

Current Trends in Chinese Fashion Markets

- Characteristics of Chinese Fashion Markets and Launching Strategies to Success-

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Abstract

In the face of trade opportunity of Chinese reformation and opening and the future largest single market, global or multinational companies and Korean, Japanese, Chinese, Hong Kong's and Taiwan's companies will go all out to catch hold of one quotient. One trading war is about to start for funds, elitists, technique, and management in China now.

It might be difficult to get profits in Chinese markets. However, risks can bring challenges, and competition can make progress. It's time to prepare for the challenges in the golden opportunity laid in front of us all.

Key words: China, department store, fashion market, shopping mall

I. Introduction

Since the policy of reformation and opening took place in the 1980s, there had been great economic development in the Mainland China. Especially after Deng Xiao Ping made a round of visits in South China in 1992, the reformation and opening accelerated been fully speeded. In the recent 10 years, China's economic growth rate has been over 7 % each year, which is more significant when the global economics is declining today.

From 1980s to 1990s is the primary stage of reformation and opening. During that time, it was still under planned economy, and all businesses had to be applied, examined, approved and then could be executed, which was a very long and complex process. Moreover, most of foreign

investments were focused on the low-grade products or outdated ones in the foreign markets. Meanwhile, labor quality was low, and efficiency was very low partly due to the bureaucracy.¹⁾

II. Retrospections and Current Trends in Chinese Fashion Industries

1. Decision on entry into Shanghai

However, after Deng Xiao Ping declared to speedup the reformation and opening during his visits in South China in 1992, the Chinese government just began to take in investments from all over the world. Subsequently, the global enterprises commenced to come to China for tourism and investment. We were determined to

invest in China then.

We went to various places and read a lot of items in China at that time, and got to know that the region of Guangdong Province was the most integrated place in the whole fashion industry frame and arrange between the up-stream and down-stream. Furthermore, it is also the closest place to Hong Kong and Taiwan. It appeared that we should choose Guangdong for investment considered all of those advantaged conditions; however we finally decided to enter Shanghai. The reasons for choosing Shanghai are as follows:

That was because at that time we ever referred to many experts and scholars who studied about China, and most of them told us that Shanghai's geographical position, status of light industry foundation, and human quality etc came out top in the whole China, and therefore, Shanghai might become the center in the Chinese future economic development. In fact, at that time both my husband and I were uncertain about that, whereas we took their advices and decided to invest in Shanghai.

2. Success in Shanghai

In 1992 Shanghai just practiced the policy of reformation and opening not long, and also faced the same difficulty with other places in China, such as resources and means of transportation were insufficient, electric power was not steady and so on. Relatively the region of Guangdong Province was much better in both the basal establishments and arrangement between up-stream and down-stream. However, since Shanghai was just opened, it provided very preferential conditions and good treatment for

foreign investors. We considered to do export part, but later we realized that there was a great gap between the styles of fashion and forms of packing in Shanghai's markets and the foreign.

After some time of investigation and market research, we realized that the sale in Chinese domestic markets would be great. At first we put a small amount of products in the domestic markets, and fortunately, the outcome was so good that we made our determination to exploit Chinese domestic market.

Then in Shanghai, most of the Taiwan's, Hong Kong's or other foreign investors exported their products to Japanese, American or European enterprises, and few of them were engaged in the sales in the domestic markets. Due to factors mentioned above, our J. Jong Brand rapidly became well-known and dominated the markets. Later the wholesalers and league franchisers from everywhere also came to join us one after another.

3. Potential in Hua Dong Region

When we first entered Shanghai, the whole export production value was not more than one billion dollar, the number of export fashion was not more than 300 million, and the foreign fashion enterprises were not more than 400. However, until the year of 2000, the production value of the whole Chinese fashion industry has reached 25 billion dollar, among which Shanghai's was 5.5 billion and the number of export was more than 10 billion, and the foreign enterprises in Shanghai was more than 1,300. During the 10 years, the growth in Shanghai has got as 5 times as before.

Since the mainland of China has such a vast territory, if we only speak of Shanghai, it might be

inadequate. Those who live or work in Shanghai might understand that the production volume of Hua Dong Region is the highest in the whole country, and the consumption ability is also the first or second. Among Hua Dong Region, the production volume in Shanghai, Zhejiang Province, and Jiangsu Province are among the top five. Therefore, we the three placed should be evaluated and analyzed Given that high population rate with potential consumption ability in china, J.Jong Brand rewrcled steady sales in Hua Dong Region, supporting evidence are available on demand.

4. Diversity in Fashion Culture

In the recent 10 years our experience in the sales of Chinese domestic market has told us that China is really too vast. For that, we have found that in Chinese domestic markets, the public feelings, customs, habits, climates, physiques, and even fashion sense are very different in each place.

Unlike Taiwan, which is much affected by Japan and South Korea, Hong Kong leans much to English and European styles. Meanwhile, in China, Guangdong Province is led by Hong Kong's fashion culture; Shanghai, however, is confluent by Japan, South Korea, and Hong Kong, and Beijing is led by Chinese traditional fashion culture and European fashion style.

The average income in each place also has a great diversity. For example, in Shenzhen and Guangzhou cities, average income is about 3,000 yen(1 One dollar is about 8.24 yen); in Shanghai and Beijing cities about 2,000 yen; and in Dong Bei Region, it's only about 1,000 yen.

Besides, in some places, it is only about 500

yen. As a result, people in each place will have a very different tolerance on expected consuming price.

Besides that, people in each place have also a very different acceptant degree of fashion. For example, in Shanghai, the fashion might get popular half a year or a year later than in Tai wan and Hong Kong but be ahead one, two or three years earlier than in other places in China.

The latitudinous distance between south and north is so great that the climate change is distinct. For example, in December, average air temperature in Hua Nan Region is about 15 degrees; in Shanghai, which is in Hua Dong Regin, is about 0 degree; in Beijing, which is in Hua Bei Region, is about 10 degrees below zero, and Harbin city, which is in Dong Bei Region, is about 40 degrees below zero. Now you can see the difference of average air temperature between the south and the north is over 55 degrees. If we take a plane from Guangzhou to Harbin, what should we wear?

Because of the different climate, people in different places have to wear different clothes in winter. In the south, people just wear a T-shirt or blouse and a coat; but in the north, people have to wear quilted suits, a ruana or fleece coat, and quilted gloves and caps. Therefore, it is a very hard challenge to deal with the sales on the Chinese domestic market.²⁾

5. Genre of Fashion Style

As far as I am concerned, after these years' rapid development of fashion industry, the main brands on chain sales in China can be divided into five genres for their fashion styles. They are listed as below. <Table 1>

<Table 1> Genre and main brands

Genre	Characteristics	Main Brands
Beijing	Fashion brands in Beijing city as a center	Bai Ling, Teng Shi, Luo Man
Wuhan	Fashion brands in Wuhan city as a center	Tai He
Shanghai	Fashion brands in Shanghai city as a center	Envol, I, Decoster, Gen
Hangzhou	Fashion brands in Hangzhou city as a center	K's, Jiang Nan
Guangzhou	Fashion brands in Guangzhou, Shenzhen cities as a center	Fair maden, Lapargay

These three years, the brands in Wenzhou city which is in Ze Jiang Province grow up rapidly. They have got local government's mainly assisting, a lot of foreign investments, and international marketing packing techniques. All of those have got well-known and make it another fashion genre.

The other fashion brands, such as those in Hong Kong, Tai wan, Japan, South Korea, America, France, Germany, Italy, Spain, etc, have been working very hard in this land of 9,600,000 sq. km. and set up their own sale ways. However, because of the limitation of human resources, funds, and other factors, few of they have set up cosmically selling brands throughout the whole country.

III. Launching strategies to success

1. Market entry by region

As mentioned so far, China has such a vast territory that in various places climates and human physiques are very different. Meanwhile, public feelings, customs and habits are very different as well. Therefore, in order to understand the sales in domestic markets, it is recommended that you must in advance investigate completely, otherwise, your fashion products might get unsalable because of differentia with the local places.

The mainland of China can be divided into such big regions according to their climate and humanistic culture. <Table 2>

In order to enter into Chinese markets, you had better first choose one main city from above, and then expand to the surrounding cities, and then to the cities in another region and so on. If you want to enter the cities with high average income, you have to set up your business from Shanghai, Beijing, Guangzhou or Shenzhen and then expand outside.

If you just want to sell in export markets, as far as I know, the coastland south to the Yellow River is the best choice.

<Table 2> Big regions and main provinces

Big Region	Main Provinces
Dong Bei	Heilongjiang, Jilin, Liaoning
Hua Bei	Neimenggu, Hebei, Beijing, Tianjin, Shanxi
Hua Dong	Shandong, Jiangsu, Shanghai, Anhui, Zejiang, Jiangxi, Fujian
Zhong Nan	Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan
Xi Bei	Xinjiang, Qinghai, Gausu, Ningxia, Shanxi
Xi Nan	Tibet, Sichuan, Chongqing, Guizhou, Yunnan

2. Choice of Sales Methods

China will fully open the markets for retail ways in 2005. In other words, from 2005, the retail enterprises throughout the world can straight enter Chinese markets, managing retail ways. Whereas, restricted by the human and financial resources, most retail ways have to achieve the retail strategy through cooperating with local department stores, expect that some can directly open a monopolistic shop or consign an agent in very few cities.

Nowadays in China, large chain stores for retail can be divided like this, mass retailer, department store, shopping mall and so on.

Mass Retailer:

It is mostly in the form of supermarket, and assisted by the shopping mall if the land is large enough. Chinese enterprises have Lian Hua, Hua Lian, Nong Gong Shang, etc; and foreign have Careef, Metro, Yi Chu Lian Hua, Ding Xin Le Gou, Trust-Mart, etc.

Department Stores:

<Table 3> Main department stores

Fund origin	Main Department Stores	
	Names	Chain regions
China	Hua Lian	Beijing, Zhengzhou, Chengdu, Shijiazhuang
	Wang Fu Jing	Beijing, Guangzhou, Wuhan, Chengdu, Chongqing
	Sai Te	Beijing
	Bai Lian	Shanghai
	You Yi	Shanghai, Suzhou
	Da Shang	Dalian, Shenyang, Daqing
	Da Yang	Nanchang, Fuzhou, Suzhou, Nanjing, Quanzhou, Wuxi, Shanghai, Chongqing, Wuchang
	Yin Tai	Hangzhou, Ningbo, Chongqing, Chengdu, Dalian, Taiyuan
	Wu Han Plaza	Shanghai
	Jin Ying	Nanjing, Suzhou
	Lai Ya	Xiamen, Wuhan
Japan	ISETAN	Shanghai, Tianjin
	Hua Tang	Chengdu, Beijing
	SOGO	Beijing, Wuhan,
	Ping He Tang	Changsha
Tai wan	Tai Ping Yang	Shanghai, Chengdu, Chongqing, Beijing, Dalian
	Fu An	Shanghai, Chongqing
	Ya Xin	Shanghai
	Dennis	Zhengzhou
	Qun Guang	Wuchang, Chengdu
Hong Kong	New-World	Shanghai, Beijing, Wuhan, Shenyang, Dalian, Wuxi, Ningbo
Malaysia	Bai Sheng	Shanghai, Beijing, Chengdu, Chongqing, Dalian, Wuxi, Qingdao, Yangzhou, Changsha, Xi'an, Kunming, Hefei, Mianyang

Shopping Mall:

In today's China, large shopping malls are mainly operated by Hong Kong's land agents, among which the following are sweeping and very well-known.

From the information we can get to know that if you want to enter the Chinese markets for retail, you have to contact with the ways above so that you can efficiently enter the Chinese markets in the shortest time.

Basically our J. Jong Brand sets up a retail way in the whole China through local department stores and agents mostly. In Tai wan, we also sets up the retail way through department stores, only assisted by league shops.

With the opening of China, the economy has grown day by day, and the development scale in retail markets has become larger and larger. Retail markets Over 30,000 or 40,000 sq. m. easily come out and sometimes over 10,000 sq. m. As you know, China has such a vast territory. If you want to develop the retail markets all round and cooperate with them, the human and material resources you invest will be excessive, managing will be very difficult, return of investment will be relatively slow, and the venture will be largish. In spite of that, if you can

successfully set up the retail way for your brand, the return in the future will be immense.

If you refer to wholesale model, I suggest you choose Guangzhou at first. That is because Guangdong Province has the most developed foundation of fashion industry, and S. M. enterprises throughout the country come here for wholesale trade. Such wholesale trade also expands to Zejiang Province recently. If you want to set up high-grade brand images, this wholesale model is not suitable.

3. Government's Controlling and Consumer Quality

It is not cushy to get management success in Chinese domestic markets. After all, in a circumstance whose politics is not that explicit, the venture and difficulty to face is beyond what you can imagine. Those who ever went to China or invested in China might know that foreign investors should do a lot of researches on Chinese policies, statutes, and rules of law and do business legally so that they could avoid meaningless troubles. If you do business in retail of fashion products, you have to deal with national manufacture criteria on fashion products, national quality inspection criteria, quality inspection report on products, inspection report on non-toluene, price criteria, etc. Meanwhile, related offices have Revenue, Business Office, Price Office, Quality Inspection Office, Technique Supervising Office, Consumer Protecting Association, etc. If you open shops in the street, you have to get supervision for the following, such as Fire Fighting Office, City Administrating Office, Police Office, Resident Committee, Planning Office, Environment & Sanitation Office, and so on. If your business involves bar code

<Table 4> Main shopping malls by regions

Region	Main Shopping Malls
Guangzhou	Tian He Cheng
Shanghai	Mei Long Cheng, Zhong Xin Tai Fu, Heng Long Plaza, Gang Hui Plaza, Shanghai Plaza, Hong Kong Plaza, Shanghai Cheng
Beijing	Guo Mao Center, Dong Fang Plaza, Xing Dong An, Heng Ji Plaza
Chongqing	Da Du Hui Plaza
Dalian	Bai Nian Cheng

notation, Bar Code Supervising Committee might come to inspect. Along with different local governments, the policy explaining and executing might be different as well.

Sometimes a few rascally consumers might kick up a row before your counter two or three hours or block the door with their friends forbidding you to do business only because of 50 yen. Those are also problems to face in Chinese markets.

4. Do it yourself to get success

To invest in China, the enough funds and products developing speed are very important, however, the most important factor is the persons with ability in managing. In general, fashion trade's fund scale is not that large, so it is not that easy to find related elitists. As far as I'm concerned, the investor himself had better do business directly. Chinese conditions are very special. She has more man-governing, and most of the time you have to do business relying on back door relationship. Our company also had to deal with the local government and build good relationship with each functional offices of the local government. Otherwise, we would have met more or less interferers during the management.

IV. Conclusion

With China's entry into WTO, Chinese markets will definitely be opened more than before and obstacles of trade will also be destroyed. For the Olympic Games of 2008 in Beijing and World Expo of 2010 in Shanghai, China will devote enormous funds into fundamental establishments. At present, many structures have been

developing in order. Before long, these fundamental establishments will make more enormous economic benefits with more funds devoted.

Besides that, after the 16th National People's Congress, China has changed a lot about the political leaders, and the 4th generation leaders has come into power, which shows us a more youthful and more opened political situation. In order to develop the poor and unenlightened northwest of China, the "10.5 project" for Northwest Development from 2000 has become the nucleus project. Till today, each investment case has in succession been started up and foreign investors have been researching to the northwest frequently.

The economic fruits in the past 10 years in China and the enormous funds of fundamental establishments devoted by the Chinese government can drive every walk of life to develop. Meanwhile, in the future 10 years, Chinese economic growth will be more superior and rapid, and fashion trade will also benefit from the development.

In order to adapt to Chinese future development and reformation, our company in the recent two years have been changing. We are making our management more systemizing and more rationalization and having our product designs more rapidly access to market requirements. Moreover, we are also seeking better and cheaper raw materials in many means. Korean chemical textile cloth is full of competitiveness in the international markets and is also what our company is using mostly. We would like to cooperate with Korean enterprises for more trade opportunities.

In the face of trade opportunity of Chinese reformation and opening and the future largest

single market, global multinational companies and Korean, Japanese, Chinese, Hong Kong's and Taiwan's companies will go all out to catch hold of one quotient. One trading war is about to start for funds, elitists, technique, and management in China now.

It will be difficult to get high profit in Chinese markets. However, risks can bring challenges, and competition can make progress. It's time to prepare for the challenges in the golden opportunity in front of us all.

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Appendix 1:

Province	Capital	Main Cities
Anhui	Hefei	
Beijing *		
Chongqing *		
Fujian	Fuzhou	Quanzhou, Xiamen
Gansu	Lanzhou	
Guangdong **	Guangzhou	Shenzhen,
Guangxi	Nanning	
Guizhou	Guiyang	
Hainan	Haikou	
Hebei	Shijiazhuang	
Henan	Zhengzhou	
Heilongjiang	Harbin	Daqing,
Hubei	Wuhan	Wuchang,
Hunan	Changsha	
Jilin	Changchun	
Jiangsu	Nanjing	Suzhou, Wuxi, Yangzhou,
Jiangxi	Nanchang	
Liaoning	Shenyang	Dalian
Neimenggu	Huhehaote	
Ningxia	Yinchuan	
Qinghai	Xining	
Shandong	Qingdao	
Shanxi ***	Taiyuan	
Shanxi ****	Xi'an	
Shanghai *		
Sichuan	Chengdu	Mianyang,
Tianjin *		
Tibet	Lasa	
Xinjiang	Wulumuqi	
Yunnan	Kunming	
Zejiang	Hangzhou	Ningbo,

* Beijing, Tianjin, Shanghai and Chongqing are the four cities directly under the jurisdiction of the government.

** Hong Kong is located in Guangdong Province but it is a special district.

*** Its capital is Taiyuan.

**** Its capital is Xi'an.