



ITALIAN TRADE AGENCY

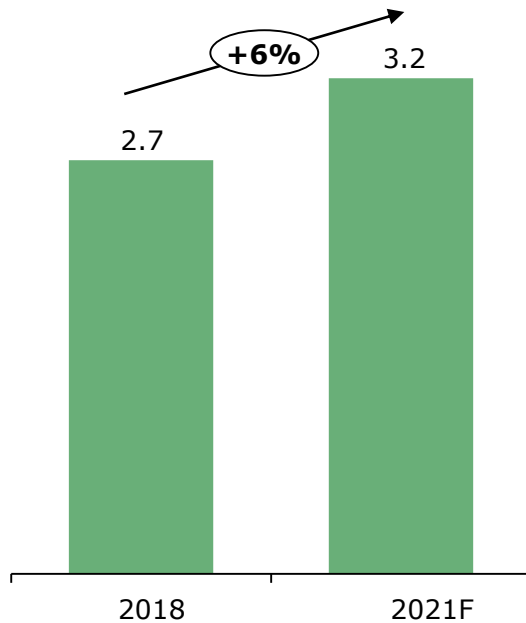
Fashion Report - Executive Summary

Italian Trade Agency - Shanghai office

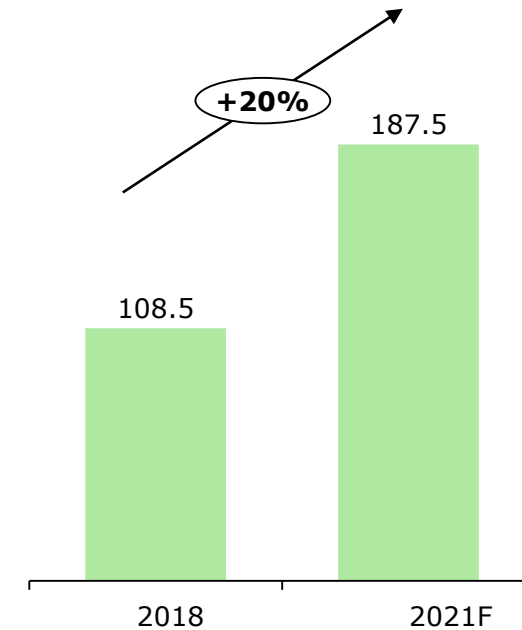
April 25th, 2019

Italian fashion import market is forecasted to continue its robust growth due to consumption upgrade and increase e-commerce sales

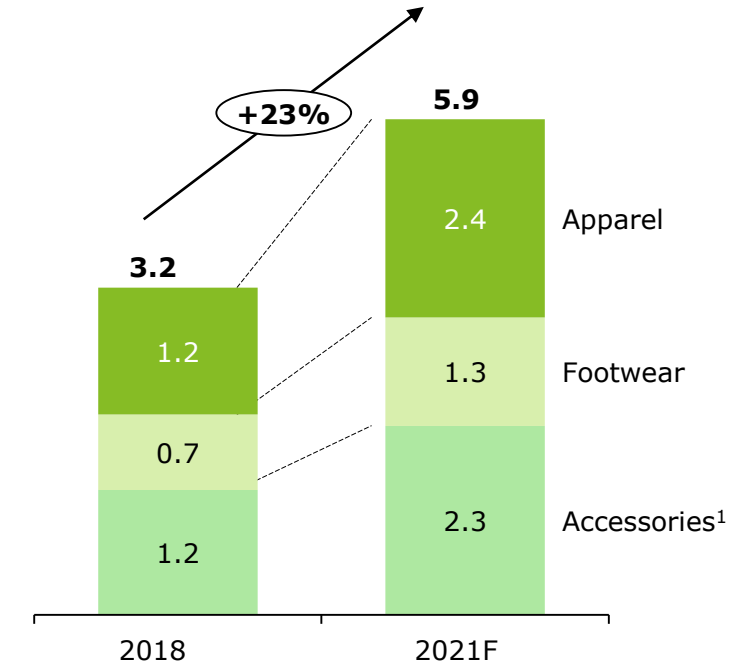
Market Size of China Fashion Industry
Unit: trillion RMB



Market Size of Total Fashion Import
Unit: billion RMB



Market Size of Italian Fashion Product Import
Unit: billion USD



Key drivers

- Higher disposable income
- Millennials are willing to spend more on the fashion products
- Increasing consumption of low-tier cities & the rural areas

Key drivers

- Increasing awareness of the foreign brands
- Foreign brands are reckoned as high quality & unique design
- Prosperity of cross-border e-commerce

Key drivers

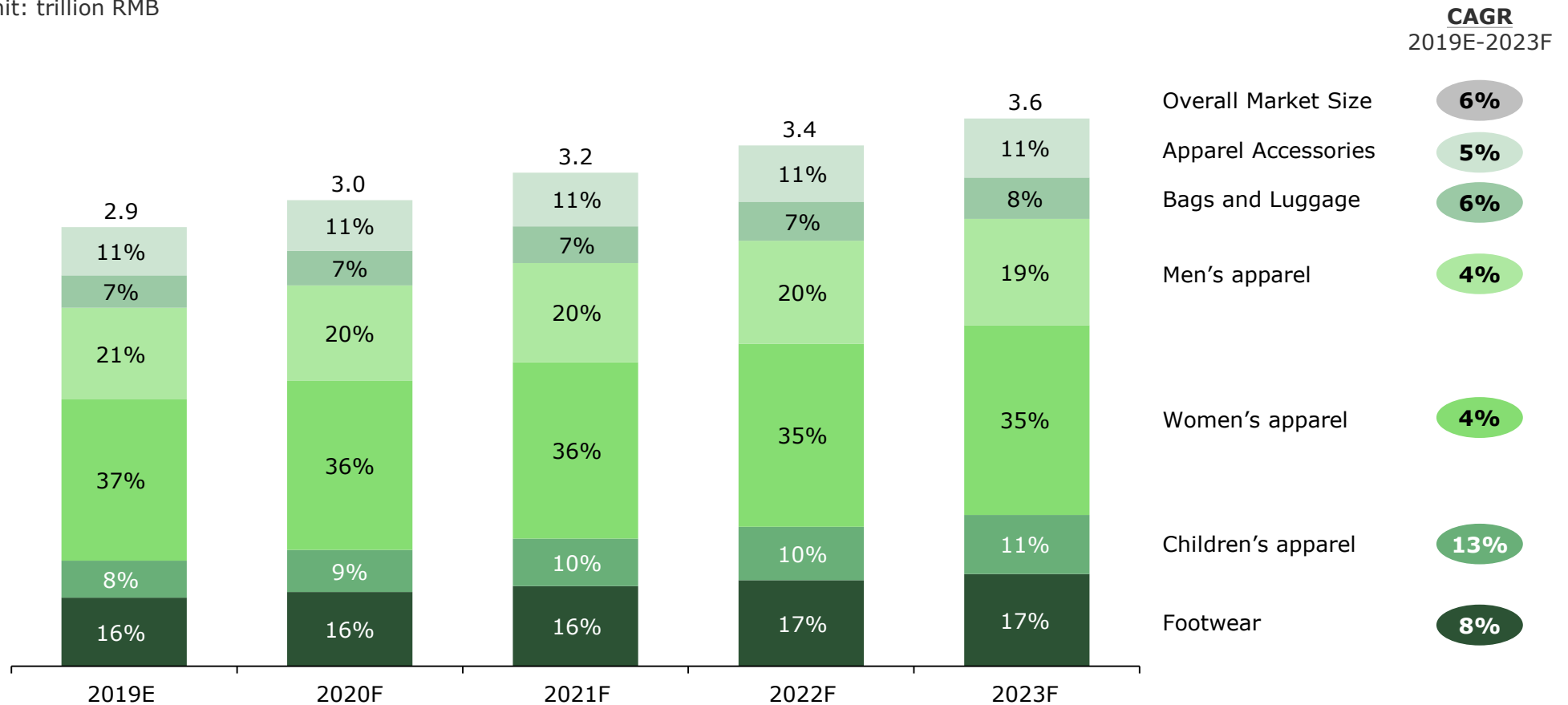
- Chinese consumers pursue the brands with the images such as "craftsman" and "handmade"
- Italian fashions considered to be in sophisticated materials attract Chinese more consumers

Source: Euromonitor; Trade Map

China overall fashion industry will continue to grow, of which Children's apparel and Footwear share the highest growth rate

Market Size of China Overall Fashion Industry

Unit: trillion RMB



Source: Euromonitor

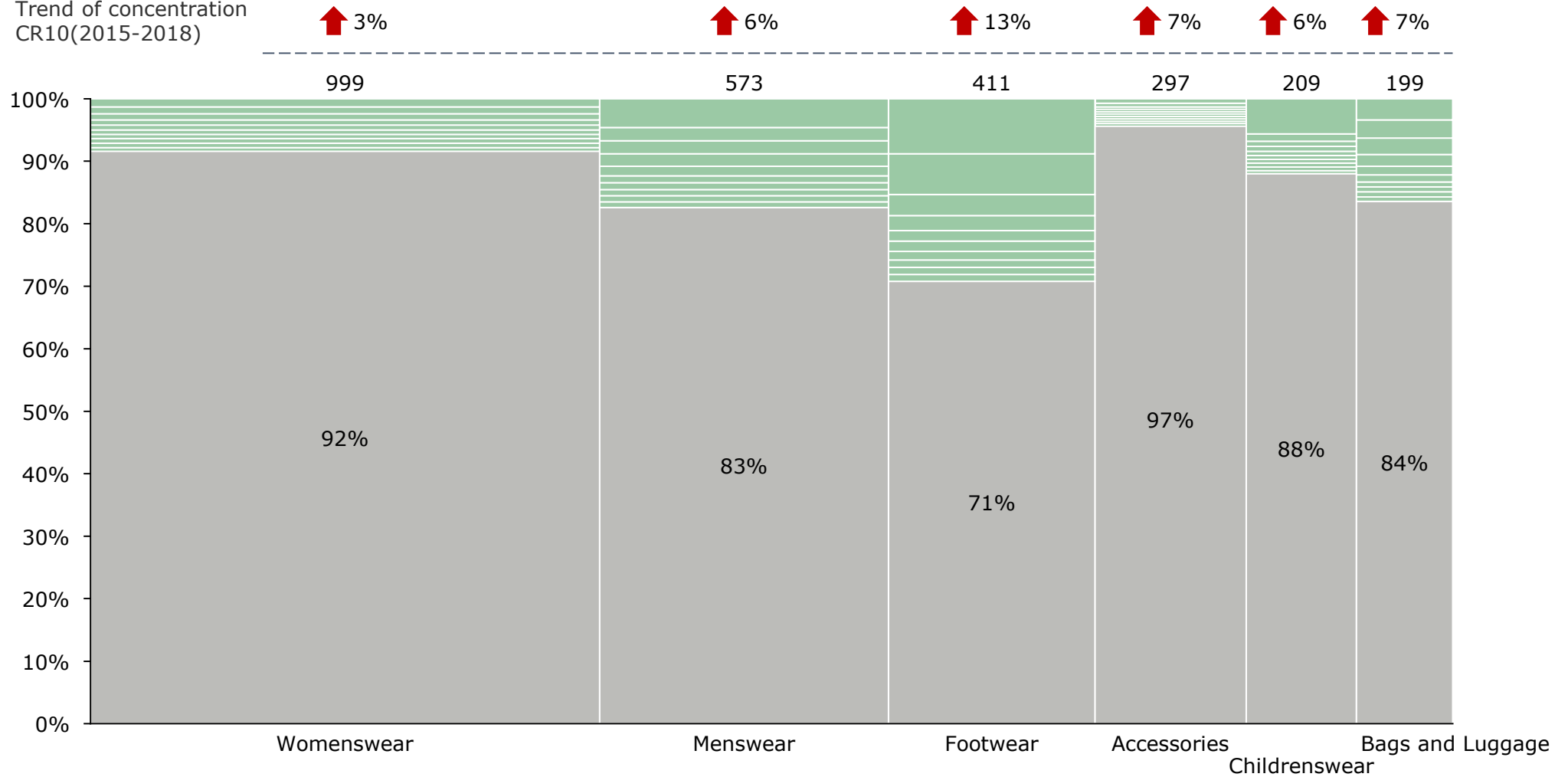
China's fashion industry is fragmented, however, consolidation has been noticed in the past 3 years

Concentration Rate of the Top 10 Brands by Sub-categories (2018)

Unit: % (left); billion RMB (top)

Trend of concentration
CR10(2015-2018)

Top 10 Brands
Other Brands

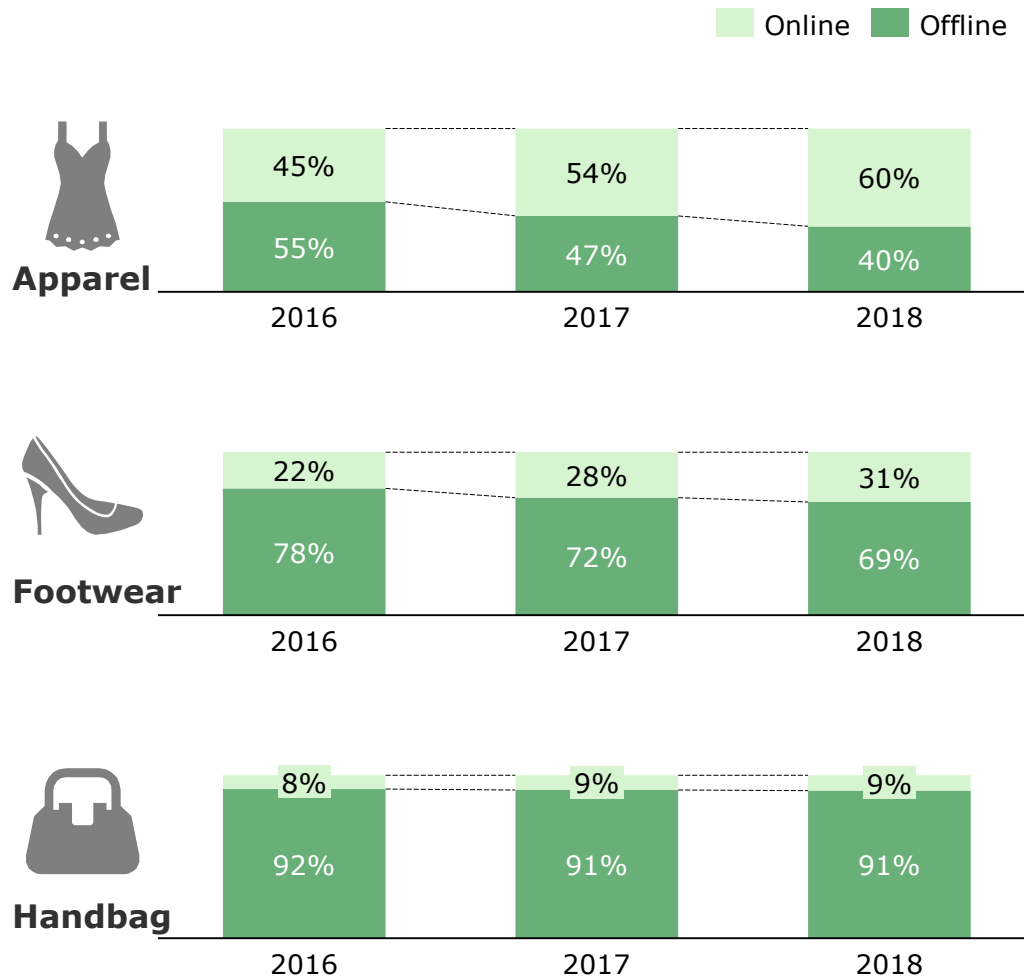


Source: Euromonitor

Fashion products, apparel in particular, are leveraging online channel more than ever, which also effected the sales efficiency of traditional channels

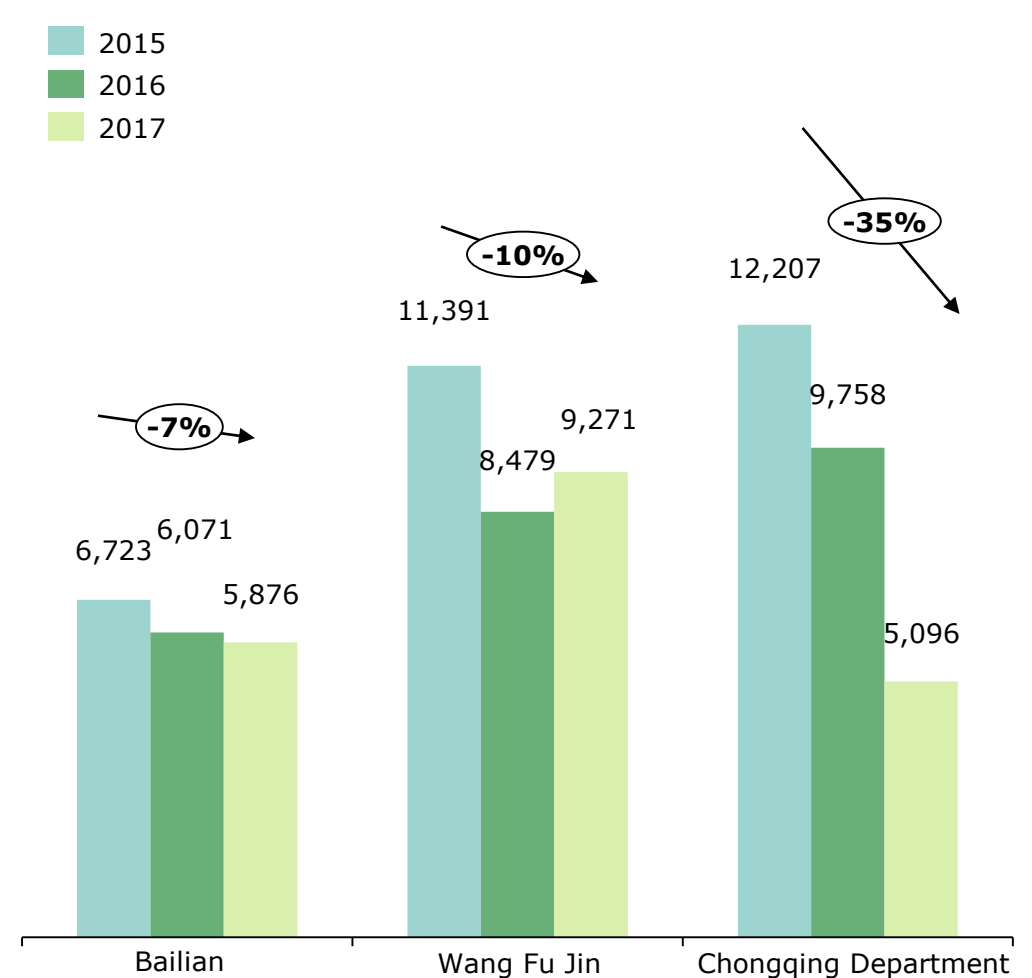
Share of Fashion Sales by Distribution Channel (2016-2018)

Unit: %



Sales Efficiency of Some Listed Department Stores

Unit: RMB/ sqm/ year



Source: Euromonitor; Annual report (2017)

There are various entry approach and channel mix for Italy fashion SMEs to choose when entering China

Entry approach Channel Focus		Outbound Investment to China					
		1 Cross-border E-Commerce	2 Export	3 Licensing	4 Franchise	5 Joint Venture	6 WOFE
A Online	Official Website	<ul style="list-style-type: none"> Consumer order on official website Shipment from Italy to consumer directly 	The brand owner sells the product directly to Chinese importers at a discounted price As soon as the shipment is exported, brand owner no longer has control over the products, including how they are sold	The brand owner gives licensee the authority of using its brand As long as the licensing terms are agreed by both parties, the licensee can choose whichever channel that it sees fit	The brand owner should screen its franchise partner preferably with existing distribution channel and supply chain presence The brand owner usually provide support or advice on marketing, branding, management, storefront visual interface, etc.	<ul style="list-style-type: none"> Self-run website built by the newly established JV company Self-run flagship store Preferably leverage JV partner's capability 	<ul style="list-style-type: none"> Self-run website built by the newly established company Self-run flagship store on Tmall or JD
	Flagship Store on Online Platform						
		Online Distributor	<ul style="list-style-type: none"> Consumer order on CE¹ platform Shipment from Italy to consumer directly 				
B Offline	Department Store		May have oversea-online/local offline channel conflict	Some license agreement may allow licensee to manufacture products locally in China May have oversea-online/local offline channel conflict		<ul style="list-style-type: none"> Having own counter and share profit with dept. store 	<ul style="list-style-type: none"> Having own counter and share profit with dept. store
	Shopping Mall					<ul style="list-style-type: none"> Pay rental to shopping mall 	<ul style="list-style-type: none"> Pay rental to shopping mall
	Standalone Store					<ul style="list-style-type: none"> Set up own standalone store 	<ul style="list-style-type: none"> Set up own standalone store
	Collection Store					<ul style="list-style-type: none"> Sell the products to local distributors 	<ul style="list-style-type: none"> Sell the products to local distributors

Note: 1. CE stands for Cross-border E-Commerce
Source:

Need to have physical presence in China