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Branded Lifestyle Holdings Limited: Strategic Transformation in China

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In July 2014, Dilip Ramanathan Shivkumar sat in his Shanghai, China, office pondering the challenges he was facing as the new managing director of global brands at Branded Lifestyle Holdings Limited (Branded Lifestyle). Branded Lifestyle was an apparel company owned by Fung Retailing Limited (Fung Retailing), the retail division of Fung Holdings Limited (Fung Holdings), one of Hong Kong’s largest private holding companies and the parent of renowned trading and logistics company, Li & Fung Limited (Li & Fung). Branded Lifestyle emerged in December 2011 when Fung Retailing acquired Hang Ten Group Holdings Limited (Hang Ten). The company operated five apparel brands—Hang Ten, H:Connect, Arnold Palmer, LEO, and Roots—in six markets in Asia: China, Hong Kong, Taiwan, South Korea, Singapore, and Malaysia. Hang Ten formed Branded Lifestyle’s core business. With its portfolio of apparel brands, Branded Lifestyle aimed to become a leading apparel retail company in Asia, especially in the growing Chinese market.

While Branded Lifestyle’s brands were profitable in most of its Asian markets, especially in South Korea and Taiwan, they struggled in China. Hang Ten first entered the emerging Chinese market in 1996 through a franchise arrangement, but the franchise performed poorly and was terminated in 2000. Hang Ten re‑entered China in 2001 with its company-owned retail stores. However, its Chinese business continued to underperform, suffering annual loses until it was acquired. In his new role, Shivkumar was tasked with developing a strategic plan to transform Branded Lifestyle’s business in China. Looking at the rapidly evolving Chinese apparel industry and reviewing the company’s weak performance in the past, he wondered how he could turn things around and build a strong and sustainable business in China.

**Fung Holdings background**

Li & Fung was founded in 1906 in Guangzhou, China, as a trading business selling to overseas merchants. The company relocated to Hong Kong after the Second World War and expanded its trading operations to cover a wide range of products, including toys, garments, and electronics. Third-generation Fung brothers Victor Fung and William Fung joined in the 1970s and transformed the family-owned business into a professionally managed trading company. During the 1980s, the company expanded throughout the Asia‑Pacific region and added logistics, distribution, and retailing to its business.

Li & Fung was Fung Holdings’ core trading and logistics business, and was listed on the Hong Kong Stock Exchange (HKSE). It offered comprehensive supply-chain management solutions to global customers such as Gap Inc. and Levi Strauss and Co. By 2013, Li & Fung had an annual turnover of US$25 billion[[1]](#footnote-1) and over 28,000 staff worldwide. Of its sales, 62 per cent were in the United States, and 18 per cent were in Europe.

Exploiting its core capabilities in supply chain management, Fung Holdings expanded into the design, development, and distribution of branded apparel, footwear, and related products in 2005 with its strategic business unit, Global Brands Group Holding Limited. The company designed and marketed products for iconic brands such as the Coca‑Cola Company and the Walt Disney Company, and it served retailers and e-commerce channels in the Americas, Europe, and Asia. Its annual turnover was around $1.3 billion in 2013. The business was spun off and listed on the HKSE in 2014.

Fung Retailing was established to exploit retail opportunities. Its core business was OK Convenience Stores, and it was listed on the HKSE in 2001. Fung Retailing expanded into other retail operations, including Toys “R” Us Asia Limited—with 181 stores in Greater China and Southeast Asia markets—and into luxury retailing in 2006 with Trinity Limited—a high-end men’s wear retailer. Trinity Limited used a light-asset model; that is, it focused on product design and retail operations and outsourced its production. By 2013, Trinity Limited had 441 stores in the Greater China area. Its annual sales revenue reached $335 million, with a net profit of $46.8 million in 2013.

**Acquiring Hang Ten**

Apparel markets in Asia began experiencing significant growth in the 1980s with the emergence of Asian apparel brands such as Giordano from Hong Kong, Uniqlo from Japan, and Metersbonwe in China. These growing markets attracted international apparel brands such as Zara, Gap, and H&M, which entered many Asian countries from the early 2000s. To exploit retail opportunities in Asia, especially in the growing Chinese market, Fung Retailing acquired HKSE-listed Hang Ten in December 2011.

**Hang Ten Background**

In 1960, Duke Boyd and Doris Boeck created surfer brand Hang Ten in San Diego, California. In 1991, Chan Sui-Kau founded Yangtze Apparel Taiwan Enterprise Limited, which acquired the distribution rights to the Hang Ten brand for Taiwan, Hong Kong, China, Singapore, Malaysia, and Indonesia. The company started retail operations in 1996, primarily in Taiwan and Hong Kong, offering casualwear targeted at the mass market. The average price of a Hang Ten T-shirt was around $10. The company expanded into other Asian markets, including Singapore, Malaysia, and South Korea. It grew quickly by taking advantage of the strong economic growth experienced by many Asian markets throughout the 1990s. It was renamed Hang Ten Group Holdings Limited and, in 2003, it was listed on the HKSE. In 2006, Shivkumar, who was then the chief executive officer of Hang Ten South Korea, launched H:Connect, a Korean fast-fashion brand. The average retail price of H:Connect products was higher than the price of Hang Ten products, at around $20. That same year, Hang Ten entered a licensed retail arrangement with famed golfer Arnold Palmer for a specialty golf apparel brand. The average price of a golf polo shirt was around $26.

At the end of 2011, Hang Ten operated 792 stores in Taiwan, South Korea, China, Hong Kong, Singapore, and Malaysia, and the total square footage of the stores was almost 600 thousand square metres (6.43 million square feet). Its annual sales turnover was $309 million (a 14.9 per cent increase from 2010). Taiwan and South Korea were its key markets, accounting for 46 per cent and 38 per cent of its sales, respectively (see Exhibit 1). In December 2011, Fung Retailing acquired Hang Ten for $348 million and reorganized the company as Branded Lifestyle. The company quickly acquired two more apparel brands: LEO, a Hong Kong-based high-end menswear company; and Roots, a high-end Canadian casualwear company. By establishing a portfolio of established apparel brands under Branded Lifestyle, Fung Retailing’s strategic plan was to build a leading apparel retail company in Asia.

**Apparel Retail Industry in China**

Rapid economic development over the past two decades propelled China to become the second largest economy in the world by 2014. With an estimated population of 1.36 billion in 2013 and rising disposable household income, Chinese consumers represented one of the largest markets for products such as automobiles and services such as banking. According to their disposable income, Chinese consumers could be divided into four categories—poor, value, mainstream, and affluent. The vast majority of Chinese consumers (82 per cent) were considered value consumers, with annual disposable income of approximately $6,000–$16,000 (¥37,000–¥98,080).[[2]](#footnote-2) This amount was generally considered to be enough to cover basic living expenses in China. Mainstream consumers, with disposable income of approximately $16,000–$34,000, represented 6 per cent of consumers; while affluent consumers, whose income exceeded $34,000, represented only 2 per cent of consumers. The remaining 10 per cent consisted of poor consumers with annual disposable incomeof less than $6,000.[[3]](#footnote-3)

While China’s economy had improved significantly, there were differences across regions, with an “affluent East” and a “poor West,” as well as differences across provinces and cities. China’s most developed Tier 1 cities (Beijing, Shanghai, Guangzhou, and Shenzhen), located along the east coast, had better infrastructure, a higher proportion of educated workforce, greater purchasing power, and more sophisticated consumers than the rest of the country. Consequently, China was not a single market. As many observers noted, “China is so vast and its regions so diverse it should be treated almost as a collection of separate countries.”[[4]](#footnote-4) With varying purchasing power and consumer preferences across different regions, China presented a big but varied market.

With rising spending power, the Chinese apparel retail industry grew at an average annual growth rate of over 11 per cent between 2003 and 2013 to become a $122 billion industry in 2013. Casualwear designed for the mass market represented the largest market segment, while luxury apparel was the smallest but fastest growing segment in recent years. The industry was highly fragmented, with more than 6,000 brands in the market. In such a competitive market, even established European brands like Vero Moda and Asian brands like Giordano each had less than 1 per cent of market share. China-based Metersbonwe, the leading domestic brand, had less than 2 per cent of market share. Most apparel brands in China (both international and domestic) operated an asset-light model in which they focused on design and retail and outsourced production to apparel manufacturers, many of them located in China. Some larger apparel manufacturers offered their own brands in China, while some smaller manufacturers sold “no brand” products online.

Chinese consumers between the ages of 20 and 30 spent the most on apparel. They looked for fashionable but reasonably priced products, although consumers in different regions varied in their fashion and price preferences. Chinese consumers made their purchases primarily in department stores and, from the mid-2000s, in specialized retail stores. E-commerce (online channel and mobile channel) had experienced rapid growth in China over the past five years. While the Chinese apparel retail industry was growing, many industry experts recognized it as one of the most challenging and difficult markets to operate in. Reasons included the difficulties associated with traditional (offline) retail operations, the increasing popularity of international fast-fashion brands, and the explosive growth of online retailing.

**Difficulties with Traditional Retail Operations in China**

Traditional retail operations in China were challenging for several reasons. First, the returns from Chinese operations had always been significantly lower than those from many overseas markets. The average sales-per-square-feet for apparel stores, a key measure of retail performance, was only 20–25 per cent of the average in many Asian markets such as Hong Kong and Taiwan. Large Chinese cities were less densely populated than other Asian cities, and pedestrian traffic was much lower in many shopping malls and department stores. The rapid build-up of commercial real estate throughout China only made things worse for many retail operators, as consumers not only had more choices but also tended to favour newer shopping malls.

Second, the cost of retail operations in China had been rising from the late 2000s. Operating costs in major Tier 1 cities like Beijing and Shanghai were comparable to those in Hong Kong and Singapore. However, since lease periods in China (usually one to two years) tended to be shorter than in most Asian markets (usually five years), depreciation charges were much higher in China. Retail operators needed to constantly open new stores in new locations and close stores in older locations. Moreover, at lease renewal, an increase of 30 per cent was normal in major Chinese cities, and increases might be as high as 100 per cent at choice sites.

Third, China’s physical size and the geographical distance between cities increased operational costs significantly. For example, marketing costs were significantly higher in China, and standardized marketing campaigns tended to be less effective than in small Asian markets such as Singapore. Moreover, advertising and promotional costs were much higher. For example, celebrities demanded substantively higher endorsement fees for China than for other Asian markets such as South Korea and Taiwan. The costs of managing a distribution and retail network in China were also higher given the country’s size. Rising labour cost in China also increased the cost of retail operations.

These challenges were evident in the difficulties faced by established apparel retail brands such as Hong Kong–based Giordano and China-based Metersbonwe, which had relied on the traditional franchise model for earlier growth in China. In a franchise model, brand owners franchised a store to a franchisee and collected a fee for setting up the retail store. Brand owners then designed and sold their products to franchisees, who sold them to consumers. Established apparel brands in China such as Giordano and Metersbonwe were facing increasing challenges in the Chinese market, and their performance had declined substantively in recent years (see Exhibits 2 to 5). Speaking of the franchised model, Shivkumar commented:

In the past, when the Chinese market was growing, many brands would establish a brand and then quickly use the franchised model to expand retail operations rapidly, developing essentially into a wholesale business, or crudely speaking, a “pump-and-dump” model. Successful brands can open up a few thousand stores and increase sales significantly over a short period of time. In the past, it was all about expanding stores quickly and capturing market share for the brand owners. However, when the market began to slow down, this strategy did not work very well any more. When consumers stop buying, many brands are stuck with huge unsold inventories and cash flow becomes a big problem. As franchised stores start to lose money, they are likely to fail and then people lose interest in the brand, which hurts sales further.

Rise of International Fast-Fashion Brands

Beginning in the mid-2000s, international fast-fashion brands such as Zara, H&M, and Uniqlo entered and expanded aggressively in China (see Exhibit 6). With changing consumer preferences in China, these fast-fashion brands won significant market share (see Exhibits 7 to 10).[[5]](#footnote-5) Fast-fashion brands aimed to provide customers with fashionable clothing at affordable prices. For example, Zara’s business model significantly compressed design and production cycles. Zara was able to develop a new design and have finished products in retail stores within four to five weeks. In contrast, the traditional apparel business model involved cycles of six months for design and three months for manufacturing.

**Online Retailing**

In 2013, China had the world’s highest number of Internet users, two times more than the United States and three times more than India. It was projected that in 2013, China would be the world’s largest e-commerce market.[[6]](#footnote-6) From 2008 to 2012, online retail grew exponentially, reaching $277 billion or about 6 per cent of total retail spending in China. Apparel accounted for more than 25 per cent of online retailing, or around $57 billion in 2014.[[7]](#footnote-7) All the main online shopping websites (Taobao, Tmall.com, JD.com, Yihaodian, Amazon.com, Suning.com, and Gome) and social media sites (WeChat[[8]](#footnote-8)) had an apparel channel. In addition, there were online apparel specialty stores such as VIP.com and Moonbasa.com. Online shoppers came from all over China, especially in lower-tier cities where traditional retail operations were less developed. A large proportion of online shoppers (89.5 per cent) were between 20 and 35 years old, and 70.4 per cent of online purchases ranged between $5 and $29.[[9]](#footnote-9)

With the adoption of smartphones and tablets in China, mobile commerce grew rapidly from the mid-2000s. In 2012, there were more than 250 million users and mobile spending reached $15.6 billion.[[10]](#footnote-10) While e‑commerce (online and mobile) gave established apparel retailers an additional channel in which to sell their products, it also significantly reduced the entry barriers. Many new apparel brands entered China using these highly developed online and mobile platforms.

New apparel brands were often launched by established apparel manufacturers that had developed high competencies after working for a long time with international apparel brands. They were able to offer similar products at competitive prices, with fast delivery and flexible return policies. For example, VIP.com was set up to sell products from international brands at a discount. However, as it turned out, most of the products sold through the website were new, local brands that offered well-designed products at a steep discount from established brands, often as high as 80 per cent. Such new entrants presented a big threat to traditional apparel retailers.

Among Chinese online apparel retailers, Handu ([www.handu.com](http://www.handu.com)) stood out as a top online apparel brand by offering fast fashion with a Korean flavour. Handu was established in 2006 by Zhao Yingguang, a local Chinese businessperson who had worked in international trade in South Korea for 10 years. Handu’s motto was that “although you cannot visit Korea, you can come to Handu for Korean style clothing.” Handu was recognized as one of the top 10 online brands in 2010 and the top women’s apparel brand for T‑Mall.com and JD.com in 2012 and 2013.

Handu’s rise could be traced to its more than 300 single-product teams. Each team was made up of three to five people, usually including a buyer and an order processor. Handu hired apparel designers and turned them into buyers. A buyer would follow the latest Korean fashion trend, pick the best-selling style for local production, and then sell it online at an affordable price, usually around $33. Handu was able to launch 40,000 new styles every year, twice as much as Zara. About competition in the apparel industry, Yingguang acknowledged, “Traditional retailers have huge sales volumes. They are still in the process of designing an O2O retailing model and it takes time. Handu will take the opportunity to be an industrial leader for online fast fashion.”[[11]](#footnote-11)

**Hang Ten’s Operation in china (2001–2011)**

Although Hang Ten’s businesses in most Asian markets were profitable, it struggled in the crowded Chinese market. Its operation in China had been unprofitable since 2001. Its brand positioning was not established, and its brand value was weak compared to international and domestic competitors. In 2011, Hang Ten operated only 129 company-owned stores in China. Its retail operation was small compared to Giordano, which had 1,372 stores, and Metersbonwe, which had 4,164 stores. Its comparable sales growth per store in China was less than 2 per cent in 2011, compared with the average store growth of 10 per cent for the entire company. According to its annual report in 2011, net losses in China were $800,000 and unsold inventories were as high as $2.2 million.

Hang Ten’s Taiwan office directly managed the Chinese market, with only a regional operational team in China. After its acquisition and the emergence of Branded Lifestyle, the regional team managing China was removed and a new team established. To understand Hang Ten’s past poor performance in China, Shivkumar reviewed the Chinese operations and talked to staff. He concluded,

[Hang Ten] was a company without either a clear strategic positioning or any market advantage in China; there is no single reason why Chinese consumers would buy our brand over other brands. We don’t have stylish products; we don’t have much better quality products; we don’t have much cheaper products; we don’t have higher brand image. Everything we did was average, or below average.

Hang Ten’s under-performance in China was due to several factors.

**Managing the Chinese Operation**

Enticed by the growing casualwear market in China, Hang Ten re-entered China on its own in 2001 after its failed franchise arrangement in 2000. However, the company did not appear to have a strategic plan for China, and its Chinese operation was run like a regional market in Taiwan. Shivkumar stated,

Senior management saw China as a huge potential market from the corporate level. But the amount of push and investment did not match what they wanted to do. A team from Taiwan came over here. They had a lot of experience in Taiwan, but they did not have a strong understanding of the local market. What they did could not match the expectation of the market. Also, they did not show a strong drive to grow the business here. They were simply trying to keep things moving along and just try to meet the expectation of the boss.

The head of China’s operation was more of an operational person rather than a strategic person. Running day-to-day operation was more important to him than thinking about where the business should be three years down the line.

Shivkumar further commented, “It is not just the number of people, but more of a commitment. It was the will of people to achieve something, to have a future, to have an ambition. That was one thing lacking.”

In essence, China was treated as an extended distribution channel of the Taiwan division. With no decision authority, limited resources, and no clear strategic plan, the Chinese management team struggled to operate the business in China.

**Limited Localization**

Since Hang Ten’s Taiwan business was well established, its Chinese operation followed the same practices. There was limited localization to satisfy the needs of consumers in China. Shivkumar commented:

They were trying to sell the same Taiwan products at the same time in Shanghai, even though Shanghai had different weather and different customer taste. Summer comes in much earlier and winter comes in much later in Taiwan than Shanghai, and the product cycle was out of sync. Consumers’ taste was also quite different. They simply took the discount model in Taiwan and tried to sell it as an upper market concept in China. There was a whole mismatch about what you are going to sell and how you are going to sell.

Although the local management team realized there was a mismatch between what Hang Ten offered and what the Chinese market expected, there were few managerial initiatives from the team members because they were given limited resources and there was no mandate regarding what they should do to turn things around. In the years before Hang Ten was acquired, the local management team was simply told “to reduce losses and keep going as long as you can.” However, without appropriate products for the Chinese market, sales were weak and unsold inventories increased significantly.

**Poor Branding**

Without a strategic vision for China, there was limited investment in building the Hang Ten brand in the Chinese market. The local management team received little direction regarding what type of brand Hang Ten should be in China. Without clear positioning, branding ended up happening in a haphazard, trial-and-error way. Shivkumar said, “Just operate the business and see what happens. Throw something at the market and see what sticks. If that does not stick, throw something else.” The local management team assumed that consumers would know its brand and buy its products, and simply tried to open new stores as a means to promote its brand. However, this strategy was not very effective given the Chinese management team’s limited resources. As Shivkumar commented, “For a big market like China, we have only a little over 100 stores. Even a small Chinese brand would have that number of stores.”Shivkumar concluded that Hang Ten’s brand ranking was probably at the bottom among international apparel brands in China.

**Small Retail Network**

Most of Hang Ten’s stores in China were in Shanghai and Guangzhou, two of the major Tier 1 cities. Operating in these cities was extremely costly. They had the highest expense-to-sales ratio, which made it difficult for any retailer to operate profitably. Shivkumar said, “For any retail model to succeed, to be profitable in China, it must move away from these top-tier cities, and to move to Tier 2, Tier 3, and Tier 4 cities, and to expand retail distribution there. That is where you can make money.” However, the local management team focused its store expansion mainly in Shanghai and Guangzhou. Moreover, as Hang Ten stores were losing money, they were not able to stay in the more popular locations and were forced to move to less ideal locations. Hang Ten’s poor performing store operations also made it impossible to implement the franchise retail model in China. No franchisee was willing to take on an underperforming and unknown brand, further limiting Hang Ten’s ability to expand its retail network.

In spite of these challenges, the new management team believed it could rejuvenate the Hang Ten brand in China. The brand represented a California lifestyle, and this might be attractive to younger Chinese customers. Moreover, it had a reputation for offering products with a superior quality-to-price ratio than many similarly positioned competitors in Asia.

H:Connect

H:Connect was established in Korea in 2006. It was positioned as a fast-fashion brand delivering stylish Korean apparel to fashion-minded customers between the ages of 18 and 25. The brand established a significant footprint in South Korea, where its design team scouted the country’s fashion centres to stay ahead of consumers’ demands for new fashions. With Seoul fast becoming an important fashion centre, like New York and Milan, H:Connect’s design team could catch the latest fashion trend and take advantage of its supply chain resources to move design concepts to the shop floor in as little as two weeks.

By reacting quickly to fashion trends, H:Connect offered thousands of new products to customers. Each design was tracked individually to see whether it was well received by customers. For best-selling products, H:Connect would put in orders to factories to produce more and stores could replenish overnight. For products that did not sell well, H:Connect would launch promotions to reduce inventory. The brand did not spend a lot on media advertising. Instead, it focused on store promotional activities and hosting promotional events related to seasonal change or in response to competitor’s promotional activities.

By leveraging its success in Korea and strong interests in Korean popular culture (Korean television drama and K-pop music), H:Connect expanded to China in 2014. However, the top management had a few key decisions to make. As Zara, H&M, and Uniqlo had already established a strong footprint in China, was there still a niche market for H:Connect? If yes, what should be H:Connect’s value proposition to Chinese consumers? How should H:Connect develop its offline and online strategy to offer an omni-channel service to its customers?

Roots and LEO

Roots was a Canadian high-end casualwear brand. It offered high-quality products and had performed well in Taiwan by offering VIP services, such as private sales events and special delivery, to key customers. These VIP customers accounted for more than 80 per cent of sales in Taiwan. In China, Roots had a relatively young and small operation with only a few franchised stores. It offered a limited range of products and did not provide VIP services.

LEO was an established high-end menswear brand in Hong Kong. As a niche player, it was the company’s smallest brand. In China, high-end menswear had remained relatively small because of a large and established custom-tailor industry that offered high-quality menswear at reasonable prices. Facing such competition, LEO had not performed well in China. Also, a recent austerity policy implemented by the Chinese government had adversely affected the high-end menswear segment.

Shivkumar on Board

Shivkumar relocated to Shanghai in January 2014 as the managing director of global brands at Branded Lifestyle. As he assumed his new role in Shanghai, he saw major challenges for the company’s Chinese operation. However, as a veteran retailer with 17 years’ experience, he also saw tremendous opportunities in not only turning around the business but also using China as a key market in which to transform and develop Branded Lifestyle into a leading Asian apparel company.

Today, in a way, it was good for us, because we do not have so much exposure in the Chinese market. Our operations are minimal. Imagine if we were a company with 3,000 shops and my franchisees told me that they want to close their shops. All my infrastructure, all my inventory have gone through this business model, and imagine we changed from 2,000 shops to 1,000 shops overnight; it will create a huge problem for our brand. For me, right now, there is just a little amount of fixed expense, fixed overheads, some shops, some retail space, and a whole blank page waiting for me to draw my picture over there.

With a portfolio of brands in hand, Shivkumar felt confident:

For us, Hang Ten is one of our brands, among our portfolio of brands. When you look at brands, when you look at trends, for every brand, there is a life cycle. For every trend, there is a start and finish point. So what we look at is not individual brands, but at which brand to bet more money on a given trend. Instead of swimming against the current, we prefer to swim with the current. If we see a trend over here for a brand, we will expand that brand much faster and just hankering down on other ones.

However, Shivkumar knew he needed to develop a comprehensive strategic plan for China:

I need to see clearly where the Chinese market is heading and to focus on that. In the past, it was easy. You know how to create beautiful stories for your brand and market those stories, how to design good products and to price them, how to set up a shop and train your staff, and you will do well. Today, these are not enough as the market is getting more competitive, customers’ tastes and preference more fluid, and retail channels are constantly evolving. To succeed, it is about who can see clearly the market trend and who can come up with a good strategy and execute that better.

Shivkumar’s challenge was to develop a new strategic plan to transform Branded Lifestyle into a leading apparel retail company, first in China and then in Asia.

**Exhibit 1: Hang Ten Key Financial Data, 2009–2011 (in HK$ million)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** |
| Revenue | 2,008.00 | 2,056.40 | 2,363.50 |
| Gross Profit | 1,101.00 | 1,156.10 | 1,357.40 |
| Operating Income | 112.60 | 190.70 | 292.10 |
| Sales by Region | | | |
| **Taiwan** | | | |
| Revenue | 898.90 | 914.00 | 1,087.70 |
| Operating Income | 84.40 | 46.90 | 142.00 |
| Number of Stores | 277 | 277 | 279 |
| Revenue Per Store | 3.25 | 3.30 | 3.90 |
| Operating Income Per Store | 0.30 | 0.17 | 0.51 |
| **South Korea** | | | |
| Revenue | 747.20 | 766.50 | 890.50 |
| Operating Income | 33.50 | 71.10 | 95.10 |
| Number of Stores | 311 | 296 | 322 |
| Revenue Per Store | 2.40 | 2.59 | 2.77 |
| Operating Income Per Store | 0.11 | 0.24 | 0.30 |
| **Singapore and Malaysia** | | | |
| Revenue | 143.70 | 156.60 | 178.60 |
| Operating Income | −14.20 | 12.60 | 24.50 |
| Number of Stores | 43 | 41 | 40 |
| Revenue Per Store | 3.34 | 3.82 | 4.47 |
| Operating Income Per Store | −0.33 | 0.31 | 0.61 |
| **China** | | | |
| Revenue | 100.00 | 100.80 | 101.50 |
| Operating Income | −8.60 | −1.80 | −6.20 |
| Number of Stores | 95 | 89 | 129 |
| Revenue Per Store | 1.05 | 1.13 | 0.79 |
| Operating Income Per Store | −0.09 | −0.02 | −0.05 |
| **Hong Kong and Macao** | | | |
| Revenue | 51.80 | 69.7 | 83.20 |
| Operating Income | −1.70 | 1.1 | 6.30 |
| Number of Stores | 11 | 18 | 22 |
| Revenue Per Store | 4.71 | 3.87 | 3.78 |
| Operating Income Per Store | −0.15 | 0.06 | 0.29 |
| **Philippines** | | | |
| Revenue | 41.20 | 29.10 |  |
| Operating Income | −4.70 | −3.80 |  |
| Number of Stores | 48 | 32 |  |
| Revenue Per Store | 0.86 | 0.91 |  |
| Operating Income Per Store | −0.10 | −0.12 |  |

Note: HK$ = HKD = Hong Kong dollar; HK$1 = US$0.13 from March 31, 2009 to March 31, 2011.

Source: Company documents.

**Exhibit 2: Introduction to Giordano and Metersbonwe**

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| --- |
| **Giordano International Limited (Giordano)**  Giordano was founded in Hong Kong by Jimmy Lai in 1980. It started with men’s casualwear but quickly expanded to include women’s casualwear. It repositioned as a value brand in the late 1980s, selling basic items (e.g., polo shirts) at relatively low prices. Giordano expanded in Asia and was listed on the Hong Kong Stock Exchange in 1991. The company prided itself on customer service. Customers could try any item in the store and easily return purchased items. Giordano developed an efficient internal operation system, integrating production, inventory, distribution, and retail. The company grew to become Hong Kong’s largest apparel brand in 2013. Giordano entered the Chinese market as early as 1991 and expanded quickly using the traditional franchise model. In a franchised store, only the store manager was hired by Giordano. By 2011, Giordano had 1,372 stores in mainland China, of which 872 (63.5 per cent) were franchised stores. Nonetheless, Giordano’s revenue and profitability had struggled in recent years (see Exhibit 3). Facing these difficulties, it had to close 129 stores in 2012 and 82 more in 2013 (see Exhibit 4).  **Shanghai Metersbonwe Co., Ltd. (Metersbonwe)**  Founded in 1995 in Wenzhou, Metersbonwe was the leading domestic causal wear brand in China. It was listed on the Shenzhen Stock Exchange in 2008. It targeted customers between the ages of 16 and 25 seeking fashionable casualwear at an affordable price. Following established Asian apparel companies, it adopted an asset-light model, focusing on design and retail. In 2008, it launched a high-end brand, “Me&City,” targeting customers between 25 and 35. In 2011, Metersbonwe had 4,164 stores, of which 659 were company-owned and located in Tier 1 and Tier 2 cities and 3,505 (84.2 per cent) franchised stores, located in lower-tier cities.  As the company expanded aggressively, sales-per-store declined, and unsold inventory reached ¥2.56 billion (US$406 million) in 2011. To address its decline, Metersbonwe reduced production, increased marketing, the frequency of product introductions to respond to international fast‑fashion brands, and started discount stores for off-season inventories. Metersbonwe also emphasized new product development. For example, in 2013, it launched a new material—nano-cashmere. It launched an online store (www.banggo.com/). The company aimed to create an offline-to-online\* shopping experience. Customers could try its products in stores and purchase later online. By 2013, Metersbonwe reduced its inventory and achieve annual revenue of ¥7.8 billion (US$1.28 billion) and a net profit of ¥405 million (US$66.7 million) (see Exhibit 5). Yet, its share price dropped from its peak of ¥38 in 2011 to ¥13 in 2013 (65.8 per cent). |

Note: ¥ = CNY = Chinese yuan renminbi; \*Offline-to-online shopping is a new business mode aimed at combining online shopping with traditional physical retail operations.

Source: Qiguan Min, “Giordano: I Understand My Customers,” *Successful Marketing*, no.1 (2005): 55; Yu Xuhui and Geng Banghao, “Metersbonwe: Reform First, Backed Up By Good Performance” [in Chinese], Pingan Securites, November 29, 2013, accessed April 11, 2018, <http://pg.jrj.com.cn/acc/Res/CN_RES/STOCK/2013/11/29/585cbeac-f035-4179-9988-721ef7e81d39.pdf>; Company documents.

**Exhibit 3: Giordano Key Financial data, 2009–2013 (in HK$ million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Revenue | 4,710 | 4,233 | 4,731 | 5,673 | 5,848 |
| Cost of Revenue | 2,348 | 2,058 | 2,000 | 2,342 | 2,297 |
| Gross Profit | 2,362 | 2,175 | 2,731 | 3,331 | 3,551 |
| EBITDA | 465 | 680 | 818 | 971 | 959 |
| Operating Income | 280 | 272 | 620 | 821 | 765 |
| Net Income | 311 | 288 | 537 | 826 | 663 |
| Margins |  |  |  |  |  |
| Gross Margin (%) | 51.38 | 57.73 | 58.48 | 58.72 | 60.72 |
| EBITDA Margin (%) | 9.87 | 16.06 | 17.30 | 17.12 | 16.40 |
| Operating Margin (%) | 5.94 | 6.43 | 13.11 | 14.47 | 13.08 |
| Net Income Margin (%) | 6.80 | 11.35 | 12.97 | 14.56 | 11.34 |
| Product/Brand Segments |  |  |  |  |  |
| Clothing Retail Stores | 4,694 | 3,913 | 4,337 | 5,189 | 5,544 |
| Wholesales to Overseas Franchises | – | – | – | 484 | 304 |
| Inter-Segment Sales | – | –167 | –40 | – | – |
| Export and Licensing Business | – | 350 | 434 | – | – |
| Manufacturing and Other Segments | 16 | 137 | – | – | – |
| Geographic Segments |  |  |  |  |  |
| Mainland China | 1,690 | 1,633 | 1,781 | 1,898 | 1,727 |
| Hong Kong and Taiwan | – | – | – | 1,756 | 1,725 |
| Rest of Asia Pacific | – | – | – | 1,427 | 1,460 |
| Middle East | 249 | – | – | 108 | 632 |
| Rest of the World | 437 | 460 | 574 | 484 | 304 |
| Japan | 27 | – | – | – | – |
| Diluted Earnings Per Share (HK$) | 0.21 | 0.19 | 0.36 | 0.53 | 0.42 |

Note: HK$ = HKD = Hong Kong dollar; HK$1 = approximately US$0.13 from March 31, 2009 to March 31, 2013; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: “Financial Reports,” Giordano, February 27, 2014, accessed April 11, 2018, http://corp.giordano.com.hk/en/financial\_reports.aspx.

**Exhibit 4: highlights of Giordano Operations in Mainland China, 2009–2013**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Total Sales (in HK$ million) | 1,633 | 1,781 | 2,029 | 1,898 | 1,727 |
| Sales Per Square Foot (in HK$) | 2,300 | 2,100 | 2,100 | 1,900 | 1,900 |
| Comparable Store Sales (%) | −5 | 4 | 6 | −6 | −6 |
| Retail Floor Area (Thousand Square Feet) | 903 | 1,037 | 1,173 | 1,077 | 1,001 |
| Number of Outlets | 1,017 | 1,188 | 1,372 | 1,243 | 1,161 |

Note: HK$ = HKD = Hong Kong dollar; HK$1 = approximately US$0.13 from March 31, 2009 to March 31, 2013.

Source: Giordano International Limited, *Annual Report 2013,* February 27, 2014, accessed April 11, 2018, page 19, http://corp.giordano.com.hk/files/financial\_reports/5247441146885665281/2013\_AR.pdf.

**Exhibit 5: metersbonwe Key Financial data, 2009–2013 (in ¥ million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Revenue | 5,189.87 | 7,466.69 | 9,889.99 | 9,447.17 | 7,827.75 |
| Cost of Revenue | 2,908.12 | 4,102.42 | 5,583.35 | 5,272.80 | 4,368.32 |
| Gross Profit | 2,281.75 | 3,364.27 | 4,306.64 | 4,174.38 | 3,459.44 |
| EBITDA | 806.65 | 1,430.37 | 1,976.21 | 1,454.10 | 917.25 |
| Operating Income | 614.53 | 1,050.84 | 1,660.60 | 1,073.11 | 637.54 |
| Net Income | 604.23 | 757.85 | 1,206.01 | 849.58 | 405.48 |
| **Margins** | | | | | |
| Gross Margin (%) | 43.97 | 45.06 | 43.55 | 44.19 | 44.19 |
| EBITDA Margin (%) | 15.54 | 19.16 | 19.98 | 15.39 | 11.72 |
| Operating Margin (%) | 11.84 | 14.07 | 16.79 | 11.36 | 8.14 |
| Net Income Margin (%) | 11.64 | 10.15 | 12.19 | 8.99 | 5.18 |
| Product/Brand Segments | 5,189.87 | 7,462.78 | 9,889.99 | 9,447.17 | 7,827.75 |
| Clothing | – | 7,256.44 | 9,606.73 | 7,582.49 | 6,234.38 |
| Wholesale Distribution | 5,189.87 | – | 38.21 | 52.46 | 1,593.51 |
| Accessories | – | 240.14 | 300.12 | 1,874.61 | 61.73 |
| Diluted Earnings Per Share (¥) | 0.42 | 0.75 | 1.20 | 0.85 | 0.40 |

Note: ¥ = CNY = Chinese yuan renminbi; ¥1 = approximately US$0.16 from March 31, 2009 to March 31, 2013; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Metersbonwe, *Annual Report 2011–2013* [in Chinese], April 2014, accessed April 11, 2018, <http://corp.metersbonwe.com/Public/corporation/pdf/nian2013.pdf>.

**Exhibit 6: Uniqlo, Zara, and H&M stores in China, 2010–2012**

Source: Yu Xuhui and Geng Banghao, “Metersbonwe: Reform First, Backed Up By Good Performance” [in Chinese], Pingan Securites, November 29, 2013, accessed April 11, 2018, http://pg.jrj.com.cn/acc/Res/CN\_RES/STOCK/2013/11/29/585cbeac-f035-4179-9988-721ef7e81d39.pdf.

**Exhibit 7: Introduction to Zara, H&M, and Uniqlo**

**Zara**

Inditex SA, the brand owner of Zara, was the leading apparel retail company in the world, posting net profits of €2.3 billion (US$2.96 billion) on revenue of €16.7 billion (US$21.5 billion) in 2013 (see Exhibit 8). Amancio Ortega opened the first Zara store in 1975, offering rapidly changing product with high fashion content and reasonably good quality at affordable prices. Production and inventories were strictly controlled, even if that meant leaving demand unsatisfied. About 75 per cent of the merchandise on display changed every three to four weeks. This rapid turnover created a sense of scarcity, encouraging customers to “buy now because you won’t see this item later.”

With a team of in-house designers, Zara developed numerous designs each day, with about one-third going into production. Its product failure rate was only 1 per cent, compared with 10 per cent for the industry. The company manufactured 40 per cent of its products internally, while 60 per cent were outsourced to suppliers, two-thirds of which were from Europe and North America and one-third from Asia.

Zara’s international expansion began in 1988 in Portugal. In 2006 Zara opened its first store in China. By 2012, it had 123 stores in China as well as an online store. However, due to its fast expansion in China and other overseas markets, Zara struggled with quality control. On several occasions, it was cited in China for importing and/or selling products that were below the quality stipulated.

**Hennes & Mauritz AB (H&M)**

Erling Persson opened the first H&M store in Sweden in 1947 to provide fashionable women’s clothes at a low price. The ideal customer was a middle-class woman in her 30s with two children who shopped for the entire family. Often collaborating with leading designers and celebrities, including Karl Lagerfeld and Madonna, the company aimed to “give consumers unbeatable value by offering fashion and quality at the best price.” With over 150 designers in Stockholm, H&M identified fashion trends and adapted them for the mass market. It outsourced 70 per cent of its high-volume basic products to Asia and 30 per cent of its low-volume fast fashion products to Europe. H&M’s products were 60 per cent cheaper than Zara’s due to its sourcing from Asia.

H&M opened its first store in China in 2007, but it was not until 2011 that China was earmarked as a leading market for investment. Chief executive officer Karl-Johan Persson commented, “It takes a lot of commitment to succeed in China today. And the competition is quickly growing tougher as there are so many players moving there. It’s already tough today, but it will be a great deal tougher in 10 years.” By 2013, H&M had 205 stores in China, with a turnover of over €718 million (US$990 million)\* (see Exhibit 9).

**Uniqlo**

In 1984, Tadashi Yanai opened the first Uniqlo store in Hiroshima, Japan. Uniqlo’s success came from offering good-quality products at low prices. It did so by radically changing the cost structure in the apparel industry value chain. Yanai saw quality as the differentiating factor for Uniqlo and used high-quality materials from around the world, such as cashmere from Inner Mongolia and goose down from Poland. In 1991, the company was renamed Fast Retailing Co., Ltd. (see Exhibit 10) to reflect its philosophy to commercialize customer needs faster than other companies. Uniqlo’s international expansion started in 2001 when it opened a store in London. In 2002, Uniqlo entered China by opening two stores each in Shanghai and Beijing. However, the brand did not take off as expected, and the two stores in Beijing closed shortly. Reflecting on this setback, Yanai commented, “We reduced the quality as well as the quantity of our merchandise to accommodate the low income level in China. In retrospect, that was a mistake. We over-adapted.” After 2005, Uniqlo changed its strategy. Products were the same as those sold in Japan, and the company raised the price in China to the same level as Japan to convey its high quality. Gradually, Uniqlo built an image in China of good quality at reasonable price. In 2008, the company expanded aggressively in Beijing, Guangzhou, and Shenzhen. In 2009, it opened an online store on Tmall.com. By 2013, it had 225 stores in 55 cities in China. That year, the company earned US$12.1 billion, with a net profit of ¥90 billion (US$954 million).

Note: € = EUR = euro; €1.00 = US$1.38 as of December 31, 2013; \* kr = SEK = Swedish krona; kr1 = €0.108 as of March 31, 2013.

Source: Pankaj Ghemawat and Jose Luis Nueno, *Zara: Fast Fashion* (Boston, MA: Harvard Business Publishing, 2006), 35, Available from Ivey Publishing, product no. 703497; Lin Hai, “Inditex: A fairy Tale of Spanish’s Fast Fashion” [in Chinese], GuangFa Securities, September 22, 2013, accessed April 11, 2018, <http://sc.stock.cnfol.com/130922/123,1764,16015135,00.shtml>; John R. Wells and Galen Danskin, *Hennes & Mauritz, 2012* (Boston, MA: Harvard Business Publishing, 2014), 26, Available from Ivey Publishing, product no. 713512; H&M, *Annual Report 2013*, 44, accessed April 11, 2018, http://about.hm.com/content/dam/hmgroup/groupsite/documents/en/Annual%20Report/Annual-Report-2013\_en.pdf; Hirotaka Takeuchi, *Fast Retailing Group* (Boston, MA: Harvard Business School Publishing, 2012), 28. Available from Ivey Publishing, product no. 711496.

**Exhibit 8: INDITEX SA Key Financial data, 2009–2013 (IN € MILLION)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Revenue | 11,083.51 | 12,526.60 | 13,792.61 | 15,946.14 | 16,724.44 |
| Cost of Revenue | 4,755.51 | 5,104.57 | 5,612.22 | 6,416.83 | 6,801.51 |
| Gross Profit | 6,328.01 | 7,422.02 | 8,180.40 | 9,529.32 | 9,922.93 |
| EBITDA | 2,353.10 | 2,966.21 | 3,214.63 | 3,927.64 | 3,925.97 |
| Operating Income | 1,728.39 | 2,290.47 | 2,522.01 | 3,116.84 | 3,070.88 |
| Net Income | 1,314.35 | 1,731.83 | 1,932.29 | 2,360.76 | 2,377.08 |
| Margins |  |  |  |  |  |
| Gross Margin (%) | 57.09 | 59.25 | 59.31 | 59.76 | 59.33 |
| EBITDA Margin (%) | 21.23 | 23.68 | 23.31 | 24.63 | 23.47 |
| Operating Margin (%) | 15.59 | 18.28 | 18.29 | 19.55 | 18.36 |
| Net Income Margin (%) | 11.86 | 13.83 | 14.01 | 14.80 | 14.21 |
| Brand Segments | 11,084.00 | 12,526.00 | 13,793.00 | 15,945.00 | 10,809.92 |
| Zara | 7,077.00 | 8,088.00 | 8,938.00 | 10,541.00 | 10,804.00 |
| Non-Zara | 4,007.00 | 4,438.00 | 4,855.00 | 5,404.00 | 5.92 |
| Geographic Segments | 11,083.51 | 12,526.60 | 13,792.61 | 15,946.14 | – |
| European Union | 4,404.95 | 4,799.43 | 5,160.27 | 5,478.18 | – |
| Rest of the World | 1,786.90 | 2,451.57 | 3,102.56 | 4,098.87 | – |
| Spain | 3,708.97 | 3,685.32 | 3,754.57 | 3,549.89 | – |
| OECD Countries | 1,182.70 | 1,590.28 | 1,775.21 | 2,819.21 | – |
| Diluted Earnings Per Share (€) | 0.42 | 0.56 | 0.62 | 0.76 | 0.76 |

Note: € = EUR = euro; €1 = approximately US$1.33 from March 31, 2009 to March 31, 2013; EBITDA = earnings before interest, taxes, depreciation, and amortization; OECD = Organization for Economic Co-operation and Development.

Source: Inditex, *Annual Report 2013,* June 2014, accessed April 11, 2018, www.inditex.cn/documents/10279/246530/AnnualReport\_2013.pdf/dd697b82-0a9c-476d-80c2-2302eaa3b25d.

**Exhibit 9: H&M Key Financial data, 2009–2013 (in kr million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Revenue | 101,393 | 108,483 | 109,999 | 120,799 | 128,562 |
| Cost of Revenue | 38,919 | 40,214 | 43,852 | 48,928 | 52,529 |
| Gross Profit | 62,474 | 68,269 | 66,147 | 71,871 | 76,033 |
| EBITDA | 24,474 | 27,720 | 23,641 | 25,459 | 26,359 |
| Operating Income | 21,644 | 24,659 | 20,379 | 21,754 | 22,168 |
| Net Income | 16,384 | 18,681 | 15,821 | 16,867 | 17,152 |
| **Margins** | | | | | |
| Gross Margin (%) | 61.62 | 62.93 | 60.13 | 59.50 | 59.14 |
| EBITDA Margin (%) | 24.14 | 25.55 | 21.49 | 21.08 | 20.50 |
| Operating Margin (%) | 21.35 | 22.73 | 18.53 | 18.01 | 17.24 |
| Net Income Margin (%) | 0.16 | 0.17 | 0.14 | 0.14 | 13.34 |
| Geographic Segments | 101,393 | 108,483 | 109,999 | 120,799 | 128,562 |
| Eurozone | 57,229 | 58,412 | 56,705 | 58,142 | 72,598 |
| Rest of the World | 27,271 | 32,149 | 35,729 | 44,192 | 54,165 |
| China | 1,513 | 2,340 | 3,283 | 4,884 | 6,655 |
| Nordic region | 16,302 | 17,023 | 16,336 | 16,551 | 20,933 |
| Franchise | 591 | 899 | 1,229 | 1,914 | 2,394 |
| Value-Added Tax Adjustments | – | – | – | – | −21,528 |
| Diluted Earnings Per Share (kr) | 10 | 11 | 10 | 10 | 10 |

Note: kr = SEK = Swedish krona; kr1 = approximately US$0.15 from March 31, 2009 to March 31, 2013; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: H&M, *Annual Reports (2011, 2012, 2013),* 44, accessed June 26, 2018, http://about.hm.com/en/investors/reports.html

**Exhibit 10: FAST retailing Key Financial data, 2009–2013 (in CNY million)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** | **2012** | **2013** |
| Revenue | 50,252 | 66,219 | 66,959 | 66,836 | 65,729 |
| Cost of Revenue | 25,199 | 32,015 | 32,207 | 32,617 | 33,295 |
| Gross Profit | 25,053 | 34,205 | 34,752 | 34,219 | 32,434 |
| EBITDA | 9,159 | 12,364 | 11,567 | 10,845 | 9,311 |
| Operating Income | 7,969 | 10,758 | 9,498 | 9,101 | 7,644 |
| Net Income | 3,653 | 5,013 | 4,436 | 5,157 | 5,197 |
| Margins | | | | | |
| Gross Margin (%) | 49.86 | 51.65 | 51.90 | 51.20 | 49.34 |
| EBITDA Margin (%) | 18.23 | 18.67 | 17.28 | 16.23 | 14.17 |
| Operating Margin (%) | 15.86 | 16.25 | 14.18 | 13.62 | 11.63 |
| Net Income Margin (%) | 7.27 | 7.57 | 6.63 | 7.72 | 7.91 |
| Product/Brand Segments | 50,252 | 66,219 | 66,959 | 66,836 | 65,729 |
| Uniqlo | 42,251 | 55,130 | 56,635 | 55,650 | 53,740 |
| Uniqlo Japan | 39,479 | 49,214 | 48,985 | 44,626 | 39,295 |
| Uniqlo International | 2,772 | 5,916 | 7,649 | 11,024 | 14,445 |
| Global Brand | 4,077 | 7,302 | 10,126 | 11,014 | 11,860 |
| Real Estate Leasing | 144 | 125 | 197 | 173 | 130 |
| Other Clothing Related Products | – | – | – | – | – |
| Domestic Business | 3,779 | 3,663 | – | – | – |
| Geographic Segments | 50,252 | 66,219 | 66,959 | 66,836 | 65,729 |
| Worldwide | 50,252 | 66,219 | 66,959 | 66,836 | 65,729 |
| Japan | 44,457 | 55,294 | 54,609 | 51,575 | 46,582 |
| Rest of the World | 5,795 | 10,925 | 12,350 | 15,261 | 19,147 |
| Europe | 2,802 | 4,054 | – | – | – |
| Asia and United States | 2,993 | 6,871 | – | – | – |
| Diluted Earnings Per Share (JPY) | 36 | 49 | 44 | 51 | 51 |

Note: JPY = Japanese yen; CNY = Chinese Yen; CNY1 = JPY13.63, JPY12.30, JPY12.25, JPY13.89, and JPY17.39 in year 2009, 2010, 2011, 2012, and 2013, respectively; EBITDA = earnings before taxes, depreciation, and amortization.

Source: Fast Retailing, *Annual Report 2013*, accessed April 11, 2018, www.fastretailing.com/eng/ir/library/pdf/ar2013\_en.pdf.

1. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-1)
2. Disposable income was the combined disposable income of all members of a household—that is, total household income minus income taxes and contributions to social security; ¥ = CNY = Chinese yuan renminbi; ¥1 = US$0.16 on March 31, 2014. [↑](#footnote-ref-2)
3. Yuval Atsmon and Max Magni, “Meet the Chinese Consumer of 2020,” *McKinsey Quarterly*, March 2012, accessed April 11, 2018, https://www.mckinsey.com/global-themes/asia-pacific/meet-the-chinese-consumer-of-2020. [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)
5. Xuhui Yu and Banghao Geng, “Metersbonwe: Reform First, Backed Up By Good Performance [in Chinese],” Pingan Securites, November 29, 2013, accessed April 11, 2018, http://pg.jrj.com.cn/acc/Res/CN\_RES/STOCK/2013/11/29/585cbeac-f035-4179-9988-721ef7e81d39.pdf. [↑](#footnote-ref-5)
6. Serge Hoffmann, Bruno Lannes and Jessica Dai , “Can China Earn Its Place as the World's Largest E-Commerce Market?”, *Forbes*, February 16, 2012, accessed June 27, 2018, https://www.forbes.com/sites/baininsights/2012/03/06/can-china-earn-its-place-as-the-worlds-largest-e-commerce-market/#78d5013445ee. [↑](#footnote-ref-6)
7. Yu and Geng, op. cit. [↑](#footnote-ref-7)
8. WeChat was a popular social media in China, with more than 500 million domestic users in 2014. [↑](#footnote-ref-8)
9. Yu and Geng, op. cit. [↑](#footnote-ref-9)
10. Ibid. [↑](#footnote-ref-10)
11. Fengling Hao, “Handu: Korean Style Zara” [in Chinese], *Technology and Economy for Private Enterprise*, no.8 (2011): 46–48. [↑](#footnote-ref-11)