Market Research Report

China Garment, Accessories and Fabric Market

ITALIA
Italian Trade Commission
意 大 利 对 外 贸 易 委 员 会
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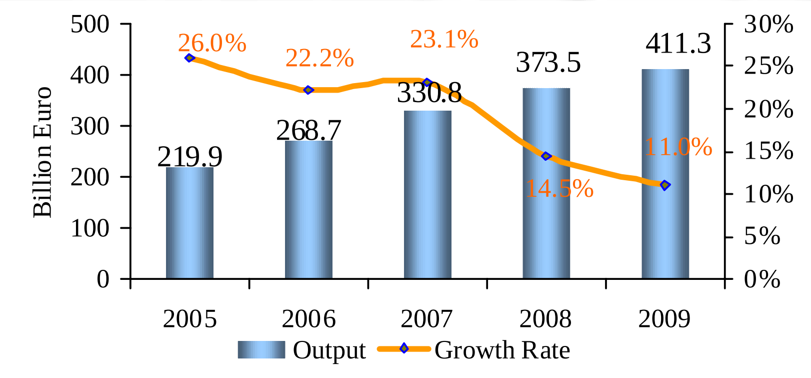
Section A: Market Overview

1. Status Quo

- China has the largest textile and garment industry in the world. The industry consists of sub-industries including yarn and chemical fiber, fabric as well as garment and accessories with 52,963 sizable enterprises[1] employing 10.8 million workers across the country.

China Textile and Garment Industry Output Value and AAGR, Y2005-2009



Source: China National Garment Association (CNGA)

- *In the past five years, the average annual growth rate (AAGR) of the industry was 18%, approximately twice as much as the AAGR of China's GDP during the same period.*
- *Although the total output vale increased each year, the annual growth rate was influenced by the global financial crisis from Y2008, and sharply dropped to 11% in Y2009.*

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[1] including all state-owned industrial enterprises, as well as non-state-owned industrial enterprisesthe with annual sales income over RMB 5 million, or EURO 0.54 million.

- According to China National Garment Association (CNGA), in Y2009, China produced 24 million tons of yarn, an increase of 12% over the previous year; 27.5 million tons of chemical fiber, 15.3% higher than that of last year; 57 billion meters of fabric and 23 billion pieces of garments, an increase of 8% and 9.5% over the previous year respectively.

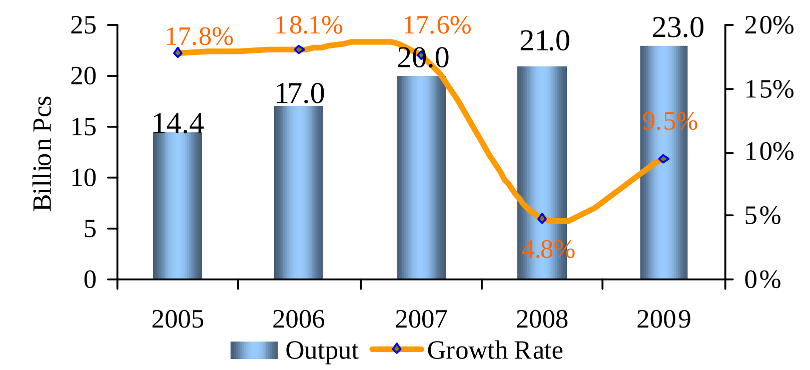
Garment and Accessories

- According to the statistics of CNGA, the garment industry produced over 23 billion pieces of garment in Y2009, and has provided more than 4.3 million jobs ranking it first place in China with 39.9% of the overall jobs that the textile and garment industry provides.

- The world financial crisis started in Y2008 also had brought severe impact to the garment and accessories industry. The growth rate of the industry was steady during Y2005-Y2007, but dropped tremendously in Y2008 to 4.8%. After one year of recovery under the improved economic situation, the garment and accessories industry has witnessed a 9.5% increase.

- With the improvement of the global economic situation and effective policies of the Chinese government, the profits of the garment and accessories industry has increased since the beginning of Y2009, and the promising trend has been maintained within the whole year with a profit increase of 21.3% compared with that of in Y2008.

China Garment Output, Y2005-2009

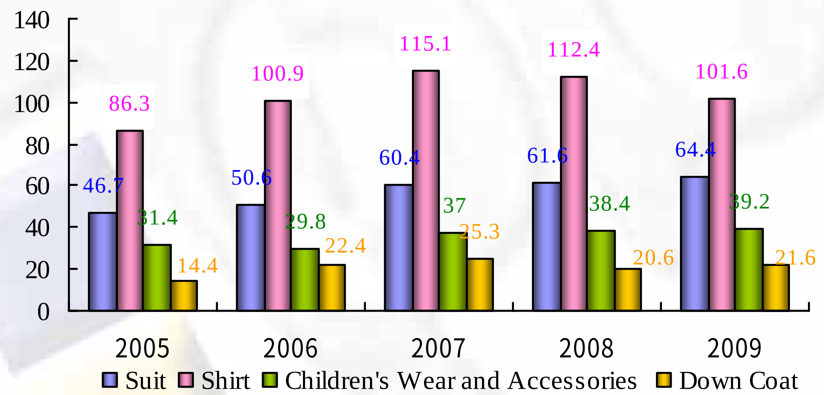


Source: National Information Center

- *In the past five years, in spite of the global financial crisis, the output of both woven and knitted garments has increased yearly in China. The average yearly output increase was 1.72 billion pieces from Y2005 to Y2009.*

- *The growth rate was steady for three years, then went a through sharp decrease in Y2008 to 4.8%, but has begun to rise up in Y2009 to 9.5%.*

China Main Woven Garment Output, Y2005-2009
(in thousand pieces)



Source: National Information Center

- *In this breakdown of the main woven goods produced from Y2005-Y2009, it is possible to see that shirts constitute the significantly greatest garment output each year.*

- *In Y2009, the overall growth of the woven garment output is minimal and shirt output has seen a slight decrease from 112.4 thousand to 101.6 thousand pieces.*

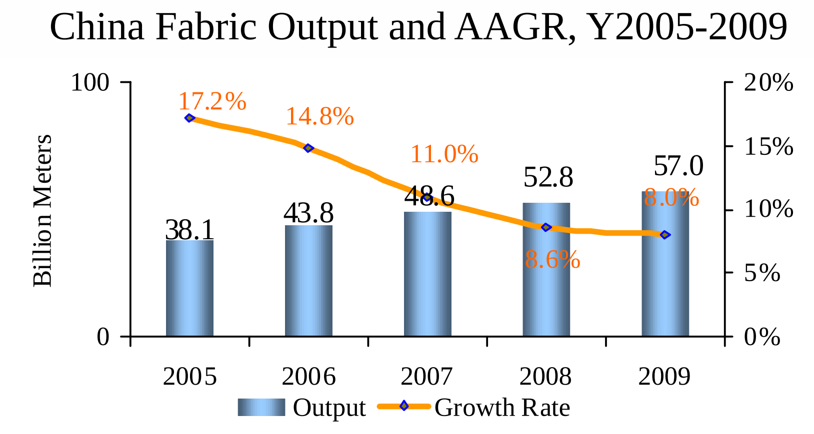
Fabric

- The statistics released by China National Garment Association show that, the fabric industry had a total output of 57 billion meters in Y2009, with an increase of 8% compared with the output in Y2008.

- The average output of China's fabric industry is 48 billion meters per year, ranking it first out of all the countries in the world. However, Chinese fabric is not as competitive in terms of quality, variety, and technology compared with the products made by developed countries such as Japan, South Korea and Italy.

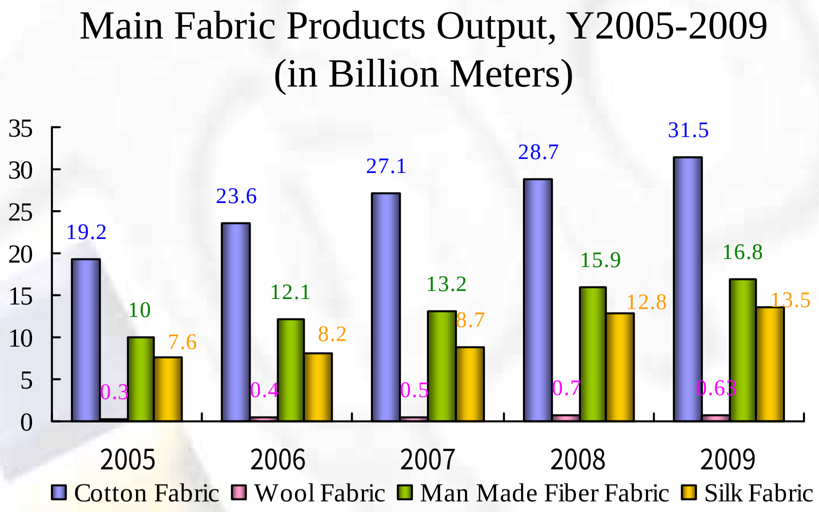
- Currently, the China's fabric industry mainly produces low-end fabric, and the products produced by different domestic manufacturers are similar with no unique features. A lack of innovation in the whole industry has slowed down the development speed, and many high-end fabrics, mostly wool fabric, has to be imported from European countries to fulfill the large market demand.

- China has the largest fabric consumption capability all over the world, and the industry's lack of technology in producing high quality fabric with different varieties has brought great opportunities for foreign fabric manufacturers to develop their business in China.



Source: National Information Center

- *The total output of the fabric industry has increased by almost 19 billion meters during the past five years with an average annual growth rate (AAGR) of 11.92%.*
- *It can be seen from the chart that the industry was growing the fastest in Y2005, and has slowed down since to 8% in Y2009.*



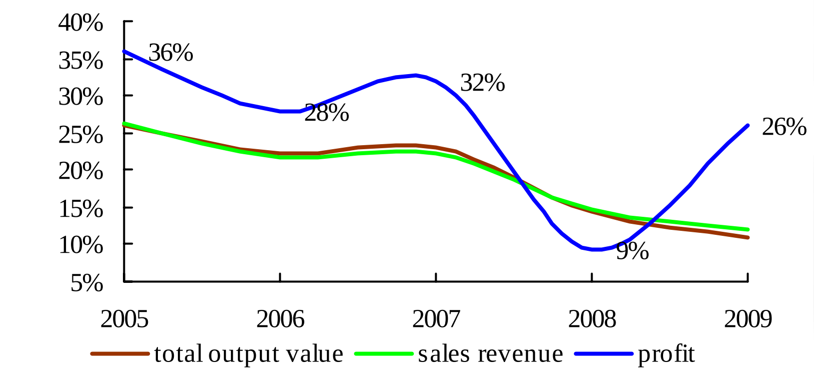
Source: National Information Center

- *A breakdown of main fabric products output reveals cotton to be the most extensively produced material from Y2005-Y2009. Output showed a 64% increase over five years.*
- *The output of all the main fabric types has increased every year.*

2. Future Development

- In terms of average annual growth rates, from Y2005-Y2007, a consistent trend of growth, marked by increasing consolidation and stability, has appeared along with the modernized maturation of China's garment industry. However, affected by the global financial crisis, this steady trend changed from Y2008 but has witnessed a sign of recovery in Y2009 considering the high profit growth rate.

AAGRs of Key Economic Indicators Y2005-2009



Source: China National Garment Association (CNGA)

- *The steady growing trend changed from Y2008 represented by the sharp dropping of the profit growth rate, the lower growth rates of the total output value as well as the sales revenue.*

- *However, the industry has witnessed a sign of recovery considering the high profit growth rate in Y2009.*

In Y2010, both the domestic and international environment will be significantly improved for China's textile and garment industry, and the industry will continue to recover at a steady rate, but will still face a number of uncertainties.

- The international market will go through a slow recovery, leading to sluggish growth of the industry export value. As incentive policies initiated by each country gradually reveal their effects, the world economy has begun to show signs of recovery at the end of Y2009. With further mitigation of financial risks and more confidence of the market in the developed countries, the world economy will likely continue to improve step by step in Y2010. However, the high unemployment rates of the United States, Europe, Japan and other major developed economies are still constraining personal consumption and international market demand, which consequently will also influence the exports of China's textile and garment industry.

- Domestic demand will keep increasing, playing a significant role in the support of the whole industry. In recent years, accompanied by the steady development of the national economy and the continuous improvement of people’s living standards, China's domestic market is becoming increasingly active, playing a more and more significant role in the textile and garment industry. In Y2010, China's macro-economic rebound will continue to improve, and along with the stabilized domestic employment situation, the state will also adopt a series of measures for domestic demand expansion and market confidence recovery, thus enabling the increasing domestic consumption to drive the textile and garment industry into prosperity again.

- A number of uncertainties still exist, increasing the operation risks of the industry. Although the overall economic environment is positive for the recovery, a series of uncertain factors will still bring possible impact to the textile and garment industry. For instance, the prices of cotton and other textile raw material are rising at a rapid pace, constantly increasing the cost of the industry. Moreover, other uncertainties such as international trade protectionism and a possible rising of the RMB value may also increase the operation risks of the industry.

- The further and deeper cooperation between foreign companies and domestic manufacturers are becoming more and more popular, bringing more technology and innovation to industry development. With advanced foreign technique and capitals seeking investment opportunities in the Chinese garment and fabric industry, the overall operation and management will be further improved, strengthening the comprehensive competition.

Section B: Market Analysis

1. Garment and Accessories Market Analysis

Competitive Analysis

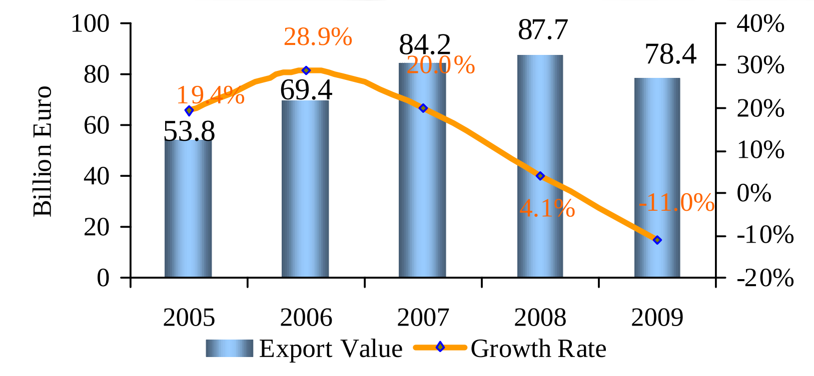
China is the worlds largest consumer and producer of garments with over 25 billion meters of fabric consumed annually, making expansion into China a goal for garment manufacturers and retailers worldwide. For Italian companies, entering the Chinese market means not only competing with a large number of domestic manufacturers, but also foreign players with powerful competence that cannot be neglected.

- Competition from Chinese Domestic Manufacturers

  - According to statistics from China Customs, export of garments and accessories from China increased every year from Y2005-Y2008, and reached a peak output of EURO 87.7 Billion in Y2008, which has revealing the great competitiveness of the Chinese garment and accessories industry in the global garment market.

  - The Chinese garment and accessories industry used to enjoy only low cost manpower, and occupy the international market with large amount of cheap but low end products. However, in recent years, leading Chinese garment and accessory manufacturers have improved in terms of quality, innovation and product development as Chinese incomes and the desire for product quality increases, especially in the men's wear section of the market. There are, however, still no Chinese brands in the garment and accessories market which are internationally renowned.

Table: China's Export of Garment and Accessories, Y2005-Y2009



Source: China Customs

- *A key indicator for development potential lies in government support for the domestic industry.*

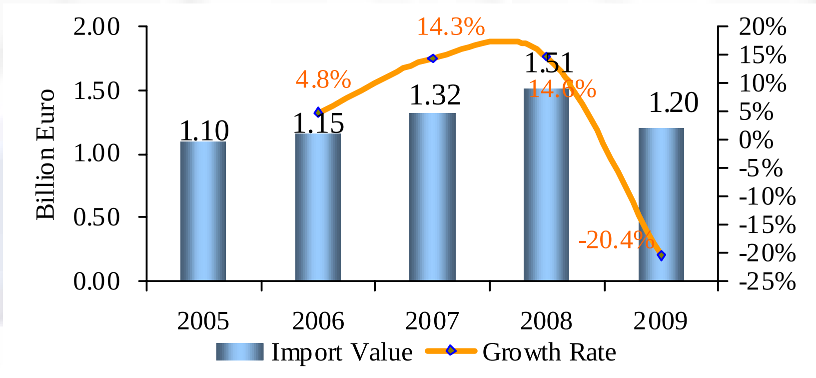
- *In recent years, governmental budgeting for operating expenses in sports, sports broadcasting and sports culture has increased year on year by over 20% on average.*

■ Competition from the Third Countries

➢ China imports an average of EURO 1.26 billion worth of garment and accessories each year, and peaked in Y2008 with an import value of EURO 1.51 billion, which is a very tempting market share for garment and accessories manufacturers all over the world.

➢ In Y2009 the import value was severely impacted by the financial crisis initiated in the second half of Y2008, dropping from EURO 1.51 billion to EURO 1.2 billion. However, with the slow recovery of the global economic situation, and fast development of China's high-end garment market, it is believed that the import value will be increasing in the near future.

Table: China's import of Garment and Accessories, Y2005-Y2009



Source: China Custom

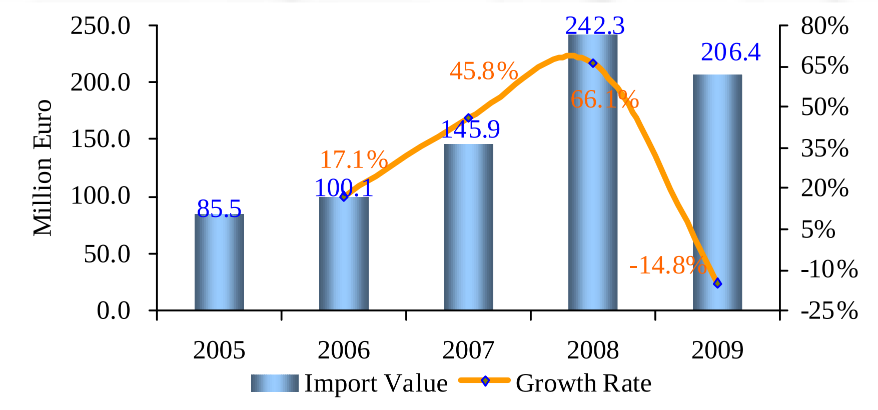
➢ *The import value from third countries similarly was increasing by an average of EURO 0.1 billion per year until 2008, witnessing a drop in Y2009.*

➢ *The growth rate also shows a notable drop in 2008 going from a plus (14%) to minus value (-20.4) in just a year under the pressures of the global financial crisis.*

- Italy's good brand image and reputation in China means it often competes with other major foreign brands from Asian countries such as Hong Kong, Japan, and Korea. Italy's garment manufacturing industry has also been sited as a learning example for Chinese manufacturers, owing to their strong development, planning and professionalism. Unlike China, Italy's various garment manufacturing sectors may be geographically concentrated, such as with Tuscany's leather region.

- Despite Italy's reputation for superior quality within China, China Customs statistics reveal that growth rate has slowed in line with the overall global financial situation, dropping by 60% between 2008 and 2009.

Table: China's Import of Garment and Accessories from Italy, Y2005-Y2009

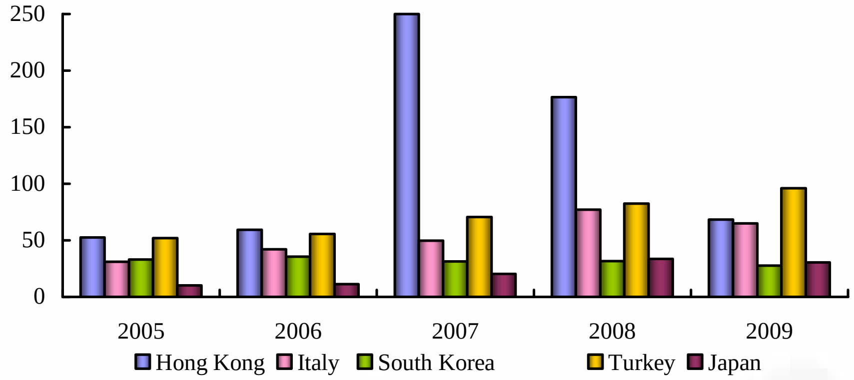


Source: China Custom

- *Import of Garments and Accessories from Italy follows the general market trend with a yearly increase in value from Y2005-2008 reaching a peak in Y2008 of 242 Million Euros.*

- *As with imports from third countries, imports from Italy, in the financial crisis from Y2008-Y2009, suffered a similar fate with growth rate dropping.*

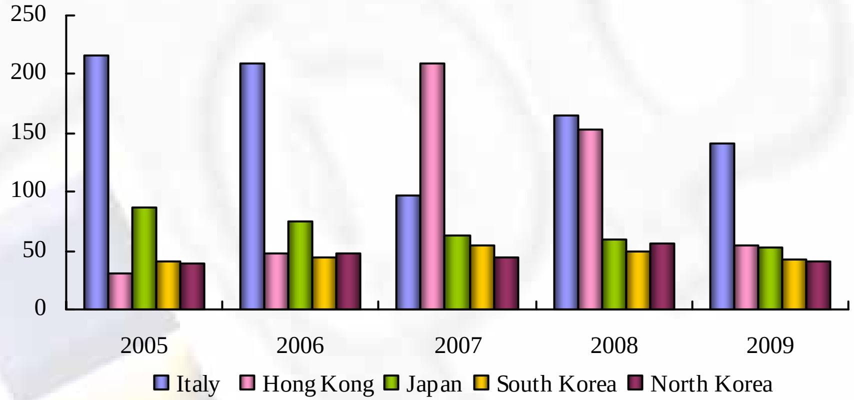
Table: China's Top5 Import Origins of Knit Garment and Accessories, 2005-2009 (in million EURO)



Source: China Customs

Country	2005	2006	2007	2008	2009
Hong Kong	52. 5	59. 2	249. 9	176. 6	68. 4
Italy	31. 0	42. 1	49. 8	77. 0	65. 0
South Korea	33. 0	35. 6	31. 2	31. 6	27. 7
Turkey	30. 3	32. 5	11. 2	20. 4	25. 9
Japan	16. 4	15. 0	17. 7	25. 6	25. 4
Subtotal	***162.9***	***243.6***	***359.8***	***331.2***	***212.4***
World Total	504.9	520.4	573.6	620.1	459.6

Table: China's Top5 Import Origins of Woven Garment and Accessories, 2005-2009 (in million EURO)



Source: China Customs

Country	2005	2006	2007	2008	2009
Italy	216.7	209.4	96.1	165.3	141.5
Hong Kong	30.6	46.9	208.5	153.6	54.4
Japan	87.5	75.1	63.7	59.1	52.0
South Korea	40.2	43.6	54.5	49.5	42.4
North Korea	39.6	46.9	43.8	56.1	40.9
Subtotal	***414***	***421.9***	***466.6***	***483.6***	***331.2***
World Total	592.7	630.2	741.9	886.8	739.4

SWOT Analysis

- **Strength**
  - Italian exporters have demonstrated a strong commitment to penetrating the Chinese market.
  - Italy currently amounts to 17.2% of China's total garment and accessories import value, ranking it first worldwide and being remarkably higher than other competing countries.
  - Chinese consumers regard Italian garments and accessories to be of superior design, quality and style. Italian products have top brand images, which show the good taste and status of the people who wear them.

- **Weakness**
  - While Italian garments and accessories enjoy a good reputation in the Chinese market, reservations have been voiced as to purchase price and promptness of customer service.
  - Some sales agents complain that Italian garment companies do not understand the distribution and sales system in China, thus making business negotiation a big headache.
  - It is not clear whether the Italian exporters can claim any distinguishing advantage beyond the abstraction of their quality/brand image, other than to compete on price and distribution with Japanese and Korean competitors.

- **Opportunities**
  - China has been the largest garment and accessories market in the world. The market has been growing at an average of over 10% annually and is expected to keep up the momentum in the future.
  - The Chinese garment and accessories industry is over-crowded with numerous small manufacturers, who are competing against one another in the low-end market. While in the high-end market segment, local brands are generally still weak in quality and design, especially in research and development of new styles.
  - The demand for high-end products, on the other hand, is increasingly growing, due to the rising income of Chinese consumers, and an increasingly growing number of white collars and the newly rich who are concerned with quality of life, their own personal image, and western styles of living.

- **Threats**
  - Influenced by the global financial disaster, the export value of garment and accessories from Italy to China reduced by 14.8% in Y2009, which could leave more space for other foreign competitors and domestic producers to develop their business in the Chinese garment market.
  - Producers are geographically scattered throughout China, and competition in China is increasing as China further integrates with the world economy. Italian garment and accessories companies are facing increasingly intense competition from growing local companies and more and more foreign counterparts in the market.

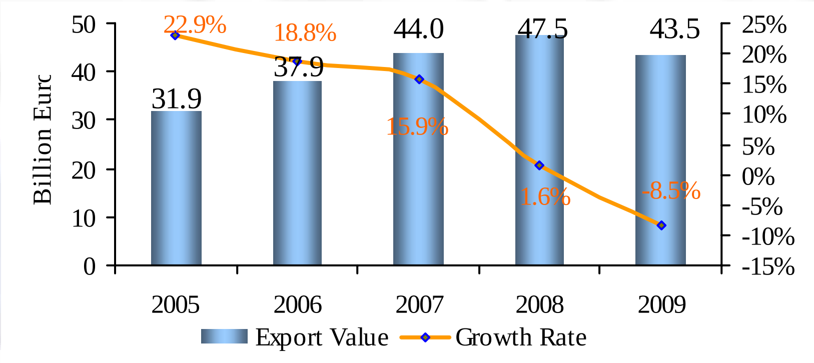
2. Fabric Market Analysis

Competitive Analysis

- Competition from Chinese Domestic Manufacturers

  - China is also the worlds biggest exporter of fabric. Foreign companies from Europe, America, Japan and South Korea may import the basic fabrics for their apparel from China, adding the finishing techniques domestically to increase profit margins. Products produced and sold within China, although procured in massive quantities, often have less variation of style and there is not so much diversity between products compared with foreign equivalents.

Table: China's Export of Textile Yarn and Fabric, Y2005-Y2009



Source: China Custom

- *Export of Textile yarn and fabric increased at an average yearly rate of 2.9 billion Euros until Y2008 when it experienced a decline in Y2009.*

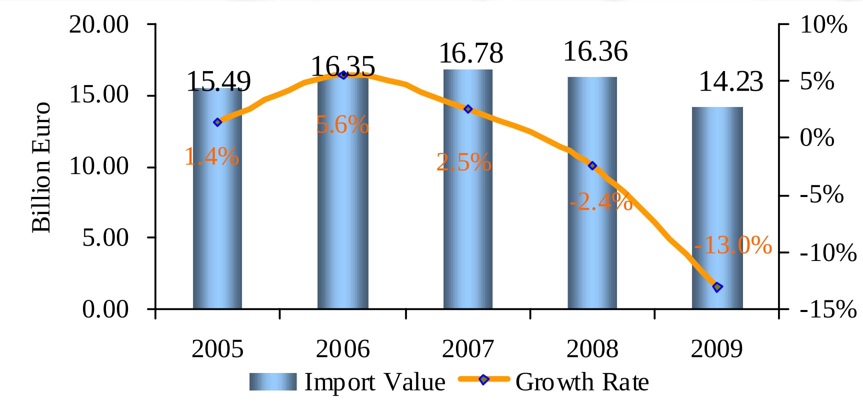
- *Growth rate has been declining since Y2005 from 22.9% to -8.5% in Y2009.*

■ Competition from the Third Countries

- Although China produces a large amount of fabrics each year, most of them are low-end products with little technology, and fabrics produced by different manufacturers don't have much difference or variety. This has made Chinese fabric less competitive in the market, especially in the high-end products segment which requires good quality and textures as well as uniqueness.

- China needs to import much fabric from abroad even though its own output is first place in the world. This is to bring in the variety and quality lacking in the domestic industry.

Table: China's Import of Textile Yarn and Fabric, Y2005-Y2009



Source: China Custom

- *Import of textile yarn and fabric increased yearly until 2008, after which a 2.13 billion Euro decrease in import value was experienced.*

- *Growth rate has declined since 2006 and by 2009 was at -13.1%.*

- China often imports high quality fiber-based products and fabrics from abroad, as well as chemical fiber and wool products. As an example, chemical fiber products may come from Japan and South Korea whereas for wool and cotton products the preferred destination may be Europe.

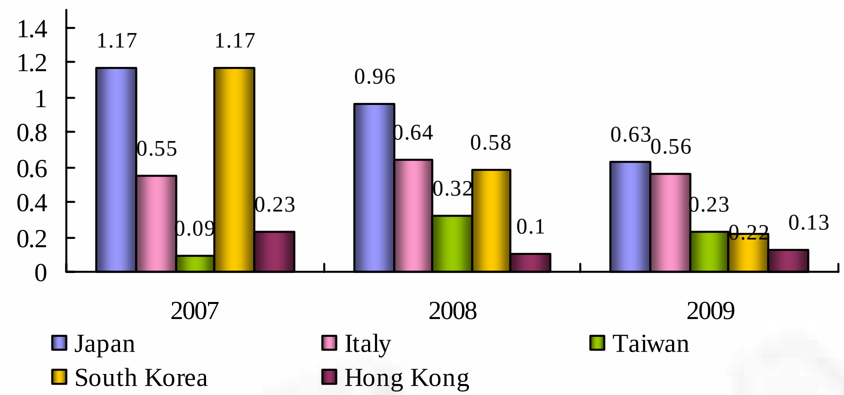
- Japan is the leading foreign supplier of silk, wool and cotton products making it, overall the most significant foreign exporter for China.

- Taiwan is a major exporter of man made fibers and Hong Kong is a major exporter of cotton fabrics.

- Italy is a major contributor of wool imports and holds a strong position in the import of silk fabrics ranking the second only next to Japan, the largest competitor for Italy in the Chinese fabric market. The margins of the import values between these two countries, however, are narrowing year by year.

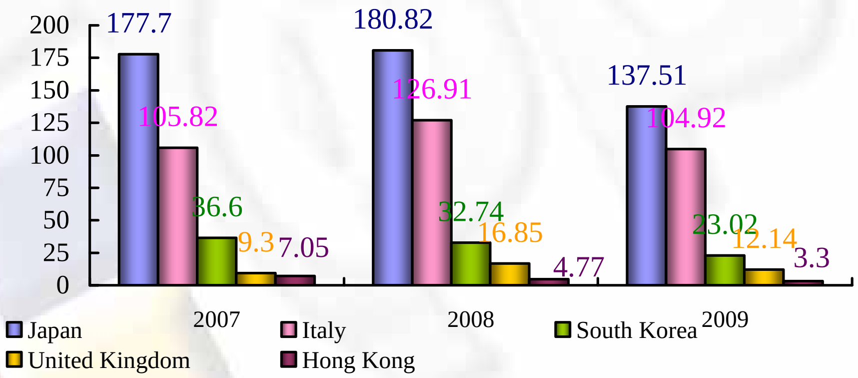
- Another major competitor for Italy is South Korea, ranking third in China’s import value for wool fabric. Moreover, high-end fabric products made by South Korea have a good reputation among the Chinese high-end garment manufacturers, recognized by good quality, and unique textures.

Table: China's Top5 Import Origins of Silk Fabric and Accessories, 2005-2009 (in million EURO)



Source: China Customs

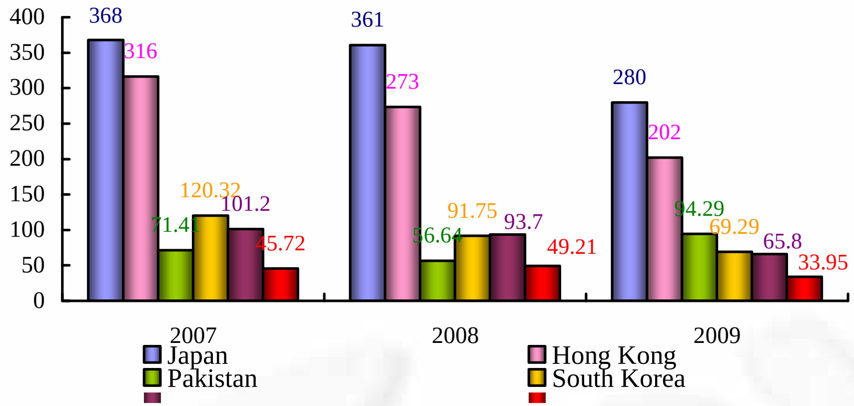
Table: China's Top5 Import Origins of Wool Fabric 2007-2009 (in million EURO)



Source: China Customs

- *Japan, South Korea and Italy are major exporters of silk fabrics into China. Italy superseded Korea in 2008 and 2009 after Korea*
- *In Y2007,Y2008 and Y2009, 3.1, 2.6 and 1.8 million Euros were garnered through imports in the respective years.*
- *Japan and Italy are the primary exporters of wool fabric into China with overall, 380.5, 422.1 and 280.9 million Euros value in the Y2007,Y2008 and Y2009 respectively.*
- *France and Germany are in 6th and 7th place as suppliers of wool fabric to China.*

Table: China's Top6 Import Origins of Cotton Fabric 2007-2009 (in million EURO)

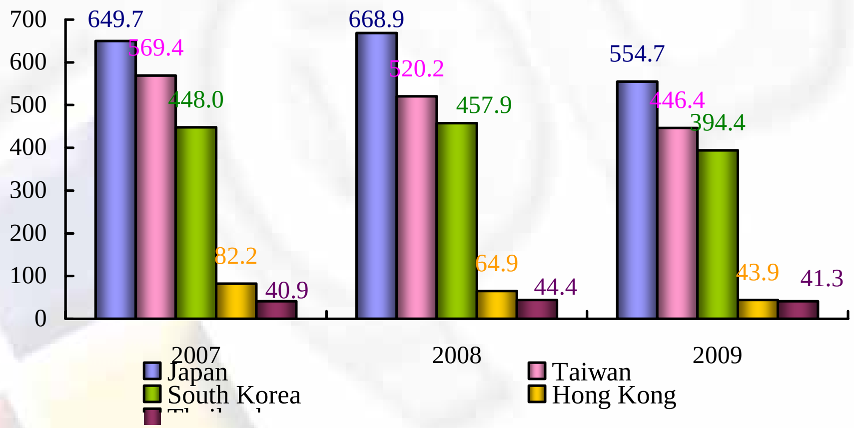


Source: China Customs

➢ *Japan and Hong Kong are the leading exporters of Cotton into China. In Y2007, Y2008 and Y2009 total imports of wool amounted to 1.6 1.54 and 1.2 billion Euros respectively.*

➢ *Italy is currently the 6th largest exporter of Cotton Fabric to China.*

Table: China's Top5 Import Origins of Man Made Fiber Fabric 2005-2009 (in million EURO)



Source: China Customs

➢ *Japan, Taiwan and South Korea are major exporters of man made fibers into China. Y2007, Y2008 and Y200 9with 2.2, 2.2 and 1.9 billion Euros generated per year over these three years.*

➢ *Italy ranks 7th as exporter of man made fibers into China with a value of 26.2, 32.9 and 25.0 million Euros per year, in the respective years.*

SWOT Analysis

- **Strength**

  - Italian fabric pays more attention to details, which has made the products unique in various ways such as more identified color, pattern and texture.
  - Italian fabric manufacturing has a long history, and the product processing techniques are much more advanced than the domestic fabric manufacturers, enabling the Italian manufacturers to produce lots of high-end and sophisticated fabrics which domestic manufacturers are not able to make.
  - Italian manufacturers have better acknowledgement on the concept of their products, and know exactly how to build up a clear brand image.

- **Weakness**

  - The distribution system and sales channels for fabric is limited. Most of the domestic fabrics are sold in large fabric wholesale markets where low-end and medium product is dominant, and Italian fabric products will have to more depend on sales agents to promote and sell the products.
  - It is not easy to find a sales agent who is able to both execute the product image and have strong connections with the different sales channels. A misunderstanding of Chinese culture and ways of doing business can also cause serious problems.

- **Opportunities**

  - China has the largest fabric consumption capability all over the world, and the market is increasing every year driven by the fast development of China's garment industry, which has brought more business opportunities for Italian companies.
  - The Chinese fabric industry is over-crowded with numerous small manufacturers, who are only able to produce similar low-end product, and the industry's lack of technology in producing high quality fabric will provide Italian fabric a larger market place to fulfill the increasing demand of large garment manufacturers who are famous for producing high-end products.

- **Threats**

  - Although Italian fabric enjoys a good reputation in the Chinese market, its advantage is not so outstanding while confronted with other competitive foreign fabric manufacturers such as Japan, the largest fabric exporter to China, and South Korea, who enjoys the convenience of location and is more familiar with Chinese culture.

Section C: Market Access

1. Market Entry Considerations

Distribution and Sales

- **Distribution System**

  - The traditional distribution system of the garment industry in China was an extended system, characterized by multiple layers, normally in a three tier form (more for bigger regions). The distributors distribute products from the entire country to provinces and cities, then to local retailers. This extended system increases prices as each layer adds a margin ranging from 5-20%, and suppliers have little control over prices and delivery quality along the extended channel.

  - Since the economic reform starting in 1978, many suppliers have begun to bypass the former three-tier distribution system and sell directly to local wholesalers and retailers, in order to have more direct contact with end-users and to reduce the mark-up added by middlemen. Foreign exporters are also finding more opportunities to establish direct contacts with buyers and sellers in the country. However, determining which Chinese enterprises or institutions that should be dealt with is sometimes difficult.

- Given the diversity and vastness of China’s territories, national distributors of garment and accessories are rare, if not altogether lacking. According to Topview’s interviews, active distributors in this sector are usually regional sales agents, especially in large cities like Beijing, Shanghai, Guangzhou, etc. Only a few large agents can cover business in two or more cities.

Sales Channels

In China, garments and accessories are mainly sold in department stores, wholesale markets, and specialty shops.

- **Department store**: the prime sales channel for men’s wear. Large department stores are actually almost the only place to sell top men’s wear brands, especially foreign brands, besides flagship shops, franchise chain stores and specialty shops specialized in selling men’s wear.

- **Wholesale market:** scattered everywhere in China, even in small towns. Although widely prevalent, these venues generally deal with low-end goods and rarely have much to do with legitimate enterprises seeking to genuinely establish themselves in the greater Chinese marketplace. These garment wholesale markets usually focus on volume sales at low prices, but in most cases they also sell to individuals at a reasonably lower price (i.e. lower than department stores).

- **Specialty shop**: refers to shops specialized in selling a specific brand or style of garment. Can be operated in various forms such as a flagship shop, chain store or direct-sale outlet. At present, most domestic garments brands use a combination of direct-sale outlets (owned by the producer) as well as chain stores (by franchising). Such specialty shops are playing increasingly more important roles in garment sales, especially for men's wear brands, some of which have seen sales through this channel increase by 30% annually.

- **Internet sales**: although internet selling takes up only a small part of the total sales value, it is predicted to play a very important role in future competition. In recent years, the growth of the Internet has led to a boom in web-based economy. For some brands, online direct sales have become a breakthrough method of expansion. Two basic forms of online sales are self-operated online direct sales website and large-scale business-to-consumer e-business platforms such as Taobao.com and dangdang.com (the Chinese equivalents of E-bay). Intermediary payment plans, such as through Paypal, are the dominant means of payment, followed by cash payment on delivery.

Choosing a Distribution and Sales Model

- **Sales Agents:** The sales agent is an independent, intermediary party contracted by the supplier company and entrusted with the authority to operate and supervise the majority of the duties normally handled by the supplier company, including collecting/managing orders, selling commodities as well as miscellaneous sales and marketing duties such as advertising, after sale services, warehousing, etc.

- The mode of sales agent is widely popular in the Chinese garment and accessories industry, as well as in overseas Chinese markets such as in Hong Kong and Taiwan. The mode has proven to be an optimal system for imported brands, and many foreign and national clothing manufacturers owe their success in their respective markets to the proficiency of their sales agent partners.

- For new or foreign brands seeking to initiate their presence in the Chinese market, this method of approach provides a degree of security and comfort, as it relies on the expertise of experienced acting agents, well-versed in national and market policies. In these multi-tiered sales/distribution relations, the final distribution destinations are generally found in department stores, counters and booths and some specialty shop outlets.

- The most fundamental advantages of implementing the sales agent model relies on the agent's existing sales channel resources and abundant market expertise. Additionally, many other more specific advantages can be extrapolated from these basic virtues such as low capital investment, quick market entry, faster brand localization, and low operation risk, etc.

- Of course, with these advantages come some distinct disadvantages for those choosing the mode of sales agent. With the establishment of this additional tier in the sales-distribution scheme, the supplier company stands to lose varying degrees of control, particularly over brand-image and pricing; as per the addition of this sales agent tier, a mark-up in product pricing should reasonably be expected. Most importantly, though excellent sales agents are the prime components for effective brand development and smooth market entry, good agents are few and far between, and it may be especially difficult for unfamiliar companies to distinguish good sales agents from poor ones.

- **Franchises:** A franchise is the official authorization to sell a particular company's goods or services in a given place, usually sold or rented out by the parent company to a prospective entrepreneur. The franchise system is by now quite familiar in the Chinese marketplace.

- The practice of franchising a company's brand name and products shares many of the advantages found in the mode of sales agent. Cost and fiscal risk on the part of the parent company are largely negated, as they are in many ways simply leasing their intellectual property to the franchisee; franchises increase speed of entry and development, which often lends to a similar pace for continued expansion and growth, and successful franchises lead to the positive spread of both brand-image and company name.

- However, the same sorts of disadvantages as in the sales agent model also prevail.

It is difficult to choose appropriate franchisees, especially if the parent company is unfamiliar with the market territory; once initiated, it is difficult for the parent company to enforce the preconditions of the franchise and to ensure the standards of the franchise shops; and it is also easy for franchise shops to have a negative impact on the supply company's other sales venues, causing internal competition within the company, which may influence brand imagery and lead to price wars.

- **Direct and Overlapping Sales Channels:** Most large and well-established brands prefer to go a different route, and establish more direct sales/distribution channels such as specialty shops, direct sale outlets and department store counters. As the market develops, more and more retailers have expressed interest in pursuing direct relations with supply companies, adding accessibility and incentive to this already developing sentiment.

- The strengths of the direct sales channels include greater customer attention and control by the parent company, accurate brand-image concepts and culture, standardized after-purchase services, as well as more direct and hands-on market experience.

- Obstacles for companies trying to achieve a direct sales channel approach, however, are formidable. The necessary market-entry capital is multiplied, often exponentially, and more resources are required of the parent company, many of which they may be ill-suited to fulfill, such as the need for local connections, the ability to hire a quality working staff, and a familiarity with local/central governmental policies. As per the above, the risk involved in a direct sales approach toward market-entry in China is usually correspondingly increased.

- Taking all this into consideration, the final decision of what approach a company seeking to do business in China's garment industry should take should be based upon an in-depth assessment of the company's capital, expendable time and resources and its availability for direct, on the ground management. The projected benefits and advantages for the specific company's situation must then be weighed against the costs and disadvantages for each sales and distribution model, if an appropriate and effective market-entry strategy is to be achieved.

2. Special Tips for Italian SMEs

- An Italian SME has to look at its own goals, resources, strengths and weakness and how much risk it is willing to take in deciding which entry strategy to use for doing business in China.

- Given the complexity of Chinese business practice, it is more practical for Italian SMEs to partner with local sales agents to enter large department shops in large cities like Beijing, Shanghai and Guangzhou. In the meantime, it is worthwhile to also evaluate the market potentials in some second-tier cities, where consumers have fewer options of foreign brands but relatively higher incomes.

- Companies with limited resources and international business experience should start with an export strategy such as Italian-based salespersons and local sales agent and progress cautiously in the direction of equity joint ventures, which is more of a long term development strategy.

- It is the future development trend in China's garment and fabric industry that Italian SMEs will cooperate firmly with domestic manufacturers to gain a win-win situation. On the one hand, Italian manufacturers possess fashionable designs, advanced equipment and mature manufacturing technology which enables them to make their products more competitive than most domestic products. They have seen the huge opportunity in China, but are struggling in finding out appropriate sales channels to enter the market. On the other hand, Chinese manufacturers have been in the garment and fabric industry for years and have developed stable connections and sales channels to present their products in the market. They have a better understanding of Chinese culture, and are sensitive to any change in market demand. However, after years of development, they have been confronted with some serious issues such as low technology, outdated equipment, lack of innovation and overly similar products.

- The best way to solve these problems and reverse the disadvantage for both sides is to cooperate, combining the various countries' advantages to face the fierce competition together. The establishment of a joint venture, either in technology and brand license aspects or in capital and management aspects, is a very good choice for Italian SMEs to enter the Chinese market. It builds mutual trust between the two parties in developing business together by sharing the same profits and losses. This highly complementary strategy will maximally exhibit the strengths of both sides and ensure competitiveness and mutual benefits.

Section D: Appendixes

1. Potential Sales Agents for Italian Garments and Accessories

Company	Guangzhou Source Trade Co., Ltd. 广州索萨贸易有限公司
Ownership	Private
Product info.	Causal wear, men's suits
Contact	Shouchun WANG 王守春
Tel	+86 20 28068188 +86 15968870063
Fax	+86 20 28068181
E-mail	marbob@163.com
Website	http://www.marbob.com.cn
Add	Building 1, No.319, Zhongcheng Road, Tianhe District, Guangzhou

Company	Guangzhou Tangqi Clothing Trade Co., Ltd. 广州唐旗服装贸易有限公司
Ownership	Private
Product info.	Women's wera
Contact	Zibo ZHOU 周子博
Tel	+86 20 86532165
Fax	+86 20 86532101
E-mail	BizExpress@tangqi.com.cn
Website	http://www.tangqi.com.cn
Add	No.88, Guangyuanxilu, Guangzhou 510010

Company	Shenzhen ITAT Group 深圳 ITAT 集团公司
Ownership	Shareholding
Product info.	Causal wear, suits, men's pants
Contact	Yongming WEN 温先生
Tel	+86 755 88284272
Fax	+86 755 88284333
E-mail	webmaster@itatclub.com.cn
Website	www.itatclub.com.cn
Add	33/F, Anlian Plaza No.2222, Jintian Road, Futian District, Shenzhen 518026

Company	Dongguan Songying Industrial Co., Ltd. 东莞市松鹰实业有限公司
Ownership	Private
Product info.	Men's wear , causal wear, suits
Contact	Ms. WANG 王女士
Tel	+86 20 22031888
Fax	+86 20 22031997
E-mail	Pineeagle1@songying.com
Website	www.songying.com
Add	3709, R&F Yinglong Square, No.76 Huangpu Ave.West,Guangzhou

Company	Wenzhou Riqing Trade Co ., Ltd. 温州市日清贸易有限公司
Ownership	Private
Product info.	Textile, garments, daily necessities
Contact	Aichun ZHOU 周爱纯
Tel	+86 577 88955656
Fax	+86 577 88955757
E-mail	riqing@263.net
Website	\
Add	Building 5, Zhongtong Plaza, No.311 Xincheng Road, Wenzhou, Zhejiang Province

Company	Ningbo Timberword International Trade Co., Ltd. 宁波森语国际贸易有限公司
Ownership	Shareholding
Product info.	Shirts , causal wear, suits
Contact	Na LIN 林娜
Tel	+86 574 65769630
Fax	+86 574 65769628
E-mail	bill.gu@timberword.com
Website	www.timberword.com
Add	11F Huijin Mansion, Xiangshan Ningbo, Zhejiang, China

Company	Chinatex International Apparel Co., Ltd. 中纺国际服装有限公司
Ownership	State-owned
Product info.	Causal wear , garments, fabrics, textile
Contact	Mr. SUN 孙先生
Tel	+86 10 84086668
Fax	+86 10 84085687
E-mail	songdan@chinatex.net
Website	http://www.chinatex.com
Add	Chinatex Mansion, No.19, Jianguomennei Street, Beijing, China

Company	Beijing Tindar Hualian Co., Ltd. 北京天达华联服装服饰有限公司
Ownership	Shareholding
Product info.	Causal wear, shirts, suits
Contact	Mr. ZHAI 翟先生
Tel	+86 10 84098831
Fax	+86 10 84098859
E-mail	hushpuppies@tindar.com.cn
Website	www.tindar.com.cn
Add	21/F,Easyhome Tower,No.3A,Dongzhimen South Street,Dongcheng District,Beijing

Company	Beijing Yihong Co ., Ltd. 北京亿弘工贸有限公司
Ownership	Shareholding
Product info.	Garments, fur
Contact	Leilei LIU　刘雷雷
Tel	+86 10 87919633
Fax	+86 10 87919533
E-mail	\
Website	http://148448.71ab.com
Add	No. 5, Jiugong Industrial Zone, Jiugong Town, Daxing, Beijing

Company	Beijing Xilang Fashion Co., Ltd. 北京习朗时尚服饰有限公司
Ownership	Private
Product info.	Causal wear, T-shirt
Contact	Manager WANG 王经理
Tel	+86 10 85592523-18
Fax	+86 10 85592596
E-mail	info@clfashion.com
Website	www.clfashion.com
Add	Room2201 Inspiring Space, No.25 Ganluyuanli, Chaoyang District, Beijing

Company	Shanghai Jijia Garments Co., Ltd. 上海集嘉服饰有限公司
Ownership	Joint Venture
Product info.	Causal wear, Business men’s wear
Contact	Mr.WENG 翁先生
Tel	+86 21 58307045
Fax	+86 21 58309386
E-mail	mgb@e-mgb.com
Website	www.e-mgb.com
Add	10/F, Yibai Shanshan Mansion, No.985 Dongfang Road, Pudong New District, Shanghai

Company	Shanghai Snow Sharks Enterprise Development Co., Ltd. 上海雪鲨企业发展有限公司
Ownership	Private
Product info.	Business men’s wear, causal wear, suits
Contact	孙先生
Tel	+86 21 68970908
Fax	+86 21 68970906
E-mail	snowsharks@vip.163.com
Website	www.snowsharks.net.cn/sitemap.htm
Add	Room 802-804, No.655, Xinyang Road, Pudong, Shanghai 200120

Company	Shanghai Cordial Suits Co., Ltd. 上海卡迪尔服饰有限公司
Ownership	Private
Product info.	Causal wear, men’s wear
Contact	Fazhong WANG 王法中
Tel	+86 21 51020518
Fax	+86 21 51020518-87
E-mail	join312@126.com
Website	www.cordial.com.cn
Add	6B No. 10 Building, No. 489 Xizangbei Road, Shanghai

Company	Qingdao Guanlin Trading Co. Ltd. 青岛冠霖商贸有限公司
Ownership	Private
Product info.	Garment, footwear, headgear
Contact	Huifang WANG 王慧芳
Tel	+86 532 82827117 +86 13905326858
Fax	+86 532 82807117
E-mail	wanghuifang@vip.163.com
Website	\
Add	Room 2609 Lubang New World, No. 38 Beijing Road, Qingdao, Shangdong

Company	Shandong Linyi Qinghua Trading Co. Ltd. 山东临沂庆华商贸有限公司
Ownership	Private
Product info.	Garment, footwear, headgear
Contact	Jijin LIU 刘继进
Tel	+86 539 8308267
Fax	+86 539 8308257
E-mail	jlm@sdjjlm.com
Website	\
Add	105-2, No.58 Yinqueshan Rd.

Company	Hangzhou Yiman Textiles Co. Ltd. 杭州依曼纺织品有限公司
Ownership	Private
Product info.	Women’s wear, children’s wear
Contact	Shujie LI 李舒婕
Tel	+86 571 22822009 +86 13777376333
Fax	+86 571 22822010
E-mail	infoenam@yahoo.cn
Website	eman1002.cn.alibaba.com
Add	15A, Bldg.2, Xinyi Guangchang, Jincheng Rd.Xiaoshan District, Hangzhou, Zhejiang

Company	Shanghai Jiongguang Trading Co. Ltd. 上海炯光贸易有限公司
Ownership	Private
Product info.	Imported garments from South Korea
Contact	Lihua HAN 韩丽花
Tel	+86 21 33501186 +86 13524171365
Fax	+86 21 33501186
E-mail	Ada117@hanmail.net
Website	jiongguang.cn.alibaba.com
Add	Rm.101, No.15, Lane565, Husong Rd. Minhang District, Shanghai

Company	Shanghai Cuixinkuo Trading Co. Ltd. 上海萃信阔贸易有限公司
Ownership	Private
Product info	Women’s wear, dresses
Contact	Jinghong LONG 龙镜红
Tel	+86 21 62619015
Fax	+86 21 62619027
E-mail	Anying0521@hotmail.com
Website	www.ladyef.com
Add	606, No.4, Lane 2328, Hongqiao Rd. Shanghai

Company	Shanghai Changhou Optical Co. Ltd. 上海昌厚眼镜有限公司
Ownership	Private
Product info	Dress, pants, jeans
Contact	Xian ZHENG 郑娴
Tel	+86 21 52373392 +86 13917375237
Fax	+86 21 62104749
E-mail	osalang@163.com
Website	www.osalang.com.cn
Add	Rm. 407, No.2, Lane1310, Dingxi Rd. Changning District, Shanghai

Company	Shanghai Forestasia Trading Development Co., Ltd 上海森亚贸易发展有限公司
Ownership	Private
Product info	Import & export of garments
Contact	Sicheng ZHANG 张思程
Tel	+86 21 61431617 +86 13918901200
Fax	+86 21 5156414
E-mail	sichengz@hotmail.com
Website	forestasia.cn.alibaba.com
Add	No. 405, Hongying Plaza, No.74, Huangdu Rd. Hongkou District, Shanghai

2. Potential Sales Agents for Italian Fabric

Company	Shanghai Tissu Imp. & Exp. Co., Ltd. 上海缇素进出口有限公司
Ownership	Private
Products info.	Fabrics for wedding gowns, women's wear, shirt, etc.
Contact	Yi ZHANG
Tel	+86 21 62323720 +86 21 62323722
Fax	+86 21 62323723
E-mail	mariezy@sh163.net
Website	www.shanghai-tissu.com
Add	Rm.2018-2020, Shatian Building, 587 Changshou Rd., Putuo, Shanghai

Company	Dongguan Juanxing Trading Co., Ltd. 东莞市隽兴贸易有限公司
Ownership	Private
Product info.	Flannel, non-woven fabrics
Contact	Yueliang ZHU
Tel	+86 769 88995898 +86 13903030365
Fax	+86 769 88995878
E-mail	jx_dg@163.com
Website	www.junxingmark.com.cn
Add	Room B 731, No. 186, Qifeng Road, Guancheng, Guangdong

Company	Shaoxing Shiji Hongfeng Trade Co., Ltd 绍兴县世纪宏丰贸易有限公司
Ownership	Private
Product info.	Nylon, polyester, silk fabric
Contact	Miss Li
Tel	+86 575 85520687
Fax	+86 575 85521858
E-mail	hf@sjhftex.com
Website	www.sjhftex.com
Add	Building B10, Qixian Xiansheng Industrial Park, Shaoxing County, Zhejiang

Company	Suzhou Pano Trading Co., Ltd. 苏州派诺贸易有限公司
Ownership	Share-holding
Product info.	Man-made fiber fabric, cotton fabric, jean fabric, silk fabric
Contact	Jianhua ZHAO
Tel	+86 512 87676021 +86 13962170129
Fax	+86 512 87676021
E-mail	tony@tonypano.com
Website	www.tonypano.com
Add	Room 4006, Ruifu Square, No. 438, Renmin Road, Canglang District, Suzhou

Company	Hebei Longtai Textile and Dyeing Co., Ltd 河北隆泰织染有限公司
Ownership	Private
Product info.	Wool fabric
Contact	Ming WANG
Tel	+86 312 6258444 +86 13780322673
Fax	+86 312 6258831
E-mail	Hblongtai88@alibaba.com.cn
Website	hblongtai88.cn.alibaba.com
Add	Ziweixi Road, Li County, Hebei

Company	Shanghai Haofeng Textiles Co., Ltd. 上海镐丰纺织品有限公司
Ownership	Private
Product info.	Cotton fabric
Contact	Weimin GAO
Tel	+86 21 58609058
Fax	+86 21 58609565
E-mail	gwm816@alibaba.com.cn
Website	www.haofeng-sh.com.cn
Add	22E Sunshine World Mansion, No. 2000 Pudong Road, Shanghai

Company	Guangzhou Huadou Shiling Shenghong Fabric Store 广州市花都区狮岭盛虹布行
Ownership	Private
Product info.	Cotton fabric, functional fabric, dyeing fabric, man-made fiber fabric, etc.
Contact	袁丽英
Tel	+86 20 86930783
Fax	+86 20 86916588
E-mail	A86916588@126.com
Website	shenghong804.cn.alibaba.com
Add	No. 6 Leather and Digital Product Shopping Center, Huadu District, Guangzhou

Company	Shenzhen Kongson Textile Trade Co., Ltd. 深圳市乾顺源贸易有限公司
Ownership	Private
Product info.	Wool fabric
Contact	殷为
Tel	+86 755 82398114 +86 13392169180
Fax	+86 755 22634625
E-mail	francoisyn@hotmail.com
Website	www.kingson-fabric.com.cn
Add	Room 821, Wandafeng Mansion, No. 2112 Dongmenzhong Road, Luohu District, Shenzhen

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