

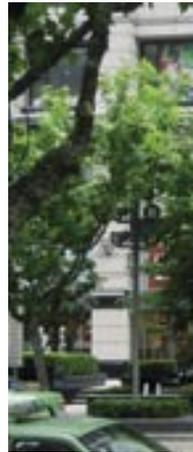
that have the same problem. However, we do see this development differently: We are committed to providing our customers with the highest quality for all products bearing the white star of Montblanc as a symbol of finest European craftsmanship. That is the reason why we find the flood of low-quality fakes indeed alarming.

At this point, I would like to warn against trivialising this problem. We are no longer talking about small backyard workshops where they manufacture a couple of watches, bags or ballpoint pens on the side. On the contrary, these are criminal enterprises with professional structures and their business interests are simply illegal. To protect its trademark rights, Montblanc does everything in its power to curb the number of production facilities and to block distribution channels – not only in China but also in other countries. And we have already achieved some success.

Product piracy will always be a problem but I am cautiously optimistic that in the future the market for fakes in China will not continue to grow: As its national economy develops, China will have to improve its protection of intellectual property and trademark rights. As far as demand is concerned, we have noticed a decrease in social acceptance, at least for Montblanc fakes.

In the end, it is always the customer who decides whether he buys an original product or a fake. With his decision for either, the customer does not only commit himself to good or poor quality but also to another element: All Montblanc products are manufactured in Europe – and only the nib grinders, gem setters, leather workers and master watchmakers can breathe a soul into these life companions. Of course one can write with a fake writing instrument but it does not have a soul.

Therefore, it might be possible to deceive one's friends and colleagues with a fake product at first sight but you cannot deceive yourself. In any case, it is also impossible to give a fake away. How do you think people would react when they found out not to have been considered worthy of being given a genuine Montblanc as a present? In Asia, such giver would lose face and that is the reason why our target group in China does not buy any fakes. ■ *pt*



On your pegs, get set, European fashion made in China

»Looky, looky – Gu-Chi, Prada, U-Go Bo-Se...« the traders on Shanghai's Xiangyang market cry their wares. It is the same picture everywhere. Not a single day passes in China without the sweet call of the luxury labels luring shoppers. Whether the products offered are replicas or originals does not seem overly important at first sight. The names of those famous labels alone stand for a better world, one in which happiness, respect and prosperity seem guaranteed. But how can a medium-sized German fashion label become the quintessence of the Chinese luxury world or even »only« be successful in and with China?

Brands »made in Germany« have a good reputation throughout the world and the same holds true for fashion labels. The export share in the German clothing industry is about 40 per cent and still rising. The main markets are in Europe and the majority of enterprises aim at these markets. According to the Cologne-based trade association »Germanfashion«, China is a good sales market and offers good chances especially for well-known fashion enterprises with strong brands. But the question, how the situation in China is for medium-sized enterprises that do not bear the name BOSS or ESCADA, is something the association leaves to further studies.

One thing is for sure: Before Chinese shoppers, who are so keen on consuming and on brands, will open their – mind you, genuine – Comtess bags for Seidensticker shirts or for the collections of Steilmann or Betty Barclay, it is a long way to go. The first step is production, of course. Apart from a

few exceptions, most enterprises have already relocated it to China.

Step 1: Production in China

»No one can go completely without China when it comes to prices or lead times – here, everything is concentrated in one place and almost all materials and accessories are available on the local market«, says Wolfram Geuting, head of the Asia business of Steilmann GmbH & Co. KG. At present, the enterprise continues establishing Steilmann in Asia only through its manufacturing facilities there.

The Walter Seidensticker GmbH & Co. KG also makes use of China's potential in order to safeguard its market position: Only last year the group took into operation a factory near Shanghai for off-the-peg clothes. The enterprise wants to create a market for the »Seidensticker« brand in China as well. With the licence for »camel active«, the group has already been on



go!?

the Chinese market since 2001 with 600 sales points. Yet another example is the Betty Barclay group: After decades of gaining experience with production in China, Betty Barclay started opening up the Chinese market for its products, especially the »upper-middle market«, four years ago. At present, Betty Barclay's collection is available in 15 stores and shop-in-shops in China's metropolises. A detailed analysis has yet to be made but Matthias Klein, spokesman of the management, already observed: »China is clearly one of our future markets. Just like Eastern Europe it offers great potential for growth.«

Such statements attract attention because China got into disrepute as the »universal remedy« for the crisis-ridden textile industry. There are certainly reasons for a bad response: Not only the much discussed fundamental problems, such as import customs and product piracy, but also production costs that have already increased considerably. In addition to that, it is very difficult to keep track of the market and the offer: There are 5000 textile enterprises in the textile triangle around Shanghai, Ningbo and Nanjing. The distribution channels are also somewhat difficult because there is hardly any independent specialised retailing in China. No wonder, then, that many clothing manufacturers reconsider their present strategy for China.

Short periods of delivery are of decisive importance

And yet, Steilmann's manager for the Asia business knows what he is talking about: Wolfram Geuting has already helped to shape eight of the 23 years the fashion enterprise from Wattenscheid has been involved in China. For him, the compelling argument for producing in China is the fast availability of the »ingredients« - everything that is needed for making clothes: from the button to the zip fastener - as they are produced right on the spot.

In other Asian countries, such as Vietnam or Sri Lanka, where Steilmann does produce at slightly lower costs, materials need to be imported. This, in turn, means that the time

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between the receipt of an order and the arrival of the products at the customer is decisively longer.

Seidensticker also considers short distances as most important. »China is important to us because it shortens our production chain. The proximity of our factory to the fabric suppliers gives us an advantage in time,« says Christiane Müller, Seidensticker's press agent.

There is yet another argument: the suppliers' quality. Steilmann, for example, has been producing in China since 1983. »Here, we have the advantage that we can keep track of the market and the prices. This is only possible because we have so many years of experience in the region«, Geuting says. The clothing manufacturer, who was one of the first enterprises to receive the EU's Eco Audit Certificate back in the 1990s already, has been carefully selecting its suppliers in China over the years, picking out the best. The demands are high, not only on the subcontractors but also on Steilmann: Large purchasers such as Marks & Spencers demand certifications by accredited institutions. During these audits for Steilmann, the corresponding business is inspected and certified for its quality and environmental standards as well as for its working conditions for several days every year.

As lead times get shorter and shorter, every single day counts: Within merely eleven weeks, Steilmann supplies purchasers such as C&A, KarstadtQuelle or Strauss with complete collections from China, which are then sold under these names. Eight collections per year are the absolute minimum. This is the reason why Steilmann does not think about alternatives to China but rather about expanding production in China.

At the moment, 22 factories work for Steilmann and the enterprise is considering a relocation to the hinterland, for instance to the province of Anhui.

Step 2: Sample collections from China

Steilmann's Shanghai office is located, as it seems at first glance, in a quite unspectacular old office building at the Huangpu River. It is bustling with concentrated activity because it is not only the place where business is handled but also where the next collection is designed.

Behind the deep red doors with lion's heads lies a surprisingly spacious loft that is flooded with light. On its two levels, about eighty employees work on tomorrow's fashion, on sample collections. This is unusual because until now all of Steilmann's collections were designed in and organized from Germany. Shanghai, on the other hand, is a trendy and dynamic megacity that gives such impetus for the new cuts, colours and accessories that Steilmann takes them up right there and integrates them into new designs straight away. It all goes very quickly – within only five days the latest sample collection arrives in Germany. With its full-range service office in Shanghai, Steilmann wants to keep up with the development on an international level.

Step 3: Sales – why not directly in China?

Almost 50 years ago, Klaus Steilmann founded his enterprise and gave it the motto »Fashion for millions«. In doing so, he certainly did not think of China. Today, that is exactly where the customers are – not quite the 1.3 billion as often claimed but there are

250 million Chinese with money to spend.

Selling German fashion labels to these customers directly in China should pay off. It indeed does, at least for famous designer brands or hip fashion labels available at a good price. Steilmann's offer for customers over 30 with a good income is somewhere in between, with mid-range prices. This seems to be a good basis for doing one's own business and so Steilmann opened seven shops in Beijing and Shanghai with own collections in the year 2000. After three years, however, these shops had to be closed: Brand-name goods with high quality, available at better prices than those of the expensive luxury labels, shops in the best locations and many years of experience with the market in China did not guarantee the desired profitability.

Rational arguments do not necessarily make the consumer's eager heart beat faster. Apparently, the pulse rate of a Chinese buyer, who is so much fixated on brands, will only increase at the sight of a famous, preferably Italian or French luxury fashion label. Only the purchase of the popular brand can satisfy the desire of the 'must-have'. After all, it is all about being able to show what you have. The prestige factor is decisive for the purchase decision, says Geuting.

Steilmann has put his business licences on ice for the time being and prefers to wait until a class of consumers has developed that is self-confident enough to do without an expensive label to show off with. Geuting sums up the present market situation in China: »Saving up for Gucci and wearing Esprit'. What would Betty Barclay say? ■ *Katrin Schlotter*