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THE NECESSITY OF ZHEJIANG TEXTILE INDUSTRY'S TRANSITION  
FROM OEM TO OBM: CASE STUDY: ZHEJIANG ASSET UNDERWEAR  
CO., LTD.

Bachelor's Thesis 2010

## ABSTRACT

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The necessity of Zhejiang textile industry's transition from OEM to OBM: Case study Zhejiang Asset Underwear Co., LTD.

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OEM (original equipment manufacturer) has long been the major developmental mode of Zhejiang textile industry, which greatly contributed to its rapid development. However, this kind of low value-added operational mode has been seriously stroked in the market recent years. Lots of textile enterprises sprouted the idea of transition from OEM to OBM, and majority of them faced a dilemma that is transition really necessary.

Aim of the thesis is to demonstrate the necessity of Zhejiang textile industry's transition from OEM to OBM based on fully analysis of both of these two developmental modes. Several practical proposals about the transition and brand-building will be given in the end.

In the empirical section the transition course of Zhejiang Asset Underwear Co., LTD will be presented and it was mainly based on interview with the sales manager, Yang Rong and the managing director, Huang Xuxiao.

The results of the study show that the transition from OEM to OBM for Zhejiang textile industry is an inevitable trend, and the ultimate tendency is to develop OBM based on OEM mode.

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## 1 INTRODUCTION

### 1.1 Background

Zhejiang is located in the Chinese southeast coastal area, which has been a major player in the production and export of textiles. For the past few years, Original Equipment Manufacturer (OEM) has been prevailing in Zhejiang textile industry. A number of multinational corporations chose Zhejiang as their product-manufacturing base due to its low manufacturing cost, abundant manufacturing capability, good investment environment and favorable FDI policies, and gradually transferred their labour concentrated industry. Meanwhile, Zhejiang textile enterprises also took this opportunity to fully play their strengths, adopt advanced foreign technology, learn scientific foreign managerial experiences and keep strengthening their competitiveness.

Owing to the effective utilization of specialization and cooperation, OEM mode succeeded in increasing synergetic effect, avoiding redundant construction and reducing resources (Li 2008, 1). In the event that Zhejiang textile enterprises seriously lacked capital, brand, technology and sales network and so forth, implementing OEM mode can yet be regarded as a rational choice.

Admittedly, serving as the pillar industry of Zhejiang Province, the textile industry has been contributing tremendously to easing employment tension, increasing foreign exchange revenue and accumulating capital. At present, there is a considerable number of Zhejiang textile enterprises manufacturing for lots of well-know international brands, which really helped them survive and develop. Yet, Zhejiang textile industry remains at the end of the global value chain, whose development counts heavily on cheap labour force and abundant raw materials rather than long term competitive advantages. Zhejiang textile industry is superior in terms of manufacturing and also ready for accepting industrial transfer, but all the profitable operation factors such as innovative centre, advanced technology, R&D capability and sales network are seized by foreign companies. Zhejiang textile industry's development potential is not only subjected to both domestic and international market's over-supplement, but also restricted by insufficiency of resources and



conditions. The defects of OEM mode arise gradually. Moreover, as a result of years' rising of production cost, the low cost advantage of Zhejiang textile industry has been disappearing, textile enterprises' profit space is getting less and less. Meanwhile, there are already many other developing countries' labour cost has been lower than China, also owns essentially similar industrial structure with Zhejiang textile industry. Some of their processing products' competitiveness has been beyond Zhejiang textile industry. What is more, the increasing trade frictions and limited quotas have always threatened the development of Zhejiang textile industry. The current situation appears to be increasingly severe.

Under such circumstances, Zhejiang textile enterprises are actively thinking of reform to out of the difficulty. Also, lots of them came to realize that create and cultivate own brand is the key to acquire new competitive advantage in the increasingly drastic international market competition. But the high risks for transition made them into a dilemma: is the transition really necessary? Is there any other ways to choose from?

## 1.2 Research questions

The research questions

- Why it is necessary for Zhejiang textile industry to transfer from OEM mode to Own Brand Manufacturer (OBM) mode?

Sub-questions

- What challenges Zhejiang textile industry may face?
- What is the current status of OEM mode in Zhejiang textile industry and what may causes crisis?
- How the OBM mode may affect Zhejiang textile industry's further development?
- What are the factors restricting the transition?

- What suggestions can be given through this research?

### 1.3 Objective of the study

This thesis narrowed the discussion of OEM mode to a specific industry, namely Zhejiang textile industry. The main purpose is to demonstrate the necessity of Zhejiang textile industry's transition from OEM to OBM mode based on fully analysis of them. In addition to this, several practical proposals in the choice of transition paths and brand management will give through the combination of theoretical knowledge and Zhejiang textile industry's practical situation. The empirical part of my thesis introduces a typical OEM textile enterprise – Zhejiang Asset Underwear Co., LTD, that has started its transition to OBM mode. The primary task in the empirical part is to introduce the course and performance of case company's transition, then to give a practical evidence of the theoretical part.

### 1.4 Methodology

Qualitative research method is mainly conducted in this thesis. For the theoretical part, most data and information is collected from related literatures, articles, news, webpage and announcements or reports published by some official or economical institutes. Due to the research of OEM problem has been narrowed down to a fixed area and a specific industry, namely, Zhejiang textile industry, so there was a lot of information available on this topic is in Chinese, which mainly used in sections like current situation of Zhejiang textile industry and overall review of OEM and OBM mode in Zhejiang textile industry and so on. There is still an considerable number of literatures in English were referenced, mainly focus on the explanation of main terms such as OEM, Original Design Manufacturer (ODM), OBM and brand and several support theories like value chain, global value chain, core competence and brand management strategies.

In the empirical part, a case study of Zhejiang Asset Underwear Co., LTD was presented, which was mainly carried out via in-depth telephone and e-mail interview. The managing director and sales manager of case company were

interviewed in 18 March 2010. A good research not only needs strong theoretical foundation, but also the support of practice, that is the major reason for choosing case study as the main research method in the empirical part. The case described the history of the case company, the reason for their transition, the transition path they chose, several practical strategies they used in developing brand strategy and the plan to international branding, which was regarded as an initial successful and typical transition case in Zhejiang textile industry. That is a strong evidence for the theoretical research that made this thesis much more persuasive and practical, which is also of great referential significance for other small and middle sized textile enterprises in Zhejiang. Furthermore, there is a great deal of detailed, new, reliable and practical information gathered through the interview. Asset has become a comprehensive company that is actively involved in design, R&D, and marketing, so they collect the latest information in the textile industry and carry out periodical investigations, which is another main source of information and data of this thesis. Also, it is a direct communication, more extra questions can be asked, and so fewer mistakes would be made. Actually, in addition to the information that collected directly from those two interviews, the case company also provided many written materials. Because interviewees are quite busy, the interview was carried out brokenly so as to the total time spent is difficult to calculate. After all, this interview was successful. The theoretical knowledge and empirical findings have been linked together and discussed in this part.

### 1.5 Case company

Zhejiang Asset Underwear Co., LTD is an Export-oriented enterprise, which specialized in manufacturing ladies' underwear. This company was set up in 1997, owned fixed assets RMB 30 million and 900 professional staff. Owing to the high quality, competitive price and good service, Asset has won many well-know European and American brand dealer' recognition and become their steady supplier, like "Marks & Spencer" (Asset, 2010).

According to previous background introduction, it is easy to see that the current situation of Zhejiang textile industry allow of no optimist. Moreover, the

international textile market has been seriously stroke by economic crisis, which inevitably caused a sharp decrease in orders of many Zhejiang textile enterprises, Asset is one of them. The “small quantity and low profit” order pattern did no longer match the requirements of enterprise’s development. Then, Asset started to transform. Asset adjusted his market positioning, actively sought the cooperation opportunity with stronger clients, and successfully established a long-term relationship with the world’s biggest underwear retailer - Marks & Spencer in 2007. On the other hand, Asset created their own brand and marched into the Chinese domestic market. In 2006, Asset launched three underwear brands - “Asset”, “Yanjue”, and “Ai Shita” towards the domestic market triumphantly. “Asset” was honored as China Well-known Trademark in 2008, and as of 2009, there are over 600 specialty stores of Asset in China (Asset, 2010). OEM mode and OBM mode’s mutual development successfully eased the difficult situation of Asset.

The situation of Asset is quite suitable for the thesis topic. Asset is a typical OEM mode in Zhejiang textile industry that has started to implement OBM mod, and also has got a good performance in the domestic market. Expanding domestic market with own brand just the company’s first step of transition, in the near future, there is also the possibility for Asset to enter into the international market with their own brand. Another important reason to choose Asset is work experience in the company, so I had some previous acquaintance with Asset, and also that is much easier to gather practical information from them.

## 1.6 Benefits from the study

OEM and OBM has been a quite important and practical problem not only in Zhejiang textile industry but also many other fields like manufacturing industry. OEM enterprises can know more detailed information about OEM and OBM mode from the thesis; also will become much more conscious of their own problems in the implementation of OEM mode. The information and empirical findings that provided in this thesis will give rise to new ideas to help Zhejiang textile industry’s transition from OEM mode to OBM mode. Furthermore, the thesis research and writing process simply very useful for future careers.

Through it, many research methods or theoretical knowledge is reviewed that learned from school and acquired a more practical way to gather and analyze information.

### 1.7 Structure of the study

The thesis includes 8 chapters in which the chapters from 2 to 6 contain the theoretical part of the study and chapter 7 represents the empirical findings. The conclusion was drawn in chapter 8. The general contents of the chapters are as follows:

Chapter 1 introduces the background of the study, the case company, the research objectives and questions, the methodology, the summary of previous study, and the main benefits from this study.

Chapter 2 gives a general introduction of value chain and core competence theory, and also includes a detailed explanation of related key terms like OEM, ODM and OBM, and make comparisons to make the better understanding of the this topic.

Chapter 3 analyses the developing status of Zhejiang textile industry. Concluded that Zhejiang textile industry remain at the end of global value chain while the rapid development. Lack of own brand, price-based competition and weak innovative ability are three main problems of Zhejiang textile industry.

Chapter 4 is the emphasis of this thesis, in which OEM mode was analyzed deeply. It gives an in-depth introduction of the strengths of developing OEM mode that Zhejiang textile industry depended on and the current crisis that OEM mode confronted with.

Chapter 5 discusses that Zhejiang textile industry's development has been transferring to OBM mode. Explained reasons for Zhejiang textile industry to choose brand as their future development strategy based on the relationship between brand and core competence, and introduces restrict factors in the

way to OBM and some abilities that enterprises must have while the process of transition.

Chapter 6 proposes several proposals for transition path and implementation of brand strategy on the basis of some restricted factors and problems emerged in the course of adopting brand strategy.

Chapter 7 carries out a case study, which includes the history of case company, the reasons for its transition, the transition path they chose, several practical strategies they used in developing brand strategy and the plan to international branding.

Chapter 8 presents a conclusion of the whole study. The quality of theoretical and empirical analysis is evaluated. In the final, several suggestions for further studies are given.

## 2 THEORETICAL FRAMEWORK

The theoretical part of this thesis is aiming to cover the area of the strategic transformation of Zhejiang textile industry, from OEM to OBM mode. This is supposed to give more understanding of OEM mode, OBM mode, what factors enforce companies to transfer and how do the transformation can be done. In order to answer those questions, the theoretical knowledge about brand management and supply chain management will be applied in this thesis.

Following are explanations of some basic terms and main basic theories that supporting the thesis and their relationship with the problem-resolving related to the research topic:

### 2.1 Literature review

OEM and OBM mode is actually a very practical and serious problem in Chinese textile industry, as well as in Zhejiang textile industry. There have been lots of previous studies related to this topic, both foreign and Chinese domestic literature. Foreign literature stands in OEM consignor primarily, discussing how to protect OEM consignor's benefits. Herbig and Hara (1994) thought that the OEM cooperative mode would continue to grow and proposed ten principles that OEM consignor and OEM supplier must obey to maintain the balance between them. Grossman and Helpman (2004) carried on a research to guide enterprises to make a good choice between outsource and self-manufacturing. Gilbert, Stephen, Xia Yusen and Yu Gang (2006) put forward that cooperating with OEM supplier can ease the destructive price competition between brand manufacturers, and then prompting their further development. We can see that most of foreign literature is concentrated on OEM consignor how to choose reasonable OEM supplier and how to handle the relationship with OEM suppliers, then making better use of OEM mode. Comparatively, most Chinese domestic literature are stands in OEM suppliers primarily, discussing the advantages and disadvantages of OEM mode to OEM supplier and giving proposals to OEM supplier's further development. Zhong MIngpeng (2003) thought that Chinese OEM enterprises should focus

on OEM mode, accumulating manufacturing capacity and expanding cost advantage to enhance negotiating capacity. Song Gaoyong (2004) applied the game theory to analyze the size of profit between OEM consignor and OEM supplier and proposed that along with the continuous increasing of OEM suppliers, the profit of OEM mode will getting smaller and smaller. Liu Peipei (2005) took “Galanz” as an example to fully affirm the importance of OEM mode in enterprises’ internationalization road. Shen Zhicheng and Lu Wenan (2006) through the analysis of Chinese major export commodities’ RCA index data and thought that Chinese labour intensive industries’ comparative advantage to participate in international division has been decreasing gradually, enterprises should rediscover OEM mode and quicken the technical innovation (Ding 2008).

## 2.2 OEM mode

OEM is a short form of Original Equipment Manufacturer. The term of OEM began to be used in the 1950s by US computer makers who used East Asian suppliers to produce equipment for them (Anthony & Eddie 2009,3) . After the proliferation of electronic industry, it has been a common phenomenon on the world’s scale. It is a necessary outcome of social division and specialization. Classical economists thought that specialization can cause the extension and diminution of marginal profit space, so as to achieve the reasonable allocation of social resources.

The initial meaning of OEM is a manufacture produce whole or part of the products according to the requirements of brand owner, this kind of product usually just be marked with the brand name of the brand owner, rather than the name of the manufacturer (Lin 2008, 12). On the other hand, Anthony & Eddie (2009, 3) proposed that under the context of OEM mode, the manufacturer produces the end products based on specific requirement from a buyer who buy and markets the end products under its own brand name, through its own market distribution channels. To be exact, OEM is a form of commercial subcontracting. The OEM supplier produces a product on the basis of requirements specified by the buyer; the supplier and buyer are two separate companies; the product is bought by the buyer and sold under the



buyer's brand name; and the buyer lacks control over distribution (Gereffi 2003, 3).

## 2.3 The differences with related concepts

### 2.3.1 The difference with outsourcing

Hamel and Prahalad (1990) proposed the concept of outsourcing firstly in the article of "The core competence of the corporation", which is often viewed as involving the contracting out of a business function to an external provider. As a management mode, it has the essential attributes that through integration and utilization of external excellent professional resources to reduce the cost, enhance the efficiency, focus on core competence and strengthen the quick response ability to external environment. The common outsourcing approaches are as follows: production outsourcing, sales Outsourcing, human resource outsourcing, logistic outsourcing and service outsourcing.

Actually, OEM can be defined as a form of outsourcing. Production outsourcing can be divided into two different kinds (OEM mode and ODM mode) according to whether it comes down to the process of product design and development or not. OEM just involves the manufacturing and ODM also needs to be participating in product design and development (Ding 2008, 6).

Nowadays, outsourcing has been regarded as a strategic management concept, which concentrates on enhancing enterprises' core competence via integration of resources. The main objective of outsourcing is to reduce cost. As a strategic management means, the management content and methods are more complicated than concrete operations. The concept of OEM is not equivalent to outsourcing, whose scope is much smaller than outsourcing. OEM mode is a form of outsourcing, and is adapted in enterprise' operating strategy as a kind of practical operation mode (Ding 2008, 6).

### 2.3.2 The difference with ODM mode

ODM is a short form of Original Design Manufacturer, and is commonly defined as a certain type of contract manufacturing service where suppliers

provide both design services and volume production. (Timothy & Lee 2004, 17) As Anthony & Eddie (2009, 3) indicated in “the Withering of OEM Model and they Way Ahead for Hong Kong Enterprises”, in the context of ODM mode, suppliers are responsible for some or all of the product design and production that essential to make a product, usually on the basis of a rough design layout provided by the buyer.

The main distinction between OEM and ODM is the former can get the design project from the entrusting party and the trustee are not allowed to provide the design project to any third parties; the latter needs to participate in both producing and designing processes. If only the entrusting party does not buy out the whole design project, the trustee has the right to sell it to third parties. ODM mode has much higher technical content and profit than OEM mode (Ding 2008, 6).

### 2.3.3 The difference with OBM mode

OBM is a short form of Own Brand Manufacturer. Simply put, OBM is a company whose products are sold under its own brand name (Yang 2006, 9). Zhong (2007, 3) defined OBM as follows: enterprises create own brand with the help of innovative technology, and participate in international competition with it. To be more precise, OBM enterprises are only responsible for processes like brand management, marketing, distribution and after sales service and sell their products and services to consumers directly or through indirect channels (Anthony & Eddie 2009, 8). Therefore, the essence of OBM is brand strategy. Otherwise, Gereffi (2003, 3) defined OBM from the perspective of OEM enterprises' upgrading: OBM is the upgrading process of the manufacturer from OEM mode's production expertise to R&D and then sell products under their own brand.

OBM mode is significantly different to OEM mode, enterprises who adapt OBM mode must have a great control of all the processes from R&D, manufacturing to sales and so on. OBM has to be the most profitable one among these three modes, as well as the most risky one. Compared to OEM

mode, OBM mode needs much more investment in the whole process (Ding 2008, 13).

## 2.4 Brand

### 2.4.1 Definition of brand

Brand has long been a means to differentiate the products of one producer from those of another. To be exact, brand is originated from the Old Norse word *brandr* that means 'to burn', which is commonly used to mark and identify animals by the owners of livestock. (Wiley 1992, quoted in Keller, 2007, 2) According to the American Marketing Association (AMA), a brand can be defined as a name, concept, sign, symbol, or design, or a combination of them to identify and distinguish a specific goods and services of one producer from others. (Keller 2008, 2) Also, Zhang (2002, 41) thought brand is a kind of intangible asset, which represents some extra value that consumers are willing to pay for.

### 2.4.2 Characteristics of brand

Zhang (2002, 41-43), Keller (2007, 2-10) and Ding (2008) have discussed brand and its main characteristics respectively. The following is a combination of those research findings and personal opinion related to this field.

- I. Brand is associated with specific product or enterprise, which has exclusiveness. Brand is able to attract customers those who held the same idea and value that brand delivered; customers' recognition of one brand means the exclusion of others. Also, brand is used to identify goods or services of the sellers, and brand owners share the propriety right of certain brand after law cognizance. Hence, brand owner have the right to exclude other enterprises or persons from copying and counterfeiting.
- II. Brand is a kind of intangible assets, which unlike tangible assets that can be expressed by physical substances, but can create and maintain tremendous profit or value for enterprise.

- III. Brand owns rich connotation. Brand is not only a mark that used to identify specific goods or services, it also contains lots of added value such as culture, lifestyle and world value etc, which is another point that brand, is capable to attract customers in addition to the quality and characteristics of product.
- IV. Brand owns the attribute of extension. Brand has Identification Function, symbols a sort of product or an enterprise. Enterprise can take advantage of this attribute to launch new product or expand new market and so on.

## 2.5 Value chain theory

Porter (1985) proposed the concept of the value chain to describe a sequence of value-adding activities for product flow in the enterprise. Porter thought that value chain includes five primary activities and four support activities. Five primary activities are directly concerned with the creation or delivery of a product or service, mainly includes inbound logistic, operations, outbound logistics, marketing sales and service and four support activities are procurement, technology development, human resource management and firm infrastructure (see Figure 1).

Every enterprise is a combination of many activities such as design, produce, market, deliver, and support its product; each management activity is a link in the value chain. Porter indicated that not every link can create value, only some parts of specific links have the ability, which are known as strategic links. The competitive advantages that enterprises want to maintain exactly are advantages on some specific strategic links. So the first step of value chain analysis is to confirm the structure of the value chain. Then make sure each activity's contribution to enterprises' integral value through comparing with external independent activates. If an activity's cost is lower than market transaction price, then, this activity is the one who make contributions to the enterprises' terminal value, namely, the strategic link in the enterprises' value chain; and if an activity's cost is higher than market transaction cost, then, the value provided by this activity is a negative value. Enterprises should grasp

strategic links to realize maximization of profit. For the links who providing negative value can consider outsourcing. Porter's value chain theory indicated that the competition between enterprises is not only the competing of certain strategic links, but also the competing of the whole value chain. The competitiveness of the value chain determines the competitiveness of enterprises. That's the theory basis of specialization and cooperation (Porter 1985).

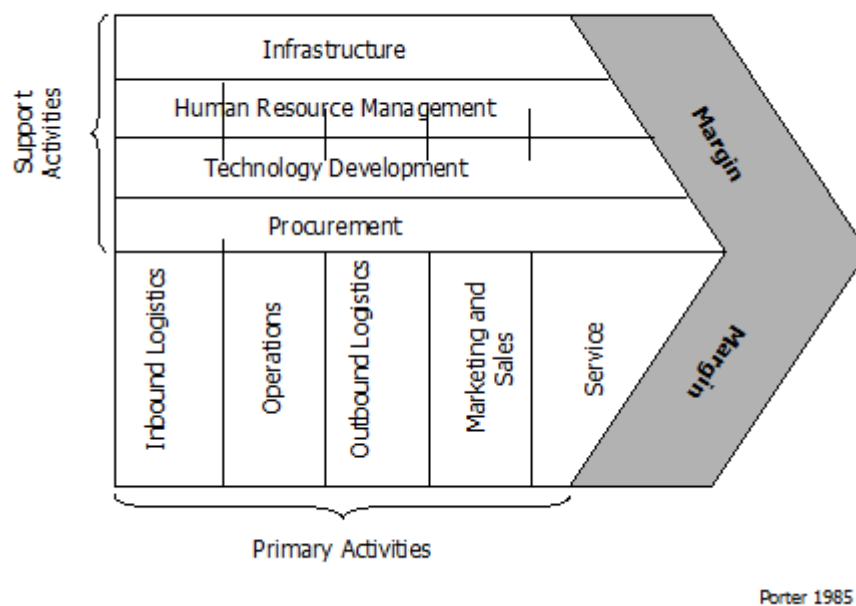


Figure 1 Organizational Structure and the Value Chain (Porter 1985, 37)

In OEM mode, brand manufacturers focus its resource on strategic links that they are good at like R&D, market operation and brand promotion and so on and give up the production. In contrary, OEM suppliers focus mainly focus its resources on processing. The mutual cooperation of them constitutes a whole value chain, and then achieves a win-win situation between brand manufacturers and OEM suppliers (Porter 1985).

## 2.6 Global value chain theory

Gereffi (1999) developed the concept of value chain into "global value chain", providing an analysis method for the geographic and organizational

characteristics of international production and sales, extending the scope of specialization into a global scale, revealing the dynamic characters of global industry and better describing the distribution network of multinational products, which is organized by developed countries who have stronger brand advantages and mature sales network via global procurement and cooperating with OEM suppliers. Also an upgrading path was proposed based on it: OEA-OEM-ODM-OBM, namely upgrading with production and subsequently into design, marketing and branding. This path has been demonstrated by many East Asian countries' course of industrialization.

Shi zherong (1996) described the value relationship between different links of global value chain as smiling curve, which shows the value added to a product at each part of the manufacturing process from research and development until it reaches the consumer. In many industries the profitability at various stages of production has come to follow a U-shaped curve - high at the upstream (R&D and manufacture of main parts) and downstream (sales and after-sales services) processes and low at the midstream processes (Manufacturing and assembling).

Figure 2 describes the phenomenon that the profits or the added values of the processes in the middle of the value chain (manufacturing and assembly) go down while those of the processes at the ends of the value chain (parts and raw materials, and sales and services) increases.

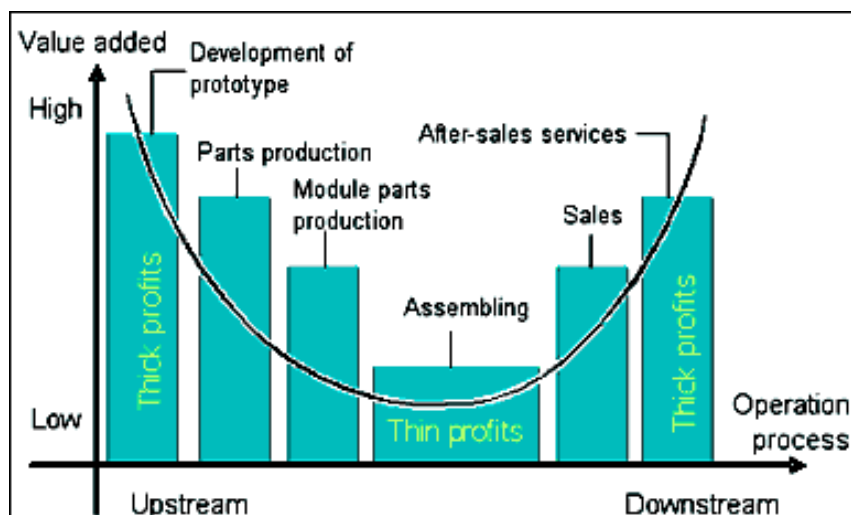


Figure 2 Smile Curve (Kwan 2002)

## 2.7 Core competence theory

Prahalad & Hamel (1990, 4) proposed the concept of core competence. As they had done, core competencies can be defined as a process of collective learning within an organization, especially how to coordinate various production skills and integrate technologies from different multiple streams. According to above description, core competence is an ability that hidden behind a concrete product. Enterprises can integrate their resource superiority, develop products or service with unique competitive advantages and form special expertise that is unable to substitute by others. To be core, it must meet the following three requirements (Prahalad & Hamel 1990, 18-19):

Firstly, customer value: must make a disproportionate contribution to customer perceived value. They are the skills that enable an enterprise to provide a fundamental customer benefit. For example: cost reduction, improvement of product quality, good after-sales service etc.

Secondly, competitor differentiation: a capability that must be competitively special and difficult to be imitated. It does not mean a competence must be uniquely owned by a single enterprise, but it does mean that a enterprise must have at least a set of skills and capabilities to be in the first place within the industry, which can bring about profit is higher than average profit level.

Thirdly, extendability: A core competence like technology, it can extend a serious of advanced products or service for enterprises, then exploit one or more potential markets or expand into new fields. The extending course is described as follows: core competence→core technology→core product→final product.

Core competence is not limited to some certain unique skills or scarce resources, and is the unification of them, which has the ability make one or more operations reach first-class level within the industry. More simply, core competence is the ability that is difficult to be imitated and can bring excessive profits. In essence, enterprises are the syntheses of various abilities, accumulating, utilizing and sustaining core competence is the foundation for

enterprises to form long-term competitive advantages. OEM mode is one of the strategies of core competence at the operational level. Enterprises concentrate on operations with core competence, and outsource non-core operations to outside organizations. It not only helps to reduce cost but also benefit for obtaining core competitive advantages. The cooperation of OEM mode is based on mutual willing to outsource their non-core operations to each other, then achieving the maximum utilization of core competence.

These three theories all lead up to a same point, which is corporation strategic alliance. On the basis of rational divisions, OEM customers and OEM suppliers achieve the complementary advantages and common development. Yet, along with the tremendous change of both domestic and foreign trade environment, such as continuous rising of raw material and labour force, fierce competition from other developing countries, and increasing international frictions etc, OEM suppliers' situation has getting more complex and difficult; OEM did no longer regarded as a sustain development strategy for them. Therefore, they try to seeking new competitive advantages. Porter's value chain model was established on the basis of manufacturing, so when it comes to a specific industry or product, there must be differences in the component of the value chain and those so-called strategic links. Like textile industry in this thesis, brand is regarded by lots of successful enterprises as the most important competitive advantage, namely, is the strategic link for them in the textile value chain. Also as a carrier of proprietary intellectual property rights, brand has been regarded as the most sustainable outward manifestation of core competence. The value of brand is a reflection of the comprehensive strength of design, production, craft, advertising and marketing, which is quite correspond with the updating path of global value chain, from the production in midstream to design, R&D and marketing in upstream and downstream. The international market competition has been shifting from product competition to brand competition; hence, brand is enterprises' strategic resource and the most important asset. Building an own brand and realizing how to cultivate and maintain it is the key to achieve success in fierce competition. In a word, brand is the new sustain competitiveness that most Zhejiang OEM textile enterprises need to seize.



### 3 DEVELOPMENT STATUS OF ZHEJIANG TEXTILE INDUSTRY

As a pillar industry of Zhejiang national economy, textile industry plays a tremendous role to promote economic development. From 1978 to 2008, Zhejiang textile industry's sales revenue share increased by 4.2% to 23.1%, up from No. 8 to No. 2 in China. To the end of 2008, the number of Zhejiang enterprises who above a designated size has reached 11505, owned 19.38 million staff and achieved sales revenue of \$106.31billion. The total production volume of main textile products like yarn, chemical fiber, printed and dyed cotton fabric, silk, garment, household textile and Technical Textiles all take their place in the front row of China. The overall quality and effectiveness of industry functioning and development of Zhejiang textile industry is higher than the national average level. Zhejiang also ranked first in China in the number of textile enterprises who were awarded China Branding Business and China Renowned Brands (Zhejiang Province Government, 2009).

#### 3.1 Exporting status

##### 3.1.1 The decline in export growth

Zhejiang is one of the leading provinces for producing and exporting textiles in China also. Figure 3 is Zhejiang's textile and garments exporting status from 1997 to 2009. Data shows that Zhejiang's textiles and garments export have maintained a growth momentum before 2009. With the gradual cancelling of quota system in world textile trade, Zhejiang textiles and garments export volume exceeded \$10 billion, amounted to \$10.81billion in 2002. In 2005, export volume broke through \$20 billion for the first time, came to \$24.43 billion, and accounted for 21.5% of the Chinese textiles and garments export volume, saw year-on-year rises of 23.8%, ranked first in China. As it is indicated in figure 4, the proportion of Zhejiang textiles and garments export accounts for the international market share also saw a continuous growth.

However, under the serious influence of economic crisis, the export volume growth rate started to decrease from 2008, the total export volume reached \$42.26 billion, the year-on-year growth rate declined to 18.44%. We also can

see a small decline of Zhejiang textiles and garments export volume in 2009. All in all, Zhejiang textile industry has been experiencing dilemma, the overall growth speed begins to slowing down, but its important position for Zhejiang province's or even China's economic development still cannot be neglected.

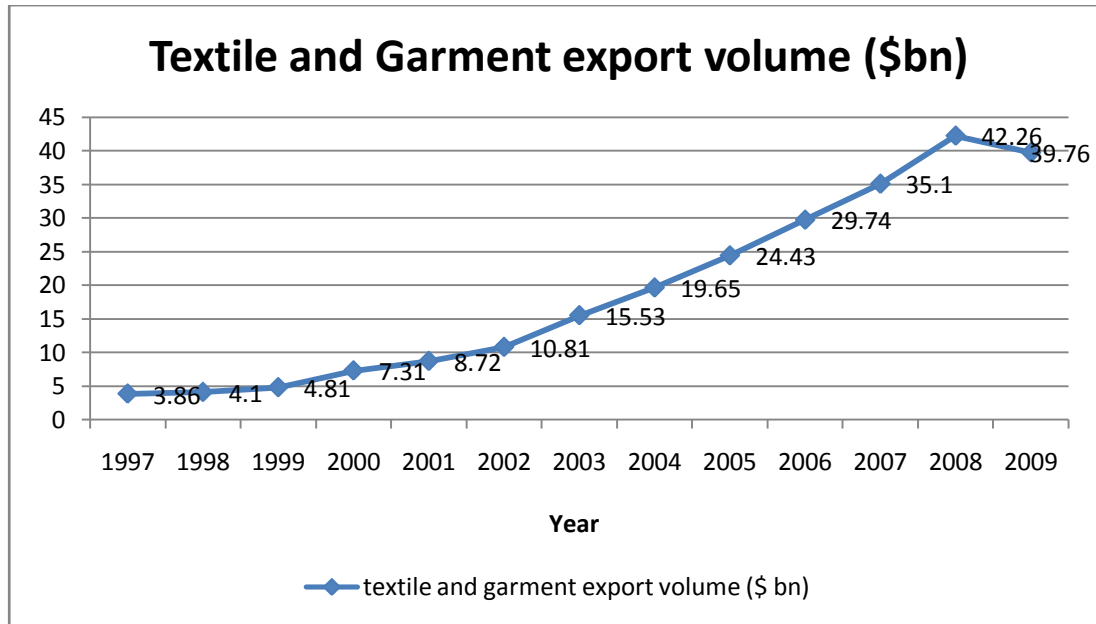


Figure 3 Textiles and garments export status of Zhejiang textile industry from 1997 to 2008 (Zhejiang Provincial Statistical Yearbook 2008)

Table 1 Textiles and garments export status of Zhejiang textile industry from 1997 to 2008 (Zhejiang Provincial Statistical Yearbook 2008)

Year	Textile export volume (\$ bn)	Textile export / Zhejiang's total export volume (%)	Garment export volume (\$ bn)	Garments export /Zhejiang's total export volume (%)
1997	1.03	10.17	2.83	27.98
1998	1.07	9.86	3.03	27.84
1999	1.34	10.40	3.47	26.94
2000	2.22	11.41	5.09	26.22
2001	2.86	12.47	5.86	25.51
2002	4.09	13.91	6.72	22.86
2003	6.39	15.36	9.14	21.98
2004	8.89	15.29	10.76	18.51
2005	11.11	14.47	13.32	17.34
2006	13.81	13.69	15.93	15.78

2007	17.01	13.26	18.59	14.49
2008	20.67	13.40	21.59	13.99
2009	19.02	13.01	20.74	13.46

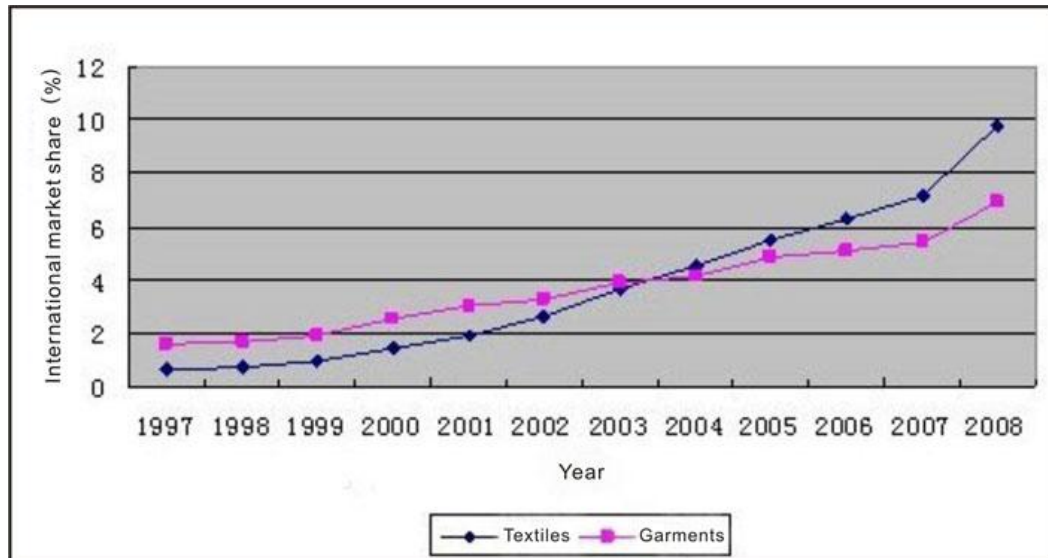


Figure 4 International market share for textiles and garments export of Zhejiang textile industry (Zhejiang Provincial Statistical Yearbook 2008)

### 3.1.2 Market diversification

America and European Union has long been China's largest textiles and garments export market. Over the years, Zhejiang textiles and garments export remain concentrated on these two regions, whose export volume accounted for more than 40%. Nevertheless, the export Zhejiang textiles to America and European Union transformed from rapid growth to moderate growth in 2005 which caused by the textiles export woes. In 2005, the export volume of Zhejiang textiles to America and European Union increased by 50.1% and 55.5% respectively, 33.9 and 26.1 percentage point boost over the previous year. To be subjected to the quota restrictions on international textiles trade, the export growth of Zhejiang textiles to America and European Union slowed to 21% and 11.5%; and from January through August 2007, the export of Zhejiang textiles to America and European Union increased 15.6% and 13.5% separately (Chinese Ministry of Commerce 2008).

Zhejiang textiles' exports to a portion of emerging markets are forging ahead while exports to America and European Union are going down. After the textiles export woes and the reaching of "China and American textile trade agreement" and "China and European Union textile trade agreement", Zhejiang textile enterprises placed more emphasis on exploring market in ASEAN, Africa and Latin America etc, the Zhejiang textiles' export has been shifting toward a diversified market. In 2006, Zhejiang textile's export to Africa and Latin America increased by 29.8% and 49.1% respectively, higher than European Union and America's export growth rate: 24.7% and 11.5%, accounted for 8.9% and 6.7% of Zhejiang textiles' export volume, 0.5 and 1.2 percentage point increased over the previous year; furthermore, Zhejiang textiles' export to Mexico and Pakistan increased by 191.2% and 87.8% separately. Between January to August 2007, Zhejiang textiles' export to Africa and Latin America raised to 9% and 7.5%. Those countries and regions increased gradually by year, which the annual import volume of Zhejiang textiles and garments exceeds \$0.1 billion, up from 43 in 2004 to 52 in 2007(Chinese Ministry of Commerce 2008).

Table 2 Growth rate of Zhejiang textiles export to EU and America from 2005 to 2007 (Chinese Ministry of Commerce 2008)

Year	European Union			America		
	Export Growth rate	Account for exporting to EU	Account for ZJ textile export volume	Growth rate	Account for exporting to America	Account for ZJ textile export volume
2005	130.7%	21.8%	5%	56.6%	61.2%	10.9%
2006	27.4%	17.1%	4.1%	11.7%	10.4%	1.7%
2007 (Jan - Aug)	44.3%	10.5%	2.7%			

### 3.2 Problems of Zhejiang Textile Industry

#### 3.2.1 Lack of own brands

Despite of years' constant development, we should be consciously aware that Zhejiang textile industry remains at the phase of primary production and processing, with low brand power and low brand identity ability. Furthermore, owing to a long term engaged in OEM mode, processing trade comprised more than one third in Zhejiang textiles and garments export, most of them are "stick a card" or "manufacturing brand-name goods" (Li & Xu 2006, 2). The international dependence degree of Zhejiang textile industry has amounted to over 40% (Zhejiang Province Government 2009). Just as a scholar once said that Zhejiang textile industry likes arms and feet that was controlled by foreign brain.

Among dozens of clothing listed companies in China, besides enterprises like Youngor and FIRS have a strong brand power, others' brand power are relatively weaker. Majority of them export products via OEM mode, then get some certain profit. According to the investigation by China Garment Association, from 1994, China has become the largest textiles and garment s producer over the world. But almost 95% of Chinese textiles and garments export belongs to low value processing products. As the main supplier for Chinese textiles and garments exports, Zhejiang textile industry's own brand export is less than 10%.

As counting on price advantage for a long time, there is an export model that consists in quantity growth and processing has come into being in Zhejiang textile industry's export, which only with a small international market share, less than 10% (Zhejiang Province Government 2009). Low brand competitiveness made it much difficult for Zhejiang textiles and garments to enter into the high-end international market. In the global textile value chain, Zhejiang has become one of the production base for various kinds of international textiles and garments brands, the upstream links like fibre R&D and downstream links like garment design are controlled by OEM customers (See figure 5), Zhejiang textile enterprises can only get a little process cost. Lack of own brand is one of the major drawbacks of Chinese textile industry, as well as of Zhejiang textile industry.

Figure 5 describes the value-added activities in textile industry, like fiber R&D belongs to high value added activities, and added value of those links like spinning, weaving and production are much lower.

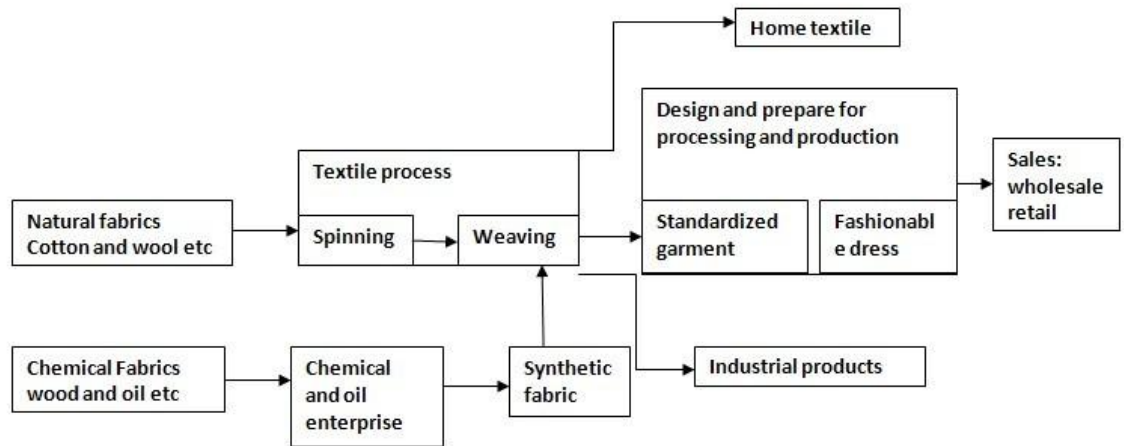


Figure 5 Value Chain in textile industry (Kessler 1999)

### 3.2.2 Price-based competition

Textile industry has a lower entrance threshold, which is characterized with less investment and quick returns. Therefore, after China's entry to WTO, there is a noticeable increase in investment in textile industry within some certain regions and areas. This kind of blind investment and expansion of enterprises intensified industry's excessive competition. Ever since 2000, Zhejiang textile industry showed a trend of rapid growth, especially at around 2003, the growth of fixed asset investment amounted to more than 100% (Ke 2010). Overheating investment in the textile industry to some extent led to over production and low-level overlapping constructions. Most of Zhejiang textile enterprises are only able to utilize 60% to 70% of the production capacity. For example, as shown in a survey by Chinese textile web that the production capacity of Shaoxing (the textile manufacturing centre of Zhejiang province) has reached 210 million tons, and the actual market demand is 173.5 million tons, exceeded 36 million tons. The National Development and Reform Committee have included textile industry in the list of industries that have surplus production capacity in 2005 (Chinese State Council 2005).

A serious consequence brought by excessive production capacity is the low-price competition. Zhejiang textile industry remains at a primary processing and production state. Lots of Zhejiang textile enterprises still bothered by lots of problems, such as lag in technology, weak in R&D and marketing ability, too much dependent on labour cost advantage. All of these let them position in low end market at the same time, similar orientation causes price-based competition (Li & Xu 2006).

Just as the Chinese ex-Commerce Minister (Bo Xilai) said, "China exports 0.8 billion shirts is equal to an airbus". As to Zhejiang textile industry, Shao xing has been to become synonymous with low-end in the international market, 95% of Tong xiang (another main textile manufacturing base of Zhejiang Province) sweater's manufacturer's price are less than \$2.93, 53% of them are less than \$1.5. Undoubtedly, low-price competition is the easiest market competition mode in the world, but we should remember that the lowest price is always only one. For Zhejiang textile industry, which has such huge production capacity but with low profit, price wars are equivalent to chronic suicide.

### 3.2.3 Insufficient innovation ability

Zhejiang textile enterprises' innovation system is not standardized, with weak R&D capability and insufficient absorptive ability to advanced technology. According to the statistics by China National Textile and Apparel Council, Zhejiang textile industry's R&D investment is less than 1% of total sales revenue, which seems too small in contrast to foreign companies' investment (more than 20%) in R&D. Actually, most Zhejiang textile enterprises developed from rural areas that usually have small business scale and insufficient capital. Furthermore, the lack of risk investment system and financial security system made most of them were difficult in loans fund. Then, in the very beginning, most of Zhejiang textile enterprises have no enough capital to meet the R&D and design expenditure. Almost 50% of them have no specialized R&D institutions; only 18.1% owns proprietary intellectual property rights; among most of textiles and garments exports, own brand exports only accounted for 10% (CNKI data). In terms of textile product, the innovation

ability of new fibrous material utilization, development and design is very weak. Especially the problem of quality stability after dyeing and printing, for example, there are few enterprises' product pass rate of 3~4 level product can reach 80%, most of them only can reach around 50%, yet, foreign advanced level has been up to 90%.

Moreover, most of Zhejiang textile enterprises are quite keen on importing foreign advanced technology and high-end fabric equipments, but neglected the digestion and absorption. The only result is importing, importing and importing, the overall equipment conditions of Zhejiang textile industry has basically remained unchanged (Zhejiang Province Government 2009). Therefore, they choose a so-called "shortcut"- importation and copy. Just as mentioned before that 50% of Zhejiang textile enterprise has no specialized R&D institution, so 80% of their products are copied from many other famous foreign brands. On the other hand, it is an undisputed truth that R&D activities need large investment but gets a slow return. So enterprises prefer to spend a huge sum of money in advertising rather than in R&D, which is a method with fast efficiency from their point of view. By now, there are no Zhejiang enterprises who have built a brand image in the international market successfully. If things continue in this way, Zhejiang enterprises will lose the core and achieve nothing eventually.

In Japan, large and medium-size enterprises regard independent innovation as the lifeline, enterprise's research personnel take up almost 70% of Japan's total research personnel. In America, the most prominent feature of national innovation system is to make every means to converts enterprises into the centre of technological innovation. In 2006, the R&D budget of American government was \$132 billion, and about \$200 billion belonged to private enterprises. The integration of production, teaching and research is greatly emphasized in Finland, almost 50% of enterprises have joint project with R&D institutions or universities. Finland's R&D investment accounts for 3.5% of GDP. That is what Zhejiang or even Chinese textile industry cannot match. (Economic Information Daily 2006)



## 4 THE ANALYSIS OF OEM IN ZHEJIANG TEXTILE INDUSTRY

### 4.1 OEM situation overview

For the past few years, OEM mode has been prevailing in Zhejiang textile industry. A number of multinational corporations chose Zhejiang as their product-manufacturing base due to its low manufacturing cost, abundant Manufacturing capability, good investment environment and favorable FDI policies, and gradually transferred their labour concentrated industry. Meanwhile, Zhejiang textile enterprises also took this opportunity to fully play their strengths, adopt advanced foreign technology learn scientific foreign managerial experiences and keep strengthening their competitiveness.

#### 4.1.1 Cooperative forms of OEM

There are three major types of OEM cooperative enterprises in Zhejiang textile industry: professional trading companies, industrial and trading companies and various kinds of export processing enterprises. According to different cooperative degree between OEM enterprises and OEM mode, they can be divided into three different modes (Chen 2002, 1-4):

In the first form, OEM suppliers have strong production and processing capacity and produce commodities totally according to the requirements from foreign partners. The whole cooperative process is very simple.

In the second form, OEM suppliers are responsible for a quite small portion of R&D activities, which mainly concentrate on the selection, purchasing and recommendations of fabrics or processing technique. This is more complicated while compared to first form.

In the third form, OEM suppliers widely involved in market research and product development activities, and usually will provide some new products for foreign partner to choose from.

The dividing line between the two is not always sharp. At present, the first form widely exists in Zhejiang textile industry, and the third one is less common, mainly applied in some joint venture or foreign-funded enterprises.

## 4.2 Strengths of OEM application

### 4.2.1 Labour cost advantage

Labour cost is defined as the total expenditure borne by employers in order to employ workers (Geneva, 1966). On the basis of commodity value theory, labour cost is an important constituent of production cost, so the level of labour cost will affect the commodity's price, and will eventually affect commodity's competitive advantage (Li, Chen & Li 2006).

In accordance with Porter's value chain theory, among the many value-added activities of enterprises, the value that each link can create is not equal. The value that enterprises create actually comes from some certain value-added activities in the value chain. Those operating activities that truly create value are known as strategic link. Enterprise's competitive advantages, especially those sustainable long-term advantages, exactly are advantages of those strategic links. Hence, seizing these strategic links means seizing the whole value chain (Porter 1985).

Generally speaking, the value chain of the textile industry can be described as follows: design→production→logistic→marketing. Zhejiang textile enterprises who has implemented OEM mode occupied the production link of the value chain. On the whole, textile industry belongs to labour intensive industry. From the point of view of multinational corporation's global strategies, labour cost remain is the key consideration in industrial positioning ((Li, Chen & Li 2006). China's labour cost is quite low because of its abundant labour resources and great employment pressure. According to statistics, wages for Chinese textile industry is \$ 0.69 in 2002, ranked in No. 48 in the world, which correspond to 1/20 of Japan's level, 1/20 of American-European countries' level and 1/8 of Korea's level. In terms of the investigation by China Finance, Trade &Light

textile labour union, annual per capita wages of Chinese textile workers is \$1274, only account for 50% of Chinese workers' average salary.

#### 4.2.2 Textile industry's accumulative effect

Industrial cluster is a geographic concentration of correlative businesses, suppliers, and related institutions within a specific field and scope. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. Textile industry cluster means associated textile enterprises, specialized supplier, service supplier, trade association and related government departments accumulate in some certain areas, and form textile industry cluster, which with sustained competitive advantage (Marukawa 2006).

Enterprises in the cluster are both independent and interrelated with each, exist specialization and cooperation, and also exist competition. Let whole cluster obtain benefits via external economic effectiveness, which is created by accumulation (Marukawa 2006). In 2003, China National Textile and Apparel Council designated 9 base cities and 17 characteristic cities of the textile industry, most of them are located in southeast costal area of China, like Zhejiang, Guangdong and Suzhou Province.

Take Zhejiang Province for instance, industrial cluster is a main characteristic of Zhejiang textile industry, mainly located in more than 70 cities and towns, such as Hangzhou, Ningbo, Wenzhou, Jiaxing, Huzhou, Shaoxing and so on, whose economic aggregate accounts for around 80% of whole Zhejiang textile industry. Until now, it has been formed Wenzhou's Western style clothes industry, Ningbo's Hosiery industry, Shaoxing and Xiaoshan's chemical fabric industry, Yiwu and Zhuji's shirt and socks industry, Haining's decorative fabrics industry, Yongjia's children's garment industry and Shaoxing's necktie industry and so forth (See Figure 6). Within 50 kilometers radius from Zhejiang industry cluster, raw material (inclusive of equipments, accessories, cloth, cotton etc.) supplement problem can be resolved easily (Zhejiang Province Government 2007). Those strengths are far advantageous than many other countries' textile industry. That kind of textile industry cluster not only

promoted the development of regional and distinctive economy, but also enhanced regional economic competitiveness.

Textile industry cluster is the primary factor for Zhejiang enterprises to obtain competitive advantages, which mostly show as follows (Marukawa 2006):

Firstly, textile industry cluster creates external large-scale economy benefits. Industrial cluster is not only the concentration of manufacturing enterprises, but also based on related specialized market, allowed those raw materials and products has entered into the cluster all can reach a large-scale batch production, which has great benefit of reducing single enterprise's transportation cost and transaction cost.

Secondly, industrial cluster strengthens the interaction of information, knowledge and technology between enterprises, which is good for enterprises' specialization, cooperation and technology innovation, further optimizing textile value chain.

Thirdly, industrial cluster brings about advertising effect. It attracted numerous overseas capital and technology invest in textile industry, which really helps to overcome enterprises' difficulties of large capital and strong R&D ability requirements in own brand building process.

Figure 6 shows the different textile products produced in some of the city- and township-level clusters in the Zhejiang province

**EXHIBIT 1**

**Examples of Textile Supply Clusters in Zhejiang Province**

<b>City</b>	<b>Featured Products</b>	<b>Town</b>	<b>Featured Products</b>
Pinghu	Apparel for exports	Datang	Socks
Shengzhou	Neckties	Fengqiao	Shirts
Tiantai	Filter cloth	Maqiao	Knitting
Yuhang	Home textile products	Puyuan	Sweaters
		Xucun	Interior fabrics
		Youchegang	Static flocking
		Yaqian	Chemical fiber
		Yangxunqiao	Warp-knitting
		Zhili	Children's wear

Figure 6 Examples of Textile Supply Clusters in Zhejiang Province (Wu, Yue & Sim 2006)

### 4.3 Crisis of OEM application

#### 4.3.1 Rising raw material prices

China is rich in textile raw material, which is one of the biggest producers of numerous textile raw materials. But recent years, the cotton output of China has been experiencing a constant shortfall, caused a wide price fluctuation. In accordance with the report by China State Statistics Bureau, the Cotton acreage was 7425 hectares in 2009, 1200 hectares down compared to previous year; and the cotton output is 6.4 million tons, 14.6% less than last year, which led to a cotton shortage of 2.69 million tons in 2009 (Yi 2010). As chairman of China Cotton Industry Association predicted that Chinese textiles output will reach 18.50 million tons in 2012, the shortage will extend to 6.26 million tons. The contradiction of supply shortage has been more and more acute (Zhu 2010).

Meanwhile, the upward trend of cotton price was unchanged from 2009 to 2010. In China, the price of cotton has increased from \$1611.5 per ton in 2009 to \$ 2197.5 per ton in 2010; the growth rate achieved 36%. In the international market, the price of cotton in New York has gone up to 82.61 per pound; the growth rate is 20% compared to last month. Chemical fabric is the downstream product of crude oil, which influenced by the rising of crude oil price; the price of chemical fabric has paced back and forth in top digit. By now, international oil prices have come to \$ 80 to \$100 a barrel (Yi 2010). From January to September 2009, Chinese chemical fabric industry has lost \$ 0.54 billion (Shanghai Securities News 2009). Cotton and chemical fabric are two major raw materials of textile industry. The constant increase of price has a great impact on textile enterprises, which directly related to the degree of cost and profit. The significant advance of raw material price and textile price cannot emerge at the same time, which eventually leads to the sharply decrease of textile industry's profit, to most OEM enterprises, who was much dependant on low cost advantage, that must be a serious stroke (Zhu 2010).

#### 4.3.2 Declining labour cost advantage

“2005 China regional financial operation report” issued by The Central Bank of China indicated that Chinese labour cost has been showing an upward trend. For years, Chinese textile industry enjoyed stronger competitiveness in the international market via labour cost advantage. But for the past few years, the continuous rising of Chinese labour cost is an indisputable fact, which is more obvious in some economically developed coastal provinces, and Zhejiang is one of them.

In such areas, rural migrant workers and technical workers are in a short supply, enterprises can meet labour demanding only through raising wages. Take Zhejiang Province for instance, the total labour demanding of Zhejiang enterprises is 603 hundred thousand in 2009, but job seekers was only 353 hundred thousand, which led to a gap of 250 hundred thousand. In 2008, Chinese minimum wage increased 21% (Zhejiang News 2009). According to the statistics by American Werner international textile, textile industry has broken a five year's record within one year that Chinese labour wages increased 34%, and coastal areas increased 23% (See table 3). The Asia chief business economist of America SALOMON Company ever pointed out that the labour cost advantage has been disappearing in some regions of China. He thought that after China's GDP reach \$1000, labour cost will appear an obvious upward trend in some industries and some regions.

After the abolition of textile quotas in 2005, China was confronted with more intense competition from many other developing countries' textile industry (Li, Chen & Li 2006). In contrast, those countries' labour cost is very close to or even lower than China, such as India, Vietnam, Pakistan, and Bangladesh and so on. According to figure 9, in 2007, Chinese textile workers' wage was \$0.85 per hour, India was \$0.69 per hour, Pakistan was \$0.42 per hour, and Vietnam was \$0.46 per hour. Porter indicated that there is no natural connection between competitiveness and cheap labour force, the major weakness of regarding production cost and Government subsidy as comparative advantage is that lower-cost production environment will emerge again and again. Today, you are emphasized by your great labour cost advantage, and maybe

tomorrow you will be replaced by another country who owns much lower labour cost than you.

So called Latin America trap and financial crisis in Southeast Asia were the consequences of international processing centers' continuous shifting in order to seek perfect investment regions. In contrast to other regions, the labour cost and business cost of Latin America and Southeast Asia is much lower, so they became the transferring centre of international capital, and then promoted local economic development. But, once there is a rising of labour cost and business cost in selected regions, international capital will choose new investment environment to pursue higher profit. Just like from Latin America to Southeast Asia, from Southeast Asia to China, which displayed the transferring path of international processing centre with the raising of cost (Li, Chen & Li 2006).

Table 3 Labour Cost Comparison between developing Textile Countries  
(Werner International 2007)

Country	Labour cost (US \$ /H)	Compare to 2002	Compare to 2004
China costal	0.85	+11.80%	+23.00%
India	0.69	+2.90%	+21.00%
Indonesia	0.65	+18.10%	+30.00%
China M	0.55	+14.50%	+34.00%
Vietnam	0.46	+64.20%	-----
Pakistan	0.42	+13.50%	+23.00%
Bangladesh	0.28	+0.00%	+12.00%

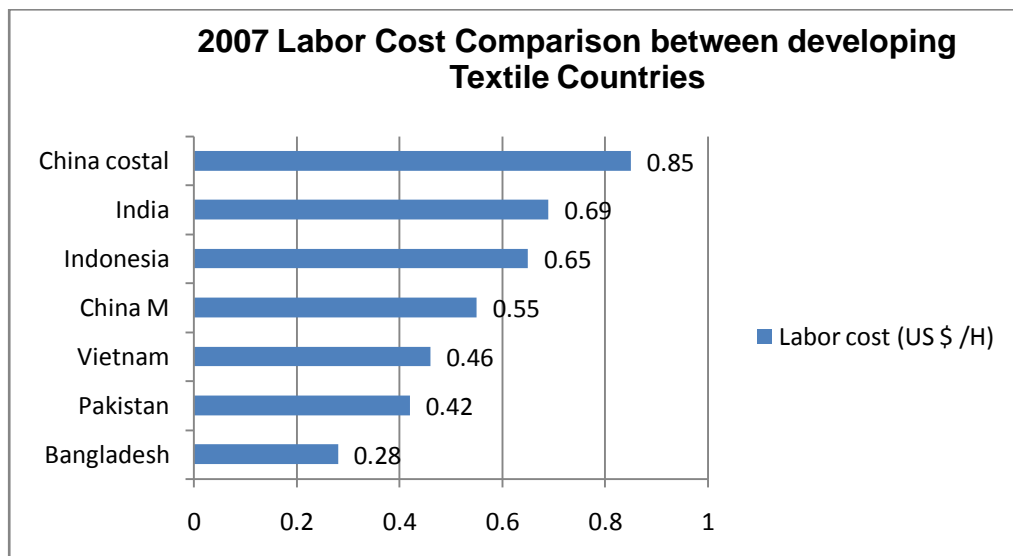


Figure 7 2007 Labour Cost Comparison between developing Textile Countries  
(Werner International 2007)

#### 4.3.3 The reform of RMB exchange rate mechanism

Fixed Exchange Rate Regime and Floating Exchange Rate Regime are two major exchange rate regimes in the world. Fixed Exchange Rate Regime is a kind of exchange rate regime that a currency's value is determined by the value of another single currency or by a basket of other currencies, or by other measure of value like gold, the fluctuation range are limited in an specific scope. Floating Exchange Rate Regime is a kind of exchange rate regime that a currency's value is permitted to fluctuate based on the foreign exchange market.

According to the notice issued by The Central Bank of China, Started from July 21, 2005, China reformed the exchange rate regime, and started to implement a managed floating exchange rate regime on the basis of market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar. RMB increased 2%, namely 8.11 Yuan per US dollar (The Central Bank of China 2005).

Over the long run, RMB exchange rate reform is an evitable choice under the trend of globalization. It is propitious to alleviate international trade conflicts and promote the textile industrial restructuring. However, textile industry belongs to labour-intensive industry, average profit is relatively inferior, plus most of textile enterprises' international marketing ability is quite weak, then, it is difficult for them to resist the impact created by RMB exchange rate reform in a short period. The appreciation of RMB will cause a rise of textile industry's production cost, and the price of Chinese textile in the international market will be increased at the same time, but it means Chinese textiles' declining price competitiveness. Subsequently, the export volume of Chinese textiles will decrease, finally leads to a drop of textile enterprises' profit (Chen 2006). Now, RMB has fallen to 6.8258 against US dollars, which has increased almost 18% from 2005. It says that every 1% appreciation of RMB against the



dollar means 2%-6% decline in textile industry's sales profit (Cui 2008, 1). Now, RMB increased 18%, the sale profit will go down at least 36%. For most Chinese textile enterprises that were so much dependent on export, it is equal to deficit. For example, there are lots of textile manufacturing base whose degree of dependence on export is almost 50% in Zhejiang, now, 10% of Zhejiang textile enterprises has been in a stop production condition.

#### 4.3.4 Increasing international trade frictions and barriers

Quota system is a double-edged sword; it damaged the principle of fair trade, but did suppressed competition between textile exporting countries and provided a relatively steady trade environment. After the abolition of quota system in international textile trade in 2005, lots of developed countries's textile industry has been impacted enormously such as America, as well as those developing countries that mostly rely on textile export like Bangladesh; and China is the biggest producer and exporter of textiles and garments, which was regarded by foreign media as the greatest beneficiary for it. Lots of countries perceived Chinese textile industry as a big threat.(Lang & Lin 2008).

According to the constructive theory in international relationship, the Social Identity from social actors is closely linked with interest they pursued. Once social actor's identity changed, he must will redefine the kind, objective and degree of the profit he pursued. So, these countries will be bound to change foreign policies from their own interests.

There are signs that Anti-Dumping, Product-specific Safeguard Measures, Technical Barriers to Trade and Social Accountability have become new trade barriers that erected by competitors. On the basis of statistics by China Commerce Department, there were totally 107 trade remedy investigations against China that raised by 20 different countries and regions till Dec 15, 2009, involving a total of \$ 11.9 billion. It is the first time for China suffered trade investigations broke up 100 since 2002. Meanwhile, China has already been the country who has suffered most trade investigations for three years. From 2008 to Sep 2009, foreign countries has raised more than 20

countervailing investigations against China, 19 of them are combined with anti-dumping investigations. Moreover, China also suffered 7 special guarantee investigations. In order to out of the shadow of economic crisis as soon as possible, more and more countries adopted lots of measures to protect home products; trade protectionism has become more and more serious, Zhejiang textile industry faces great challenges (Zhejiang Electronic Port 2009).

Table 4 World's TOP 20 targets of antidumping investigation from 1995 to 2008 (Qi & Wang, 2009)

China	640	Malaysia	85
North Korea	247	Germany	82
America	183	European Union	65
Taiwan, China	182	Ukraine	59
Japan	142	South Africa	56
Indonesia	140	Italy	44
Thailand	136	Singapore	44
India	133	Spain	43
Russia	107	Turkey	41
Brazil	96	The United kingdom	41

In addition to those main protectionist measures, major textile import countries also signed many favorable agreements; it has an indirect impact on fair trade. At present, there are favorable agreements related to world industry trade as follows: (1) America: "North America Free Trade Agreement", "Caribbean Basin Trade Partnership Act" and "African Growth and Opportunity Act". (2) European Union: "EBA" and "Generalized System of Preference". (3) Canada: "General Preferential Tariff" (International Business Daily 2009).

Overall, Zhejiang textile industry's comparative advantages have been disappearing, which built on the basis of low labour cost. OEM mode is confronted with more and more crisis. If OEM enterprises do not make any changes, I am afraid that it can only play a role in the digestion of excess

production capacity. So how to adjust OEM mode properly and make a new developing strategy become the new problem that Zhejiang textile industry must solve.

Nowadays, international textile industry's competition has been transferred from price competition to comprehensive strength compete which consists in technology driven and brand focus. Through above analysis of OEM mode, the centre task of Zhejiang textile industry's development strategy adjustment should have to be accelerating industrial upgrading, boosting its standing among the global value chain, transferring from cost-oriented mode to value-based mode, cultivating its own brand and enhancing core competence via technology and Brand value Added. Only achieving the transformation to brand strategy, then can help Zhejiang textile industry to get rid of the situation of low value-added and realize a sustainable development.

## 5 THE TRANSITION OF ZHEJIANG TEXTILE INDUSTRY TO OBM

### 5.1 Brand and core competence

#### 5.1.1 OBM mode and core competence

In the modern enterprises' competition, market share is what more important than profit, competitive advantage is what more important than market share and core competence is what more important than competitive advantage. Core competence is the final source of competing advantage for enterprises. Due to intensified competition and shortened product life cycle, enterprises' success does no longer owe to occasional product development or a good strategy, but depends on the external performance of core competence (Yang & Lin 2008).

As it mentioned in chapter 2, core competencies can be defined as a process of collective learning in the organization, especially how to coordinate diverse production skills and integrate technologies from different multiple streams, and then acquiring unique skills or abilities that are superior to other competitors based on it (Prahalad & Hamel 1990). Namely, core competence is a reflection of comprehensive advantages consists in enterprises' intelligence, technology, product, management and culture.

Proprietary intellectual property rights are the key to form industrial core competence. Along with the progresses of economic globalization, multinational corporations choose the cheapest labour force and origin of raw material. With the rapid economic development of China, the environment for implementing OEM mode did no longer seems advantageous than before. Furthermore, a portion of Zhejiang textile enterprises has accumulated a certain extent of technology, R&D ability and marketing ability and so on via OEM mode. Therefore, seizing the opportunity, realize the transition from OEM to OBM has already become a new luminescent spot for Zhejiang textile industry's further development.

#### 5.1.2 The importance of brand in forming core competence

Under such a highly competitive trade environment, more and more people realized that any enterprise who wants to succeed must have its own core competence and know how to set up the core competence. Core competence can bring about sustainable competitive advantage for enterprises' development. Enterprises are capable to acquire leading position by relying on the advantages of core products and expand more unexpected new markets. In a word, core competence is the source of enterprises' competitive advantage.

Intangible assets are the core competence of modern enterprises, which was shown as brand and proprietary intellectual property rights. But all as we know that intellectual property is invisible, it needs a carrier to develop its full functions, brand is the carrier (Yang & Lin 2008).

When compared brand with core competence based on the characteristics of them (see in chapter 2) that proposed by Hamel, we can find that they are quite similar, brand can meet those characteristics also. Firstly, brand also can expand market and prevent potential consumers for enterprises. Secondly, what consumers buy are not only the functions but also an emotional enjoyment. Thirdly, creating and maintaining brand is a long and dynamic process. So to speak, among various kinds of competitive force, brand is the one that most difficult to be imitated (Yang & Lin 2008).

There is a popular saying among Chinese enterprises that the top companies sell standards, second-class firms sell brands, and companies at the bottom of the rung simply sell products. However, for the sake of textile industry's own characteristics, it is not easy to create standard, so, nowadays, most of international textiles and garments giants all choose brand as their magic weapon to gain significant market share, like Ordifen, Benetton, Kangaroo and Playboy and so forth. In the eyes of international garments brands, "made in Italy" is the true core competence. Indeed, when you compare the price of "made in China" with "made in Italy" or "Made in Germany", the huge gap is what we cannot imagine. Because right now, what they are selling is added value instead of functions.

It is an undeniable fact the rapid development of Chinese economy mainly owed to sweat rather than inspiration. From the current situation of Zhejiang textile industry, we indeed faced a risk of losing core competence. Due to the biggest characteristic of OEM mode is that foreign companies grasp the technology, brand and market, and Zhejiang textile industry only can control the part of production. Had no control of those core factors, Zhejiang textile industry will be faced with the danger of being eliminated in the market, sooner or later.

The chief functions of brand to forming core competence are mainly showed in following five aspects (Zhang, 2002):

Firstly, brand is the most important carrier of core competence. Without brand, the functions of core competence cannot be fully developed even with the proprietary intellectual property rights.

Secondly, brand is the consolidate power of forming core competence. It means enterprises integrated other's resources with own resources. Those enterprises who have been well developed all integrate other enterprises' resource under their name. If enterprises without own brand, can only wait for being integrated.

Thirdly, brand is the legal mean of protection to core competence. Transferring core competence into brand, and therefore cannot or at least much difficult to be imitated by competitors.

Fourthly, brand is the mark for consumers to identify enterprises' core competence. Enterprises can better play the role of core competence only via getting the recognition of consumer. In generally, consumers evaluate enterprises mostly through brand. So, brand act as a bridge between core competence and consumers. Without brand, the function of core competence would be seriously jeopardized.

## 5.2 Necessity of Zhejiang Textile Industry's transition to OBM

One of the founders of the positional theories (Al Ries) has pointed out that China's economic development attracts much world's attention. But in terms of strategy, if China does not shift from commodity to brand strategy, the remarkable growth will be hard to maintain. The future belongs to brand, especially those global brands.

Developed countries' economy was built on the basis of brand instead of commodity. According to the statistics of United Nations Development Program, enterprises who regard brand as their Competitive behavior took up 40% of the global market share, took up 50% of the global sales revenue. It indicated that modern competitive behavior has starting to transfer from product competition to Brand competition. Brand has become the most effective means for enterprises to win the competition. Just as American marketing expert Larry Light said that it is more important to hold the brand than to own the factory, but the only way to hold the market is to have the competitive and preponderant brand.

Textiles and garments are sentimental consumption goods and as well as very easy to be imitated, which determined that focusing on changeless style and design is much easier to lost market. So that requires Zhejiang textile industry to target on the level of being difficult to be imitated, and brand is the core of consumer sensibility (Zhang 2002). The more vivid the characteristics of brand are, the more competitive the brand is. Textiles are different from other products, which inclusive of cultural value. So it is both physical goods and intellectual products, which satisfied consumers' mental needs. In contrast to other products, textiles and garments are in more need of plentiful cultural implications, and cultural implication is just one characteristic of brand. Therefore, the necessity of transferring to brand strategy is much urgently for textiles and garments.

### 5.3 OBM situation overview

In nearly a decade, a great deal of work has been done by Zhejiang textile industry in innovative and brand-cultivating. There is a considerable number of textile enterprises in Zhejiang has started to control the Chinese domestic

textile value chain, such as Asset, Metersbonwe and Semir. These brands had obtained certain popularity in Chinese domestic market, but most of them basically had not entered into the international market and break away from the global value chain. On the whole, there is an obvious gap between Zhejiang textile enterprises' brands and well-known international brands:

- Low brand value and small influence. During the process of internationalization, Zhejiang textile industry is short of competitive brands. The number of 6 strong countries' brand that entered into "the world's 100 most influential brand" is: Italy (2), France (8) the United Kingdom (4), Germany (9), Japan (7), America (58). There were none in China, let alone Zhejiang Province. Although Zhejiang has established a serious of well-known brands like Asset, Metersbonwe and Semir, but whose reputation are limited only to Chinese domestic market, which did not yet engender certain influence in international market (Li 2008, 9).
- Low brand scale, quality and weak export capability. In 2005, the average sales volume of brands that entered into world appraisal system is around \$2.36 bn. The average sales volumes of 60 Chinese well-known brands are less than \$ 0.3 bn. From all, Zhejiang textile industry's export mainly focused on OEM or processing trade, own brand exports only occupied less than 10%.
- Low technology content. After the research on Chinese most valuable brands by some experts, found that most of the Chinese brand value came from the big market share of products in Chinese domestic market and their reputation among Chinese consumers instead of through marketing, technological content or international influence.

#### 5.4 Restrictions of transition to OBM

Many scholars has discussed about the problem: what factors restricts the transition to OBM, but few of them analyzed it in terms of OEM enterprises in textile industry. Therefore, following information has been summarized and



associated with the practical situation in Zhejiang textile industry; the main factors were presented in two aspects: external and internal environment.

#### 5.4.1 External environment

- Imperfect social service system. The development of textile industry cannot do without the support of social service system, including policy guiding from government, fund accommodation, technical service, informational support, market operation and international connection and so forth. But up to now, Zhejiang's social service system was still very weak, cannot adapt the requirements of modern market economy, and then affected the healthy development of enterprises (Li 2008, 9). Take financing environment for instance, implementing brand strategy has a high requirement in capital, personnel and material resources, which is the most direct problem that textile industry faced. Most textile enterprises do not have so much financial reserves, so they need much financing during the course of building brand. But in China, many small and medium-sized textile enterprises developed from rural areas who own small business scale and fixed asset, therefore it is very difficult for medium-sized and small enterprises to get a banking loan, let alone undertaking direct financing.
- Immature market environment. The healthy development of brand enterprises, to some certain extent, depends on the degree of market ordering. A unified, open and well-organized market is the best environment for creating and cultivating brand. But Chinese market economy is not well organized, the market structure is unreasonable, exists too much unfair competition and excessive competition, especially the counterfeiting that is forbidden repeatedly but in vain, and the related law and regulations are imperfect, the support from government for building, cultivating and protecting brand is insufficient. Otherwise, Chinese just established steady socialist market economy, nation's centralized market system has not yet formed, which led to regional protectionism that prohibited foreign enterprises enter into local

market. All of these weaken the enthusiasm for enterprises to implementing brand strategy to a certain degree (Li 2008, 9-10).

- Strong competition from international brands. Zhejiang textile industry is relatively backward in comprehensive strength while compared with brands from developed countries. Nowadays, there are numerous famous international brands active in both international and Chinese domestic market. They have got certain recognition and considerable market share, also with solid financial strength and vast experience in market operation. Zhejiang textile industry's brand strategy still stayed in a start-up stage and faced such fierce competition from international brands, which must bear a huge pressure in the course of internationalization.

#### 5.4.2 Internal environment

- Low consciousness of develop and protect brand. At present, lots of Zhejiang textile enterprises still thought that being able to be awarded as "China Well-known Trademark" and "China Top Brand" means their products has got great competitiveness . Also, during the cooperation with multinational companies, there is a considerable portion of enterprises lack of brand protection awareness, some of them even give up to protect or use their own brands (Li 2008, 26).
- The strength of enterprise; In the past, textile enterprises only need to supply standardized products according to the client's requirement and get a reasonable price. Now, enterprises need to define different demand in market segmentations, develop and produce products by themselves; need to appear in the front of consumers in a right time, place, price, and with a reasonable brand image; need better logistic and planning ability to control the balance between the inventory and in time supplement; need stronger marketing ability to build new sales network and undertake promotion activities, and need greater after-sales service ability to establish long-term relationship with consumers etc. All of these are difficult tasks for most Zhejiang OEM textile

enterprises. So once Zhejiang textile enterprises want to shift to OBM mode, they must bear great pressure (Li 2008).

- Difficulty in attracting talents; There is a common phenomenon exists in Zhejiang textile industry that although the enterprises scale is again big, they still only can take root in small towns and middle-sized cities. Implementing brand strategy needs the help of innovative personnel. But private enterprise and towns, these two points is difficult to attract enough excellent personnel. In similar foreign-funded enterprises, the annual salary of technician can reach 50 to 60 thousands us dollars, but the maximum salary for technician that most Zhejiang textile enterprises can provide is only around 30 to 40 thousands us dollars (Zhao, Yu & Jiang 2010) . Actually, Zhejiang textile industry's excellent personnel are not exactly small from the quantity. But majority of them are short of innovative sense and ability (Zhao, Yu & Jiang 2010). How to getting enough innovative personnel is one of the big problems that Zhejiang textile industry faced.

### 5.5 Essential ability for transferring to OBM

OEM mode and OBM mode are two main channels for Zhejiang textile industry to launch into the international market. These two channels are totally different in essence, as well as the requirements for enterprises, which mainly reflect on four aspects (see Figure 12): technology requirements, investment scale and marketing and managerial ability.

Table 5 Comparison between OEM and OBM mode

Feature Mode	Technology requirements	Investment scale	Marketing ability	Managerial ability
OEM	small portion of products are core technology based	Small	No	manufacturing management and quality control

OBM	Product and technology innovation	Big	Perfect marketing system and steady sales channel	Brand management and product management
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From the table we can know that the requirements for OEM and OBM mode in these four aspects are quite different. So while enterprises want to transfer from OEM to OBM, they must pay attention to the upgrading of these abilities. Based on that, enterprises must have following four abilities in the transformational process:

- Learning ability. Organizational learning is described as a continuous process of enterprises' creation and accumulation of knowledge and enhancing competitive ability based on that. As mentioned above, OEM and OBM mode appear diverse in many aspects. For Zhejiang textile enterprises, the situation of OBM mode is totally new. So, one of the most importance reasons for insisting in OEM mode is learning. Foreign companies owns mature international procurement network, strict logistic management system, excellent manufacture craft and equipments, professional personnel management and good product quality control system and so on, all of these play an important role in promoting the updating of Zhejiang textile enterprises' whole marketing operation ability (Li 2008, 23).
- R&D and technology innovation ability. Product is the substance carrier of brand; product feature is an important approach to reflect brand characteristics. So if enterprises want to create a characteristic brand, they must make their products become characteristic. However, most of Zhejiang textile enterprises still stay a general processing stage, R&D and technology innovative ability is very weak. Then, they need to pay much attention on these fields.
- Marketing ability. There is a new marketing system needs to be established for transferring from OEM to OBM mode, which inclusive of

six factors: product, price, brand, sales channels, marketing teams and service. Enterprises should determine how to enter into new market according these six factors. On the one hand marketing can delivery enterprises' information to consumers, on the other hand, enterprises also can obtain latest information about consumer demand and market change (Li 2008, 23-24).The marketing activities of OBM mode mainly included: (1) researching market environment, carrying on the market segmentation and choosing the best target market; (2) correct brand positioning. The essence of brand positioning is get competitive advantages in the target market; make sure the position of brand in consumers' mind to attracting more consumers (Li 2008, 23-24).

- Available resources and financing ability. Forceful support of fund is an essential requirement to OBM mode. In the process of building a brand, a large amount of capital, labour and material resources should be invested in. Furthermore, the whole course of brand-building will take a long time, enterprises can get few profit, sometimes even zero profits during it. So enterprises who want a transition must own sufficient resources, like personnel, capital, information etc (Li 2008, 25).

To sum up, under the new situation, if enterprises want a sustainable development, then must transfer the product strategy to brand strategy. Brand is the magic weapon of market competition. However, we know that most of Zhejiang textile enterprises belong to small and medium-sized enterprises, their ability to implementing brand strategy is not enough strong, like capital, technology, innovative ability and market operation capability and so on are all their weaknesses.

It is evident from that, giving up OEM totally to adopt OBM mode seems impossible for Zhejiang textile enterprises. Therefore, the most reasonable way for Zhejiang textile enterprises' transition to OBM mode is combining OEM mode with OBM mode, developing these two modes simultaneously. On the one hand, enterprise can learn something from foreign companies by accepting OEM orders, and on the other hand they also can accumulate practical experience in the course of adopting OBM mode.

## 6 PROPOSALS FOR THE IMPLEMENTATION OF OBM

### 6.1 Proposals for transition path

#### 6.1.1 OEM updating path: OEM — ODM — OBM

Enterprise is capable to carry out technological learning through OEM, upgrade within production, develop and enhance R&D ability ceaselessly and eventually extend business scope upward to design, R&D, marketing and branding (Hobday, 1995). Hobday (1995) further described junior enterprise's development of technical competence into five phases (Li 2008, 28):

Phase I: enterprises only have simple assemble ability, can manufacture simple and mature products.

Phase II: after the craft optimization, enterprises can improve the quality and speed of product-manufacturing and do reverse engineering.

Phase III: enterprises have completed manufacturing technology and the ability to undertake technology innovation.

Phase IV: enterprises have the ability of product innovation, and can carry on the R&D activities both in product and technology

Phase VI: enterprise's R&D ability has been quite competitive, which are able to combine the R&D activities with the market demand.

According to the previous analysis, it seems impossible for most Zhejiang textile enterprises to directly shift to OBM mode. But with year's implementing OEM mode, Zhejiang textile enterprises has accumulated a certain extent of experience and had the strength of transferring to ODM mode. The fundamental difference between OEM and ODM is the latter participating in the design and R&D process, which are the most important links of value-added. Zhejiang textile enterprises can continuously accumulate strength and international marketing experience via ODM mode, while enterprises'

development achieves a certain scale, and then enter into the eventually phase- OBM mode.

However, entering into OBM mode does not mean giving up OEM or ODM mode totally, because there is still a very long time before truly realizing a profit through OBM mode. Hence, enterprises still need the support of OEM or ODM mode in the terms of capital, international market information and many other aspects. OEM, ODM and OBM are not conflicted. At present, there is a considerable amount of textile enterprises in Zhejiang who developed OEM or ODM and OBM mode simultaneously.

### 6.1.2 The adoption of brand acquisition and co-brand

The path mentioned below is suitable for big and rich companies who lack international marketing experiences when firstly enter an unfamiliar foreign market.

Brand acquisition should be a great choice while the company is almost totally unfamiliar with targeted foreign marketing environment. But it does not mean the company will use the purchased brand forever. The major purpose of entering into the international market through purchasing local brand is to make full use of its marketing resources like reputation, distribution channels and loyal customers and so forth. That kind of purchasing enables a rapid development of the company while at the same time decrease the market entry cost evidently. After the company were capable to control and well coordinate all the marketing resources that behind the purchased brand, then they can adjust their brand strategy to the phasing in or the company's own brand. In the very beginning of the adjustment, the purchased brand and the own brand may co-existing (co-brands), and then the company will give up the purchased brand gradually. Eventually, the own brand will be well-developed (Zhong 2007, 2-3).

## 6.2 Proposals for brand management

### 6.2.1 Creating brand differences

Competitive advantage is the core of enterprises' performance, the main objective of adopting OBM mode is to obtain competitive advantages via brand. Porter thought that there are three competitive strategies: cost leadership, differentiation and focus (Zhou & Pang 2006, 2):

- In cost leadership, an enterprise focuses on becoming the low cost producer in its industry. A low cost producer must have the ability to find and exploit all kinds of cost advantage. If an enterprise can achieve and sustain overall cost leadership, then it will be the one above average level in the industry, provided it can command prices at or around the industry average.
- In the context of differentiation strategy, an enterprise commits to be unique in its industry in the terms of some dimensions that are widely emphasized by buyers. Enterprise chooses one or several attributes that most buyers in an industry consider as important, and uniquely positions themselves to meet those needs. It is rewarded for its uniqueness with a premium price.
- Focus strategy, which relies on the choice of a narrow competitive scope within an industry. Enterprise chooses one or more segments in the industry and tailors its strategy to serving them to supplant others. Focus strategy can be divided into two variants: cost focus and differentiation focus.

Now, Zhejiang textile industry's cost advantage has not been so evident than ever. According to porter's theory, we can see that differentiation is the major mean to gain competitive advantage. So the basis of Zhejiang textile industry's OBM mode should be transferred to differentiation strategy.

### 6.2.2 Accurate brand positioning

Brand positioning means enterprise creates and cultivates a characteristic and suitable brand offer that can occupy a distinctive place and value in the minds of target customers (Jin 2005).



Brand Positioning is the core marketing strategy, which is capable to guides marketing strategy through describing the brand details, the brand uniqueness and similarity with the those of competitors, and the reasons for buying and using that brand. Positioning is the basis of cultivating and enhancing customer's required knowledge and perceptions, which also is the only attribute that identifies your service from those of your competitors. Therefore brand positioning is the key first step for brand-building. If a brand cannot be positioned accurately, enterprises' effort would be seriously jeopardized (Jin 2005).

In Zhejiang textile industry, most enterprises' brand positioning is very vague, similar or even has no positioning, just blindly pursue "internationalized". For example, some enterprises put forward the concept of "business casual" and made certain achievements several years ago. Consequently, what we can see is that more and more enterprises to follow suit, many of them even cannot understand the concept of "business casual" totally until now. It has been an age when freedom and individuality are highly regarded today, consumers are pursuing differentiation, and many Zhejiang textile enterprises' products are quite similar in many aspects like design. Brand is the core of brand-building; every enterprise should have an accurate and special brand positioning. It is the only way to base themselves upon the fierce market competition.

### 6.2.3 Abundant brand connotation

Brand connotation determined the management of brand, support the development of brand. It is not only the effective delivery of business philosophy, but also the labels that distinguish it from other brands. What consumers know first about a brand is on the visual level, but what can truly form consumer loyalty is the unique characteristics and connotation of brand (Jin 2005).

So a successful brand should be a representative of national cultural spirit, regional economy and customs, also should be an epitome of the time's culture. Lots of well-know international brands all contains abundant culture

connotation, for instance, Swiss watches, French perfume and Italy fashion and so on. In Zhejiang, there are also many clothing brands that did a great job in brand connotation, like “Metersbonwe” and “Asset”. But for the majority of Zhejiang textile enterprises, brand is just a brand, just is a label of product, have no other meaning. In order to heightened popularity, they prefer to invest a large sum of money in advertising instead of crating brand connotation. To eager for quick success caused the short life of local brands. Brand cannot be built in a short time and also cannot be built via numerous advertising; brand needs the support of special connotation.

## 7 CASE STUDY: ZHEJIANG ASSET UNDERWEAR CO., LTD

This case study illustrates the transition process of a typical textile enterprise in Zhejiang textile industry from OEM to OBM mode, which reviews the transitional paths and strategies that presented in chapter 6 to test the applicability of those proposals. Other Zhejiang textile enterprises can use this study as an example for further development. The following chapters are mainly based on the interview with the sales manager, Yang Rong and managing director, Huang Xuxiao of Zhejiang Asset Underwear Co., LTD, and also mentioned some information of several documents given by this company. (Interview 18 March 2010)

### 7.1 History

In 1993, Chinese underwear market is still a blank, there were few people engaged in the underwear industry. The boss of Asset Huang Xuxiao was conscious of the huge potential market of underwear industry, then, he irrevocably started his journey of entrepreneurship with three houses, 10 household sewing machines and 5 professional staff.

One year later, “Shu Mei” company was established, which is the predecessor of Asset, with a 600 square meter plant area, a few dozens of sewing machine and much more professional staffs.

In 1997, “Shu Mei” company formally changed its name to “Zhejiang Asset Underwear Co., Ltd. Also in that year, Asset received the first OEM order, which had become a turning point to its development. Since then, Asset entered into European market easily, and exploited market in America, Canada, Russia, Korea and Australia and so on. Developed to now, Asset has become an Export-oriented enterprise and act as OEM supplier for lots of famous international underwear brand, such as “Victoria's Secret”, “Marks & Spencer” and “Etam” etc.

Asset operated as an OEM supplier until 2006. To pursue a better development, Asset carried on its brand marketing plan in that year. Three underwear brands - “Asset”, “Yanjue”, and “Ai Shita” were launched towards

Chinese domestic market. As of 2009, there were over 600 specialty stores of Asset in China and planned to expand to 1000 specialty stores in 2010. The sales revenue of the domestic market increased from RMB 20 million in 2007 to almost RMB 200 million in 2009. Furthermore, “Asset” was honored as China Well-known Trademark in 2008. Now, Asset has grown into a comprehensive enterprise, which integrates R&D, design, produce and marketing together, owned fixed assets RMB 30 million and 2000 professional staff.



Figure 8 Workshop of Asset (Asset, 2010)

## 7.2 The reasons for OBM mode

According to Yang Rong (Interview 18 March 2009), they arose the thought of transferring to OBM mode firstly in 2000, and the actual transformation plan started from 2004. There are several reasons for this decision, but can be summarized into two aspects as follows:

### 7.2.1 External factors

Actually, Asset did not have question of survival. Asset started to accept orders from international forefront underwear brands in 1997. After a long period developing, asset do not need to seek orders everywhere, they have formed a group of stable OEM customers. But as with many other medium-sized and small enterprises, Asset was also facing the issue of continuous decreasing of profits and orders.

As mentioned before, textile industry is labour intensive industry; there is over 2000 staff in Asset's manufacturing base. Chinese labour cost is going up gradually; lots of multinational corporations give orders to those emerging Southeast Asian and African countries. The increasing international trade frictions, appreciation of the RMB, Lowering down of Export Rebate Rate and fierce foreign and domestic competition always threatened Asset's development. Plus the instability of the international textile market, although many Asset's clients did not break up the partnership but reduced the orders one after another. Take Asset's American customer for instance, the annual export volume to America occupied 30%, amounted to over \$ 4 million, which increased around 20% annually. However, from the latter part of 2003, the American customer begun to reduce orders dramatically (around RMB 5 million), which shocked Asset seriously. After the negotiation, Asset realized that the sudden reduction of orders is caused by a price-rising in 2002.

The situation was not sufficient to threaten Asset's survival but must have a bad impact on its further development; those disadvantageous external factors forced Asset into an awkward dilemma, which also made Asset to be aware of OEM mode cannot be a sustainable developing strategy and arose of the idea of transformation firstly.

### 7.2.2 Internal factors

To transfer to OBM mode successfully, enterprises must have strong R&D ability, innovative ability, learning ability, financing ability and marketing ability, which are exactly what most Zhejiang textile enterprises lacking.

Unlike many other enterprises, Asset has been manufacturing underwear for international forefront brands, which have a quite high requirement in manufacturing craft and product quality. Therefore, with years' cooperation with those well-know international brands, Asset has accumulated a certain extent of manufacturing and technology innovative experience and owned a great many of professional staff and advanced equipments. Although, Asset came across some setbacks recent years, but its export volume still maintain in the top 5 in Zhejiang, reached more than \$23 million annually. So Asset

also has strong financial strength. In this way, Asset is one step closer to the OBM mode.



Figure 9 Production department of Asset (Asset, 2010)

The best opportunity for an industry to cultivate brand is neither the developing period nor mature period of market, but is the alternation process of them, said Yang Rong.

So far, the sales revenue of Chinese underwear is around \$ 43 to \$ 73 billion, which is increasing at a rate of 20 percent annually. But Triumph, as the leading brand in Chinese underwear market, whose annual turnover is less than \$ 45 million. Imagine how big Chinese underwear market would be. Furthermore, Chinese underwear market develops slowly in contrast to international market, has not formed a mature market. Besides lots of foreign brands like “Triumph” or “Victoria's Secret” gained a firm footing, many other foreign brands or Chinese domestic brands all stay in a experimental stage, not yet in an certain size. Therefore, Chinese underwear owns great developing potential. As a professional manager, Yang perceived the fact quickly and further strengthened the determination of creating own brand.

After all, creating own brand needs to take significant risks. Hence, Asset still did not take any actions even they've realized the opportunity and had the strength. What let the boss of Asset make up his mind to create own brand is a coincidence. One day evening in 2003, the boss of Asset Huang Xuxiao took a trip to department store with his wife. Suddenly, a familiar underwear

brand entered his line of vision- “Lily” from Italy, which was a client of Asset at that time. Huang took a careful look at the products and found that all of them were produced by Asset originally. The only difference is the price, \$ 60 which has risen 20-fold than the export price. Just at that moment, Huang truly realized the value of brand. Those brands that mentioned above like “Lily”, “Victoria's Secret”, “Eiger” and “Marks & Spencer” are or ever been Asset’s clients. As an OEM supplier, the fate always in the hand of others, no matter how strong it developed, only can earn the small processing fee. To seek greater development, must build own brand, said Huang Xuxiao.

### 7.3 The path for transition

#### 7.3.1 Brand acquisition and co-brand

According to Yang Rong, Asset has not tended to consider the implementation of Brand acquisition or co-brand. Because at present Asset’s own brand part mainly aims to Chinese domestic market. Compared to international underwear market, Chinese underwear market developed slowly, besides some well known international brands occupied a certain market share; the rest of market is mainly taken over by numerous small brands. There were no competitive brands to choose from. Also, most of those brands’ positions are quite similar, then, for the sake of creating differential, Asset eventually determined to build its own brand.

#### 7.3.2 OEM — ODM — OBM

Enterprises have different business pattern in different development level, single business patter cannot adapt to every developing level, and hence, transfer from product strategy to brand strategy is an indispensable stage of enterprise development; however, enterprises will be too passive that not realize the necessity of transition until the way of OEM mode blocked, Said Yang Rong.

According to Yang Rong, choosing the “OEM – ODM – OBM” transition path is really a natural progression for Asset. Asset has a long history of OEM mode, which has developed to a mature stage and accumulated a considerable

strength; all the difficulties encountered during the developing course allowed Asset realize the drawbacks of OEM mode, that the “small quantity and low profit” order pattern did no longer math the Asset’s requirement of long-term development; to achieve a sustainable development, must shift to the upstream of the value chain. Therefore Asset started to transform.

However, even with strong strength, it is also impossible for a traditional OEM enterprise to shift to OBM mode directly, which is a totally new concept for them. So, the initial step for transition should be to get higher quality orders. Then, Asset actively sought cooperative chance with bigger and stronger clients. Now Asset’s client type has switched from original low end customer group into high end customer group, like “Victoria's Secret”, “Lily” and “Marks & Spencer” etc. Due to cooperating with big clients is not only participating in the simple producing link, but also the process of material choice, technology and product design and development, so as to Asset obtained many more opportunities than other textile enterprises to learn from excellent foreign partners. On the other hand, based on plenty experience accumulated in the course of OEM and ODM mode, Asset made preparation for brand-building. Eventually created its own brand and launched three underwear brands - “Asset”, “Yanjue”, and “Ai Shita” towards domestic market in 2006.

From above introduction, we can know that Asset’s transition path is not a simple procedure that shifting from OEM to ODM to OBM step by step, but is a combination of them. Good opportunity is fleeting, if we carry on the transition step by step, we must be face the crisis of losing good developing opportunity; brand strategy also needs undertake significant risks, and always take a long time to truly make a profit. So, the mutual development of these three modes is the most reasonable way for Asset, also for most of Zhejiang textile enterprises. It not only be favor of accumulating capital and experience, but also helps to seize the initiative opportunity to develop own brand. Therefore, Asset has three types of clients: (1) OEM mode aims at low and medium end clients; (2) ODM mode aims at high end clients. (3) OBM mode aims at final customers.

#### 7.4 Brand management strategies



### 7.4.1 Brand differences

“Channel brand” is the most prevalent way of brand marketing in Chinese Underwear market. Well known underwear brands that we can see in today’s market like “seven colors”, “city beauty” and “new feeling” all followed this kind of method. They are popular among Chinese customers, but all of them only occupied a small market share, or only gained a firm foothold in some specific regions; without long-term competitiveness and influence. Then, how to set itself apart from the prevailing brand marketing modes of Chinese underwear market and also can avoid the drawbacks of “brand channel” at the same time has become important problem that Asset faced.

Asset proposed the concept of “Asset 1+1”, namely channel brand plus product brand, which means Asset is brand operators, as well as brand product sales. Not like other brands that the selling products source from different manufacturers, products and sales area are limited. Asset has own product manufacturing base and brand operation center and has a good grasp of product and brand information. That is the biggest distinctions between Asset and other underwear brands in Chinese market.



Figure 10 Specialty store of Asset (Asset, 2010)

### 7.4.2 Brand positioning

As the long-term cooperation with lots of foreign frontline brands, the quality of Asset's product does not loss to all of them. However, unlike many other underwear brands that being anxious to become the first line brand. Asset proceeds from the realities of Chinese underwear market and its own situation positioned their products in middle and high-end market, which mainly aimed at customer group of career woman.

According to diverse market segments, Asset launched three different brands – “Asset”, “Yanjue”, and “Ai Shita” directed at domestic market in 2006. “Asset” positioned in middle and high-end women's underwear brand; “Yanjue” positioned in popular brand; “Ai Shita” belongs to home wear and thermal underwear brand.

After forming a considerable amount of career woman customers, Asset started to enter into campus market in 2007. Campus is a huge potential market. Students' realistic consumption capability is limited, but they represent the future main consumer groups. Furthermore, students' have strong consumption desire and high loyalty to brand. Once their social status and financial capability increase, the market value is impossible to quantify, said Yang Rong.

The accurate brand position successfully helps Asset apart itself from competitors' and also made Asset avoid the fierce competition from domestic and foreign frontline underwear brands.

#### 7.4.3 Brand connotation

Yellow Ribbon is the symbol of Asset's brand culture, which originated from an old story three hundred years ago. A poor American teen- Adam decided to go away on business in order to make enough money to marry his girlfriend- Nancy. However, Adam still is a poor man after three years. He missed hometown and Nancy very much, and then he wrote a letter to Nancy, said that he was still very poor and felt very ashamed, if Nancy welcomes him home, she should tie a yellow ribbon 'round the old oak tree in Valentine's Day. While he hurried home, found that there were hundreds of ribbons, and

Nancy was waiting under the oak tree. Since then, yellow ribbon has become a symbol of miss. Asset's designer acquired inspiration from the story, and regard yellow ribbon as the brand tie; combined the beautiful culture of the story with Asset's products , let women' underwear become vivid. The slogan is "Asset underwear, true love forever". What is more, the brand name of "Asset" also originated from the names of two leading roles of the story. When written in Chinese, "Adam" is "娅当", "Nancy" is "兰茜" and "Asset" is "娅茜", which is the first word of these two names.



Figure 11 Brand name of Asset (Asset, 2010)

Besides the brand story, Asset also invited famous Chinese superstar – Wu Peici as the Brand Ambassador. The most important reason is that Wu is the spokesperson of "Pink ribbon" (the symbol of Breast Cancer Association Consortium), which is quite suitable for the image of Asset. Asset hopes deliver to customer a feeling of healthy, beautiful, intellectuality via her.



Figure 12 The label and brand ambassador of Asset (Asset, 2010)

## 7.5 Domestic branding to international branding

According to Yang Rong, Asset has no specific plan to march into the international underwear market in the near term. Though, Asset has grown from a clean state into a well-organized brand enterprise, its strength still not strong enough to participate in the international competition with its own brand. In addition to this, acts imprudently without full preparation may cause competitors' attack. For example, Asset's OEM clients also belong to the scope of the international underwear brands. Once Asset begins to sell products with its own brand in the international market, there must be some conflicts with its OEM clients. Maybe those OEM clients will threaten reducing or withdrawing OEM contracts. Under that circumstance, Asset lost the financial support of OEM mode; the internationalization plan will fail without doubt. In contrary, Chinese underwear market is not so mature than international underwear market, which being filled with opportunities. No matter for what kind of product, China is a huge market in everybody's eye. Therefore, successfully taking root in Chinese underwear bounds to be a powerful backing for Asset's further development in the international underwear market.

## 8 CONCLUSION

This thesis based on the previous studies, given an in-depth analysis of OEM mode and OBM mode in Zhejiang textile industry via economic theory. Following conclusions can be made through the theoretical and empirical research:

- I. In the back of high production and high export volume, Zhejiang textile industry remain at the bottom of the global value chain, mainly displays in: lack of proprietary brand, price-based competition and weak independent innovation ability.
- II. The main advantages that Zhejiang textile industry's OEM development primarily counted on is labour cost advantage and textile industry's accumulative effect. Judging from the current situation at home and abroad, OEM mode is confronted with lots of crisis, inclusive of below four aspects: rising raw material prices, low labour cost has been disappearing, the reform of RMB exchange rate mechanism and increasing international trade frictions and barriers.
- III. The essence of core competence is a particular inherent ability to enterprises, which is superior to competitors', with sustainable competitiveness and allowing customers to get irreplaceable value, product or service that truly better than those of competitors'. Brand is the platform of forming core competence.
- IV. The OBM mode has gained a certain development in Zhejiang textile industry, but it still at elementary stage that mainly shows in following aspects: low brand value, small influence, low brand scale, weak export capability and low technology content.
- V. Transferring to OBM is an evitable trend. Zhejiang textile industry's environment for OBM is still not perfect. There are following factors restricting the transition: imperfect social service system, immature market environment, strong competition from well know international brand, low consciousness of develop and protect brand, weak strength

of enterprises and Difficulty in attracting talents. Therefore, giving up OEM mode totally to adopt OBM mode is not feasible to execute. The most reasonable way is to develop OEM and OBM mode simultaneously.

VI. Based on current analysis, a reasonable developing path for OEM mode is proposed, which means transfer from OEM to ODM to OBM. Due to the practical situation of Zhejiang textile industry, it had better to carry on these three modes mutually. For some big and rich companies who lack international marketing experiences, brand acquisition and co-brand are recommended

VII. In addition to the transition path, this thesis also reveals several brand management proposals based on the problems that emerged during Zhejiang textile enterprises' brand building process. The implementation of OBM mode in Zhejiang textile industry should based on creating brand differential, and along with accurate brand positioning and abundant brand connotation. Brand positioning is the key to brand building, which plays an important part in directing. Brand connotation determines brand operation, supports brand's development and is the label to discriminate itself from other brands.

## 8.1 Evaluating the quality of theoretical and empirical analysis

### 8.1.1 Evaluation for theoretical analysis

This thesis is an outcome of both theoretical and empirical analysis. In the theoretical part, the value chain and core competence theory are mainly applied. As mentioned before, the major tasks of this thesis are to demonstrate the necessity of Zhejiang textile industry's transition and put forward several practical proposals to transition path and management of brand. Then the theoretical evaluation consists of three parts:

As to the theoretical base, a general introduction of value chain and core competence theory and their relationship with this thesis topic was made. Also included a detailed explanation about those key terms like OEM, ODM and

OBM and make comparisons, which is quite good for in-depth understanding of this topic.

For the part of demonstration, a valid explanation has been given. Based on the value chain and global value chain theory, the thesis includes huge parts describing the initial implementing strengths of OEM mode in Zhejiang textile industry and the seriously changed economical environment. Then, it seems that OEM mode is no longer suitable for Zhejiang textile enterprises' further development. For example, China's low labour cost advantage has been surpassed by many other developing countries. In this study, a large amount of references has been used. The drawback is that some information and data used in this part is about the whole Chinese textile industry, not refer to Zhejiang textile industry particularly, but it is enough to demonstrate the situation.

As to part of proposal, some reasonable transition paths and brand management strategies have been come up with. The necessity was demonstrated again via the explanation between the brand and core competence. Several factors that restrict the transition have been explained, finally got the conclusion that the most suitable way for Zhejiang textile industry's transition is developing OEM and OBM simultaneously. The proposals are quite reasonable from the theoretical perspective. However, while applied it into practical, there will be some problems emerged. For example, the proposal is not suitable for every textile enterprises in Zhejiang, but only for a portion of enterprises that has accumulated a certain extent of strength. Therefore, it is still to be somewhat limited in application.

#### 8.1.2 Evaluation for empirical analysis

A case study was carried out in the empirical part. A general transition course of the case company has been given based on the information that introduced in the theoretical part, which includes the reasons for transition, the way they choose for transition and some basic facts related to strategies the case company used in brand management. The case company's situation is able to be considered as an initial successful example in this field of Zhejiang textile

industry. It has a long history of OEM mode, and ever adopted ODM mode in the course of transition, more importantly its OBM plan has achieved initial results. The only outstanding issue is the current focus of the case company's OBM plan is mainly on Chinese domestic market. Therefore, for enterprises who want to march into the international textile market directly, the proposals of thesis will be of weak guiding functions. In spite of that, the thesis and case study is still meaningful. Due to it is actually a fact in Zhejiang textile industry that majority of enterprises are not strong enough to participate in international competition with their own brand directly. It is undeniable it will take a long time for them to prepare and accumulate strength, then, Chinese domestic market is certainly a good test area. In a word, the empirical part, as well as the whole thesis indeed can provide practical information and proposals to most of Zhejaing textile enterprises.

## 8.2 Suggestions for future study

For the further study, a certain extent of questionnaire research will be recommended. OEM and OBM modes are very common problems among lots of Chinese industries, for instance, in the manufacturing industry. Therefore, when it comes to a specific industry, like the textile industry in this thesis, the situation will be quite complicated. In-depth information and data can be much helpful for thesis writing. But due some practical reasons like time and cost, this thesis did not do a large questionnaire research instead of several in-depth interviews. Also the further study should be conducted concentrating much on the expansion to international market.



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Interviews:

Name	Title	Company	Time
Mr. Yang Rong	Sales Manager	Zhejiang Asset Underwear	10/03
Mr. Huang Xuxiao	Managing Director	Zhejiang Asset Underwear	10/03

## APPENDICIES

## Appendix 1 Question list of the interview (In Chinese)

浙江娅茜内衣有限公司从 **OEM** 向 **OEM** 转变的过程**I. 背景问题**

1. 请大致介绍一下公司的历史。
2. 您个人如何看待浙江纺织业的发展现状，尤其是出口现状？
3. 您认为浙江纺织业进一步发展过程中最大的问题是什么？
4. 您认为 **OEM** 在浙江纺织业发展的现状如何？
5. 您认为 **OEM** 在浙江纺织业发展的现状如何？

**II. OEM 模式**

6. 贵公司有多少年 **OEM** 的历史？
7. 贵公司最初选择 **OEM** 的理由有哪些？
8. **OEM** 在贵公司的发展过程中发挥应有的作用了吗？
9. 在实施 **OEM** 过程中有遇到什么问题，或者产生什么危机吗？
10. 如果是，有无采取任何措施？效果如何？请举些例子。

**III. ODM 模式**

11. 贵公司有无从事过 **ODM** 还是直接转向 **OEM**？
12. 如果是，选择不直接转移的原因有哪些？

13. ODM 在贵公司往 OBM 转移的过程中有无提供任何帮助？

#### **IV. OBM 模式**

14. “OBM 是浙江纺织业的未来”，您同意这个说法吗？理由。

15. 贵公司实施 OBM 多久了？

16. 选择 OBM 的主要原因有哪些？

17. 有无任何因素制约 OBM 的实施？

例如融资，人才，资金，竞争对手，技术与研发等等。

18. 如果是，采取了什么措施应对呢？例子。

19. 您认为要转向 OBM 企业必须具备的能力有哪些？

#### **V. 升级路径**

20. 许多学术文献中提到从 OEM 到 ODM 最后到 OBM 是一条合理的升级路径。

您同意这个观点吗？理由。

21. 近年来，越来越多的纺织企业实施并购战略，您对此一现象有何看法？

22. 贵公司是否考虑过实施并购战略？理由。

23. 除了以上提到的升级路径，您认为还有其他的选择吗？

24. 根据之前在贵公司的工作经验，贵公司实施 OEM 与 OBM 并举的战略。理由。

#### **VI. 品牌管理战略**

25.据我了解，贵公司的 OBM 主要正对中国国内市场。理由？

26.贵公司品牌的定位如何？主要针对哪一客户群？

27.在品牌内涵方面做了哪些工作？

28.还采取了哪些其他的品牌管理措施？

29.贵公司有提出任何新观念来指导 OBM 的发展吗？

30.贵公司有利用自主品牌进军国际内衣市场的计划吗？

31.如果是，可以简略介绍下你们的计划吗？

32.如果没有，理由？



## Appendix 2 Question list of the interview (In English)

The questionnaire below is translated from a Chinese version, which is for a further illustration for this thesis.

### **The Transition Course of Zhejiang Asset Underwear Co., LTD**

#### **VII. Background Information**

1. Could you tell me something about the history of your company?
2. What is your opinion of the developing status of Zhejiang textile industry; please tell more about exporting status?
3. What are the main problems do you think that affected Zhejiang textile industry's further development?
4. Could you give some comments on the developing status of OEM mode in Zhejiang textile industry?
5. Could you give some comments on the developing status of OBM mode in Zhejiang textile industry?

#### **VIII. OEM mode**

6. How many years did your company adapt OEM mode?
7. Why did your company choose OEM mode in the very beginning?
8. Did OEM mode fully play its role in the development of your company?
9. Are there any problems that caused by OEM mode? Or are there any difficulties that you meet in OEM mode?
10. If yes, have you ever taken any measures to resolve it? Are they effective?  
(any examples)

**IX. ODM mode**

11. Have your company ever transferred to ODM mode or to OBM mode directly?
12. If yes, why did not you transferred to OBM mode directly?
13. Did ODM mode give your company any help in the way to OBM mode?

**X. OBM mode**

14. Do you agree this statement that OBM mode is the future of Zhejiang textile industry? If yes, can you explain why?
15. How long has your company adapt OBM mode?
16. What are the main reasons force your company to adapt OBM mode?
17. Are there any problems that restrict your company to implement of OBM mode?

Problems like financing, excellent personnel, investment, capital, competitors, technology, R&D ...

18. If yes, what are the measures you take? Examples?
19. What essential abilities do you think one enterprise must have if he wants to carry on a transition to OBM mode?

**XI. The Transition Path**

20. I have read lots of lots of scholars' articles; majority of them all indicated that transfer from OEM to ODM to OBM is a reasonable way? Do you agree with it? Why?

21. Recent years, we can see there are more and more textile enterprises starts to adapt Brand acquisition and Co-brand strategy, what is your opinion about this phenomenon, give some comments?
22. Have your company ever considered the adaptation of Brand acquisition or Co-brand? Why or Why not?
23. Besides path and methods I mentioned above, what else solutions do you think are suitable for Zhejiang textile industry?
24. According to my previous working experience in your company, I know that you developed both OEM and OBM mode at the same time, can you explain why?

## **XII. Brand Management Strategy**

25. I know that the OBM part of your company is mainly concentrating on Chinese domestic market, can you explain why?
26. What is the positioning of your brand? Which customer group you target at?
27. Have you done anything in Brand Connotation?
28. Are there any other measures that you have done related to brand management?
29. Have you put forward any new criterion to guide your company to develop OBM mode? Give some examples?
30. Does your company have any plan to expand international underwear market with your own brand-Asset?
31. If yes, can you give a general introduction of your plan?
32. If no, Please explain why?