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Lorna E. Richards

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Economic Realignment: From made in China to made for China

Lorna E. Richards

ABSTRACT

This report discusses the *made in China to made for China* phenomenon and how the Vancouver born company, Lululemon Athletica, could leverage this trend. The report begins with a summary of the economic reform movement in China and how this movement increased the inflow of Foreign Direct Investment, specifically manufacturing firms, into the Chinese market. Further discussion of the Chinese economy, from 1978 to the present day is included and how the Chinese economy evolved away from exports into one focused on domestic consumption. This trend, the discontinuation of goods produced in China, and the up rise of products sold to Chinese consumers is referred to as *the made in China to made for China* phenomenon. Various forces that increased consumption habits in China are evaluated, such as government incentives, higher disposable incomes and urbanization. Next, the report focuses on the specific consumption trends that could be leveraged by Lululemon Athletica. These trends include the rising interest in the health and fitness sector and the increased purchasing power of female consumers. Lululemon's current presence in Hong Kong is evaluated and how this puts them in a favourable position to enter Mainland China and cater to the rising demand for fashionable fitness apparel. The report evaluates three areas the brand may be able to capitalize on in China, including e-commerce, the luxury market and services. Lastly, three unique challenges the company may face in China are discussed and include sustainability, imitation and brand imaging.

INTRODUCTION

Evolution of the Chinese Economy

China has undergone a drastic economic transformation over the past four decades. One of the key forces driving the transformation was the implementation of policies that increased China's appeal as an investment and operational destination for Multinational Corporations (MNC's). The transformation began in 1978, as this was the year the Chinese government initiated the economic reform movement following the death of Chairman Mao Zedong in 1976. Up until this point, the market had been centrally controlled and the government determined production targets and resource allocation (Morrison, 2015). During this command economy, research suggests (Morrison, 2015), the standard of living in China was significantly below that of its' neighbour to the east, Japan, as measured by Gross Domestic Product (GDP) per capita.

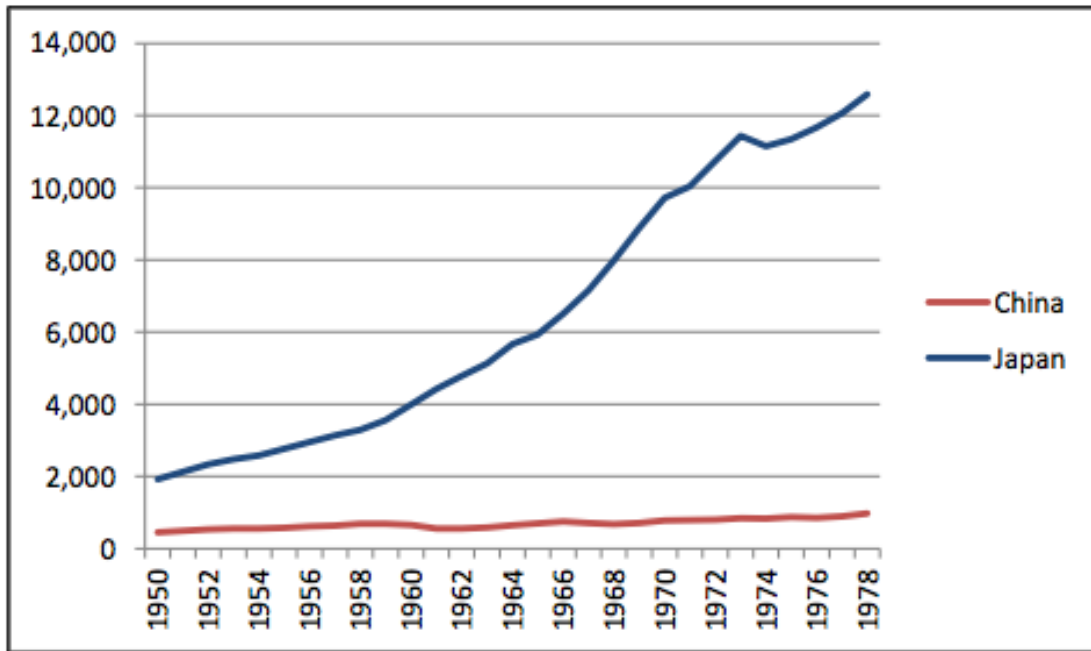


Figure 1: Comparison of Chinese and Japanese (1950-1978) per capita GDP (\$ billions, PPP basis) (Morrison, 2015)

To address the country's economic standing, the Chinese government began the economic reform movement.

A defining characteristic of the reform included the allowance of Foreign Direct Investment (FDI) into the country starting in 1978, following a strict closed-door policy. Prior to 1978, the participation of foreign firms in China had been banned and trade was limited to products China could not produce within the country (Morrison, 2015). Permitting FDI into the country created an opportunity for MNC's to leverage an untapped market with a large amount of human capital and resources, and for China to increase its GDP. To further integrate into the global economy, the People's Republic of China joined the International Monetary Fund and World Bank in 1980 (Lewis, n.d.). To support trade and FDI, the Chinese government created economic zones along China's east coast that were deemed "developmental" and were permitted to experiment with free market principles. The creation of these zones concentrated FDI entering China in the east and Chinese workers migrated to these developing zones giving foreign firms a large workforce to source from. The creation of these zones, ultimately, established world known economic centers such as Shanghai within China. China's economic evolution continued and in 1992, the government endorsed China as a socialistic market economy (Lewis, n.d.). Despite China's status as a socialistic market economy, the privatization of industries occurred across many sectors and foreign firms that entered China managed to do so in the growing private sector. Foreign firms leveraged the manufacturing, finance and technology sectors, as these were minimally dominated by state owned enterprises in comparison to other sectors (Morrison, 2015). The privatization of industry, in combination with the introduction of new technology by foreign firms rapidly increased productivity within China. The increased productivity and low labour costs made China a popular destination for foreign firms looking to outsource production to cut operational expenses. Both foreign and domestic firms entered the manufacturing sector and created an economy reliant on the export and manufacturing of goods.

Further reforms increased China’s appeal as a destination for firms looking to invest globally or relocate their production. This included China joining the World Trade Organization in 2001, which demonstrated that trade liberalization and FDI were priorities in the country’s economic future.

Chinese Economy Today

Since the economic reform began in 1978, China has experienced an average annual growth rate of 10 % and is currently the world’s second largest economy by real GDP following the United States (The World Bank, 2015). In addition, data indicates (International Monetary Fund, 2015) China is the largest economy by purchasing power parity (PPP) and is the largest manufacturer, exporter and importer of goods. A key success in the reform of China’s FDI policy occurred in 2014 when it overtook the United States as the top destination for FDI in the world. Research by the United Nations Conference on Trade and Development (2014) indicated that China took in 128 billion dollars worth of FDI, compared to 86 billion dollars in the United States.

Despite the success of China’s economic transformation, the country’s explosive growth rates started to decline in 2007 and the year 2014 brought the lowest growth rate since 1990 at 7.4 % (The World Bank, 2015). Predictions by the International Monetary Fund (IMF) for China’s growth rate continue to decrease for 2015 and 2016 at 6.8% and 6.3% respectively, as shown in the Figure 2.

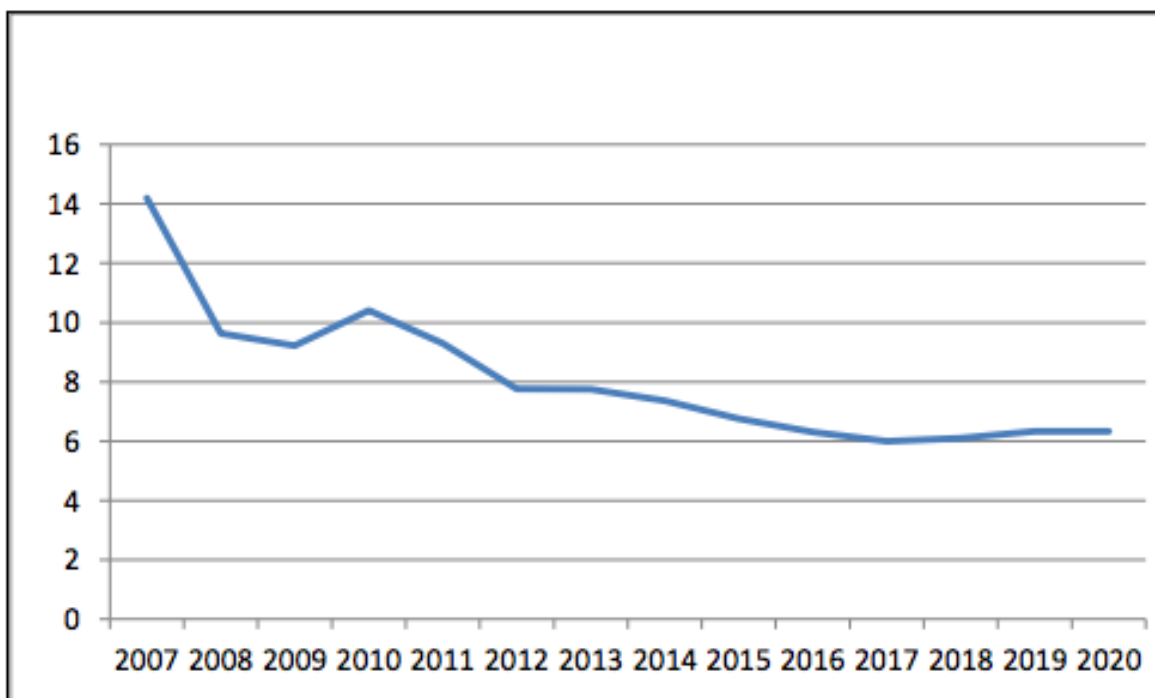


Figure 2: China’s real GDP growth (2007-2014) and projections though 2020 (plotted as %) (Morrison 2015)

The decline in the growth rate occurs as China’s exports plummet and the industrial clusters where MNC’s once manufactured their goods move to lower-wage countries such as Vietnam.

Although China's growth rate is decreasing, according to Farrell et al. (2006) China is the fastest growing consumer market in the world and is predicted to be the third largest consumer economy by 2025. China's era of consumerism ensues as families increase spending on discretionary goods and decrease the percentage of their disposable income allocated for savings. In addition to the change in spending habits of individuals, the Chinese government has made a conscious effort to increase consumption within the country. In an attempt to stabilize GDP growth, China's 12th Five-Year Plan, set in place from 2010 to 2015 prioritized domestic consumerism in an effort to restructure the country's economy. Predictions for the 13th Five-Year Plan which includes 2016 to 2020, conclude emphasis will be placed on consumer spending and continue to steer China away from exports and manufacturing as the sole contributors to GDP.

The shift in the characteristics of the Chinese economy has changed the motivation for foreign firms looking to enter the country. In addition, foreign firms with operations already in the Chinese market are altering the way in which they make a profit. As the ability to manufacture goods in China at a low cost is decreasing, numerous firms that entered China to set up manufacturing plants are now moving these operations to neighbouring Asian countries where labour costs remain a fraction of those in China. Some retail companies that initially entered China solely to produce their goods and export them are now realigning their strategy to capitalize on China's era of consumerism. The rising trend in China, where firms do not simply make their goods in the country, but rather sell them to Chinese consumers was described as *the made in China to made for China* phenomenon (Atsom & Magni, 2010). Companies such as Nike and Apple have shifted their strategy away from only manufacturing products in China and now sell their brand within the country as well.

SHIFT TO CONSUMERISM

Manufacturers Move Out

For decades after FDI was permitted into China, foreign firms were attracted to the country solely as a destination to manufacture goods at low cost. The country had a surplus of labourers willing to move to the industrial clusters where goods were produced and minimum wage was often a fraction of that the firms incurred in their home country. For many garment companies such as Nike, the Gap and even some luxury brands, attire was labeled "made in China". Retailers leveraged China's ability to manufacture goods both cheaply and efficiently. The retailers would then immediately export the goods out of the country and into consumer markets. The trend to manufacture goods in China, however, is decreasing and firms are either moving out of China or capitalizing on the country's consumer spending versus manufacturing capabilities.

Many forces are driving manufacturers out of China and include, but are not limited to rising wages and a decrease in the desire by youth to work in factories (Roberts, 2010). From 2009 to 2012, China's labour costs rose by an average of 20% per year in the eastern provinces, where the majority of manufacturing plants are located ("The End of Cheap China", 2012). Media outlet, The Economist, discussed that when American Chamber of Commerce members were questioned about the greatest challenge facing firms in China, 91% responded with rising costs, prior to corruption or piracy ("The End of Cheap China", 2012). To combat rising labour prices, foreign firms that initially entered China to manufacture goods are moving their operations to lower-wage countries such as Vietnam, Indonesia and the Philippines. Another attractive destination for American firms looking to set up manufacturing operations is Mexico, where research shows labour costs are actually decreasing (Bureau of Labor Statistics, 2012). A second factor, moving production operations out of China is the workforce. Access to an abundant workforce, a key factor that once motivated firms to enter China is now declining. The one child policy has led to less young

people joining the workforce, and those who do, would rather work in the service industry - not factories (Roberts, 2010). Many manufacturing operations do remain in China, but are focused in specific industries that require a highly skilled workforce and complex infrastructure such as technology and biomedical supplies ("Still Made in China", 2015). Labour-intensive industries, such as clothing and footwear are following the trend to move out of China, and into countries where low labour costs increase the profit margin. For example, the majority of Nike footwear is now produced in Vietnam, having surpassed the amount produced in China in 2010 (Adam, Case, Lester, Li, & Uyen, 2014).

Simultaneously, the "made in China" label is losing its appeal in the European and North American markets where home made products are increasingly desired for their sustainable attributes. For many companies, manufacturing goods in China has drastically decreased the credibility of their brand, as many products produced in China are questioned for their quality and are regarded as exploiting poor work conditions.

Factors mentioned above, in compliment to others are changing the economic landscape of China for foreign firms. China is no longer an economy characterized by the ability to manufacture and export goods and is evolving into an economy of domestic consumerism.

Forces Driving Consumerism

Despite a decrease in manufacturing, China's spending habits have increased and the country has entered an era of consumerism. Factors contributing to the country's consumption include urbanization, a growing middle class and initiatives set by the government to encourage the Chinese population to spend their disposable income on goods and services.

There is evidence of a strong effort by leaders to realign the Chinese economy into one that prioritizes domestic consumption, and leverages the *made in China to made for China* phenomenon. In its most recent Five-year plans, the Chinese Government refocused the economy away from exports and domestic investment towards services and consumption. Specifically, the government implemented policies that would encourage the population to save less of their earnings. A defining characteristic of the Chinese economy is the high proportion of earnings that workers put directly into savings. In the United States, on average only 5% of a household's earnings are placed into savings, but in China, on average 35% of a household's income are placed into savings (Roberts, 2015). By decreasing interest rates, the government aims to decrease the incentive to retain earnings. Before, 1978 Chinese families saved little to none of their earnings because there was no incentive to do so in a centrally controlled economy. Following 1978, when the economic reform movement was implemented, the amount of money families placed into savings increased significantly. This trend has continued to the present day, where the Chinese people see savings as a precautionary measure for healthcare, education and retirement (Roberts, 2015). In the past ten years alone, the percentage of earnings placed into savings has risen 7% in China, despite efforts by the government to build schools, improve healthcare and expand the pension structure. Researchers suggest that the continued motivation to save comes from China's extreme inequality. High-income families save around 70% of their earnings in order to uphold status and lower income families save their earnings because they recognize this to be a way to overcome poverty (Roberts, 2015). With a rise in consumption and the service sector however, many economists suggest China's inequality gap will decrease.

Although savings as a percentage of income remains relatively high, the trend of consumption in China is evident. Consumption contributed to 60% of the GDP growth in the first half of 2015, in comparison to in

50% in 2014 (The World Bank, 2015). Evidence suggests that consumption will continue to rise in China, as seen in other consumer markets such as the United States. As mentioned above, last year consumption in China contributed to 50% of the country's real GDP compared to the United States, where consumption contributed to over 80% of the country's GDP. In India, where the middle class is also rising, consumption contributed to over 70% of the country's GDP in 2014 (The World Bank, 2015). These numbers indicate, that should China follow the trend of the United States and India, where consumption plays a defining role in the economy, consumption habits have yet to peak and stabilize. The increase in consumption contributes to the *made for China* phenomenon, and companies willing to adapt to China's growing consumption preferences have an opportunity to leverage retail ventures in the market.

A Rise in Retail

With the rise in consumption in China, the retail landscape of the country has changed considerably and emerged forcefully. There has been an increase of both physical and electronic retail shops catering to the *made for China* phenomenon. China's retail market structure, however, is highly fragmented and the country's eastern provinces contribute to most of the country's retail sales. China's retail shops are focused in the eastern provinces, due to the country's increased urbanization. China's ten most populated cities are all located in eastern provinces and include economic centers such as Shanghai, Beijing, Hong Kong and Guangzhou. Urbanization is suggested to continue, and a McKinsey research study (Woetzal et al., 2009) predicts that by 2025 two-thirds of China's population will live in an urban center. The up rise of urban centers has increased retail and urban consumers are willing to increase their spending on discretionary goods in order to increase their quality of life. The spending of urban consumers is centered on clothing, transportation, telecom services and healthcare. With an increase of spending on clothing, both domestic and foreign stores have catered to the demand and opened up numerous locations across eastern provinces. Foreign brands, however, still only make up a very small portion of retail firms in the country, and the entrance of foreign clothing shops is expected to increase. Notable European brands, which have opened stores in China, include H & M, Zara and Benetton. H & M's entrance into China has been highly successful and in 2014 China had the 5th highest sales figure ("Full Year Report", 2014), out of the 53 countries the brand is sold. Retail in China, specifically apparel has also increased due to the amount of money young consumers are willing to spend on clothes. Research shows that young consumers, under the age of 25, spend around 40% of their income on fashion (Zhang, 2011). Vincent Lui, a partner at the Boston consulting group said the following about brand awareness in China, "about 40 million international trips are made by Chinese now and that number expected to reach 100 million by 2020, combined with Internet exposure, Chinese fashion consumers have pretty high awareness of brands" (Zhang, 2011). Many young consumers in China prefer western brands because they are perceived as being of a higher quality and better design. This preference makes Chinese consumers willing to spend extra on foreign brands in comparison to the cheaper home market retailers. The *made for China* phenomenon has created both a competitive and dynamic retail market. Opportunities continue, for foreign firms willing to take advantage of the phenomenon within certain domains, especially within the eastern provinces, which are affluent with expatriates and wealthy Chinese consumers. One of the trends increasing the retail sector is health and fitness. This next part of the report will highlight the Canadian born company Lululemon Athletica Inc., and how it may be able capitalize on the "made in China to for China" phenomenon.

LULULEMON IN CHINA

Health and Fitness

Increased consumption and income, as mentioned earlier in the report, has caused an increase in China's expenditure on health and fitness related services. It is expected, that in 2015 the fitness industry will have had a revenue exceeding \$5 billion dollars (Gym, Health and Fitness Clubs Market Research Report, 2015). The growth of the industry has been significant in the last five years with an annualized growth of rate 13.7% from 2010 to 2015. The term "fitness fever" has been used to describe the rise in fitness related activities in China, specifically among women. A rising interest in health and fitness in China has created a unique opportunity for apparel stores willing to cater to the trend. Consumption has been on the rise in China for years causing traditional clothing stores to saturate the market, however, fitness apparel has yet to dominate the market in such a force. American brands found across China's urban centers such as Shanghai, Hong Kong and Beijing all carry fitness attire, however, this is merely a complement to their sole fashion line. These retailers include the Gap and Old Navy, both of which operate stores in China and carry a "side" of fitness apparel, generally near the back of the store. There are currently few foreign fitness apparel stores, however, leveraging the *made for China* phenomenon. Chinese consumers, known for a desire of both luxury and western goods lack a fitness retail shop, which combines these characteristics, especially in Mainland China. Mintel, a market intelligence agency with offices across the world has identified four key trends to appear in the Chinese consumer market in 2016 ("China Consumer Trends 2016", 2015). Two out of the four trends, directly relate to the *made for China* phenomenon and more specifically trends which fitness retailers can leverage. The first of these two trends is the health conscious consumer, the result of numerous health threats such as pollution and food safety affecting the country. To counter these threats, Chinese consumers have taken a proactive approach to health. Research by Mintel, proposes that exercise has become both a trendy and essential part of Chinese life, with 64% of the population believing that regular exercise is the number one combatant to health problems, up from 51% in 2014. This research, suggests that the need for fitness apparel among Chinese consumers is on the rise, as the importance of exercise increases in the daily lives of China's population. The second trend, identified by Mintel, which can also be leveraged in fitness retail, is the *woman only* trend. The report describes the trend as follows, "Chinese Women's rising education level and workforce participation allow them to live more independently and further contribute to the consumer economy, presenting more opportunities for brands to tap into 'the women's market'" ("China Consumer Trends 2016", 2015). The report indicates that while female consumers are becoming more financially independent and dominant within the workforce, their desire to show dominance has carried over to physical aspirations as well. As the number of women joining gyms, yoga studios and health clubs is increasing, Mintel indicates that there is a driving demand for fashionable attire and leisure services catering to 'women only'. The market research also proposes there is a considerable advantage for firms willing to demonstrate their understanding and appreciation for the 'she-economy'. The report noted, "Chinese female consumers will affiliate themselves with companies that share their ethical values and take steps to increase gender equality-either domestically or globally" ("China Consumer Trends 2016", 2015). For foreign brands, these trends create an opportunity to leverage an untapped component of the *made for China* phenomenon. For many fitness apparel stores, their clothes are manufactured in China and across Asia, but are immediately exported from the market. A rise in consumption, fitness and women with purchasing power, has created a lucrative opportunity specifically for the Canadian based firm Lululemon, to expand into Mainland China.

Current Position

Lululemon Athletica Inc. is a Vancouver born, yoga-inspired apparel company. The company has demonstrated an interest in becoming a global brand through the expansion to over nine countries since it was first established in 1998. It currently operates stores in two Asian countries, including Malaysia and Hong Kong (Lululemon, 2015). Defined as a Special Administrative Bureau of the People's Republic of China, Hong Kong is often used as a test market for firms looking to enter Mainland China. With an autonomous administrative system, lean Internet policies, and a large number of expatriates, the region has attracted a substantial amount of FDI over the past few years. Hong Kong is currently ranked as the tenth highest earning city in terms of GDP per capita (The World Bank, 2015) and one of the top three financial centers in the world next to London and New York. The qualities listed above, often make Hong Kong the middle ground for firms looking to expand out of or enter Mainland China.

Lululemon first entered Hong Kong with a showroom in 2013 and due to the success of the venture, opened its first Boutique store in the city in 2014. Since the first store opened, a second location has been added to the city. The locations offer both men's and women's apparel and are found in the city's most affluent neighbourhoods, which house high earning Chinese business people, expatriates and tourists. The stores carry Lululemon's entire collection including yoga, cardio and swim wear and turn over regularly to cater to seasonal inventory. The stores' layout resembles those in Vancouver; minimalistic, organized and covered with inspirational quotes. There is evidence, however, of local branding and leveraging the "made for China" phenomenon. As one enters the store located in Hong Kong's International Finance Center (IFC), a sign directly relating to the health of Hong Kong people has been placed beside the register. The sign states that in the World Happiness Report the country is rated 72nd, out of a 158 countries and territories. The sign recommends that this ranking can be improved through increased health and fitness initiatives, motivating consumers to purchase new apparel. The store's décor suggests a strong effort to combine both local and global marketing without straying from the company's core values of delivering high-end fitness apparel in a positive environment. The store, however, is not without competition in the finance and fashion-focused city and differentiates itself with its signature yoga inspired, high-end and fashionable alternative for fitness wear.

Economists predict (Jackson, 2013) the next step for Lululemon may be to expand further into the Asian market, specifically into Mainland China. A successful entrance into Hong Kong has increased brand awareness on the continent and may have been a strategic step by the company to enter the mainland. With fewer fitness retailers having taken the step to Mainland China, versus Hong Kong, Lululemon has positioned itself to be a first mover in accommodating the *made in China* trend. In addition, the Vancouver based company, is able to specifically accommodate the health conscious and female consumer discussed in the previous section. The brand just recently expanded their men's apparel in 2013, before which the company focused mainly on female attire. Lululemon's deep understanding of female attire, may prove valuable in China where Mintel predicts that one of 2016's defining trends will be that of the female, health conscious consumer.

Areas for Success

There are three key areas Lululemon may be able to capitalize on in Mainland China. These areas include e-commerce, luxury branding and services.

E-commerce is one of the defining tools contributing to increased consumption among the Chinese population. The Chinese website, Taobao, has popularized e-commerce in China, and is one of the 12

most visited sites in the world (“The Top 500 Sites on the Web”, 2015). With the Chinese public familiar with e-platforms, and often preferring them as the mechanism to purchase goods, Lululemon’s ability to leverage the trend is evident. Operating one physical location in an urban center such as Shanghai could greatly boost e-commerce sales. A physical location would allow shoppers to try on and size goods and once shoppers are familiar with the items, their confidence to purchase the goods online would increase, ultimately boosting e-commerce sales. Lululemon already has a well-developed web platform and therefore would not need to build a new tool. Many other foreign brands have followed a similar strategy; where a physical location is set up for consumers to become familiar with items with a goal of increasing online sales.

Second, Lululemon can leverage luxury branding in Mainland China. High-end brands are often favoured among Chinese consumers and Lululemon’s fashionable designs and high-end fabrics may be able to cater to this trend. Specifically, Lululemon is within a niche, given that its main competition comes from mainstream apparel stores such as H & M and Old Navy. Nike has included fitness apparel in their Chinese stores, but the apparel is marketed towards running and basketball. This leaves a gap in the market for Lululemon to fill with yoga attire catered to the female consumer looking to accommodate a health conscious lifestyle.

Lastly, Lululemon’s highly regarded classes may be able to cater to the growing fitness and service sector within Mainland China. As mentioned earlier, the Chinese population is taking precautionary steps to mitigate health problems. One of Lululemon’s core value propositions is delivering complimentary fitness classes within their store. These range from yoga to running clubs and develop a sense of community for those who shop at the store. By opening up the store to classes, brand awareness will increase and may motivate class goers to fill their wardrobe with Lululemon attire. By offering classes, preferably taught by both local and expatriate instructors, the brand will be able to build a strong sense of community and be viewed as a global brand catering to local needs. This strategy will specifically leverage the *made for China* phenomenon, by catering to the rise of the health conscious consumers in China’s urban centers.

Challenges in China

Should Lululemon enter Mainland China as a next step in their global expansion, there are three key areas where the apparel company may face challenges. These include sustainability, imitation and brand image. Although Japan and China’s economic climate differ, a failed attempt by Lululemon to enter Japan emphasizes the caution the brand must take should it enter China.

If the brand were to enter China, its values regarding sustainability may clash with those of the country’s.

For Lululemon, sustainability is an important part of their strategy and the following is written on their website:

We’re a values-based company with a mission to create components for people to live long, healthy and fun lives. Carrying out our mission is only possible with a healthy planet and thriving company; we’re taking steps to reduce our footprint across all areas of our business while also creating a positive, lasting impact in the world.

(“Our Sustainability Vision”, Lululemon, 2015)

The website also describes, in detail, numerous initiatives the company is taking to incorporate environmental, social and economic health into their brand and operations. These initiatives, however,

may struggle within China, where businesses often exploit lenient policies around the environment. The drastic rise in manufacturing and consumerism in China since the economic reform has led the country to become be the second largest polluter in the world in absolute terms (World Resource Institute, 2014) and is predicted to be the number one polluter by 2050. For a company, such as Lululemon which brands itself as a leader in community based sustainability, the Chinese market may prove challenging. Conversely, entering the retail market in Mainland China may give Lululemon a unique opportunity to set precedence for a healthier, more sustainable consumer. Through education, and the branding of their core values, Lululemon may be able to challenge China's current approach to consumption and leverage an opportunity to practice their vision. The following is an excerpt from the company's website:

Our sustainability vision is to elevate the world from mediocrity to greatness by embracing social, environmental and economic health in every part of our organization and in all our global communities. We are working to be part of an elevated world that operates within nature's boundaries and provides for human needs everywhere on Earth — including the opportunity for everyone to lead a happy and fulfilling life.

(“Our Sustainability Vision”, Lululemon, 2015)

Entering the Chinese market creates a unique opportunity for Lululemon to practice and further implement their vision, as described above.

The second struggle Lululemon may face entering the Chinese market is imitation. One study (Li & Spink, 2012) writes that up to 70% of the world's counterfeit goods are sourced from China. Fake markets can be found throughout China both in large and small centers. Imitation Lululemon apparel is already present among some of these markets and should the company enter the market with a physical store, the ability of counterfeiters to imitate the brand's products would increase. In addition, both Chinese and foreign consumers may seek out fake goods to acquire the apparel at low cost, versus in stores or online where Lululemon prices reflect the companies high-end branding.

Lastly, the company may have to overcome being labeled solely as a “foreign brand” and adopt a “global brand” image to succeed in China. Many foreign firms, specifically luxury brands, have failed in the Chinese market because they are only seen as being foreign, and those who can afford to buy the brand will do so abroad, to prove its authenticity. For many of China's wealthiest consumers, vacations abroad are increasing and these opportunities are reserved to purchase foreign brands. This adds a level of prestige and status to the item, because it was purchased in the country the brand is affiliated with. To overcome this challenge, Lululemon will have to leverage the “made for China” phenomenon, ensuring Chinese consumers the brand combines both global and local values. The store in Hong Kong's International Finance Center demonstrated the value of purchasing goods from the Hong Kong store with its reference to the city's happiness index, discussed earlier in the report. Although not an exhaustive list, these struggles demonstrate that entering the Chinese market comes with unique challenges.

CONCLUSION

The *made in China to made for China* phenomenon is one outcome of China's drastic economic evolution and realignment since the country's open-door policy was initiated in 1978. Initially, China was a country only attractive to Multinational Corporations for its ability to manufacture goods at a low cost, but quickly progressed into an era of consumerism. When the government recognized a need to rebalance China's economy and stabilize the growth rate it steered the Chinese population toward consumption. A rise in disposable incomes has enabled the Chinese population to indulge in discretionary goods, a new trend for the nation known for its high savings rate. A rise in consumption has created a unique opportunity for companies willing to leverage the made for China phenomenon, specifically in niche areas that are underdeveloped. Research suggests, that the health conscious consumer is on the rise and this will increase the demand for high-end fitness apparel. For the yoga-inspired apparel company, Lululemon Athletica Inc., Mainland China may be a strategic move in their global expansion. The company, which already operates in Hong Kong, is in a favourable position to make the move to the Mainland. This report identified three key areas the company can leverage on the mainland including e-commerce, luxury branding and the growing service sector. In addition, unique challenges within China's retail market were discussed including sustainability, imitation and brand awareness. In conclusion, the demand for *made for China* goods and services is on the rise, and a company such as Lululemon Athletica Inc., which aligns with the rising trends, could leverage the phenomenon.

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