



Kingdom of the Netherlands



CHINA'S FASHION INDUSTRY

An overview of trends, opportunities, and challenges

2014



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1. Introduction

The China fashion industry has undergone tremendous change within the past decade and is continuing to expand at an exponential rate. In the first decade of this decennium, the fashion market in China tripled. The Boston Consultancy Group expects it to increase threefold again in the second decennium. Because of increasing income and rising living conditions, markets for both high-end and low-end clothing are increasing sharply, with an overall trend of becoming more fashionable and differentiated. With a population of 1.4 billion and rapid economic growth, China offers the world potentially the largest consumer market for the fashion industry.

China's GDP increased by 7.7% in 2013 on a yearly basis. And the expenditure on clothing increased in line. The acceleration of economic growth will further stimulate apparel consumption and expand the potential of China's fashion market. Furthermore, government policy to stimulate domestic demand will certainly enlarge the market and provide opportunities for the development of the industry in future.

New technologies are revolutionizing the way fashion retailers and designers are running their businesses, mainly reflected in two respects: E-commerce and Social media. With 568 million Internet users in China, Chinese consumers are increasingly used to buying online. Retailers are also recognizing the importance of having an online presence as part of their marketing and to target more broad shoppers. Apparel, bags and accessories remain the most popular category sold online.

Since mainstream media is heavily regulated in China and is therefore not seen as a reliable source, more and more consumers have turned to social media to find guidance on trends and style. Largely personality-driven social media are easily standing out from a crowd. A Chinese blogging platform like "Sina Weibo" may well be the perfect place for global and local fashion brands to test and learn what resonates with their Chinese internet fan base. In the meantime social media has created a group of fashion bloggers who have been considered ahead-of-the-curve influencers. They are becoming essential parties of fashion-world openings, runway shows, and other fashion events. More and more clothing labels start courting these local influencers as they are having an explosive impact on consumer purchasing decisions.

China is the largest mass fashion market in the world. Above 45% of the people in the cities Beijing, Shanghai and Guangzhou consider themselves to have their own style and not just follow the trend. This implies that fashion brands and enterprises should attach more importance to product differentiation and brand positioning, to further enhance brand identity and customer loyalty. High-end consumers, who are often loyal buyers, attach great importance to style, quality and brand image. Brand apparel also appeals to mid-end consumers, but they tend to have a weak brand loyalty, while price continues to be the determining factor influencing the buying behavior of low-end consumers.



Figure 1: Cities Represented in this Report

2. General overview of the fashion market in China

The Chinese market is characterized by a large regional diversity in economic status and market characteristics. This regional diversity has important implications for enterprises trying to enter the Chinese market. Both geographically and economically Chinese cities can be considered as forming mainly 3 tiers.

The first tier cities are the metropolises which are mostly located along the coastline, including Yangtze River Delta, Pearl River Delta and Bohai Gulf Metropolitan Rim. The first tier cities are the trendsetters in China in everything from fashion to lifestyle. Beijing, Shanghai, Guangzhou and Shenzhen are representative cities of this tier. It is the bridgehead market for foreign fashion brands.

The second tier cities are the provincial capitals and well-developed cities in inland China, such as Nanchang, Zhengzhou, Changsha, Changzhou, Wuxi and Xi'an. Their populations range from 4 million to 8 million.

The third tier cities are cities in the west, including northwest and southwest China, which are far from coastal areas. Some are cities with a population of less than 1 million.

Many famous international brands set up mainly in first-tier cities and then establish their presence in affluent second-tier cities. Chinese people in second and third tier cities prefer to go to the well-recognized fashion labels for consumption, so firms often need to have presence in the first tier cities first to create brand awareness. Mainland China's middle class consumers perceive Hong Kong as a place for original fashion trends and as a trendsetter, and many international brands choose to set up first in Hong Kong prior to entering the Chinese markets. Among the first-tier cities on the mainland, Shanghai plays a significant role in setting fashion trends on the mainland. And since all media in China is mandated to be based in Beijing, many fashion and luxury brands are required to establish PR offices in Beijing. Furthermore, since all Chinese fashion media and many companies in the entertainment industry are based in Beijing, the biggest fashion events also often take place in Beijing. But recently, more and more famous brands extend their presence into more second-tier cities due to the growth of consumers with higher income and increasing affluence. Those consumers are already becoming more sophisticated and international in their mentality and experience as huge numbers of people travel overseas for holidays now. However, don't let city tier rankings restrict your business outlooks. Even third tier cities have populations in the millions and represent a promising potential market for your business.

Overall, the high-end domestic fashion market in China is dominated by overseas brands, such as Burberry, Prada, LV, Chanel, Armani, etc. China is one of the largest markets for luxury consumption, while it also has a great market capacity for mass fashion. The middle and low end of market are covered by a mix of foreign and domestic brands, such as Nike, Adidas, Tommy Hilfiger, Zuczug, and

Jiangnanbuyi. The rapid growth rate of mass fashion also provides a larger market space to affordable fast fashion brands such as Zara, H&M, C&A and Uniqlo.

During the process of urbanization, the lifestyles and fashion goods consumption patterns of Chinese people have experienced great changes as they adapt to their new living conditions. With increasing product knowledge and surging purchasing power, mainland consumers in China are developing higher demands for quality and comfort in clothing. They usually prefer apparel made of natural fabrics. Consumers are concerned about "labels of material composition" and the product's impact on "health". Consumers are inclined to buy garments made of "natural fibers" and support green products.

Furthermore, with much more recent exposure to western media, the Chinese consumer is now far more aware of global fashion trends, and they learn very fast. Few years ago, they may have been merely chasing logos, now they seek more than that. Currently, consumers focus on both improving basic living conditions and enhancing their overall quality of life. Chinese consumers are looking for more innovation, personalization, interaction, value in money, convenience, and they know what's in demand globally. Large players will have to be very clear on what their brand stands for and translate that to every customer, online and offline.

Despite rising labor costs, RMB appreciation and lower demand from export markets, China's textile industry is still growing at a healthy pace and looks to dominate the global apparel sector, both as a producer and a consumer for years to come. For complex manufacturing, China is still very competitive. China aspires to move from a "made in China" towards a "created in China" country. China is already shifting to more value-added products and will continue to improve in expertise. In this context, more and more Chinese clothing manufacturers are now aiming to create their own brand, which suggests the huge opportunities for international designers/clothing labels to collaborate with local manufacturers. Chinese manufacturers have a self-owned and well-controlled powerful supply chain and retail channels. They are looking for foreign expertise that are able to acquire information on future trends in color, theme and styles in advance, and collaborating with foreign design force to make their own collections. Therefore cooperation with one of the many manufacturing companies can be very favorable for Dutch designers.

With all the opportunities it offers, entering the Chinese fashion market also comes with a lot of challenges. China has a comprehensive system to regulate imports of textile, apparel, and footwear products. China also has a number of chemical and physical requirements for textile and footwear products, and these requirements in terms of chemical, performance, labeling, product categories and etc. are compulsory at the national level in order for products to enter the country. While the regulations may be difficult to understand, it's certainly not impossible to be successful there—but companies must be vigilant.

Another issue is the Intellectual Property Rights. The law in this field is comprehensive and strict. However, the implementation is not always up to western standards. It remains important for companies to register their brand though, since in China the registration system looks is based on a

first come first served basis, regardless if original ownership. More and more can be done to protect your brand from copying though. One strong instrument in this is the media.

It can be very hard to find skilled, English speaking staff. There is fierce competition for them, and often they are not particularly loyal to one employer. The sales channel is not very clear for foreigners. There is always a grey area when doing business in China. So a local distributor or experienced agent is necessary to collect the first hand information and take care of the marketing.

In addition, the general difficulties for entering the Chinese market also apply for China's fashion industry, such as the large role of the government, bureaucracy, non-transparent legislation and culture and language differences.

In conclusion, the Chinese market has much to offer, but entering the market should not be taken lightly. It is extremely important to develop the right strategy before entering. It is therefore advisable to spend time and effort to investigate the market landscape and adapt to the local culture, design, and fit to Chinese customer's preferences and figures.



2.1 Retail

China's retail market is evolving as quickly as it grows. With higher incomes and increasing affluence, consumers are demanding better quality and unique products and services. Department stores were the most important distribution channel for fashion retailers in China a few years ago. Today, the situation is vastly different as shopping malls have been widely welcomed as part of the retail landscape. The proliferation of modern malls in China has seen a sea change in the shopping habits of Chinese consumers, who now patronize malls as they can get everything under one roof as well as spend quality time there. Although the face fierce competition from other modern channels and internet retailing, shopping malls remain the first choice for many local consumers when purchasing famous brands and high-priced items, such as watches and jewelry.

The high-end luxury malls are often well managed and have good locations and a strong catchment of young, professional and affluent shoppers. The developers of shopping malls proactively work with their retailers on joint promotions and marketing activities. These drive higher shopper traffic into their malls and increase their tenants' sales. Besides well-known first and second line brands, they always look for new international fashion brands to open in their malls. They target brands that are trendy, with a regular stream of new fashion collections that will appeal to the fast-changing tastes of Chinese shoppers. Because of the surge of new retail property supply, particularly in second-tier cities, landlords of shopping malls are courting China's leading both luxury and fast fashion brands to drive foot traffic, going so far as to waive a flat rent rate in order to attract second line fashion brands to rent a shop in their malls.



2.2 Individual designers

As such a freshly booming fashion industry, world renowned designers are turning their attention to China. Chinese customers in the larger cities like Beijing and Shanghai are moving out of the phase where they crave the big names. Numerous multi-label stores (also called concept stores) are the response to this change, where a more personal style can be defined.

Chinese shoppers are becoming sophisticated and discerning. While they love big global brands, they are no longer in awe of them. They may want something from those luxury brands, but similarly they would buy something from an individual designer, because it's innovative and authentic. The Chinese middle class has been estimated to grow to 600 million in the next decade, so there are huge opportunities for emerging international designers to offer affordable designer fashions. Designers that have a distinct point of view, a strong personality and a lifestyle to aspire to, are more likely to succeed as customers want to differentiate themselves.

2.3 Fast Fashion

"Fast fashion" refers to low-cost clothing collections that copy current luxury fashion trends. Fast fashion brands in general target the young fashion consumer group aged 25 to 35 with higher incomes and good education, and position their clothes as "cheap luxury" to meet the needs of fast-changing and affordable fashion from consumers who want to be able to buy into the trends that they've seen from the catwalk as quickly as possible. Its product lines cover a variety of categories, including T-shirts, shirts, jeans and bags, with prices ranging mainly from RMB 99 to RMB 699. China fast fashion market is dominated by Zara, H&M, Forever 21, C&A and Uniqlo (from Japan).



2.4 Shoes

Competition in the mainland footwear market exists in three segments. The first are imported brands, which mainly come from the US and European countries such as Italy and Spain, they dominate the high-end market. The second segment consists of brands of Sino-foreign joint-venture enterprises, which mostly come from Hong Kong and Taiwan. With their financial strength and successful design, they account for the lion's share of the medium-range market (however, in recent years, some domestic brands have also successfully established a presence in this market segment). Thirdly, brands produced by the multitude of local manufacturers occupy the low-end market. As the "low-carbon, eco-friendly" trend is arousing more and more public attention, various brands in the footwear industry are launching "low carbon society" campaigns, with some of them introducing low-carbon product series featuring green raw materials, energy conservation and recyclability in a move to enhance their brand to attract consumers.

2.5 Accessories

Retail value growth of personal accessories in China remained robust in 2013, mainly due to growing demand for bags and watches, whilst demand for jewelry for various festive occasions, such as weddings, also remained vigorous. Furthermore, jewelry, in particular gold, is also seen as an investment to combat inflation. Therefore, jewelry players took the top three positions in personal accessories sales in 2013, led by Hong Kong-based Chow Tai Fook.



3. E-commerce and fashion

"The year 2013 will be remembered as the one in which China surpassed the US as the world's largest digital retail market," wrote the author of a report released by Bain & Company, a consulting firm, in August 2013, noting the country's 564 million Internet users and 242 million e-shoppers. "Online retailing already totals 6 percent of all purchases," continued the report. Meanwhile, in the apparel sector, e-commerce sales make up an even greater slice of the overall pie: around 13 percent, according to estimates by iResearch. Jack Ma, founder of Alibaba, was recently quoted as saying: "in other countries, e-commerce is a way to shop, in China it is a lifestyle".

Fashion is China's biggest e-commerce category. For established offline fashion brands, online retailing provides a relatively low cost channel of accessing a larger consumer base in different geographic location, such as tier-3 and tier-4 cities where established brands do not yet have physical presence and luxury malls are few and far between. Many of its spendthrift customers live in such cities. For example, C&A, the Dutch apparel brand, was able to enhance its brand visibility by combining its physical store operations with its online stores to create a multi-channel network. Its online websites could cover low-tier cities where they can cultivate a loyal customer group in preparation of physical expansion.

Chinese e-commerce is dominated by a few domestic giants, including Taobao and JingDong. Indeed, the top five players control 65 percent of China's online retail market, according to Atelier Paribas. In fact, Taobao alone — which consists of Taobao Marketplace, a consumer-to-consumer marketplace that is China's answer to Ebay, and Tmall, a business-to-consumer retail site on which brands can open and operate their own e-commerce stores — accounts for over 50 percent of all online retail spending. Being present on major sites like Tmall, which hosts over 50,000 branded stores, enables retailers to tap into the site's several million daily visitors. Moreover, launching on large-scale platforms like Taobao, with their millions of users, is certainly a good way for brands and retailers to gain deeper knowledge of online consumer behavior.

The changing market landscape suggests opportunities, especially for individual designers. Local designers managed to attract a huge customer base and even established their own label solely through E-commerce platform-Taobao. A number of domestic designers are standing out and building their niche through Taobao, with bright and diverse personalities showing through in their designs. Compared to offline platforms, online shopping boasts a more open market and larger consumer force. As a result, many brands can quickly find their niche following online. As an example, a Chinese Fashion designer LIU Min who received a bachelor's degree in women's wear from the London College of Fashion in 2001, and then moved on to an internship with Viktor & Rolf in Amsterdam before returning to China in 2009. She launched her brand Ms Min on e-commerce site Taobao.com in 2010. She is one of a few Chinese designers that makes high-end fashion and succeeds on Taobao, as most of the Taobao users are price conscious. Recently, she was chosen as one of the first three Chinese

designers to have her work consigned to Lane Crawford, a Hongkong high-end chain department store. Another Taobao Fashion brand is Front Row- one of the most successful and fast-growing online fashion retailers. Though still a relative newcomer to the fashion scene, the brand's reputation has grown quickly among everyone from younger Chinese white-collar workers to international bloggers, and some of the company's designs have been purchased by the British fast-fashion retailer Topshop.



In 2014, more than one E-commerce platform has launched a new channel for foreign brands and merchants to sell on their platform, which is a solution that enables companies based beyond China's borders to directly advertise and sell to millions of Chinese consumers. For example, Alibaba lately launched a new platform called "Tmall Global", which is a channel they created for overseas companies without China business licenses. And the stores on Tmall global can be established with international business license & trade mark; orders can be fulfilled and shipped from outside of China, and customer payments are settled in preferred native currency (USD, EUR, etc.).

Although Chinese e-commerce is led by top players, Chinese fashion industry as an enormous market leaves plenty of space for specialist websites to expand by offering goods and services to consumers looking for alternatives. In 2011, Italy fashion brand YOOX launched its official online store in China with high-ends products to test if it's going to be successfully. As a result, it has becoming one of the most popular brands amongst Chinese white collars. Recently in July 2014, YOOX has been worked with Wechat (the Chinese version of Whatsapp and Facebook combined) to combine the E-commerce and social media in order to expand its market. Furthermore, TOPSHOP has just launched its E-commerce online store in China with collaboration with Shangpin.com (another online store but focusing on luxury fashion brands). It is the first international brand which to only launch an online store in China.

While e-commerce offers many opportunities, one has to bear in mind that it is not as easy as it may seem. China's e-retail market is very sophisticated. Consumers are used to great and fast service. Setting up the logistics the live up to the standards of Chinese costumers takes time and money. Retail logistics management is increasingly important. One key approach is to partner with reliable and capable logistics service providers to improve delivery capabilities and enhance customer experience and satisfaction.

In summary, the Internet era has brought about an E-retailing market with tremendous opportunities as well as challenges. For those Dutch brands and designers hoping to grow in the Chinese market, the fortune of your company will depend on your reaction to such challenges, having an effective strategy and ensuring its timely implementation are essential. Those who persist in their unique designs can achieve lasting success

4. Local Market Developments: first tier cities

Below an overview is provided of the recent developments in the established markets of Shanghai, Beijing, Guangzhou and Hong Kong.

4.1 Shanghai

Shanghai is the fashion capital of China. Most foreign fashion and jewelry brands, from luxury to mass markets, opened more than one shop in the city's numerous fashion retailing districts and major shopping malls including Plaza 66, Shanghai IFC, K11, IAPM and recently opened Jin'an Kerry Centre. Meanwhile narrower streets offer different kinds of small fashion boutiques and local designer stores. It is often necessary to make a name in Shanghai first before a fashion label can be successful in the rest of China.

Shanghai is also the largest consumer market among all mainland cities, supported by the rising income level and the large inflow of tourists. In 2013 Shanghai's per capita disposable income of urban residents reached RMB43,851, a year-on-year increase of 9.1%. And the post-80s generation (people born in the years from 1980 to 1989) has gradually become a main force in the consumer market. Many people of this group are medium to high-income white collar workers, corporate executives and private entrepreneurs. As vanguards in many consumption areas, the post-80s are more quality conscious and they are after fashion and identity. Moreover, for this generation, the gap between eastern and western cultures is narrowing. The post-80s are also a main group in online shopping: based on the 2011 Alipay (China's leading third-party online payment solution) payments, the post-80s are the largest group of Alipay users and their average annual spending amounts to as much as Rmb10,000 (around 1200 euros).

The market share of Dutch fashion brands is relatively small, and the awareness of Dutch fashion is quite limited in Shanghai. Dutch fashion labels in Shanghai include Viktor & Rolf, G-Star, C&A, United Nude and Suitsupply. In March 2010 the haute couture travelling exhibition "Taking a Stance" was on display in several Chinese cities. This exhibition showed, among other things, nine handmade dresses by designer Alexander van Slobbe.

Opportunities and challenges

Shanghai offers a good investment environment and infrastructure, while skilled and well-trained labor will contribute greatly to the quality, productivity and reputation of the fashion industry, and enhance its competitiveness.

Shanghai consumers are being viewed as trend-setters for fashion and lifestyle products among the whole country. As Shanghai is a migrants' city, its consumers are not only made up of its residents, but also entrepreneurs, workers, tourists and business travelers from all over the country and from overseas. These consumers groups have great differences in income levels, occupation, concepts and habits. More and more consumers are less price-conscious but more brand conscious. They generally trust international brands for their strong brand image, services, quality, fit and cut. Some have turned to finding new and unique designers as they are trying their best to fully reflect their unique style and individuality through their clothing, outward appearance and fashion accessories. Lifestyle and sense of personality are slowly taking over the importance of logos. This opens up doors and provides great opportunities for foreign fashion brands and individual designers to find a place in Shanghai and compete with the traditional large fashion houses.

Since 2003, the Shanghai Fashion (SFW) week is held annually. Today, SFW is an innovation banquet for the leading designers, a window that displays the image of the successful brands, and a market testing place for foreign brands that are entering in the market. It provides more and more opportunities for emerging talents to show their creation. The latest show - SFW 2015 S/S in October 2014 - included 41 shows. Both foreign and domestic designers' creations were presented. Names appearing on the catwalk included Alberta Ferretti, Ermenegildo Zegna, Diesel, Decoster, Ji Cheng, MF, Jade en plus, Kay Kwok and Oasis.

More and more international brands and designers regard the Shanghai Fashion Week as a perfect platform to build their first image in the Chinese fashion market. In particular, in 2014 for the first time, the organizing committee has commercialized the SFW week by setting up show rooms, offering a retail channel for fashion designers. The Dutch consulate in Shanghai has been in contact with the organization that has offered us to already reserve a time slot for the Fashion Week 2015.

While the Shanghai market offers many opportunities, it is not an easy market. Competition is increasingly fierce, and the ever-escalating rental and labour costs have hit many retailers over recent years. For leading retailers, average rental costs in prime locations increased by 21% year on year in 2012. Labor costs have increased by between 5% and 10% since 2012.



4.2 Beijing

Beijing is, next to Shanghai, in the lead of the enormous growth of China's fashion market and it will continue to grow at a fast speed in the coming years. Beijing consumers' needs and behaviors are shifting, across the city, age groups, and genders. Shoppers are increasingly sophisticated and look for brands, products, and retail experiences that cater to their evolving fashion sense and needs and that will reflect their goals and aspirations in life.

Due its stature as China's capital and its sheer size, Beijing can be considered a shopping hub, with a large array of shopping and retail options that sees intense growth annually, with more international brands entering the market and new local ones emerging. Beijing is not specialized in clothing manufacturing industry which in China is clustered around the coastal regions and any manufacturing has increasingly been pushed out of the capital in a push to try and clean up air and other pollution.

Since all media in China is mandated to be based in Beijing, including the fashion media, media companies like Conde Nast (Vogue, among others) and Hearst (Cosmopolitan, among others) all have their China offices in Beijing. This requires many fashion brands to also establish PR offices in Beijing. Furthermore, since the Chinese fashion media and a lot of entertainment industry is all based in Beijing, the biggest fashion events over the last few years have also most often been in Beijing, for instance events by Burberry, Louis Vuitton, Alexander McQueen and Versace.

In terms of establishing businesses or representative offices – Shanghai has up to now been preferred by Dutch business with some exceptions such as shoe brand O'Quirey. Dutch fashion and accessories labels available for retail in Beijing include G-Star, C&A, Viktor & Rolf (by way of HK giant Lane Crawford), Vlieger & Vandam (bags), United Nude (shoes), O'Quirey (shoes), among others.

4.3 Guangzhou/Shenzhen/Dongguan (Guangdong province)

Guangdong is one of the major textile producers and exporters in China, and the third largest garments export base in the world. Guangzhou and Shenzhen are the center of fashion and garment industry in South China. Shenzhen garment industry takes more than 50% of the market share in 1st-tier city while garment factories in Guangzhou account for 1/4 of the clothing production in China. Specialized production is small but exquisite. Well-known production bases includes casual wear of Zhongshan, clothing and knitwear of Dongguan, materials, knitting, children's wear, and underwear of Foshan and shirts and blouses of Jieyang (Puning).

Dongguan is one of the centers of footwear manufacturing: 70-80% of footwear manufacturing factories of mainland China are located in South China. For footwear industry, Chinese companies are shifting their focus from export to domestic sales.

Like in the rest of China, the awareness of Dutch fashion is still at low level. Italy, UK and France are taking the mainstream position.

Opportunities and challenges

E-commerce transactions in Guangdong totaled 1.09 trillion yuan in the first half of 2014, up 30 percent year-on-year, and making it the leading province in the country. It offers therefor an enormous market for fashion companies to sell their clothes, shoes and accessories.

Lots of skilled workers specialized in the manufacturing technique are easily found in the factories here. Local companies have the willingness to cooperate with foreign designers, especially in tailor-made training course and trend forecasts. But whereas it is easy to find skilled workers in manufacturing, there is a lack of professionals in design and branding. Training the professionals would be very valuable for the future development of the footwear industry.

Financial management is another challenge. As for shoe design project, clients only pay 30-50% of the total as deposit. The designer so faces the risk that the clients will not pay the rest saying the outcome is not satisfactory. To get full payment of a deal, the designers should find the right client. A background check is necessary.

4.4 Hong Kong

For decades, Hong Kong's clothing and fashion industry has been a vital contributor to the Hong Kong economy. Hong Kong clothing manufacturers have long been reputable for original design

manufacturers (ODM: a company responsible for designing and building a product as per another company's specification) and original equipment manufacturers (OEM: companies that are responsible for designing and building a product according to its own specifications and then selling the product to another company) and are able to deliver quality clothing articles in short lead time. They have accumulated comprehensive knowledge and experiences about sourcing and products and are able to understand and cater for the preferences of the dispersed customer bases. Exporters have good knowledge of international and national rules and regulations governing clothing exports, although many have moved to higher value added activities such as design and brand development, quality control, logistics and material sourcing. As such, many international, including Dutch fashion houses, have established their sourcing offices in Hong Kong for many years.

Few of the well-established local manufacturers have advanced into brand management by acquiring/developing (own/international) fashion labels and have expanded into retail, both local and overseas.

In the field of retailing, Hong Kong is a renowned regional hub for shopping. The mix of quality retail environment, product and pricing diversity, strong presence of most international brands and zero sales tax make Hong Kong an ideal shopping paradise for overseas visitors.

Among the overseas visitors, Mainland Chinese visitors are particularly significant spenders. In 2013, some 40 million Mainland Chinese consumers visited Hong Kong and contributed substantially to the sales of apparel. China's middle-class consumers perceive Hong Kong as a place for original fashion trends, fashion capital and a trendsetter (HKTDC survey, Aug 2013). For this reason, many international brands choose to set up first in Hong Kong prior to entering the Chinese markets. Many of the early established brands have expanded into Mainland China cities by now. Hong Kong remained the preferred entry point for retailers in Asia Pacific, particularly for luxury and business fashion retailers (CBRE Research, 2013). In addition to the 50+ global retailers set up in Hong Kong in 2012, another 28 new entrants have opened new stores in 2013 (Q1-3).

Mid to high-end fashion retailers accounted for the largest portion of new arrivals. Mid-range fashion retailers comprised over 21% of new entrants (compared to 18% in 2012); 26% in Luxury and Business and 16% is Specialist Clothing, which includes footwear, children and sportswear, underwear and accessories. However, over the years, a more cautious strategy in mature markets adopted by the luxury retailers is noticeable.

Besides the international fashion labels and designers, the locally born and bred fashion designers are gaining attention in the recent years. Alike in many other nations, the creative industries sector is considered a significant economic pillar and local talented fashion designers have been promoted enormously thus gaining support by local consumers. While first generations Hong Kong fashion designers went to Europe to win a name for oneself (and now came back to set up retail), new generations of local fashion designers decide to work from Hong Kong, as they capitalize upon the vicinity of ample quality production facilities and a receptive home market.

In terms of supply, the market is dominated by international brands from Japan, Europe and the US. In addition to the international luxury fashion labels, popular mid-range brands such as A&F, American Eagle, Forever 21, Gap, H&M, Uniqlo and Zara etc. have all opened retail outlets and gone through a rapid growth.

Distribution channels for fashion labels in Hong Kong consist of own flagship stores (often with a local agent/investor), apparel specialty retailers/concept stores and online retailing platforms. Internet retailing in Hong Kong is gaining popularity, particularly due to high rent and affluent supply of overseas labels, but it remains relatively small compared to store-based retailing.

Buying season in Hong Kong is January – March for fall/winter; July-October for spring/summer. Hong Kong fashion buyers are experienced, particularly those in the high-end markets. They travel abroad to attend major fashion shows to scout for talented designers, brands and latest trends. Hong Kong consumers are brand conscious and require unique and excellent design with attention to detail and quality. The mid-range market consumers generally require functional, comfortable apparel and value for money; while the younger generation are attracted by fashionable and affordable apparel, often following the Korean and Japanese fashion styles, which makes 'fast fashion' brands such as H&M and Forever 21 favorable brands among youngsters.

Due to competition, awareness of Dutch fashion design is limited in Hong Kong. Particularly if one looks at designers' fashion from Europe, it is usually dominated by UK, Italy and France designers. In this respect, it is important for the Dutch fashion designers who wish to enter this region, to have gained some reputation at the home/EU markets by making debut at fashion shows and/or attaining fashion awards and attention. Dutch fashion and accessories labels available for retail in Hong Kong include G-Star, Marlies Dekkers, Viktor & Rolf, Iris van Herpen, Mathijs van Bergen, Jupe by Jackie (bow ties), Vlieger & Vandam (bags), TW Steel (watches).

Opportunities and challenges

Hong Kong is a free port and there is no tariff on imported apparel. There is no regulatory requirement for clothing labels, as labels are usually expected to contain basic information about fiber content, country of origin, details of the manufacturer and care instructions.

The international luxury brands have been long established in Hong Kong and have built a steady local clientele over the years. In recent years, as consequence to the overwhelming influx of Mainland Chinese shoppers purchasing international luxury goods in Hong Kong, the appetite for luxury brands by local consumers have gradually diminished. Despite the enormous price tag, the luxury brands have become affordable to rich Chinese consumers and therefore 'mass consumptive' in nature. The fashion trend conscious consumers have turned to finding other designer labels which could better reflect individualistic style and their personal character. This creates opportunities for Dutch fashion designers.

In recent years, concept stores and pop-up stores have been very popular. Dutch fashion designers could test the markets by collaborating with these stores in showcasing their work.

Competition in fashion and apparel is fierce with international brands dominating the market when it comes to mid-range and high-end segment apparel. Hong Kong fashion buyers are very well aware of international fashion trends and visit all major fashion shows worldwide to scout for apparel and talented designers.

In general, women fashion is more competitive than men fashion due to the abundant supply and varieties of style. In addition, children wear is also upcoming; parents tend to be very willing to spend money on their children.

For Dutch fashion houses which wish to expand to this region, the challenge will be finding retail premises at affordable rental. Although soaring level of rental has been relaxed a little over the past months, it still requires significant investment for retail space at good location and competing against other overseas fashion houses. Moreover, determining market positioning is equally important, amidst the competitive environment with fashion houses from particularly Japan and US.

Hong Kong is a highly media influential market; continuous marketing efforts, use of social media and PR publicity in brand building are essential. In targeting the market, promotion with/sponsoring celebrities is not unusual. Expenditures in brand building should not be underestimated.



5. Local market development Second Tier Cities

The following section will present an overview of second tier cities and their economic relevance for the fashion industry.

5.1 Dalian (Liaoning province)

Dalian is a harbor city in the North-East of China and is regarded as the economic center of the booming Liaoning province. The city has had a continuous annual double-digit percentage increase in GDP since 1992. In 2009, Dalian's GDP registered a 15 percent increase, reaching RMB 441.77 billion, while per capita GDP hit RMB 71,833. According to a nationwide appraisal by the National Bureau of Statistics, Dalian ranks eighth among Chinese cities in terms of overall strength.

The Dalian International Fashion and Garment Festival has been held in the city over the last 20 years, and is attended by a small but growing number of international designers and companies. Many local Dalian garment companies have their own design and brands, and are quite active on the international market.

Currently there are no Dutch designers or companies active in Liaoning province, except the large companies such as C&A, G-star and WE.

Opportunities and challenges

Recently, the Dalian International Brand Agency Center (IBAC) came into full operation. The IBAC is a platform supported by the Dalian government to promote foreign garment brands that want to enter the Chinese market, and to promote local garments to make their own design. Until now some garment brands from Spain, Japan, France, among others, have entered the Chinese market with the support from IBAC. This also offers opportunities for Dutch brands.

Local people prefer to go to the well-recognized fashion labels for consumption, so it is better for Dutch fashion SMEs to have presence in the first tier cities first to create brand awareness before they enter the market of Liaoning province.

5.2 Jinan, Qingdao (Shandong province)

As a result of the growing economy and purchasing power of local residents, Shandong, the 2nd most populous province in China, is a large consumer market for fashion goods. Some world famous fashion brands have already been available in shopping centers in the main cities of Shandong to meet the demand from high-end consumers. Qingdao and Jinan, the largest cities in Shandong, have established sound retail channels selling global fashion brands like Armani, Burberry, Gucci and Louis Vuitton. Many of these channels have been provided by investment of local investors investing in high-end department stores or shopping malls.

Shandong is traditionally one of the main industrial provinces in China with a consistent focus on investing in production and manufacturing facilities for general commodities and raw materials. It is among the leading provinces with respect to textile and garment output in China, currently ranking 1st in yarn output and 2nd in fabrics output (including wool fabrics and non-woven materials) nationwide. In 2013, Shandong's total 1,309 garment companies made a total turnover of RMB217 billion (EUR 25.8 billion) and a profit of RMB14 billion (EUR 1.7 billion), the 4th and the 2nd places respectively in China. Moreover, Shandong-made fabrics and garments have long been exported to the global market.

It used to be the largest exporter of jeans fabrics in Asia, and the export of other apparel fabrics has remained leading in China. In a sharp contrast to the output and export of fabrics and garments, the awareness of local fashion brands from Shandong in the rest of China is very low compared to the awareness of brands from the southern areas of China.

Qingdao is the most developed city in the garment industry and the economic center of Shandong. It has a population of 8.7 million. It is an important port city for international trade and a major transportation hub along the east coast of China. The textile and garment industry is one of the pillar industries of the city. In 2012, there are about 700 medium- and large sized textile and garment enterprises in Qingdao.

The fashion and garment industry in Shandong is still mainly focused on manufacturing. Some leading companies like China Jifa Group and Red Collar group have greater production capacity and stronger market competitiveness. However, most of the companies in this industry are OEMs and strongly export-oriented, which may result from the shortage in the capability of innovation, fashion design and brand building.

The traditional retail shopping malls are facing serious challenges from the booming online shopping industry. The competition among fashion retailers has become more and more fierce. Pioneers in Shandong have begun to make use of e-commerce and opportunities in economic globalization to strengthen their brand influence. A good example in Shandong is the online shop HSTYLE; HSTYLE first gained great fame via a popular shopping website taobao.com for their diversified Korean-style designs and their competitive pricing compared with physical stores. In 2013, the turnover of HSTYLE exceeded RMB 1 billion (EUR 120 million). This may probably be the most well-known Shandong fashion brand for the young generation.

Similarly, large garment makers also set up online shops as a supplementary to traditional retail channels. Furthermore, they can expand brand awareness more quickly by mergers and acquisitions in the global market. For example, Shandong Ruyi Group, a large garment maker, accelerated their brand building by acquiring brands from Japan and Italy, which provided immediate access to the global market. Another large garment maker Sinoer, cooperated with brands from Italy and the UK for a new high-end suit series, from which the profit per suit is expected to be 10 times higher than a

normal suit. These have set very good examples for conventional garment makers who are trying to make the shift from a pure garment maker to a combination of fashion designer and fashion maker.

The local government in Shandong is very supportive of the development of creative industry. In 2013, the document "Policies to promote the development of Qingdao's cultural & creative industries" was published. The policies aim to promote the development of cultural & creative industries to become a pillar industry in Qingdao. And it encourages the establishment of a cultural & creative industrial park. But according to the key areas of the favorable policies, fashion is slightly mentioned, but not a focal point yet.

Many universities in Shandong have set up majors in fashion, for example, Shandong University of Arts, Shandong College of Art & Design, Qingdao University and the Qingdao Technological University. However, the rank of Shandong's universities in this major is not that high. Also, due to a lack of local demand, very few students will stay in Shandong after their graduation.

Opportunities and challenges

Every company in the fabric and garment industry realizes the added-value that design and innovation can bring, and a well-known brand may bring even much more. Also, Shandong has more than sufficient raw materials to make garments for a higher market share globally. Therefore, fabric and garment makers, especially large ones, have strong intention to build their own fashion brands rather than selling raw materials or operating as an OEM. From a governmental perspective, Shandong provincial government encourages international cooperation in brand building, fashion design, and product innovation to improve the competitiveness of local companies. This will provide opportunities to Dutch companies who are specifically strong in aforementioned sectors.

As to Qingdao, it was once a leading city in garment industry in China. Back to 1970s, Shanghai, Qingdao and Tianjin were the top three garment cities in China. Later, due to the government's tendency to the development of tourism, the status of Qingdao in the country's garment industry gradually faded. Now the Qingdao garment industry focuses on industrial upgrading and hopes to recover its position in this industry. Dutch fashion companies who are strong in design may have complementary advantages for Qingdao to form a real fashion industry locally.

Challenges arise because the fashion industry was not given sufficient attention compared to other industries in the past decades in Shandong. This has led to the shortage of available resources which are the main activators of Shandong's fashion industry, such as relevant educational institutes, companies active in fashion industry, talented designers, known fashion brands and more importantly, the consciousness that fashion can create more added-value.



5.3 Nanjing (Jiangsu province)

Since the 1990's Jiangsu has been a hot spot for economic development, making it one of the wealthiest provinces in China. The main reason for this success is its central location in the Yangtze River Delta, an advanced industrial region that generates around one-third of the national GDP. The vicinity to Shanghai has boosted its development as well. In 2012, Jiangsu's total GDP ranked second

of all Chinese provinces, only after Guangdong. Of all provinces, Jiangsu has the highest GDP per capita, 10.990 USD in 2012.

Meanwhile, there is a large wealth gap between the prosperous south and much poorer north of the province, caused by unequal economic growth. The main cities in southern Jiangsu, Nanjing (the capital, 1,5 hour from Shanghai, 8.16 million inhabitants), Suzhou and Wuxi, have a GDP per capita of around twice the provincial average, which makes it possible for many citizens to study or travel abroad. Strong purchasing power and foreign influences have led to a strong interest in foreign fashion, cosmetics and accessories. At the same time, sense of fashion in these cities is still lacking behind coastal cities like Shanghai, Qingdao and Guangzhou.

Opportunities and challenges

Many citizens in Nanjing, Suzhou and Wuxi have strong purchasing power and the foreign influences make them very interested in foreign fashion, as shown by the high and increasing number of exclusive foreign brand retail stores. Dutch fashion could step in to fulfill this need.

Jiangsu Province is the largest producer of textiles and garments in China, before the provinces Zhejiang and Guangdong. Within Jiangsu several concentrations of manufacturing companies in this field can be found. This brings opportunities for cooperation for Dutch fashion designers.

In the field of jewelry the largest fresh pearl wholesale market in China can be found in Weitang Town of Suzhou, with the name China's Pearl and Gem city (www.chinapearlcity.net).

5.4 Wuhan

Wuhan is the capital of Hubei province and with 10,2 million inhabitants the most populous city in Central China. It is the political, economic, financial, cultural, educational and transportation center of Central China.

Fashion and apparel industry is one of the traditional industries in Wuhan. There are 1600 fashion and apparel enterprises in Wuhan, with total industrial output over RMB20 billion in 2013. According to the ambitious government plan, the figure is going to reach RMB 60 billion by 2016, and RMB 100 billion by 2019.

Wuhan is home to 14 universities and colleges with fashion specialties, including the Wuhan Textile University (one of the top 10 fashion design universities in China) and the Hubei Academy of Fine Arts. Every year, around 8,000 fashion college students graduate from Wuhan universities. However, only few graduates will stay in Wuhan as most will go to the coastal areas to seek employment opportunities.

Wuhan is the top retail market in Central China. The local and international retailers, like Wuhan Plaza, Zhongbai, Capitaland, Wanda, are expanding their presence, opening more department stores and shopping malls. The rising purchasing power and more western style consumer behavior give many opportunities to the fast fashion brands (like H&M, Zara and Uniqlo) and the luxury fashion brands (like Burberry, Gucci and Louis Vuitton).

Historically, lady fashion made in Wuhan enjoyed a high reputation in China, especially in the early 1990s. At that time, the local companies won the market, by following the latest fashion trend in the coastal areas, and at an affordable price. However, due to a lack of original design and strong branding support, these advantages faded away after several booming years.

Now the local government has planned to revitalize Wuhan as a fashion city in China. Special funding is dedicated to the fashion brand awareness development from 2014 to 2016. The focus will be on lady's fashion and high-end knitwear textile products. From 2012, Wuhan International Fashion Week is held in autumn every year.

Local fashion companies, like Miiow, Gowani, Tahan, Lovegod, Hongren, have re-established their brands in the Chinese market. European fashion designers have been invited to come to Wuhan in recent years. Dutch fashion designers, like Hu Shiguang, Jaq Volckmann, were active in Wuhan, and have organized several fashion shows.

E-commerce or online sales is still in an early stage in Wuhan. Many local fashion companies have already established a proven sales network. Therefore they are reluctant to open their online stores, as it may affect the profit margin / sales price in the existing physical shops. As a result, the online sales volume is much lower than the sales in physical stores.

Opportunities and challenges

The booming retail market provides business opportunities for Dutch fashion brands to enter into the local market. As is generally known, the government plays a large role in China. The plans of the local government to revitalize Wuhan as a fashion city lead to large support for the fashion market which offers great opportunities. Furthermore, because of the large expertise and experience in the fashion market in Wuhan, local and Dutch designers can co-design to satisfy the upmarket demand. Doing business in Wuhan has no specific challenges besides the general challenges for doing business in China.

5.6 Chengdu

Chengdu is the capital of the Sichuan province in Southwest China and a major city in the fast growing Western China. The administrative area houses 14 million inhabitants and is the fourth most populous city in mainland China.

The Chengdu fashion industry is still in its premature phase. Although there exists a solid foundation for this industry in Chengdu due to its strength in retail and a focus on creative industries in general, it is still considerably lacking behind the fashion industry in the coastal cities in the Eastern part of China - in terms of industry scale, export volume, brand effect and quality. Currently there are hardly any local fashion companies with a global outlook and strategy. Most of them are still small scale and copy (partially) ideas of big, famous brands. Some of the big scale companies' business model is based on OEM-business, meaning doing production for other brands. Chengdu is one of China's main women's shoes production centers. However, most of the shoe designs and production orders are coming from other cities like Guangzhou.

Since 2011 several platforms have started by local individual designers. Examples are F-O-U-R (a platform/store where designers publish their works), TNC (founded by two local designers) and Dressing For Fun (store initiated by local designers). These initiatives demonstrate the starting development of individual fashion design in Chengdu.

According to "Forbes" statistics in 2012, 199 international fashion brands have been introduced in Chengdu so far. There are several luxury shopping malls like IFS selling international luxury brands such as Louis Vuitton, Chanel, Dior, Prada etc. Currently, there is a pilot project under construction, called Chengdu International Fashion Centre. Focus of this project will be on sales of fashion clothes. Except international luxury brands, Chengdu also has its own popular brands. They help laying the foundation for the fashion development the future.

A Dutch-related retail project in Chengdu is Concert Chengdu: 5 Dutch entrepreneurs are opening a unique concept store in the heart of the Chengdu. The store covers more than 10,000 square meters, mainly focusing on fashion and accessories. More info can be found on the website www.concertchengdu.com.

Opportunities and challenges

Chengdu is not only one of the fastest growing retail markets in China but also in the whole world. Retail sales have increased more than 10% year-on-year for the past five years. Retailers from LV to H&M to IKEA post some of their best performances in all of China in their Chengdu stores. Since 2010, total supply of retail space in Chengdu has doubled three times from 1,000,000 to over 8,000,000 square meters of shopping entertainment space.

Chengdu's disposable income in 2013 amounted to RMB 29,968 (annual growth of 10.2%). While this number may not appear too impressive at first, Chengdu people continue to prove their willingness to spend higher percentages of their disposable income on fashion, accessories etc. compared to their more practical counterparts in Beijing and Shanghai. Several studies have ranked Chengdu's consuming power third in China, behind Beijing and Shanghai.

Fashion awareness is rapidly growing. In 2014 the first Fashion Festival in Western China was held in Chengdu. (<http://epaper.scdaily.cn/shtml/scr/20140630/67600.shtml>) In the end of November the Chengdu International Fashion Centre is estimated to open. Invested by Hua Mao Group and supported by the government, it should become a huge one-stop fashion shopping area. Apart from shopping, events will be organized like fashion shows, fashion entertainment, etc. (<http://www.cdcifc.com/main.html>) The China Lady Shoes Center in Chengdu covers around 150,000 square meters and offers many different activities such as shoe manufacturing, shoe R&D, shopping, catering and entertainment. Being the largest shoe-themed scenic spot at this moment in Western China, it has not only attracted shoe companies from Chengdu city, but also attracted famous shoe brands from other regions countries and regions, including Italy. (<http://www.wsc.com.cn/abstract.php>) This rising awareness and increasing demand for fashion in this fast growing area opens great opportunities for Dutch fashion.

But although a lot is happening, Chengdu's fashion circle is still immature. In Beijing and Shanghai fashion groups or circles have been formed by brands, retail stores, designers & celebrities and have created a lot of press and PR. Some of them consistently focus on design, writing for magazines and blogs. Compared with Beijing and Shanghai, Chengdu fashionistas are still scattered, they only gather when there is a fashion event. However, as the city develops we see that Chengdu fashion groups are gradually becoming bigger and more professional. More and more overseas fashion brands are entering the Chengdu market, and young people who were born in the 80s and 90s, who studied fashion abroad and are now coming back to Chengdu, bring in lots of new ideas.

5.7 Chongqing

Chongqing is a province of 32 million people. Around 17 million of potential consumers live in the urban areas. Disposable income and average expenditure are below the average in China, but income and expenditure ratio has maintained stable growth over the last years. Retail sales of consumer goods showed a growth rate of 14% in 2013. In terms of retail market and retail space Chongqing competes with cities like Guangzhou and Shenzhen. In the prestigious Jiefangbei brands like Tiffanies, Dolce&Gabbana, Luis Vuitton, Prada, Miu Miu and Givenchy are sold, but also H&M, Esprit, C&A, UNIQLO. Guanyinqiao in Jiangbei concentrates more on affordable brands such as H&M, UNIQLO and ZARA. It offers also brands as Massimo Dutti, Max Mara, Sergio Rossi, Michael Kors, BottegaVeneta, Gucci.

According to "The Wealth Report" published in 2014 mainland China is the third-fastest country worldwide at producing millionaires. China's wealthy population is growing the fastest in its second-tier cities. On a list of global cities ranked by the growth prospects of extremely wealthy individuals over the 2013-2023 period, 19 Chinese cities make it into the top 30 names. Among Chinese cities Chongqing ranks as no. 1 in terms of growth rate of the very wealthy. Like in China also in Chongqing the most active shopping takes place online, where Chongqing ranks as No 15 in China.

Dutch brands active in Chongqing are C&A (with 3 shops) and G-Star Raw (with 7 shops).

Opportunities and challenges

Chongqing ranks No 6 in China in terms of number of fast fashion shops, offering opportunities for Dutch fast fashion. Demand for luxury goods of world renowned brands is on the rise. In the beginning of 2014 Prada, Miu Miu and Dolce & Gabbana launched flag ship stores in Chongqing.

Various new commercial property developers are working on projects for new shopping malls. According to CBRE Global Research and Consulting the current retail space of 2,677,154 m² in 2014 will be added with 560,000 m², with 57% of it coming from non-core areas such as Jiangbeizui district. Some developers are focusing on high-end brands that are not yet mainstream, trying to distinct themselves from other competitors. This approach might fit Dutch designers for clothes, foot wear and accessories.



6. Subsidies and assistance: Rijksdienst voor Ondernemend Nederland and the Dutch Diplomatic Network

Rijksdienst voor Ondernemend Nederland (RVO.nl)

Netherlands Enterprise Agency (RVO.nl) is an agency of the Dutch Ministry of Economic Affairs. RVO.nl implements policy for various ministries in to the areas of sustainability, innovation and international business and cooperation. RVO.nl is the contact point for businesses, knowledge institutions and government bodies for information and advice, funding, networks and legislation and regulations.

Netherlands Enterprise Agency runs a number of programmes and has different grant schemes available to support various business initiatives. RVO.nl wants to help entrepreneurs with sustainable, innovative or international ambitions.

The economic network in China is there to help you when you are thinking about entering the Chinese market. Apart from the embassy in Beijing, we have four consulate generals - in Shanghai, Guangzhou, Chongqing and Hong Kong – and six Netherlands Business Support Offices (NBSO's) in Chengdu, Dalian, Jinan, Nanjing, Qingdao and Wuhan. Their goal is to stimulate Dutch activities and investments in China. They are therefore more than happy to help you when you want to enter the Chinese market. The economic network offers services like market scans, organizing trade missions and matchmaking between Chinese and Dutch parties. You can also profit from their extensive network in and expertise on their regions. For more information, you can check the website http://china.nlabassade.org/Zakendoen_in.

This Dutch fashion report was initiated by the Dutch consulate general in Shanghai. They see a lot of opportunities for Dutch fashion industry in the dynamic fashion market in China, and Shanghai in particular. They are building up a network in the Shanghainese fashion industry and can help you by bringing you into contact with relevant parties, like the Shanghai Fashion Federation, concept stores, manufacturers, universities, etc.

	Purpose of the government support	Instrument	For who?	What?	Specific features	More information
Programs & Financial	To stimulate inexperienced SME's (starters) to do international	Starters for International Business (SIB)	SME's, mainly small enterprises with no or little experience in	Vouchers – coaching hours to work out an internationalisati		www.rvo.nl/starters

	business		international business	on plan		
	To launch and promote clusters in top sectors on complex and emerging markets (long term positioning strategy), reduction of trade barriers	Partners for International Business (PIB)	Groups of companies and knowledge institutes (clusters), often more experienced companies, (SME and larger companies)	Programs <ul style="list-style-type: none"> Minimum of three companies / knowledge institutes Tailor made covenants with 2-3 year action plans, public-private cooperation Modules: promotion tools (trade fairs, trade missions, seminars, liaison, Government-2-Government, knowledge2knowledge, economic diplomacy) 	<ul style="list-style-type: none"> Focus country list Budget 2013: €7,1 mln 	www.rvo.nl/pib
	To promote the Dutch water sector at international level, to help solve the world wide water problem	Partners for Water (PvW)	NGO,s governments, companies, knowledge institutes	Package with various instruments <ul style="list-style-type: none"> Activities to stimulate cooperation within the water sector (networking) Subsidy (2 tenders per year) Knowledge transfer Cooperation with 5 delta countries International promotion water sector 	<ul style="list-style-type: none"> Focus country list Special program for 5 delta countries Total budget €9,5 mln, €4 mln available for subsidy. 	www.rvo.nl/pvw
	To stimulate international trade and investments	Demonstrations, Feasibility studies and Knowledge acquiring (DHK)	Only knowledge acquiring is limited to SME's	Subsidy <ul style="list-style-type: none"> 50% total eligible costs: Demonstration projects max €200.000 Feasibility studies: max € 100.000 Knowledge transfer: max € 50.000 	<ul style="list-style-type: none"> Focus country list Total budget 2013: € 7,5 mln 	www.rvo.nl/dhk
	To facilitate international investments in emerging	Finance for International Business (FIB)	SME's	Loan <ul style="list-style-type: none"> max 5 years government provides max 	<ul style="list-style-type: none"> Focus country list Total budget 2013 €7,5 mln 	www.rvo.nl/fib

	markets			<p>35% of the total budget, 65% by commercial bank or investor)</p> <p>– Max € 2,5 mln per company per country (€875.000 covered by the government)</p>		
	To support companies with questions about doing international business	Complex questions	SME's	Information		www.rvo.nl/landen
	To support companies in bench mark studies on countries and foreign markets.	Tailor made information (IOM)	SME's	Information and advise		www.rvo.nl/iom
	To identity potential business partners	Business Partners Scan (BPS)	SME's	Potential business partners		www.rvo.nl/zakenpartnerscan

7. Appendices

Events, fairs, creative clusters and other relevant information

Shanghai

- Shanghai Promotion Center for City of Design: www.creativecity.sh.cn
- Shanghai International Fashion Federation: www.shiff.cn
- Shanghai Fashion week: www.shanghaifashionweek.com
- Shanghai International Haute Couture Center

Beijing

Beijing Events:

- Mercedes-Benz China International Fashion Week

In 1997, China Fashion Week was established in Beijing and currently runs under the full title: Mercedes-Benz China International Fashion Week. Most shows and events take place around the Beijing Hotel and 751 D.Park, part of Beijing's 798 art district.

The week is organized by the China National Textile and Apparel Council, which was formerly the Ministry of Textiles.

Brands showing at CFW in Beijing are major-league Chinese manufacturers, companies who started with one small factory 20 years ago. Now they are big players and own multiple factories plus several hundred retail shops. Compared with Beijing, Shanghai Fashion Week is more international and sophisticated, closer in appearance to international fashion weeks than its counterpart in Beijing.

CFW receives a considerable amount of funding from central and local government. Since 2010, "creative industry" is marked as a government funding pillar. Yet the subsidies rarely reach designers and their small studios; instead, the funds are divided by major state-run enterprises or government agencies to organize fashion weeks and other events.

For foreign brands that are looking for a local partner in retail, Beijing's week might be a suitable event.

- CHIC - China International Clothing and Accessories Fair

CHIC is the biggest fashion trade fair in China, held annually in Beijing to coincide with China Fashion Week.

CHIC has very few requirements for brands wishing to exhibit and this results in halls overflowing with Chinese brands engaged in every manner of fashion related business. There are also halls dedicated to international brands.

Trade fairs around the world can offer an excellent chance for brands to connect with buyers, distributors and media. In China the fashion industry works differently and many international brands that attempt to use CHIC as a market entry vehicle end up disappointed.

Multi-brand stores are rare in China and department stores don't buy any merchandise for themselves. This means fashion buyers don't really exist in China either and brands will not meet or connect with buyers at trade fairs in China. This leaves the main point of trade fairs in China (including CHIC) to be finding potential partners, licensees and distributors.

For foreign brands considering exhibiting at CHIC it's important to be realistic. While it is possible that it may connect companies with the right Chinese partner it's far from easy and whether or not CHIC is worth the time and resources is questionable.

- **Beijing Design Week**

Up until now the 4-year old event Beijing Design Week, which takes place annually from late September to early October, has seen a growing increase of participants from the fashion sector at the same time increasing its collaborations with Beijing's art and design schools including their fashion departments. Fashion sector participants are predominantly local designers with some foreign participation each year. Beijing Design Week is more of a design biennale rather than a trade fair and is thus mostly a platform for presentation and to gain brand recognition rather than a commercial affair.

Fashion Education:

BIFT

Beijing Institute of Fashion Technology (BIFT) is China's premiere educational facility associated with fashion, mainly specializing in art and technology. BIFT is a full-time higher education institution where art, technology, economics, management and other convergent disciplines can successfully interact. Founded in 1959, the institute was first affiliated with the Ministry of Textiles. Then it evolved into a supervisory institution under

the City of Beijing in 1998.

Hongkong

- HKTDC Fashion Week, Fall/Winter
- HKTDC Fashion Week, Spring/Summer
- Interstoff
- The HUB
- Incubators – Hong Kong
- Creative Industries specific:
- PMQ (Police Married Quarters)
- Innocentre

Jiangsu/Nanjing

- **Fairs**

1. Nanjing International Jewelry Expo (www.njzbexpo.com)
2. Nanjing International Consumer Goods Expo (www.nicge.com)
3. Suzhou Creative and Design Industry Expo, www.ccdcie.com

- **In Jiangsu Province there are 6 industrial clusters of each over 10 billion RMB turnover:**

1. Sucheng district of Suqian: Jiangsu textile cluster
2. Suyang county of Suqian: Jiangsu yarn cluster
3. Jiangyin of Wuxi: Jiangsu woolen cluster
4. Wujiang of Suzhou: Jiangsu silk fiber cluster
5. Gaocun of Nanjing: Jiangsu garment cluster

- **Besides, in Jiangsu there are 4 traditional production bases for textiles and garments:**

1. Wuxi: fabric and cloth
2. Shengze of Suzhou: silk
3. Dieshiqiao of Nantong: home textile
4. Changshu of Suzhou: men's wear

- **Relevant branch organizations**

1. Jiangsu Textile and Garment Industry Association (www.jsfa.org.cn)
2. Jiangsu Gems & Jewelry Trade Association (www.gajs.org.cn)
3. Jiangsu Optics Industry Association (www.jsoptics.cn)
4. Jiangsu Light Industry Association (www.jslia.com)

Wuhan

- **Wuhan International Fashion Week (October)**

To promote the fashion industry development in Wuhan, the local government initiated the first event in 2012. As part of the 'creative Wuhan' program, the annual event will be a combination of fashion, art, photography, jewelry and other fashion elements, with participants also from Hong Kong, France, Italy, Germany in 2013. www.whfashionweek.com

- **Wuhan Fashion Creative Industrial Park**

Better known as Fashion Valley in Central China, it is now under construction in Jiangxia District, Wuhan. Covering an area of around 200 ha, it will become a cluster of fashion design, experience and manufacturing in Central China.

Chengdu

- **Creative Clusters: (these are general creative clusters, not specifically related to fashion)**

1. Redstar35 <http://35redstar.com/>
2. <http://www.xlymoma.com/>
3. East Suburb Memory <http://www.eastcd.com>
4. <http://www.bh99.com>
5. iBOX Creative Park (open in October 2014)

Shandong

- **Shandong Cultural & Creative Industries Fair (SCCIF)**

Date: 28-31 August, 2014 (a biennial event)

Venue: Jinan International Exhibition Center

Website: www.sccif.com

The SCCIF is sponsored by the Shandong Provincial Government. It is the largest and most important fair for cultural and creative industries in Shandong province. Main topics include cultural exchange, press and publishing, advertisement and innovation, arts and crafts, cartoon and animation, etc.

- **Qingdao Fashion Week**

Website: <http://qd.ifeng.com/special/qdgjshzhzh/>

This event has been held annually since 2001. It's not the top fashion event in China, but the only one in Shandong province. Partly funded by local government, it has been a platform to promote local fashion brand.

- **China (Qingdao) Garment & Fashion Accessories Export Fair**

Venue: Qingdao International Convention & Exhibition Center

Website: www.texqingdao.com/

It is the largest textiles & garments export-oriented fair in North China. More than 80% of the exhibitors are direct manufacturers, and 60% are from Shandong Province.

- **Per region the creative clusters, or other relevant incubators etc.**

Qingdao Creative 100

Website: www.c100.cc/

An International Designer Exchange Center with the support from European Design Alliance, Hong Kong Trade Development Council, and Qingdao Industrial Design Association.

- **Qingdao International Garment Industrial City**

Location: Jimo, Qingdao

Website: N/A

There are several textile and garment industry clusters in Qingdao, such as the Jimo textiles, clothing, and shoes cluster; Jiaozhou textile dyeing and hat cluster; Laixi textiles, clothing shoes cluster, etc. Among them, Jimo is known as China's Knitting City because it has a high industrial concentration of knitting enterprises. Since 2012, Jimo has invested RMB 8 billion to establish "Qingdao International Garment Industrial City" with an area of 2,000 acres. It aims

to be an upgraded garment production base, and a brand incubator for fashion. They encourage fashion companies to invest and enter the cluster.

- **Qingdao National Advertisement Industrial Park**

Location: Chengyang, Qingdao

Website: N/A

With an investment of RMB7 billion, it is one of the nine national level advertisement industrial parks in China. To attract foreign investors, they offer favorable policies, e.g. tax reduction, or rent-free space for a certain number of years, to creative companies including fashion companies.

- **Qingdao Creative Valley**

Location: China Community, Qingdao

Website: N/A

It is a platform for local designers to encourage original design.

- **Qingdao Textile and Garment Union**

Website: N/A

This is an association composed of Qingdao companies in relevance with textile, garment, shoes and hats, etc.

- **Qingdao Fashion and Branding Service Center**

Website: <http://kikusun.com/node/1>

Supported by the Qingdao Fashion Designer Association and Qingdao Cherry Group, this is a digital platform for designers to cooperate with garment companies.

8. Contact Information

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