

The Status Quo and Development of Korea Fashion Brands in Shanghai Market

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Abstract

With the acceleration of globalization, China accounts for a larger part in the world economy. The Korea fashion brands that have entered into China are becoming more diverse and various and China has become a major market of Korea fashion brands. More than 100 Korea fashion brands rushed into Shanghai, gaining a lot of attention. Korea fashion brands have market strategies such as differentiation strategy, high price and diversification. Korea fashion brands have gained a large market share in China owing to their diversity of products and successful marketing strategy. In order to get more profit, they should make more efforts to increase their brands' awareness, getting more potential consumers.

Key words : globalization, fashion brand, market share, target market differentiation.

I. Introduction

With the acceleration of globalization, China accounts for a larger part in the world economy. During the past 10 years, China has witnessed a boom in its domestic market. The Korea fashion brands that have entered into China are becoming more diverse and various and China has become a major market of Korea fashion brands.

II. Development Process

In 1980s, textile and fashion industry accounted half of Korea's economy (Porter, 2001). During the early 1990s, the Korea garment enterprises began to enter into China through the transfer of production equipment. In 1996, about 20 Korea fashion brands rushed into Shanghai, gaining a lot of attention. However, suffering from the

Asian Financial Crisis, they have to come back to their domestic market in 1997. Since 2000, with the popularity of Korea TV series, suffering of continuing slump of the Korea domestic market and the lower exchange rate, they began to enter into China again in order to make China the second largest domestic market.

The development process of Korea garment enterprises in China may be divided as 5 stages in <Table 1>: the market trial stage, market testing stage, market cutting off stage, market entry stage and market expansion stage (<http://www.wiki.mbalib.com>).

3. The Status Quo of Korea Fashion Brands

During the past 20 years, China has witnessed a great development in its economy, so the Korea garment enterprises have begun to promote

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〈Table 1〉 Entry Stages of Korea Garment Enterprises

	Time Range	Entry Forms	Target Market
Market Trial Stage	Late 1980s-early 1990s	Large enterprises centered outsourcing bases	Low-cost casual clothing
Market Testing Stage	Mid 1990s	Small and medium enterprises centered outsourcing bases	High-priced formal suit
Market Cutting Off Stage	Late 1990s	Non entry forms	No market in China
Market Entry Stage	Early 2000s	Production factories and bases	High priced market
Market Expansion Stage	Mid 2000s		

the entry process in China. According to the data provided by the Shanghai branch of Korea Garment Association, there were more than 100 Korea fashion brands in China, which indicates that China has become a major consumer market of Korea textile and apparel (Korea Fiber Association, 2007).

1. The Korea Fashion Brands in Shanghai Market

Shanghai, the sixth largest international city in the world, undoubtedly has been chosen as the first place for Korea fashion brands to enter into China. The Basic House Shanghai Fashion Co., Ltd, the E. Land Shanghai Fashion Co., Ltd and the Beaucere Shanghai Merchandising Co., Ltd and some other enterprises have moved their headquarters to Shanghai. Currently, there are 24 women fashion brands of 13 Korea garment enterprises in Shanghai. The Korea fashion brands in Shanghai market are shown in 〈Table 2〉.

2. The Characteristics of Korea Fashion Brands Entry to China

Both the popularity of Korea culture and the marketing strategy promote the development of its brands. All the Korea companies in China have a common feature: They all have some certain target consumers without large scale. They never compete with Chinese enterprises in a large scale market, but in certain niche markets (Jiang, Zhou, 2006). In this way, they sell and update quickly, and have high additional value. According to the needs of target market, they produce and make

a success. Especially in China, they add some Chinese design elements in their color design or the decoration of shops to gain more attention of Chinese consumers.

3. SWOT Analysis of Korea Fashion Brands

The SWOT analysis of Korea fashion brands in Shanghai market is shown in 〈Table 3〉.

IV. Case Study of Korea Fashion Brands for Ladies

1. E. Land Shanghai Fashion Co., Ltd

In 1994, E. Land entered China's market. After 15 years' development, it has opened 2,400 Specialty shops. In January 2009, its monthly sales climbed up to 118 billion WON, increasing 180% versus the same time of 2008 (<http://news.chosun.com>). E. Land has made a success in China owing to its market strategy of localization, high price, differentiation and diversification.

1) Localization

One of the most important strategies is localization. The managers sent from Korea must stay and live with Chinese staff for about half a year. What's more, the E. Land would like to hire local talents, for example, there are 500 workers in Shanghai, Chinese workers accounting for more than 80%, while 24% of managers are Chinese who must have some training courses in Korea for about half a year. In the near future, 70% managers will be Chinese (Korea Fiber Association, 2007).

〈Table 2〉 Korea Fashion Brands in Shanghai Market

Brands		Entry Time	Target Consumer	Design Style
E. Land Shanghai Fashion Co. Ltd	E Land	1996	The youth a litter elder than 20	Classic traditional, casual sports
	Teenie Weenie	2004	Fashionable youth	Fashion, romantic
	Scofield	2001	Age: 25-40	Fresh, simple, elegant
	Roem	2005	Age: 25-30	Romantic, fashion
	Scat	2006	Age:25-30	Sexy, cute
	Prich	2006	Age: 18-35	Classic modern simple
	Banila b	2001	Age: 16-25	Modern, elegant, charming
Basic House Shanghai Fashion Co., Ltd	Basic House	2004	All people	Lively, fashion, simplicity, comfortable
	Mind Bridge	2004	Age: 20-45 White collars	Romantic, highly capable, luxurious
Beaucre Shanghai Merchandising Co., Ltd	On&On	2000	Age: 20-30	Noble elegant, soft
	w	2003	Fashion lady around age of 23	Fashion
ab.f.z			Age: 21-27	Modern, fashion, simple, lovely
U.G.I.Z			Age: 18-25	Advant garde fashion
Jessi new york			Age: 25-40	Romantic, luxurious
ILC in SATIN			Age: 20-40 College students, White collars	Elegant, noble, simple, soft
ZOOC			Age: 25-45	Natural, charming, fashion
X.L.M.S		2004		Fashion, sexy, dignified, unique
MUST BE		1993		Fashion, simplicity, elegant, charming
LANCY FROM25			Above 25	Modern, simple, elegant
HAZZYS		2007	Age: 20-35	Leisure
Thursday Island			Age: 20-24	Healthy, sexy, comfortable, free vitality

〈Table 3〉 SWOT Analysis

Item	Analysis
Strength	<ul style="list-style-type: none"> - Culture strength: the popularity of 'Korean Wave' arouses the Chinese consumers' passion for Korea fashion - Product strength: the combination of western dress culture and eastern dress culture
Weakness	<ul style="list-style-type: none"> - Price weakness: high price - Brand weakness: the lack of world famous brands, less well-known brands - Talents weakness: the lack of bilingual talents in the area of clothing
Opportunity	<ul style="list-style-type: none"> - Large market: China is a big consuming country with total retail sales of consumer goods more than 10 trillion RMB - Industrial adjustment: little cost difference between China and Korea, highlighting the effect of publicity of 'made in Korea' - International events: 2010 Shanghai World Expo
Threat	<ul style="list-style-type: none"> - The fierce competition from home and abroad, well-known brands of Hong Kong and Japan gaining more attention of Chinese consumers - Too many procurement agents sell counterfeits on line in much lower prices

2) High Price

Though all the brands belong to E. Land have a high price position, they are favored by top consumer groups who earned more than 60,000 per year (<http://industry.yidaba.com>).

3) Differentiation

E. Land carries out differentiation strategy in two ways: price and circulation model. In China, these brands sell at high prices without any discounts. What's more, all the specialty stores are in the way of direct marketing.

4) Diversification

Since 1980s, E. Land promoted more than 30 brands including Scofield, ROEM, TEENIE WEENIE, SCAT and so on. Through these brands, we may find that there is a lot of connection between brands. Although they have same target consumers,

according to the different needs of customers, they must make their production diversity to gain more market share.

2. The Basic House Shanghai Fashion Co., Ltd

This brand grows very fast from 2000 to 2003, its specialty shops are up to 150. After the entry of Basic House into China in 2004, it witnessed 3.6 billion WON annual sales at the first year. What's more, in 2008, its annual sales climbed up to 78 billion WON with the benefit of 12 billion WON. Owing to the effort of itself, there have been 10 times specialty shops more than those in 2005 in China, enjoying the 20 times annual sales increasing (Korea Fiber Association, 2007). Its marketing strategy is: simplex brand, diversification and no localization.

1) Simplex Brand and Diversification (Table 4)

〈Table 4〉 The Constitution of the Basic House

		Basic House	Mind Bridge
Brand Concept		Simplicity, comfortable	Romantic, luxurious, able
Target Consumer	Age	All the ages	20-45
	Sex	Male/female	Male/female
	Profession	Students/white collars/house wife	Students; white collars; house wife
Price		400-1,500 RMB	400-3,000 RMB

〈Table 5〉 The Comparison of E. Land and Basic House

		The E. Land Shanghai Fashion Co., Ltd	The Basic House Shanghai Fashion Co., Ltd
Establishment		1980	2001
Entry Time		1994	2004
Brands Number		30	2
Specialty Shops Number		About 2400	About 400
The First Brand	Name	E. LAND	Basic House
	Brand Concept	Campus, sports	Simplicity, comfortable
	Target Consumer	Age: 16-25	All ages
	Price	200-1,800 RMB	400-1,500 RMB
Marketing Strategy	Common	No discounts and high price position	
	Differences	Diversification	Simplex brand and diversification
		Localization	No style differences between China and Korea

2) No Localization

Many Korea fashion brands gain larger market through localization. However, the Basic House insists on their own design style, window display and visual merchandising which are totally the same as those in Korea.

3. The Comparison of E. Land and Basic House

V. Conclusions

To sum up, the Korea fashion brands have gained a large market share in China owing to their diversity of products and successful marketing strategy. In order to get more profit, they should make more efforts to increase their brands'

awareness, getting more potential consumers.

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