total	26	100.00	17	100.00	11	100.00
<i>President of Corporation</i>	N	%	N	%	N	%
Male	16	44.44	7	38.89	6	54.55
Female	20	55.56	11	61.11	5	45.45
No Answer	0	0.00	3	16.67	7	63.64
Total	36	100.00	18	100.00	11	100.00
<i>Education of President</i>	N	%	N	%	N	%
Some College	5	13.89	1	4.76	1	5.56
College Graduate	25	69.44	9	42.86	15	83.33
Post Graduate	6	16.67	7	33.33	2	11.11
No Answer	0	0.00	4	19.05	0	0.00
Total	36	100.00	21	100.00	18	100.00
<i>Size of Business Premises</i>	N	%	N	%	N	%
Less than 100 sq.m.	1	2.78	1	4.76	1	5.56
Between 100 - 250 sq.m.	9	25.00	3	14.29	14	77.78
More than 250 sq.m.	26	72.22	17	80.95	0	0.00
No response	0	0.00	0	0.00	3	16.67
Total	36	100.00	21	100.00	18	100.00

	Total					
	2004		2005		2006	
<i>Ownership of Business Premises</i>	N	%	N	%	N	%
Owned	23	63.89	12	57.14	12	66.67
Rented	13	36.11	9	42.86	5	27.78
Owned and rented	0	0.00	0	0.00	0	0.00
No Answer	0	0.00	0	0.00	0	0.00
Total	36	100.00	21	100.00	18	100.00
<i>Venue of Business Premises</i>	N	%	N	%	N	%
Residencial	19	52.78	6	28.57	4	22.22
Commercial	17	47.22	12	57.14	12	66.67
Both	0	0.00	1	4.76	0	0.00
No Answer	0	0.00	2	9.52	2	11.11
Total	36	100.00	21	100.00	18	100.00
<i>PERSONNEL</i>						
<i>Management Employees</i>	N	%	N	%	N	%
Male			14	46.67	23	4.69
Female			16	53.33	28	7.80
Total			30	100.00	51	100.00
<i>Production Supervisors</i>	N	%	N	%	N	%
Male	44	40.00	30	41.67	31	41.33
Female	66	60.00	42	58.33	44	58.67
Total	110	100.00	72	100.00	75	100.00
<i>Production Workers</i>	N	%	N	%	N	%
Male	620	46.41	231	35.87	334	88.13
Female	716	53.59	413	64.13	45	11.87
Total	1336	100.00	644	100.00	379	100.00
<i>Technical R&D Staff</i>	N	%	N	%	N	%
Male	43	54.43	14	48.28	39	32.23
Female	36	45.57	15	51.72	82	67.77
Total	79	100.00	29	100.00	121	100.00
<i>Marketing Staff</i>	N	%	N	%	N	%
Male	35	44.87	14	37.84	12	13.64
Female	43	55.13	23	62.16	76	86.36
Total	78	100.00	37	100.00	88	100.00

	Total					
	2004		2005		2006	
<i>Office and Administrative Staff</i>	N	%	N	%	N	%
Male	39	33.91	20	30.30	33	50.77
Female	76	66.09	46	69.70	32	49.23
Total	115	100.00	66	100.00	65	100.00
<i>Quality Control Staff</i>	N	%	N	%	N	%
Male	26	26.80	18	33.96	18	25.71
Female	71	73.20	35	66.04	52	74.29
Total	97	100.00	53	100.00	70	100.00
<i>Total Employees</i>	N	%	N	%	N	%
Male	807	44.46	341	36.63	490	57.71
Female	1008	55.54	590	63.37	359	42.29
Total	1815	100.00	931	100.00	849	100.00
<i>Average Monthly Income</i>	in Philippine Pesos					
Male	5767.06		8247.50		6279.77	
Female	5767.06		8202.00		6303.56	
Total	5767.06		8224.75		6291.66	
<i>Subcontracting</i>	N	%	N	%	N	%
Yes	34	94.44	21	100.00	16	88.89
No	2	5.56	0	0.00	2	11.11
Total	36	100.00	21	100.00	18	100.00
<i>Subcontractors</i>	2004		2005		2006	
Ave. % of Work Subcontracted	61.17		59.57		53.57	
Ave. Number of Subcontractors	12.35		21.1		9.65	
Ave. No. of Workers/Subcontractor	28.41		29.4		30	
Total Subcontractors	120		442		154	
Total Workers of Subcontractors	966		618		480	
<i>Subcontractor Location</i>	N	%	N	%	N	%
Within region	9	26.47	14	66.67	3	18.75
Within island group	3	8.82	3	14.29	1	6.25
Within premises/sity/province	17	50.00	10	47.62	12	75.00
Nationwide	5	14.71	0	0.00	0	0.00
<i>Subcontractor Support</i>	Rank		Rank		Rank	
Credit	1		1.3		1	
Tools	2		1.9		2	
Product Development	3		1.8		3	
Skills Training	4		2.3		4	

	Total					
	2004		2005		2006	
<i>Subcontractor Problems</i>	Rank		Rank		Rank	
Delivery Date	1		1.6		2	
Quality of Work	2		1.7		1	
Reliability	3		2.5		3	
Others	0		0		0	
<i>Stage of Work Subcontracted</i>	N	%	N	%	N	%
Pre-Production	18	50.00	10	47.62	8	44.44
Production	21	58.33	18	85.71	10	55.56
Finishing	10	27.78	7	33.33	6	33.33
Others	4	11.11	0	0.00	0	0.00
<i>Raw Materials Source</i>	N	%	N	%	N	%
100 % Local	10	27.80	5	23.80	9	50.00
100% Imported	0	0.00	0	0.00	0	0.00
Both Local and Imported	26	72.20	13	61.90	8	44.44
No Response	0	0.00	3	14.30	1	5.56
Total	36	100.00	21	100.00	18	100.00
<i>Capacity Utilization</i>	%		%		%	
Average Utilization Rate	72.5		59.6		91.66	
<i>Reasons for Low Utilization</i>	Rank		Rank		Rank	
Equipment Limitations	3		3		4	
Personnel Limitations	5		2		3	
Lack of Raw Materials	4		1.5		2	
Space Limitations	2		2.8		5	
Others	1		3		1	
<i>Quality Control Systems</i>	N	%	N	%	N	%
Use outside testing facilities	4	11.11	2	9.52	0	0.00
Use internal resources/facilities	18	50.00	14	66.67	4	22.22
Have specifically assigned personnel	26	72.22	7	33.33	12	66.67
Follow standard procedures	15	41.67	6	28.57	7	38.89
<i>Quality Control Problems</i>	N	%	N	%	N	%
Raw materials/supplies	15	41.67	13	61.90	6	33.33
Production process	30	83.33	6	28.57	11	61.11
Others	2	5.56	2	9.52	2	11.11

	Total					
	2004		2005		2006	
<i>Product Development</i>	N	%	N	%	N	%
Internal Capabilities	24	66.67	18	85.71	14	77.78
External Capabilities	14	38.89	6	28.57	5	27.78
No Answer	10	27.78	0	0.00	0	0.00
<i>Mode of Raw Materials Procurement</i>	N	%	N	%	N	%
Open Market	21	58.33	17	80.95	14	77.78
Own Source	23	63.89	7	33.33	5	27.78
<i>Product Development Info. Source</i>	N	%	N	%	N	%
Buyers	35	97.22	13	61.90	15	83.33
Trade fairs	31	86.11	11	52.38	14	77.78
Publications	21	58.33	10	47.62	10	55.56
Designers	32	88.89	15	71.43	14	77.78
Internet	29	80.56	7	33.33	6	33.33
Others	3	8.33	0	0	1	5.56
<i>Enough Information on Product Dev</i>	N	%	N	%	N	%
Yes	26	72.22	11	52.38	9	50.00
No	10	27.78	10	47.62	9	50.00
Total	36	100.00	21.0	100.00	18.0	100.00
<i>Has Internal R&D Capability</i>	N	%	N	%	N	%
Yes	29	80.56	13	61.90	16	88.89
No	7	19.44	7	33.33	2	11.11
No Response	0	0.00	1	4.76	0	0.00
Total	36	100.00	21.0	100.00	18.0	100.00
<i>Designs Based on Buyer Specifications</i>	N	%	N	%	N	%
Yes	32	88.89	20	95.24	16	88.89
No	4	11.11	1	4.76	2	11.11
Total	36	100.00	21	100.00	18	100.00
<i>Source of Sales</i>	%		%		%	
Export	93.12		84.00		79.78	
Local	6.88		16.00		20.22	
<i>Market Segment Served</i>	N	%	N	%	N	%
High End	22	61.11	7	33.33	6	33.33
Middle End	25	69.44	16	76.19	10	55.56
Low End	8	22.22	3	14.29	1	5.56

	Total					
	2004		2005		2006	
<i>Countries Exported To</i>	%		%		%	
US	94.44		71.43		88.89	
Canada	33.33		19.05		38.89	
Europe	94.44		76.19		83.33	
Middle East	44.44		52.38		50.00	
Japan	58.33		47.62		55.56	
Australia	58.33		47.62		61.11	
Other Asia	41.67		9.52		44.44	
<i>Source of Foreign Buyers</i>	N	%	N	%	N	%
Own contacts	17	47.22	7	33.33	5	27.78
Trade fairs	36	100.00	19	90.48	16	88.89
Business Missions	10	27.78	2	9.52	0	0.00
Referrals	14	38.89	4	19.05	4	22.22
Others	2	5.56	2	9.52	1	5.56
<i>Means of Trade Promotion</i>	N	%	N	%	N	%
Brochures/catalogues	14	38.89	7	33.33	6	33.33
Attending trade fairs	34	94.44	16	76.19	16	88.89
Web site/Internet	19	52.78	4	19.05	7	38.89
Business missions	6	16.67	2	9.52	0	0.00
Others	4	11.11	0	0.00	0	0.00
<i>Competitor Countries</i>	N	%	N	%	N	%
China	32	88.89	16	76.19	14	77.78
India	9	25.00	3	14.29	4	22.22
Vietnam	8	22.22	0	0.00	1	5.56
Thailand	6	16.67	4	19.05	2	11.11
Europe	1	2.78	0	0.00	0	0.00
Taiwan	1	2.78	1	4.76	2	11.11
Hong Kong	1	2.78	0	0.00	0	0.00
Malaysia	1	2.78	1	4.76	0	0.00
Indonesia	1	2.78	0	0.00	1	5.56
Italy	0	0.00	0	0.00	1	5.56

	Total					
	2004		2005		2006	
<i>Exported To New Countries</i>	N	%	N	%	N	%
Yes			11	52.38	10	55.56
No			5	23.81	3	16.67
No Response			5	23.81	5	27.78
Total			21	100.00	18	100.00
<i>Local Marketing Channel</i>	N	%	N	%	N	%
Department stores	18	50.00	8	38.10	6	33.33
Boutiques	9	25.00	2	9.52	1	5.56
Own store	0	0.00	4	19.05	3	16.67
Traders	21	58.33	1	4.76	4	22.22
Direct selling	16	44.44	3	14.29	7	38.89
Others	10	27.78	0	0.00	0	0.00
<i>Export Marketing Channel</i>	N	%	N	%	N	%
Importers/Buyers			19	90.48	16	88.89
Distributors			6	28.57	4	22.22
Chain stores			10	47.62	8	44.44
Other retailers			2	9.52	6	33.33
<i>Export Sales</i>	N	%	N	%	N	%
Under US\$50,000	7	19.44	5	23.81	1	5.56
US\$50,000 - US\$100,000	10	27.78	3	14.29	3	16.67
US\$100,001 - US\$300,000	6	16.67	5	23.81	6	33.33
US\$300,001 - US\$500,000	5	13.89	1	4.76	1	5.56
US\$500,001 - US\$1,000,000	5	13.89	4	19.05	4	22.22
US\$1,000,001 - US\$3,000,000	2	5.56	2	9.52	1	5.56
US\$3,000,001 - US\$5,000,000	1	2.78	0	0.00	0	0.00
Over US\$5,000,000	0	0.00	0	0.00	0	0.00
<i>Local Sales</i>	N	%	N	%	N	%
Under Php1M	14	38.89	3	14.29	5	27.78
More than Php1M to Php3M	6	16.67	3	14.29	2	11.11
More than Php3M to Php5M	1	2.78	3	14.29	2	11.11
More than Php 5 million to Php 10M	1	2.78	2	9.52	3	16.67
More than Php 15 million to Php 20M	1	2.78	0	0.00	0	0.00
No Answer	13	36.11	10	47.62	6	33.33

	Total					
<i>Budget Allocation</i>	%		%		%	
ADMIN	18.40		17.33		20.77	
R&D	13.90		11.87		13.46	
MKTG	19.10		13.13		17.3	
PRODUCTION	46.30		56.2		46.54	
OTHERS	2.30		1.50		1.93	
TOTAL	100.00		100.00		100.00	
<i>Fund Source</i>	N	%	N	%	N	%
Own funds	29	80.56	16	76.19	12	66.67
Credit line with bank	24	66.67	7	33.33	11	61.11
Private lenders	8	22.22	3	14.29	6	33.33
Others	0	0.00	1	4.76	2	11.11
	Total					
	2004					
<i>Mode of Production</i>	Materials Handling	Production	Quality Control	Packaging		
Manual	88.89	80.56	97.22	94.44		
Semi-Mechanized	5.56	13.9	2.76	5.56		
Fully Mechanized	5.56	5.56	0.00	0.00		
<i>Avg. Manual</i>	90.25					
<i>Avg. Semi-Mech</i>	6.97					
<i>Avg. Fully Mech</i>	2.80					
	2005					
<i>Mode of Production</i>	Materials Handling	Production	Processing	Packaging		
Manual	85.70	85.70	85.70	85.70		
Semi-Mechanized	14.30	14.30	38.10	14.30		
Fully Mechanized	0.00	0.00	0.00	0.00		
<i>Avg. Manual</i>	85.70					
<i>Avg. Semi-Mech</i>	20.30					
<i>Avg. Fully Mech</i>	0.00					

	Total			
	2006			
<i>Mode of Production</i>	Materials Handling	Production	Processing	Packaging
Manual	72.22	72.22	88.89	88.89
Semi-Mechanized	22.22	27.78	0.00	0.00
Fully Mechanized	0.00	5.56	5.56	5.56
<i>Avg. Manual</i>	83.10			
<i>Avg. Semi-Mech</i>	12.50			
<i>Avg. Fully Mech</i>	4.20			

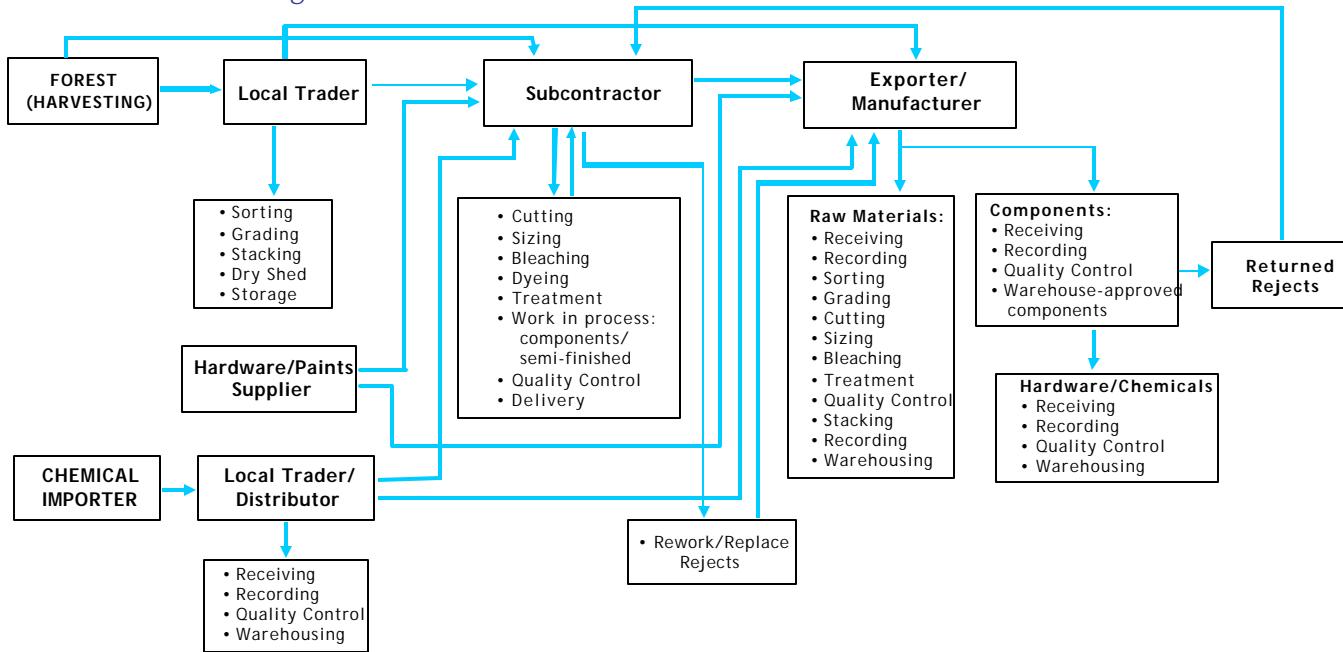
Notes:

1. Average Monthly Wages on page 91 refer to the weighted average monthly salary of workers in the surveyed firms.
2. Ave. No. of Subcontractors and Ave. Workers per Subcontractor on page 91 refer to the weighted average of total number of subcontractors and workers among surveyed firms.
3. Subcon Problems on page 92 are ranked based on the weighted average responses of the surveyed firms. The closer a number to 1 is, the more serious the problem.
4. Stage of Work Subcontracted on page 92 refers to the stage in the firms' operations that is outsourced.
5. The reasons for low utilization on page 92 are ranked based on the weighted average responses from surveyed firms. The closer a number to 1 is, the more significant the reason.
6. Quality Control Problems on page 92 refer to where in the firms' operations quality control problems are encountered, in this case, raw materials or in production.
7. Export to New Country on page 95 refers to whether a respondent has exported to a new country during the time of the survey.
8. The total respondents for queries with multiple answers has been omitted.

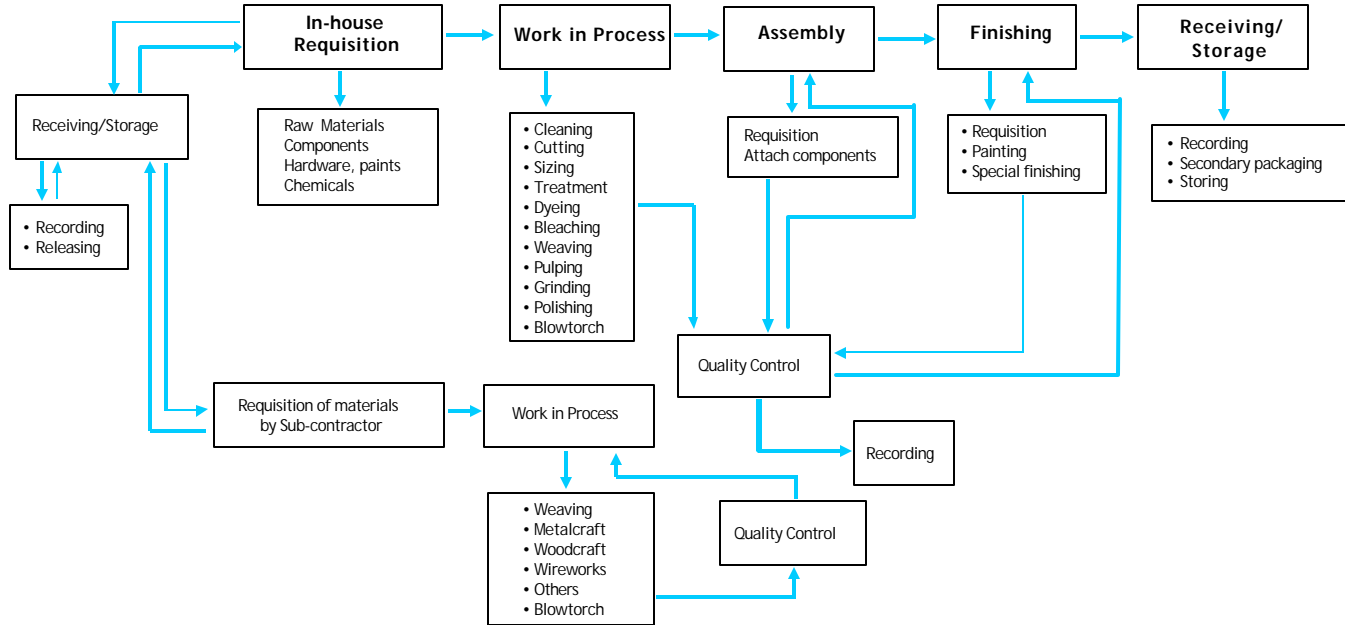
Source: Pearl2 2004 to 2006 Survey of members of the Christmas Decor Producers and Exporters Association of the Philippines.

Annex 12: The Holiday Décor Process Flow

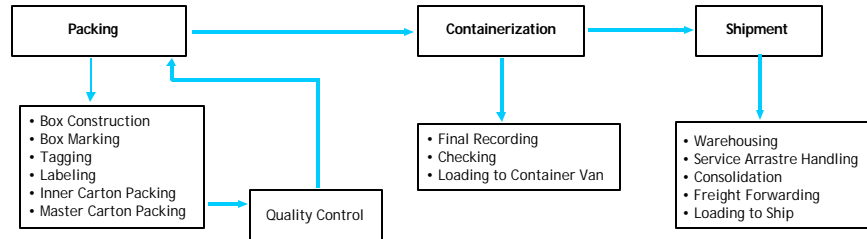
Annex 12.1. Inbound Logistics



Annex 12.2. Operations



Annex 12.3. Outbound Logistics



Annex 12.4. Marketing and Sales

