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## Performance of China's apparel product sectors, 2006

In Issue 6 "China's apparel market, 2006", we have examined the recent developments and latest trends in China's apparel market. In this issue, performance reviews of selected product sectors, namely, menswear, ladies' wear, children's wear, casual wear and ladies' underwear, will be provided to give an in-depth understanding.

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*China National Commercial Information Center (CNCIC) conducts monthly survey to over 260 major department stores across China to study the performance of different apparel brands. The brand analysis in this section is largely based on the data collected and compiled by CNCIC.*

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### I. Menswear

These years the menswear sector has witnessed some important changes. First, though mid-low end products still constitute the largest market share, general consumption upgrade has driven up the sales of mid-priced menswear products. Second, the trend towards casual style has boosted the demands for casual wear both in workplace and daily life. We have noted that men's business wear is no longer confined to formal suits and shirts, but is of wider variety and more casual design. Finally, one of the issues facing menswear brands is the apparent shortening of the product life cycle along with the growing fashion-consciousness of male consumers.

There is marked difference between the consumption behaviours of male and female consumers in China. The Chinese male consumers tend to spend less time shopping around and comparing prices; and rather they will stick to certain brands that they have confidence in. Repeated purchase is common and thus market concentration in the menswear sector is relatively higher. Therefore, brand building

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is crucial for menswear sellers to generate sustainable profits. At present, 20 domestic men's shirts enterprises, 12 suits enterprises, 7 trousers enterprises and 7 jackets enterprises have been honoured with the "China Top Brand Award".

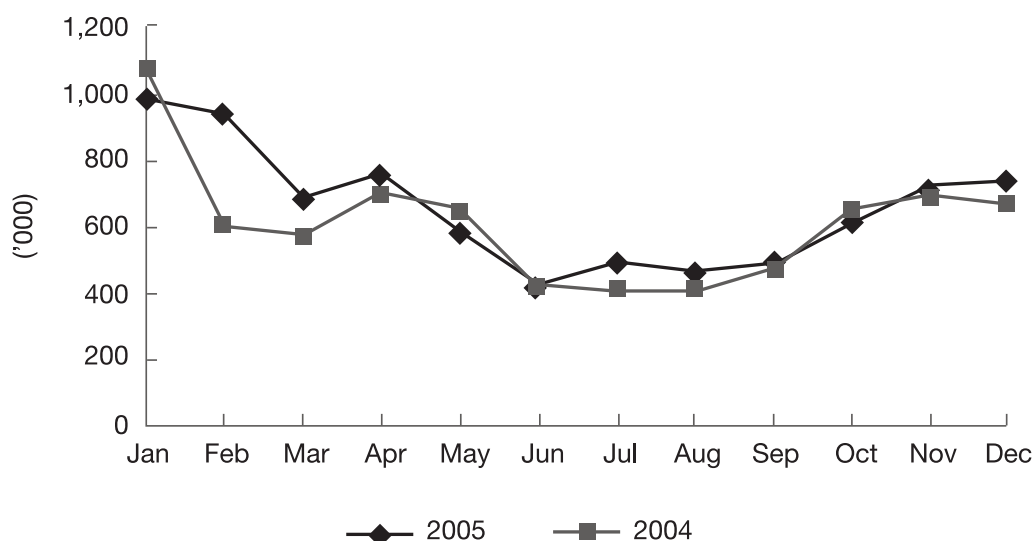
We will now go through men's suits and shirts sector in more detail.

## 1. Suits

### (1) Moderate sales growth of the men's suit sector

The suit sector has recorded a moderate sales growth in 2005 fuelled by the increasing purchasing power of Chinese consumers and the growing popularity of smart casual suits. Meanwhile, sales of men's suits peaks in the Chinese Lunar New Year, usually in the beginning of each year (see Exhibit 1).

**Exhibit 1: Sales of men's suits by months, 2004-2005**



Source: China National Commercial Information Center (CNCIC)

### (2) Higher market concentration with domestic brands continuing to lead in volume sales.

Exhibit 2 demonstrates the sales performance of men's suit brands. The men's suit sector was slightly more concentrated in 2005 with the top 10 brands (in terms of sales volume) making up nearly 40% of the total sales. Ranking in 2005 was quite consistent with that in 2004, except that Playboy replaced Goldlion as the top 10s and was ranked fifth in 2005. Domestic brands continue to take the lead in sales volume. Youngor (15.84%), Romon (5.63%) and Firs (4.29%) remain the top 3 men's suit brand in China for 3 consecutive years.

**Exhibit 2: Brand performance of men's suits: share of total sales and market coverage ratio, 2004 – 2005**

Brand	2005		Brand	2004	
	* Share of total sales (%)	# National market coverage ratio (%)		* Share of total sales (%)	# National market coverage ratio (%)
Youngor 雅戈爾	15.84	6.42	Youngor 雅戈爾	13.01	6.36
Romon 羅蒙	5.63	3.24	Romon 羅蒙	5.13	3.94
Firs 杉杉	4.29	3.77	Firs 杉杉	5.04	3.94
Saint Angelo** 報喜鳥	2.96	2.53	Saint Angelo** 報喜鳥	2.69	2.52
Playboy 花花公子	2.41	1.88	Selon 勝龍	2.44	1.01
Baromon 培羅蒙	2.11	1.47	Baromon 培羅蒙	2.12	1.51
Selon 勝龍	1.83	1.41	Hubao 虎豹	1.89	1.31
Rouse 洛茲	1.80	1.65	Goldlion 金利來	1.86	1.41
Pierre Cardin 皮爾卡丹	1.71	1.83	Rouse 洛茲	1.79	1.77
Hubao 虎豹	1.67	1.18	Pierre Cardin 皮爾卡丹	1.75	1.97
Others	59.75	74.62	Others	62.2	74.26
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

\* Share of total sales (%): Sales volume of the brand/ total sales volume

(sales volume refers to the total quantity sold of the product category by the surveyed retailers)

# Market coverage ratio (%): Taking into the consideration that China is not a single market but a highly fragmented market composing of many localized market, CNCIC has compiled this ratio to measure the market coverage of a particular brand in the national market. For example, a brand with a low market coverage ratio tends to be a regional brand instead of a national one.

\*\* Baoxiniao was renamed to Saint Angelo in 2005

The CNCIC has conducted a survey this year to analyse the brand performance in different price bands (below 2,000 yuan and above 2,000 yuan). The survey findings show that Youngor is the leader in both bands. It accounts for 13.7% and 7.8% of market share in the lower and upper price bands respectively, but its competitive edge is less distinct in the latter. As shown in Exhibit 3, foreign brands such as Pierre Cardin, Goldlion, Louis Long perform better in the higher price segment.

**Exhibit 3: Brand performance of men's suits (below/above 2,000 yuan), February 2006**

Rank	Below 2,000 yuan	Above 2,000 yuan
1	Youngor 雅戈爾	Youngor 雅戈爾
2	Romon 羅蒙	Saint Angelo** 報喜鳥
3	Firs 杉杉	Pierre Cardin 皮爾卡丹
4	Playboy 花花公子	Goldlion 金利來
5	Baromon 培羅蒙	Louis Long 路易詩蘭
6	Saint Angelo** 報喜鳥	Romon 羅蒙
7	Eve 依文	Jodoll 喬頓
8	Rouse 洛茲	A.Jesdani 爵士丹尼
9	Selon 勝龍	Firs 杉杉
10	Hongdou 紅豆	Ltwfrane 老人頭

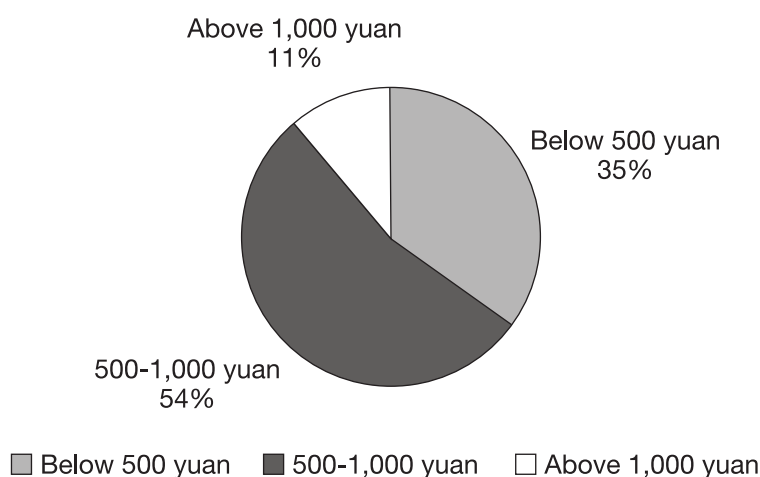
Source: China National Commercial Information Center (CNCIC)

\*\* Baoxiniao was renamed to Saint Angelo in 2005

### (3) Sales of mid-priced suits on the rise

According to CNCIC, suits priced between 500-1,000 yuan are most popular among Chinese consumers and they accounted for 54% of the total sales of men's suits in major department stores in 2005, an increase of 12 percentage points (see Exhibit 4). The sales share of suits below 500 yuan dropped significantly in 2005 and they only made up 35% of the total sales. This shows a general consumption upgrade in the market.

**Exhibit 4: Sales of men's suits by different price bands, 2004-2005**



Source: China National Commercial Information Center (CNCIC)

### (4) Focusing more on quality competition

Today, male consumers in China are more sophisticated and they place increasing importance on product quality. Understanding that every single detail can affect one's purchasing decision, enterprises have been striving to achieve an overall upgrading in product quality—from the use of fabrics to stitching craftsmanship.

Also, "mix and match" has become more prominent among male consumers, resulting in higher demand for accessories. Leading domestic players such as Youngor, Roman and Firs has started to offer a variety of products from shirts, ties, belts, leather shoes to suitcases for consumers to do their own mix and match. However, compared with the foreign counterparts, the range of product offerings of domestic brands is still relatively limited.

## 2. Shirts

### (1) Domestic brands dominating shirts' sales

The sales growth of shirt slowed down in 2005. Exhibit 5 demonstrates the brand share in the sector in 2004 and 2005. Domestic brands continue to take the lion's share with all the top 10 brands in 2005 being domestic ones. Youngor, Rouse and Conch remain their dominant position in the market and have been ranked top three for 3 consecutive years.

**Exhibit 5: Brand performance of men's shirts: share of total sales and market coverage ratio, 2004 — 2005**

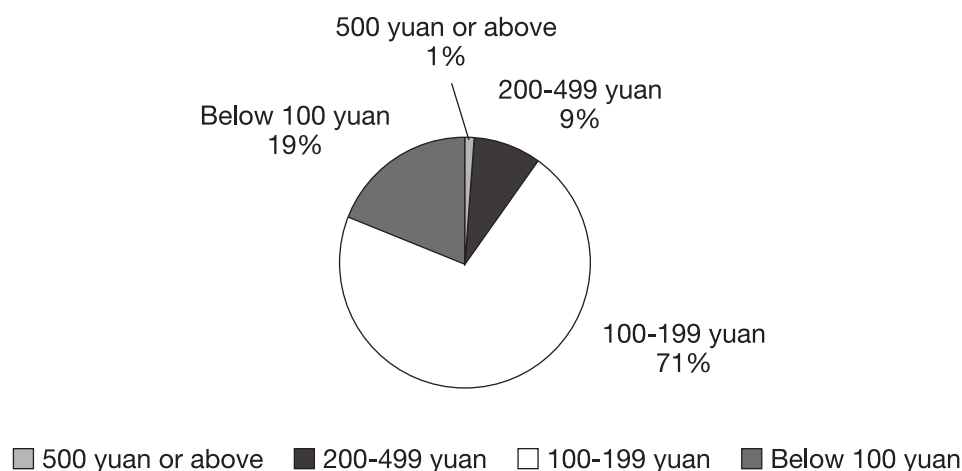
Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Youngor 雅戈爾	14.00	6.10	Youngor 雅戈爾	13.22	6.17
Rouse 洛茲	7.68	3.70	Conch 海螺	9.04	3.96
Conch 海螺	7.60	3.92	Rouse 洛茲	8.08	4.7
Hongdou 紅豆	3.89	2.97	Peacebird 太平鳥	4.83	2.99
Peacebird 太平鳥	3.63	2.18	Hongdou 紅豆	3.98	3.78
Kaikai 開開	3.50	2.91	Qinman 琴曼	3.66	2.35
Qinman 琴曼	3.41	2.86	Kaikai 開開	2.45	2.53
Virtue 富紳	2.52	2.13	Hubao 虎豹	2.32	3.13
Firs 杉杉	2.06	2.63	Firs 杉杉	2.07	3.22
Romon 羅蒙	1.89	2.69	Ltwnfrane 老人頭	2.06	2.49
Others	49.82	67.91	Others	48.29	64.68
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

**(2) Dominance of low- to mid-priced shirts**

According to CNCIC, shirts consumption is shifting towards mid-priced segment. In 2005, the sales share of shirts priced between 100 and 199 yuan was 71%, up by 4 percentage points from previous year. Meanwhile, the low-end shirts priced below 100 yuan witnessed a drop in sales share from 23% in 2004 to 19% in 2005 (see Exhibit 6).

**Exhibit 6: Sales of men's shirts by different price bands, 2004-2005**



Source: China National Commercial Information Center (CNCIC)

### **(3) More focus on fine details**

Chinese consumers are now more sophisticated and discerning. Traditionally, men's shirts are used to be simple and plain. Today, the Chinese male consumers demand more trendy and fashionable styles. Patterns like dots, stripes and checks are increasingly popular. Shirts of a variety of fancy colours such as sky blue, pink and yellow are also gaining popularity.

Besides, demand is up for more elaborate embroidery. There is a growing preference for printed patterns, richer embellishment, and incorporation of additional functionality. In the upmarket, makers are giving shirts smoother seams that enhance comfort and fit. Many companies even double-fold the edges of parts that are to be stitched together.

## **II. Ladies' wear**

### **(1) Huge market for ladies' wear**

With a female population of over 600 million, China has the single biggest consumer market for ladies' wear and ladies' wear is the largest contributor to the apparel market. Female consumers in general are more sensitive to fashion trends, have higher brand awareness and purchase clothes more frequently. Unlike other product sectors whose sales usually concentrate in certain festive seasons, sales of ladies' wear are relatively stable across the year.

Indeed, ladies' wear generally occupies the largest area in many department stores— two to three entire floors compared to one floor for menswear. According to CNCIC statistics, ladies' wear sector was the largest apparel sub-sector with 28.6% sales share in 2005 (see Exhibit 2 in Issue 6 "*China's apparel market, 2006*"). This sub-sector is growing very fast and recorded a yoy sales growth of 20.4% in 2005, as shown in CNCIC statistics.

### **(2) A highly fragmented sector with no distinct leader**

Competition is stiff in this sector. There is no distinct leader and the market concentration is low. The top 10 brands altogether account for just 20.58% of the market share. Exhibit 7 demonstrates the brand performance in 2004 and 2005. The top 3 players in 2005 were Etam, Esprit and Only.

**Exhibit 7: Brand performance of ladies' wear: share of total sales and market coverage ratio, 2004 – 2005**

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Etam 艾格	6.62	1.76	Etam 艾格	5.78	1.43
ESPIRIT	2.55	1.29	ESPIRIT	2.18	0.75
ONLY	2.22	0.86	Girdear 哥弟	1.89	0.78
Girdear 哥弟	2.09	0.82	V.Grass 勁草	1.86	0.48
Yishion 以純	1.84	0.39	Baleno 班尼路	1.67	0.24
Etam Weekend 艾格周末	1.35	0.78	ONLY	1.20	0.44
HuaXin 華鑫	1.09	0.47	ZLM 紫瀾門	1.07	0.54
VERO MODA	1.06	0.55	Yishion 以純	1.07	0.31
"Zuo'er mei" 佐爾美	1.00	0.47	Sierli 斯爾麗	1.06	1.39
Sierli 斯爾麗	0.75	1.17	"Zuo'er mei" 佐爾美	0.86	0.44
Others	79.43	91.45	Others	81.36	93.2
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

Also, the national market coverage ratio is low for all brands, indicating that there is no strong national brand. There is a saying among industry insiders that enterprises from the South can never make a go in the northern cities and vice versa. Indeed, marked regional differences in women's tastes across China pose great challenge to building a national brand. Local players demonstrate strong regional characteristics and their successes are mostly confined to certain localities. For instance, designs from Wuhan are characterized by the use of sharp colors and they are popular in northern China. Manufacturers from Shenzhen and Guangzhou are often influenced by the fashion trends in Hong Kong and tend to be more stylish; meanwhile designs from Hangzhou are more elegant.

The body built of the female consumers across regions is different too. For instance, women in the Shangdong province tend to be more muscular and L-size is often the minimum requirement. In its nearby Anhui province, however, women are generally thinner and shorter.

Though, all these difficulties do not keep the established players from seeking nationwide expansion. In fact, we have noted that many established players especially those from the South, after gaining regional success, are now striving to extend their geographical coverage.

### **(3) Foreign brands are more responsive to market needs while strong domestic brands are gearing up**

Etam, Esprit and Only, the top 3 players in 2005, are all foreign brands. They have strong retail network in major cities. Their success can be attributable to their quick response to market needs and localised designs. Understanding the strong regional differences in China, these brands have launched different products in various cities to cater to local tastes.

Domestic brands, on the other hand, are generally weaker in product design, innovation and brand building. Though, the situation is gradually improving. According to industry report, some domestic ladies' wear enterprises in Shenzhen now manage to offer new products every two weeks to adapt to the fast fashion trend. On the other hand, some apparel enterprises are striving to switch from OEM-driven (original equipment manufacturer) to ODM- (original design manufacturer) and OBM- driven (original brand manufacturer) by enhancing their product development and brand building capabilities. "WHITE COLLAR" (白領) is the first domestic brand that has successfully captured a slice in the upscale market dominated by foreign brands.

#### **(4) Enterprises pay more attention to market segmentation**

As Chinese consumers become increasingly sophisticated, ladies' wear enterprises can no longer survive on the 'one size fits all' approach and they have come to realize the importance of market segmentation. As such, we can see that many domestic enterprises have been making efforts to customize their products and services so as to meet the varying needs of their targeted segments (characterized by age, income, occupation or education level, etc).

By way of illustration, Chinese females aged 18-25 are generally more sensitive to fashion trends and they purchase clothes most frequently. Though, few in this group can afford luxury brands and pricing is still of utmost importance. Females aged 26-45, on the other hand, generally have higher purchasing power, place more emphasis on quality and are more willing to spend on branded wear.

### **III. Children's wear**

#### **(1) Robust growth expected to continue for the next few years**

Currently, one-fifth of the Chinese population is aged below 14. With rising income level and the one child policy, Chinese parents are willing to spend more on children's wear. Children's wear has become one of the fastest growing sectors in China. According to CNCIC, the sales of children's wear in major department stores was up 15.3% yoy in 2005. Some researches estimated that China's birth rate would peak at 2010 and the sector would grow by an annual rate of nearly 17% in the next few years

#### **(2) Fashion trends for low teens similar to that of adults' wear; cartoon-themed clothing popular among babies and the pre-schools**

Today, children's wear sector is increasingly influenced by the fashion trends of adult's wear. Elements of adults' fashion such as stone wash, scrawl and street culture can be commonly found in children's clothing. Besides, an increasing number of Chinese parents now dress their kids in a more trendy and mature style.

This trend is most prominent in the low teens (children aged 12-15) sector. In recent years, many adult apparel companies have launched product lines for children with designs and styles similar to that of the adults. Examples include E-land, Adidas and Nike.

On the other hand, cartoon themed clothing still sold well, especially for the babies and the pre-schools' sectors (children aged under 6). Giordano, for instance, has rolled out its Disney collection featuring characters from Mickey to Nemo. Lawlandee has also launched its Garfield-themed wear. Crayon Xiao Xin (蠟筆小新), Chibi Maruko-chan (櫻桃小丸子) are other popular cartoon characters among children.

### (3) Brand performance of children's wear

Exhibit 8 demonstrates the brand performance of children's wear in 2004 and 2005. The top 10 brands accounted for over 30% of the market shares. LawLandee, Shuihaier and Yaduo were the top 3 players in 2005.

**Exhibit 8: Brand performance of children's wear: share of total sales and market coverage ratio, 2004-2005**

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
LawLandee 派克蘭帝	4.39	2.08	LawLandee 派克蘭帝	5.05	1.86
Shuihaier 水孩兒	3.79	1.56	Les Enphants 麗嬰房	4.77	1.96
Yaduo 雅多	3.71	1.82	Yaduo 雅多	4.45	1.86
Les Enphants 麗嬰房	3.64	2.01	Shuihaier 水孩兒	3.83	1.19
Mickey's 米奇妙	3.52	2.46	Mickey's 米奇妙	3.62	2.78
M-linge 蔓琳格	3.10	1.30	Littlebobdog 巴布豆	2.91	1.60
Pepco 小豬斑納	3.05	1.56	M-linge 蔓琳格	2.84	1.29
Littlebobdog 巴布豆	2.55	1.88	Yeeshow 一休	2.57	2.22
Annil 安拉爾	2.29	1.82	ABC	2.46	1.55
Smiling 笑咪咪	2.27	1.43	Pepco 小豬斑納	2.46	1.44
Others	67.69	82.08	Others	65.04	82.25
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

While domestic brands are strong in the mass market with their competitive pricing, foreign players are perceived to be of higher quality in terms of fabrics, designs and added functionality. Hippo-fant, Kingkow and Benetton dominate the premium market. Foreign brands distribute their products mainly in specialty stores and concession in mid- to high-end department stores.

Strong regional differences can be observed in the sector. According to market reports, Shuihaier, LawLandee, Wang Le Gao (旺樂高), Yu Lu (昱璐) Hi Baby(海辰貝貝) and Infancee (嬰方喜) are some of the bestselling brands in Beijing. Meanwhile, Shanghai-based Yaduo, Smiling, Boshiwa (博士蛙) and Goodbaby (好孩子) are best-selling in the city. Whereas in Wuhan, the high-priced foreign brands such as Mickey's, Les Enphants, Snoopy, Chibi Maruko-chan and Littlebobdog are most popular.

#### (4) Quality of fabric is important

Children have delicate and sensitive skins. Therefore, fabrics used in Children's wear should be gentle for better protection. Natural fibres such as cotton, wool or fleece are highly popular with better comfort and durability.

#### (5) Safety of children's wear draws more attention

The Administration of Industry and Commerce conducted spot checks on the quality of children's clothes (including levels of formaldehyde, PH value and veracity of the label) manufactured in the Guangdong province early this year and found that half of the items examined failed the safety tests. The General Administration of Quality Supervision, Inspection and Quarantine has also conducted tests on products made in nine different provinces and found that nearly 40% of the products have quality problems.

The situation is alarming as children are more vulnerable to health risk and danger. It is of utmost importance for children's wear to be safe. Fabrics must be non-toxic and embellishments like faceted beads, buttons, diamante, sequin and zip must be fixed to avoid choking and injuries.

To ensure the safety of children's wear, new compulsory safety standards on children's wear (兒童服裝安全技術規程) was imposed by the General Administration of Quality Supervision, Inspection and Quarantine on 1 July 2005. With more regulated operating environment, it is expected that the overall quality of domestic children's wear will improve.

### IV. Casual wear

According to CNCIC, casual wear (T-shirts, jackets and denim wear) accounts for around 7.5% of apparel retail sales in 2005 (see Exhibit 2 in Issue 6 "*China's apparel market, 2006*"). This proportion is in fact very low compared with many countries and the sector presents tremendous room for growth. The 2008 Olympic will also definitely boost the demand for leisure wear. Though growth in sales of T-shirts, jackets, and denim wear slowed down in 2005 to 8.2%, 9.8% and 7.1% respectively, marketers remain optimistic about the sector's outlook evidenced by the accelerating expansion of world-renowned brands such as Gap, Timberland and Diesel. Timberland plans to open 70 stores in China in the next 5 years. Indeed, the consulting firm Kurt Salmon Associates estimates that sales of casual wear in China will grow by 10% annually to reach US\$58 billion by 2010.

#### 1. Jackets

##### (1) Domestic brands dominate the mass market while foreign brands lead in the high-end segment

The jacket sector is dominated by domestic brands which mainly target the mass market and whose prices are usually much lower than the foreign ones. "Septwolves", a domestic mid-range brand, continued to be the leader in 2005 (Exhibit 9). Meanwhile, foreign brands such as Crocodile continue to outperform domestic brands in the higher end segments.

**Exhibit 9: Brand performance of jackets: share of total sales and market coverage ratio, 2004-2005**

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Septwolves 七匹狼	8.59	2.45	Septwolves 七匹狼	6.60	2.09
“Xiong pai” 雄牌	2.15	1.10	“Xiong pai” 雄牌	2.33	1.07
“Jin ba” 勁霸	2.02	0.43	Hongdou 紅豆	1.82	1.50
JOE ONE 九牧王	1.85	0.61	“Jin ba” 勁霸	1.68	1.02
Bosideng 波司登	1.80	1.22	Taizilong 太子龍	1.67	0.91
Seven 柒牌	1.66	0.80	Bosideng 波司登	1.44	1.34
ZhouYan 洲艷	1.62	1.16	Crocodile 鱷魚	1.33	1.55
Montagut 夢特嬌	1.20	1.04	“Heng yuan xiang” 恆源祥	1.31	1.55
Hongdou 紅豆	1.05	1.10	Laoyeche 老爺車	1.23	1.82
Laoyeche 老爺車	0.90	1.35	Kharono 袋鼠	1.06	1.60
Others	77.16	88.74	Others	79.53	85.55
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

## (2) Existing apparel enterprises make entry to the jacket sector

Jackets are increasingly popular among the younger consumer groups. Seeing the huge market potential, more and more apparel enterprises specialising in other product sectors have started to launch jackets. Youngor and JOE|ONE are some of the cases in point. These enterprises have strong production and design capability as well as extensive retail sales network. Their entries to the sector will greatly intensify the market competition.

## 2. T-shirts

### (1) Foreign brands continue to take the lead

Foreign branded T-shirts continue to lead in T-shirt sales. 6 out of the top 10 brands in 2005 are foreign ones. Baleno and Jeanwest remained the top 2 players, though their market shares have decreased slightly. (see Exhibit 10).

Domestic players have a shorter history in the T-shirt sector and they generally lag behind in design and product development. But after years of efforts, several strong local players have emerged. In 2005, 2 more domestic players, namely Yishion and Semir, entered the top 10 list.

**Exhibit 10: Brand performance of T-shirts: share of total sales and market coverage ratio, 2004-2005**

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Baleno 班尼路	8.79	0.72	Baleno 班尼路	10.65	0.85
Jeanswest 真維斯	7.74	1.58	Jeanswest 真維斯	10.56	1.16
Crocodile 鱷魚	5.42	0.92	Giordano 佐丹奴	4.64	0.98
Giordano 佐丹奴	5.21	1.12	Metersbonwe 美特斯邦威	4.06	0.62
Metersbonwe 美特斯邦威	3.75	0.82	Feel 100% 柏仙多格	2.69	0.62
Yishion 以純	3.02	1.23	Crocodile 鱷魚	2.67	2.86
Semir 森馬	2.89	0.66	Montagut 夢特嬌	1.52	2.81
Feel 100% 柏仙多格	1.87	1.07	Valentino 華倫天奴	1.28	1.83
Montagut 夢特嬌	1.85	2.55	Playboy 花花公子	0.88	1.78
Goldlion 金利來	0.54	2.15	Pierre Cardin 皮爾卡丹	0.8	1.87
Others	58.92	87.18	Others	60.25	84.62
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

## (2) Wider choice of fabric, design and pattern

In view of the Chinese consumers' growing demands for quality and functional T-shirts, apparel enterprises now offer a wider choice of T-shirts in terms of fabric, design and pattern. T-shirts made of flax or silk, despite their higher unit price, have recorded strong sales. Demands for value-added attributes such as deodorant, wrinkle-free, dry-fit are also on the rise. Besides, consumers now focus more on the design details such as the collars, zip and sleeves of the T-shirts. Colour mix and patterns are also richer than in the past.

## 3. Denim wear

### (1) Domestic brands are popular in the mass market

With competitive pricing, domestic brands dominate the sales of denim wear with 7 out of the top 10 players were domestic ones in 2005. (Exhibit 11). The top 3 players in 2005 were Kipone, Boton and Weipang.

**Exhibit 11: Brand performance of denim wear: share of total sales and market coverage ratio, 2004-2005**

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Kipone 旗牌王	13.03	5.23	Boton 波頓	13.53	5.69
Boton 波頓	11.86	6.84	Weipeng 威鵬	13.16	7.51
Weipeng 威鵬	11.23	5.63	Kipone 旗牌王	12.89	6.37
Jianlong 劍龍	4.44	2.95	Jianlong 劍龍	5.67	3.19
Metersbonwe 美特斯邦威	4.32	1.61	Jeanswest 真維斯	3.73	1.93
Lanyan 蘭雁	4.11	2.41	Baleno 班尼路	3.14	2.84
Baleno 班尼路	4.11	2.28	Tonlion 唐獅	2.89	1.02
Jeanswest 真維斯	3.10	1.61	Metersbonwe 美特斯邦威	2.51	1.02
Texwood 蘋果	2.43	2.95	Giordano 佐丹奴	2.30	1.71
Braxton 霸獅騰	2.33	1.74	Texwood 蘋果	2.05	2.50
Others	39.02	66.76	Others	38.13	66.22
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

## (2) Weak branding and design capability are bottlenecks for growth

The success of domestic brands is mainly attributable to their competitive pricing. But weak design and brand building capability as well as poor sales strategies are likely to restrain the further development of domestic brands. Though foreign brands are currently only active in few cities and pose no immediate threat to domestic players, they are gearing up for aggressive expansion. To maintain a foothold in the face of growing competition from foreign brands, domestic brands must identify their gaps with world-class makers and undertake reforms in the aspects of product design and development, marketing and sales strategies, and brand management.

## V. Ladies' underwear

### (1) Huge potential for ladies' underwear market

According to CNCIC, knitted underwear accounts for 16.6% of total apparel retail sales of major department stores in 2005 (see Exhibit 2 in Issue 6 "China's apparel market, 2006"), second to ladies' wear. It is estimated that the underwear sector will achieve an annual growth rate of 20% in the next decade, of which the ladies' underwear market has the biggest potential.

## (2) Domestic brands are strong in the mass market

Big foreign players such as Triumph entered the Chinese ladies' underwear market in the early 1990s' and targeted the high-income females. With excellent brand management, wide range of collection and better quality, foreign brands have established strong foothold in the high-priced segment. In recent years, however, a few strong domestic players have emerged and taken away some share from their foreign counterparts in the high-end segment. Examples include Aimer and Maniform.

As opposed to the dominant position of foreign brands in the premium segment, domestic underwear brands are widely popular in the mass market in China. Mid-range brands such as Jealousy, Oleno and Meisee are of reliable quality and more accessible price, and thus are highly welcomed by the middle-income group. Meanwhile, low-end ladies' underwear is mostly unbranded and mainly sold in commodity exchange markets. Although these products can keep pace with latest fashion trends in terms of colours and design, workmanship is often poor and low-cost materials are used. Exhibit 12 illustrates some key players in different segments.

### Exhibit 12: Players in different segments in ladies' underwear sector

High-end	Triumph( 黛安芬 ), Wacoal, Embry Form ( 安莉芳 ), Aimer ( 愛慕 ), Maniform ( 曼妮芬 )
Mid-range	Jealousy ( 嘉莉詩 ), Oleno ( 奧麗儂 ), Meisee ( 美思 ), Sunflora ( 桑扶蘭 ), Waterflower ( 水中花 ), Ouslandai ( 奧絲藍黛 )
Low-end	Anonymous players

## (3) Relatively high concentration in ladies' underwear sector

As illustrated in Exhibit 13, ladies' underwear sector is relatively concentrated with the top 10 brands accounting for nearly two-third of the market share. No new players entered the top 10 list in 2005. Despite a slight drop in market share, Aimer and Mainform continued to be the top 2 players in 2005.

### Exhibit 13: Brand performance of ladies' underwear: share of total sales and market coverage ratio, 2004-2005

Brand	2005		Brand	2004	
	Share of total sales (%)	National market coverage ratio (%)		Share of total sales (%)	National market coverage ratio (%)
Aimer 愛慕	9.80	5.34	Maniform 曼妮芬	12.97	5.26
Maniform 曼妮芬	9.78	5.78	Aimer 愛慕	12.94	5.32
Triumph 黛安芬	8.87	6.00	Triumph 黛安芬	8.16	5.13
Embryform 安莉芳	7.88	4.90	Sunflora 桑扶蘭	7.77	3.66
Sunflora 桑扶蘭	7.43	3.73	Gujin 古今	6.44	2.63
Gujin 古今	6.68	2.78	Embryform 安莉芳	5.88	4.36
Ordifen 歐迪芬	5.30	4.17	Ordifen 歐迪芬	3.22	3.08
AB	2.88	2.20	Gracewell 婷美	2.41	3.59
Gracewell 婷美	1.87	3.29	Three Gun 三槍	2.21	3.34
Three Gun 三槍	1.62	2.78	AB	1.99	2.12
Others	37.89	59.03	Others	36.01	61.51
Total	100.00	100.00	Total	100.00	100.00

Source: China National Commercial Information Center (CNCIC)

#### **(4) Changing consumer perception of ladies' underwear**

Underwear was once considered unmentionable in Chinese culture. Today, along with rising living standards and intensive consumer education from leading underwear players, Chinese consumers are more open and attach more importance to intimate apparel. Underwear is no longer regarded as a basic necessity solely; their design and sexiness, functionality, degree of comfort and support now carry great weight with Chinese consumers' purchasing decision.

A wider range of colours apart from the traditional nude and white is now available in the market. Besides, there is a broader choice of designs such as strapless, backless, lace, jacquard and printing fabric bras. Demand for underwear that helps shape one's body figure such as push-up bras and gel bras is growing as well.

#### **(5) Enterprises are exploring new segments**

Enterprises are also actively exploring the new segments. Sports underwear and T-shirt bra are fast in gaining popularity along with increasing health awareness and the growing fitness drive. Acceptance is growing for sexy lingerie; its sales peaks at occasions such as the St. Valentine's Day and Christmas. Yet, its market share remains tiny due to the relatively radical design and high price.

#### **(6) Bigger curves for Chinese women**

According to a recent study by the Beijing College of Clothing Technology, Chinese women have become taller with bigger chests over the past decade. The average height of the 6,000 women surveyed in China's Northern areas measures 162.82 cm and their average chest circumference is 83.54 cm. Chinese women are now 0.5 cm taller and their average chest circumference has increased by nearly 1 cm in the past decade. These changes are mainly brought by better food and more exercise. It is noteworthy, though, women in the North generally have a bigger body built than those from the South.

The trend of bigger curves for Chinese women has stimulated the demand for larger cup bras (sized C-E). Embry Group, for instance, will increase its production of larger-sized underwear.

## China National Commercial Information Centre (CNCIC)

### 中華全國商業信息中心簡介

China National Commercial Information Centre, formerly under the Ministry of Internal Trade of PRC, is a reputable national statistics centre in commercial area. Authorized by the State, CNCIC is responsible for collecting, compiling, analyzing and releasing market data; and producing magazines, reports and numerous publications. One of the important functions of CNCIC is to provide support for the government officials and bodies in formulating macro-control policies in the commercial area.

CNCIC possesses a powerful database and data tracking system. Over 260 large-scale retail enterprises report their sales data and other detailed information to CNCIC every month. Apart from that, CNCIC also has special access to more than 5,000 commercial enterprises' yearly statistical and financial data.

With a wealth of market data, comprehensive coverage and well-developed information system, CNCIC is known for excellence in providing information-based solutions for enterprises, such as formulating strategic expansion plan and conducting marketing research on the Mainland.

## Li & Fung Research Centre Member of Li & Fung Group

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**The Li & Fung Group** is a Hong Kong-based multinational company consisting of three distinct core businesses: export trading, distribution and retailing. Founded in Guangzhou in 1906, Li & Fung Group, with an annual turnover exceeding US\$8 billion, operates in some 40 countries and regions and employs over 24,000 people worldwide. One of its core competency is Supply Chain Management (SCM).

**Li & Fung Research Centre** ("the Centre") researches and publishes reports on wide-ranging topics: Chinese economy, consumer market, retail sector, trade-related issues, and consumer goods industries, etc. Apart from providing internal consultancy for the Group and its clients, the Centre also participates in formulating business strategies in the Mainland market.

The Centre has been actively promoting the application of SCM. In 2003, the Centre published the book "*The Orchestrator of Global Supply Chain Management*", which is regarded as a very useful reference among businessmen and academics in the Chinese mainland, Taiwan and Hong Kong.

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