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The internationalisation of Chinese apparel companies, 1990-2020

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Abstract

This paper investigates the dynamics of the internationalisation of leading Chinese apparel companies since the early 1990s. Following the general growth pattern of this industry, which was export-oriented until 2005 and focused on the domestic market since 2005, this paper adopts a business history approach to explore the strategies adopted during these two periods to invest in overseas expansion. Our discussion is based on an analysis of the top 25 largest Chinese apparel firms in 2019. Using a broad range of published sources and official data, we shed light on the internationalisation process of these firms and show the various strategies used to upgrade their position in the global value chains, from OEM manufacturers for global brands to the owners and managers of their own retail networks.

Keywords: Apparel industry, internationalization, foreign direct investment, China

JEL classification: D22, F23, L67, N85

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1. Introduction

In 2010, Chinese giant textile group Shandong Ruyi took over the Japanese apparel company Renown.[1] It then acquired numerous fashion brands, aiming to establish itself as a Chinese version of LVMH. Although this strategy failed and led the company close to bankruptcy due to high debts, this episode still demonstrates the ambition of Chinese apparel companies to become global retailers and improve their position in the global value chain (GVC).[2] China is already the world's largest apparel producer and exporter (since 1994), and Ruyi was one of the many companies that supported such growth.[3] Moreover, the acquisition of foreign brands was not only a way to create more value by shifting from an outsourcer of apparel products to a retailer, it was also to transform the firm into a multinational enterprise.

However, owning a portfolio of global brands is not the only way to internationalise. Some Chinese apparel producers have invested abroad while focusing on their positions as suppliers of clothing to global brands. Following the wage increase in China and trade barriers imposed by the EU and US, these companies opened production facilities in other Asian countries. For example, Jifa, Luthai, and Youngor established manufacturing plants in Vietnam successively since 2005 because of its cheap labour force and tariff preferences.[4]

These two examples demonstrate that the internationalisation of Chinese apparel firms has followed various patterns. This is in line with the evolution of the industry since the 1980s. Its growth until 2020 can be divided into two main phases: the first one characterised by a focus on the massive export of cheap products to global apparel brands (1980-2005) and the second one in which sales in the domestic market became the main driver of growth (2006-2020). During these two phases, Chinese apparel companies acquired the knowledge to build competitive advantages relating to industrial production and creative activities (Zhang & Donzé,

[1] "China's Ruyi to pay Y4bn for Renown," *Financial Times*, May 21, 2010.

[2] "Ruyi Jituan De Shishang Diguo Weihe Mengsui" [Why Ruyi Group's fashion empire dreams are shattered]. *China Business Daily*, 2022-11-21.

[3] "International Trade Statistics, Merchandise Trade Values, Merchandise Exports by Product Group – Annual (Million US dollar)," World Trade Organization, accessed April 15, 2022, https://stats.wto.org.

[4] "Bi Lin Zhi Dao" [Neighbors]. *China Fashion*, 10 (2017): 48-51.

2023). These differences have also probably impacted the expansion of some firms to foreign markets. Hence, this paper addresses the following research questions: How have Chinese apparel companies internationalised since the 1990s? What changes were made to the internationalisation strategy of Chinese apparel companies after 2005? What kind of pattern (direct expansion, use of foreign knowledge) and targets (countries, companies, or brands) did they prefer? To answer these questions, we follow a business history approach, based on a broad range of published sources, and use academic literature on the internationalisation of Chinese firms and on the globalisation of the apparel industry.

The rest of this paper is organised as follows. First, we provide a comprehensive review of the literature (section 2) and explain our methodology (section 3). Second, we offer a general analysis of leading Chinese apparel companies' internationalisation according to the data we compiled (section 4). Third, we take some case studies to explore the two internationalisation processes we have identified in detail (sections 5 and 6). Finally, we discuss our results in the conclusion.

2. The internationalisation of apparel firms

In order to discuss the conditions of the internationalisation of Chinese apparel companies between 1980 and 2020, we first review the literature on the internationalisation process of apparel companies in general during this period. It will enable us to understand the general development pattern of this industry. Second, we look at scholarly works on the internationalisation of Chinese firms in general to emphasise the home-country context of our research.

2.1 The internationalisation of the apparel industry

The apparel industry around the globe experienced a deep transformation during the 1960s and 1970s, characterised by the outsourcing of production to Asian nations, particularly China, and the refocus of apparel companies on high value-added activities such as design, branding, and retail (Lane & Probert, 2009; Hesse, 2019). At the same time, apparel companies significantly expanded their presence in the global market (Runfola & Guercini, 2013; Donzé & Fujioka, 2015; Miranda, 2020). However, while most leading apparel companies became global, the process of their internationalisation took two main different patterns.

First, the oldest and most common strategy was to develop the retail network of existing brands worldwide. Most apparel companies concentrated on the geographic expansion of consolidated self-owned brands while maintaining their independence. This pattern of internationalisation is rather prevalent among the fast fashion retailers and reflected by the Uppsala model of a gradual commitment in foreign markets, as exemplified by giant retailers H&M and Inditex (Lopez & Fan, 2009; Bhardwaj et al., 2011; Childs & Jin. 2014; Mo, 2015; Giertz-Mårtenson, 2020). These firms usually preferred to expand their retail outlets through wholly-owned subsidiaries, only opting for partners in joint ventures or franchising agreements in certain markets with low sales forecasts or barriers to direct entry (ibid). On the contrary, luxury fashion companies, especially Italian firms, expanded through partnerships with companies with the capital and knowledge necessary to enter foreign markets (Merlo, 2017). Good examples include Ermenegildo Zegna's licensing arrangements for extensive product lines and franchising of mono-brand stores, as well as Giorgio Armani's joint ventures for local distribution with the large textile company Gruppo Finanziario Tessile (GFT) in North America and the general trading company Itochu in Japan (Cedrola & Silchenko, 2016; Donzé, 2023). New distribution channels, like flagship stores, and the democratisation of consumption, such as the launch of diffusion brands for the mass market, typically accompany this internationalisation (Moore et al., 2000, 2010; Moore & Doherty, 2007; Guercini & Milanesi, 2017).

Second, other companies with enough capital adopted an internationalisation strategy based on acquiring foreign brands alongside expanding their retail network. Brand portfolios built through mergers and acquisitions (M&As) facilitated fast entry into and expansion in the global market. French and Swiss luxury conglomerates like Moët Hennessy Louis Vuitton

(LVMH), Richemont, and Kering are excellent illustrations of this pattern since the 1980s (Donzé, 2023). For example, as of 2019, LVMH, the world's largest luxury company, achieved vertical integration and product diversification by acquiring over 70 brands under the decentralised organisational structure of ‘umbrella holding’ (Djelic & Ainamo, 1999). This was made possible by leveraging the financial support of external investors and banks (Donzé, 2017). Conglomerate acquisitions have bilaterally provided financial and managerial support to luxury companies experiencing decline, allowing them to reposition their brands for renewed success. An example is Kering's acquisition of Gucci and Great Universal Stores’ (GUS) acquisition of Burberry before it spun off in 2005 (Moore & Birtwistle, 2004). While dominant within luxury conglomerates, this strategy is not limited to them. Fast fashion companies have also followed this example. For example, Fast Retailing Co., the Japanese company that owns the brand Uniqlo, acquired the French ready-to-wear brand Comptoir des Cotonniers in 2005, hoping to improve its entry into the European market.[5] Fast fashion group Shein, a Chinese online retailer, acquired the British brand Missguided and announced a joint venture with American fashion company Forever 21 in 2023 to consolidate its offline competitiveness against new rivals.[6]

Compared to this international literature that has underlined two major patterns of internationalisation of Western and Japanese apparel companies, scholarly works on Chinese apparel companies are still underdeveloped and do not provide a clear idea of how these companies ventured into foreign markets. Scholars in management and economics have shed some insight into the motivations, destinations, and entry modes for the internationalisation of these firms. The academic literature is primarily based on firm-level case studies; reflections of the two patterns identified in Western countries and Japan can also be observed. As for internationalisation through global M&As and overseas branded outlets, this is seen in the cases of some renowned Chinese apparel companies, such as Youngor’s global acquisitions and Bosideng’s retail stores in Europe (Guo, 2008; Lu & Chen, 2010; Niu, 2021). Bai et al. (2020) provided insight into Shandong Ruyi, the only influential luxury-oriented fashion group

[5] "Le japonais Fast Retailing rachète Comptoir des Cotonniers," *Les Echos*, June 1, 2005.

[6] "Fast-fashion group Shein buys a UK brand Missguided," *Financial Times*, October 30, 2023.

originating from emerging markets, and traced its internationalisation through M&As to establish the 'Chinese LVMH'. Nonetheless, the deficiency in brand building is still considered the biggest obstacle undermining the global expansion of Chinese apparel firms' self-owned brands (Xie & Zhou, 2008; Ke, 2014). Moreover, some studies have discussed the internationalisation of apparel production. Less developed countries, particularly those included in 'the Belt and Road' initiative, such as Cambodia and Zambia, have emerged as important destinations for Chinese textile and apparel companies to relocate their manufacturing (Wang et al., 2008; Eliassen, 2012; Deng et al., 2017; Chen, 2021). Although unexplored in a business history perspective, this pattern of internationalisation is rather original, in the sense that it is absent for Western and Japanese firms, which have outsourced their production since the 1960s and 1970s.

This brief literature review demonstrates the need to conduct a systematic analysis of the internationalisation patterns of major Chinese apparel companies in order to better reflect the industry's overall development and strategic objective towards internationalisation. This will also enable to stress the specificities of Chinese firms within the global apparel industry.

2.2 The internationalisation of Chinese companies

Apparel companies are not the only Chinese firms to have internationalised in the last four decades. The general context of the evolution and characteristics of Chinese outward foreign direct investment (OFDI) offers a framework to properly understand the context of our case study. OFDI became authorised in the late 1970s but was limited to state-owned import and export corporations until 1985 (Taylor, 2002). It started to grow massively in the 1990s (Cai, 1999; Child & Rodrigues, 2005). The value of OFDI increased 176 times in three decades, from 830 million US dollars in 1990 to 146,503 US dollars in 2022.[7] In 2017, China ranked third after the United States and Japan in terms of FDI outflows, and ranked second after the United

[7] "Data, Data centre, Balance of payments, Foreign direct investment: Inward and outward flows and stock - annual", United Nations Conference on Trade and Development, accessed November 26, 2023, https://unctadstat.unctad.org.

States in terms of FDI stock.[8] Scholars in business, cross-cultural management, and area studies have explored this significant growth from multiple perspectives, including the theoretical validities, motives, processes, and outcomes of Chinese firms' internationalisation (Deng, 2012; Alon et al, 2018; Haasis & Liefner, 2019). Although Buckley et al. advocated the relevance of traditional internationalisation theories in the largest emerging economies (Buckley et al., 2010a & 2010b; Alon et al., 2013), some studies have challenged their validity in the Chinese case, particularly for small and medium-sized enterprises (Liu et al., 2008; Sandberg, 2009; Hennart, 2012). For example, Li (2007) called for an integration of the traditional eclectic paradigm and the dragon multinationals model proposed by Mathews (2006) to explain the accelerated internationalisation from the emerging-economy multinationals as a theoretical extension to better explain Chinese firms' internationalisation.

However, scholarly works have noted that Chinese firms' internationalisation is somewhat distinctive among emerging economies, which they have attributed to the unique nature of state-driven internationalisation. Government involvement has a significant impact on FDI flows and locational choices when compared to Western countries or other emerging economies (Buckley et al., 2010b). For example, early Chinese OFDI in the 1990s was mostly destined for developed countries like Australia, the USA, and Canada (Taylor, 2002). Buckley et al. (2010a) attributed this physically and psychically distant location decision at inception, which posed a contrast to the Uppsala theory of incremental internationalisation, to institutional support. Moreover, it is further evidenced by the fact that most of the companies undertaking OFDI had direct or indirect linkages with the government. They were either state-owned or supported by government sponsorship and financial underwriting; private companies were not legally allowed to invest overseas before 2003 (Child & Rodrigues, 2005; Yeung & Liu, 2008).

Major firms from heavy industries, home appliances, and electronic devices have attracted most of the discussions regarding motivations, destinations, and entry modes during internationalisation (Taylor, 2002; Deng, 2003 & 2009; Hong & Sun, 2006; Luo & Tung, 2007;

[8] "Zhongguo Duiwai Zhijie Touzi Liuliang, Cunliang" [Outflows and stock of China's outward FDI], Statistical Bulletin of China's Outward Foreign Direct Investment, 2017:4-5.

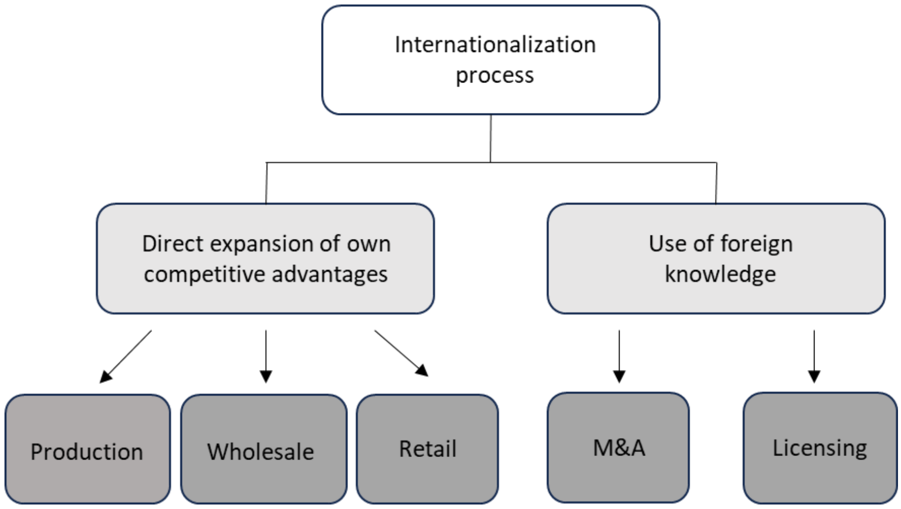
Dunning & Lundan, 2008; Yeung & Liu, 2008; Rui & Yip, 2008; Globerman & Shapiro, 2009; Buckley et al, 2010a; Voss et al, 2010; Peng, 2012; Alon et al, 2018). Scholars argue that Chinese OFDI was largely meant for natural resource-seeking, market-seeking, and strategic asset-seeking, while undervaluing the intention for efficiency-seeking since its domestic market possessed a reliable supply of cheap labour and land (Deng, 2003; Buckley et al., 2010a). The early OFDI was mostly concentrated in the rental and business services sectors, while the trend in the last decade has shifted towards increasing investment in manufacturing. An example is Haier's establishment of manufacturing plants in the US to avoid American export restrictions and strategically secure local markets (Taylor, 2002; Li, 2007; Luo & Tung, 2007). Some works show that Chinese firms are less likely to engage in greenfield investments than in mergers and acquisitions (M&As) and joint ventures (JVs) (Alon et al., 2018). M&As have gained more preference recently in a bid to achieve rapid internationalisation while minimising institutional constraints at home (Yeung & Liu, 2008; Rui & Yip, 2008; Deng, 2009; Globerman & Shapiro, 2009; Sun et al, 2012; Peng, 2012). For instance, in 2004, Lenovo purchased IBM's PC unit together with its brand, managerial teams, R&D centre, and distribution network, which immediately made Lenovo the world's third-largest PC manufacturer (Liu & Buck, 2009; Deng, 2009).

This literature indicates that the Chinese apparel industry has been overlooked in internationalisation studies. Being one of the first sectors to industrialise after the 1980s, it is still unclear if its internationalisation follows the general pattern summarised above or represents a distinct one. Our paper attempts to fill these gaps with the following methods and sources.

3. Methodology and sources

With the objective of offering a proper understanding of the general dynamics of the internationalisation of Chinese apparel companies, we follow the classical approach of business history as developed by Chandler (1990). We have identified the 25 largest apparel firms by sales in 2019, according to the rankings by China National Garment Association. Based on the literature above, we then built our own analytical model of internationalisation to track their international strategies since the 1990s (see figure 1). We have divided the internationalisation of apparel companies into two major patterns: the direct expansion of own capabilities (production, branding, retail) and the use of foreign knowledge. Given that most of the largest Chinese apparel companies are vertically integrated, we will apply this categorisation to each business department, such as production, wholesale, and retail, separately, thus presenting the multi-layer corporate strategies in an integrated manner. For example, in the retail business, direct expansion refers to the internationalisation of the company's self-owned brands, either through wholly-owned subsidiaries or agreements with partners. Correspondingly, the use of foreign knowledge refers to internationalisation through M&As and licensing of the brands that are already established in international markets. Similarly, direct expansion of production refers to the establishment of manufacturing plants overseas and the use of foreign knowledge refers to the acquisition of established foreign manufacturing firms. Finally, the breakdown data of target countries, companies, or brands would provide more details to comprehend the internationalisation of Chinese companies.

Figure 1 The internationalisation of Chinese apparel companies



Source: Drafted by the authors.

Our main sources consist of multiple published documents from the 1990s to 2020. Unfortunately, primary sources about Chinese apparel companies are unavailable for academic research, and these firms rejected our requests for interviews. In order to minimise information bias and provide neutral interpretation, we consulted a wide range of published sources, including around 170 articles published in 78 Chinese business magazines and newspapers. We accessed these documents from the largest academic database in China, the Chinese National Knowledge Internet (CNKI), which also includes business publications. A few articles from foreign magazines and newspapers—like *Women's Wear Daily* and *Financial Times*—are used to supplement the Chinese sources. Details regarding these sources are presented in the reference list at the end of this paper. Furthermore, we draw on official data from domestic and international organisations, such as reports from the Statistical Bulletin of China's Outward Foreign Direct Investment and statistics from the United Nations Conference on Trade and Development (UNCTD). Although it does not include archives, the broad variety of material used enabled a 'triangulation of sources' (Kipping et al., 2014) to provide a clear idea of how our selected firms internationalised.

4. The internationalisation of the 25 largest Chinese apparel companies

Based on the methodology used by Chandler (2005), we start our analysis by looking at the internationalisation process of the top 25 largest Chinese apparel firms in 2019 in order to identify their profile and the various development paths they followed.

As we will discuss below, all these companies started their cross-border expansion in the early 1990s. The Chinese apparel industry was already a fast-growing sector and the dominant world producer at that time. However, outward foreign direct investment (OFDI) was very low between the establishment of the People's Republic of China (PRC) and the early 1990s. It essentially took the form of economic aid towards less developed countries. China provided equipment and technology to 62 factories in 36 countries from 1958 to 1990 through state-owned corporations. For example, in 1990, China Textile Machinery and Technology Import and Export Corporation (DTMTC), a state-owned industrial and trading company, built several cotton spinning and apparel factories in Bangladesh, which employed about 400 expatriates.[9]

The late 1980s saw a gradual emergence of OFDI in the form of Sino-foreign joint ventures (JVs). However, the number amounted only to five by 1987.[10] For instance, the Hong Kong Shanghai Knitting Factory was founded in Mauritius in 1985 by the Shanghai Bureau of Textile Industry, two Chinese state-owned companies (Shanghai Knitting Company and Shanghai Foreign Economic and Technical Corporation), and a Mauritius-Chinese businessman. It produced knitted cotton clothing and mainly exported to the European Community, taking advantage of Mauritius' membership in the Lomé Convention.[11] In the early 1990s, the number of JVs increased to more than 20 companies, mostly associated with the overseas establishment of manufacturing plants, particularly in Thailand and the Philippines.[12] Despite the abundance of cheap labour domestically at the time, the need to circumvent quotas and trade restrictions motivated these early attempts to relocate production overseas. In summary, moving production facilities abroad was the first step in the internationalisation of the Chinese apparel industry up until the early 1990s. This sector acted as a supplier of global apparel brand retailers and its competitive advantage was based on its ability to provide massively cheap clothing.

OFDI started to take a more complex pattern during the second part of the 1990s.
By compiling data from the 25 largest Chinese apparel companies in 2019, we can observe that it was not until the mid-1990s that apparel companies started to internationalise with objectives other than production, such as wholesale and retail (see Table 1). Thereinto, 21 out of the 25 companies have expanded overseas, indicating a high level of internationalisation among the

[9] Ibid.

[10] "Fangzhi Gongye Sanzi Qiye Gaikuang" [Overview of the foreign-invested companies in the textile industry]. Almanac of China's Textile Industry, 1986-1987: 26.

[11] "Qianlun Woguo Fangzhi Qiye Guojihua Jingying" [An introduction to the internationalization of Chinese textile enterprises]. *China Textile Economy*, 1994(11):24-27+30.

[12] "Jianchi Duiwai Kaifang, Jinyibu Kuoda Fangzhi Gongye De Duiwai Maoyi He Jingji Jishu Hezuo" [Insist on opening up, further expand foreign trade and economic and technical cooperation in the textile industry]. Almanac of China's Textile Industry, 1990: 179; "Fangzhi Gongye De Duiwai Jingji Jishu Hezuo" [Foriegn economic and technical cooperation in the textile industry]. Almanac of China's Textile Industry, 1991: 9.

leading players within the industry. Moreover, 12 of them went public, but this was not a significant factor to internationalise (two firms were listed before internationalisation, ten after, and nine remained unlisted). The four companies that did not expand abroad include three fashion companies focused on the domestic market (Shanshan Group, Souyute and Xinyuan) and a manufacturer of uniforms for the government (Ballon Group). Our sources did not mention any OFDI for these companies.

Table 1 Internationalisation of the 25 largest apparel companies in 2019

	Company name	**Year of IPO**	**Year of internationalisation**	**Pattern of internationalisation**	**Activity**	**Target location /company/brand**
1	Heilan Group	2000	1996	direct	wholesale (OEM/ODM)	Hong Kong, France, Italy, USA
					retail	Paris, Malaysia, Singapore, Thailand, Vietnam, Philippines, Japan, South Korea
2	Youngor Group	1998	1995	direct	wholesale (OEM/ODM)	Japan, USA
					production	Hong Kong, Vietnam
				M&A	retail	Xin Ma, Smart, Undefeated, Alexander Wang, Slashop, S+G
					production	Xin Ma, Smart
3	Hongdou Group	2001	1993	direct	wholesale (OEM/ODM)	Japan, USA, Hong Kong
					production	Cambodia
4	Shanshan Group	1996	N	N	N	N
5	Shandong Ruyi	2007	2006	direct	wholesale (import raw materials)	Hong Kong
				M&A	retail	Renown, Peine Gruppe, SMCP, Trinity Group, Aquascutum, Bally, Bagir,
					production	Australia, India, UK, New Zealand, USA
6	Bosideng Group	2007	1992	direct	retail	UK
					production	Russia
				M&A	retail	Greenwoods
					production	Cambodia, Vietnam
7	Peacebird Group	2017	2015	M&A	retail	Alexis Mabille, 8on8
8	Semir Group	2011	2018	direct	retail	Hong Kong, Saudi Arabia, Indonesia, Laos, Mongolia, Vietnam, Nepal

				M&A	retail	Sofiza SAS
9	Souyute Group	2010	N	N	N	N
10	Dishang Group	N	2002	direct	wholesale (OEM/ODM)	UK, USA, Japan, South Korea, Germany, Italy, Australia, Canada, Netherland, Belgium, Ireland, Spain, Turkey
					retail	USA
					production	South Korea, Bangladesh, Cambodia, Vietnam, Myanmar
				M&A	retail	Virgowill, Pampolina, AVISTA, Brandon Thomas Design, Cherry Elegance Fashion
11	Sunshine Group	1999	1994	direct	wholesale (OEM/ODM)	Hong Kong, Australia, USA, Japan, Italy, Russia
					production	Ethiopia
12	Ballon Group	N	n/a	n/a	n/a	n/a
13	Jifa Group	N	1996	direct	wholesale (OEM/ODM)	USA, France, Japan, Romania, Russia
					production	Vietnam, Cambodia
14	Dongdu Group	N	1999	direct	wholesale (OEM/ODM)	Singapore, Hong Kong, Japan, South Korea
					production	Cambodia, Malaysia, Vietnam
15	Xinlang Sinoer	2010	2000s	direct	wholesale (OEM/ODM)	Italy, Japan, Hong Kong
16	Romon Group	N	2000s	direct	wholesale (OEM/ODM)	USA, Italy, Japan, France
17	Hubao Group	N	1990s	direct	production	Russia
18	Luthai Textile	2000	2013	direct	wholesale (OEM/ODM)	Italy, USA, Japan
					production	Cambodia, Vietnam
19	Seduno Group	N	2011	direct	production	Cambodia, Myanmar, Vietnam
				M&A	production	Cambodia
20	Xinyuan Cocoon Silk	N	N	N	N	N
21	Hualida Group	N	2017	direct	production	Vietnam
22	Ever-Glory Group	2008	1999	direct	wholesale (OEM/ODM)	USA
					production	Cambodia, Vietnam

23	Daiyin Group	N	1999	direct	retail	USA, Canada, Netherland, New Zealand, Australia
					production	Sri Lanka, Malaysia, Cambodia, Vietnam
					logistics	USA
24	Dayang Group	2000	1990s	direct	wholesale (OEM/ODM)	USA, UK, Japan, South Korea, Germany, Italy, Russia
					retail	USA
				M&A	retail	Indochino, InStitchu, John Varvatos
25	EP Yaying Group	N	2010	direct	retail	Macau, Malaysia

Source: China National Garment Association's published statistics, accessed October 22, 2022, at http://www.cnga.org.cn/html/xhpd/xhgg/2020/0805/52328.html. Internationalisation information was established by the authors on the basis of yearbooks, newspaper and magazines mentioned in the reference list.

In order to identify various models of internationalisation, we classified the data into three sub-categories: pattern (direct expansion vs. use of foreign knowledge), activity (production, wholesale, retail, design, marketing, etc.), and targets (location of investment; companies and brands acquired). Table 1 makes it possible to underline three major characteristics of the internationalisation process of the 21 Chinese apparel multinationals (MNEs) that invested overseas.

First, starting from the mid-1990s, almost all of the MNEs began to opt for direct expansion of their own businesses, including production, wholesale, or retail; the only exception was Peacebird Group. After the mid-2000s, a new pattern of internationalisation emerged. Eight firms used foreign knowledge, primarily by acquiring brands or companies. This strategy was usually implemented after a direct expansion, in the context of upgrading the position in the GVC from manufacturing outsourcing to branding and retail (see section 5). Peacebird Group is the only company that internationalised without first implementing a direct expansion. To sum up, we may infer that Chinese apparel companies' internationalisation is more often associated with direct expansion than with the acquisition of foreign knowledge through M&As or licensing.

Second, in the 1990s, internationalisation through direct expansion concentrated primarily on production and wholesale trade. Retail emerged as a new target of direct expansion after the mid-2000s. However, only a third of these 21 MNEs have established overseas retail stores for their self-owned brands. Conversely, retail expansion became the predominant objective of internationalisation after the mid-2000s, but this was done by taking over foreign companies or brands. We found almost no evidence of a licensing strategy with foreign brands to access overseas markets. However, license agreements signed by Chinese apparel companies are common in the domestic market (Zhang & Donzé, 2023). Only one firm, Dayang Group, has the license to market the brand of the American designer John Varvatos in North America.[13]

Third, the choice of location varies with the objectives of internationalisation. According to Table 1, when companies invest abroad in wholesale trade to sell garments produced as suppliers of global brands, they mostly go to developed markets (Japan and the US) and to Hong Kong, a global hub for re-export. In contrast, emerging markets with low labour costs—especially Southeast Asia—become the major destinations for companies relocating their production. Finally, regarding retail, there is no clear preference. Some companies choose to first enter proximate markets, i.e., Heilan's expansion into Southeast Asia, while others choose to first enter markets with physic and psychic distance but higher income, i.e., Bosideng in the UK.

In conclusion, the three characteristics analysed above contradict the existing literature, which mostly focus on high-tech and electronic companies, and argue that Chinese MNEs are more oriented towards internationalisation based on M&As for strategic asset-seeking reasons (Rui & Yip, 2008; Liu & Buck, 2009; Deng, 2009; Globerman & Shapiro, 2009). Apparel companies have preferred direct expansion as a means of facilitating export since the first phase of their internationalisation. Cross-border M&As, where companies focus on retail, developed as a new trend after the mid-2000s. In the following two sections, we will explicitly investigate this transformation over the course of the two periods.

[13] "John Varvatos partners with Dayang Alliance on new tailored clothing line." *MR Magazine*. January 12, 2018; "John Varvatos Business on a Growth Path." *Women's Wear Daily*. December 26, 2018; "Dayang: Chuxin Bugai Zai Qihang" [Dayang: Set sail again without changing the original intention]. *China Business Herald*, 2019-09-17.

5. The internationalisation of garments suppliers

Since the 1990s, the export-oriented Chinese apparel industry has developed an internationalisation based on direct expansion. We categorise this pattern into two types according to different objectives: wholesale trade and production relocation.

5.1 Independent representatives for wholesale trade

The early attempts by Chinese apparel companies to go global started in the mid-1990s, with their overseas representatives established for wholesale purposes. The expansion of a wholesale business usually took the form of a branch or office to sell OEM products from China to the local market. This is in line with the claim made by Buckley et al. (2010a) that the bulk of Chinese companies' outward FDI in services in the 1990s was to facilitate export-related trade. For example, Hongdou Group, an export-oriented OEM manufacturer at the time, established its first overseas branch in Osaka in 1993 to develop local businesses. It reached a monthly export of over 2 million US dollars to Japan in the same year and soon became the largest knitwear supplier in the Japanese market.[14] In 2001 and 2002, Hongdou set up two more branches in Los Angeles and New York, respectively, for the same purpose. The annual turnover of these two branches exceeded 20 million US dollars by 2007.[15]

As for Dongdu Group, it established a branch in Singapore in 1999, where it transferred gradually trading business, finance and design.[16] In the following years, the company successively set up branches and offices in Japan, South Korea and Hong Kong to pursue

[14] "Hongdou Sheng Nanguo—Ji Hongdou Jituan Zongjingli Zhou Yaoting" [Red Beans in the South—Zhou Yaoting, General Manager of Hongdou Group]. *China Entrepreneur*,1994(03):19-24.

[15] "Dazao Kuaguo Bainian Mingqi" [Establishing a century-old multinational]. *Entrepreneur Daily*, 2007-04-23(A02); "Jiangsu Hongdou: Zhufu Xiangyi Guojihua Bufa Kengqiang Youli" [Jiangsu Hongdou: the bilateral dependence of the main and auxiliary to build a forceful pace of internationalization]. *International Business Daily*, 2008-05-07(004).

[16] "Kan Xianxing Zouchuqu Qiye De Haiwai Buju" [The overseas layout tactics of the first intetnaiontalized companies]. *Textile & Apparel Weekly*, 2015-11-03.

contracts from international apparel retailers.[17] After 2000, these overseas trade-related branches or offices have increasingly integrated R&D and design. For example, Luthai Textile's office in Italy acquired design competence by cooperating with Italian designers and institutions.[18]

In short, wholesale expansion was a geographical extension of the apparel companies' domestic business overseas. It followed the general path of incremental commitments to a foreign market embedded in the Uppsala model, which moved from no regular export in the 1980s to export via independent representatives in the 1990s (Johanson & Wiedersheim-Paul, 1975). As a result, the objective of increasing exports and maintaining the position as the world's supplier remained unchanged in this internationalisation process.

5.2 Relocation and re-export of production

The Multilateral Trade Agreement (MTA) restricted Chinese apparel exports to developed countries by quotas between 1983 and 2004. Moreover, export restrictions on textile and apparel products had been progressively tightened by bilateral trade agreements between China and developed countries. For example, between 1978 and 1988, the United States and the European Community increased the number of textile and apparel categories on which they imposed quotas on China (from six to 91 and from 23 to 49, respectively).[19] Thus, after the mid-1990s, Chinese apparel companies began to build manufacturing plants overseas to circumvent these quotas: Youngor opened a factory in Hong Kong, Hubao and Bosideng in Russia, and Dishang

[17] "Chengzhang Zhong De Juren Fangzhi Minqi Ningju 'Qiangguo Zhi Meng'Zhongjian Liliang" [A growing giant, the private textile enterprise becomes the backbone force of "dream of the great power"]. *Textile & Apparel Weekly*,2013, No.665(41):18-23; "Jiangsu Dongdu: Zhizao Zhuanxiang 'Zhizao'" [Jiangsu Dongdu: the shift from manufacturing to 'smart manufacturing']. *China Textile*, 07(2013):48; "Yi Chengxin Yingde Shichang" [Win the market with integrity]. *China Textile News,* 2006-08-03,004,

[18] "Kan Xianxing Zouchuqu Qiye De Haiwai Zhanshu Buju" [The overseas layout tactics of the first internationalized companies]. *Textile & Apparel Weekly*, 2015-11-03; "Lutai Fangzhi: Yi Bei Tianxia Bu Man Quanqiu" [Luthai Textile: clothing in the world]. *China Textile News*, 2022-08-22,002; Luthai Textile Annual Report, 2018.

[19] "Woguo Fangzhipin Chukou De Falv Zhangai Yu Xiangying Cuoshi" [Legal Obstacles to China's Textile Exports and Corresponding Measures]. *Intertrade*, 1988(02):44+43+64.

in South Korea.[20]

With increasing domestic labour costs and international trade frictions, the 2000s saw a surge in the number of production relocations.[21] Most of these overseas factories were located in less developed countries—especially in South and Southeast Asia—for their cheap labour and low export tariffs towards developed countries (see Table 1).[22] For example, in 2007, Hongdou Group established a joint venture with three other Chinese companies and a Cambodian company to invest in the Sihanoukville Special Economic Zone (SSEZ), becoming one of the first six overseas state-sponsored bilateral economic cooperation zones authorised by China's Ministry of Commerce and Ministry of Finance.[23] In addition to Hongdou's production mills, SSEZ has drawn over 170 firms, most of which are Chinese light industrial companies.[24] Likewise, after 2011, Seduno established overseas plants in Cambodia, Myanmar,

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20 "Yageer, Qingchun De Shiye" [Youngor, the career of youth]. *Foreign Investment in China*, 1995, (04):45-46; "'Hubao Xiaoying' Chuang Qiji" [The effect of Hubao creates a miracle]. *Sunan Sci-Tech. Devel.*, 02(1995):16-17; "Tuijin Xiangzhen Qiye Jingying Guojihua De Yitiao Jiejing" [A shortcut to promote the internationalization of township enterprises]. *China Textile*, 1994(07):34-35; "Yangfan Chuhai Jiqing Chuangye Liuda Zhanlve Yinling Guoji Fangzhi Fuzhuang Hangmu Qiye - Dishang Jituan Chuangxin Fazhan Jishi" [Entrepreneurship with passion and entrepreneurship, six strategies to lead the international textile and garment enterprise--Dishang Group's innovative development]. *China Economic & Trade Herald*, 22(2009):58-59.

21 "Shu Oumei Fangzhipin Chukou Xukezheng Quxiao Shangwubu: Wo Fangzhipin Chukou Zengsu Huo Jixu Fanghuan" [Textile export licenses to Europe and the United States canceled; Ministry of Commerce: the growth rate of textile exports may continue to slow down]. *Foreign Business*, 2009(03):31; "Zhongou Fangzhi Maoyi Guanjianci Pandian" [Keywords od textile trade between China and the Europe]. *Textile & Apparel Weekly*, 2007(47):12; "Mei Duihua Qidong Maoyi Diaocha, Fangzhi Fuzhuang Chukou Qiye Jiang Shou Yingxiang" [U.S. launches trade investigation against China, textile and apparel exporters will be affected]. *Progress in Textile Science & Technology*, 2017(11):52.

22 "Hongdou, Tianhjong, Bosideng, Shenzhou Deng Fenfen Haiwai Jianchang Kaidian Zhongguo Fangzhi Jingyihng Dichengben Haiwai Tuojiang" [Hongdou, Tianhong, Bosideng, Shenzhou and others have built factories and opened stores overseas, Chinese textile elites' low-cost overseas expansion]. *China Economic Weekly*, 31(2013):72-73; "Bi Lin Zhi Dao" [Neighbors]. *China Fashion*, 10 (2017): 48-51; "Jimo De Zhijisheng - Jifa Jituan De Qianshi Jinsheng" [The Sound of Looms in Jimo - The Past and Present of Jifa Group]. *China State-owned Enterprise Management*. 11(2022):103-105; "Rang 'Dishang' Chixu Chuangxin" [Keep "Dishang" Innovating]. *Oriental Enterprise Culture*, 01(2021):48-50.

23 "34 Jia Qiye Ruzhu, Yige Guoji Gongye Yuanqu Zheng Jueqi" [An international industrial zone is emerging with 34 companies join in]. *Xinhua Daily*, 2013-07-09(B08); "Xihanuke Gang Yao Jianli Guoji Mofan Jingji Tequ-Fang Xihanuke Gang Jingji Tequ Youxian Gongsi Zong Jingli Dai Yuee" [Establish Sihanoukville Port as an International Special Economic Zone--Interview with Dai Yue'e, Managing Director of Sihanoukville Port Special Economic Zone Co]. *Imp-Exp Executive*, 2007, No.411(12):40.

24 "Jianpuzhai De Zhongguo Tuohuangzhe" [Chinese pioneers in Cambodia]. *China Business News*, 2016-06-08(A01); "Zhongjian Shenhua 'Yidaiyilu' Hezuo Dianfan" [China and Cambodia deepen the "Belt and Road Initiative" cooperation

and Vietnam in reaction to heightened US tariffs on goods exported from mainland China, as the US was its largest sales market. By 2019, the combined capacity of these overseas branches has reached one-third that of the Chinese domestic plants.[25]

Africa, in particular, became a rising target destination for production relocation in the 2010s (see Table 1). Despite its psychic distance compared to Southeast Asia, trade preferences offered by the US (African Growth and Opportunity Act) and the EU (Everything but Arms), coupled with the Belt and Road Initiative of the Chinese government, have encouraged Chinese private apparel companies to invest in this continent.[26] For example, Sunshine Group has invested 980 million US dollars in Ethiopia since 2016 to build an integrated production centre, with activities ranging from dyeing and spinning to apparel manufacturing. This centre began production in 2018 and employed about 7,000 local workers.[27]

Finally, the changing strategy of international retailers that outsource production to Chinese apparel manufacturers is another push factor for moving production outside of China and maintaining relevant business relations.[28] For instance, Uniqlo (Fast Retailing) started to strategically decrease its dependence on Chinese production by transferring its suppliers to lower-cost countries in the mid-2000s.[29] Thus, the manufacturing plant established by Jifa Group in Vietnam in 2006 has turned into one of Uniqlo's suppliers in the country.[30] Similarly, Seduno Group transferred production facilities for its European partners, including H&M and

mode]. *Economic Daily*, 2023-05-29(004).

[25] "Xingwen Fangneng Zhiyuan" [A far-reaching future results from stable steps]. *China Fashion*, 06(2019):24-25.

[26] "Feizhou: Zhongguo Fangzhiye De Touzi Xin 'Lvzhou'" [Africa: a new oasis of Chinese textile industry's investment]. *Textile & Apparel Weekly*, 2019(32):16-17; "'Chuhai' Feizhou, Rang Zhexie Zhongguo Fangqi Xiankai Xin Pianzhang" [Travelling in Africa enables the Chinese textile firms open a new chapter]. *Textile & Apparel Weekly*, 2023(41):24.

[27] "Jiangsu Yangguang: Shengeng Zhuye Shuli Hangye Dianfan" [Sunshine Group: deep cultivation of the main business to set an industry model]. *China Textile*, 10(2019):160-161; "Aisaiebiya Fangzhiye Touzi Zhinan" [Investment Guide for the Ethiopian Textile Industry]. *Textile Science Research*, 09(2020):31-35.

[28] "Jintui Weigu Waimao Fuqi Xunqiu Zhuanxing Zhenjing" [Seeking transformation to deal with the dilemma of clothing enterprises' foreign trade]. *Textile & Apparel Weekly*, 21(2013):52-57.

[29] Fast Retailing Annual Report, 2008 & 2017.

[30] "Song Xiaofang: Zhuimeng Taxiang - Ji 'Zhongguo Fuzhuang Niandu Renwu' Jifa (Yuenan) Gongsi Zhigong Song Xiaofang" [Song Xiaofang: Pursuing the dream overseas - Song Xiaofang, "Annual Person of the Chinese Apparel", an employee of Jifa (Vietnam)]. *China Textile*, 10(2014):80-81.

Zara, to Southeast Asia, particularly Cambodia.[31]

Consequently, after the early 1990s, Chinese apparel companies started to transfer their production overseas to address several issues (increasing labour costs, restrictions on free trade, and political pressures) in order to preserve their global OEM supplier positions. This relocation and re-export of production is also visible in other industrialised countries with export-oriented apparel industries, i.e., Hong Kong and Singapore. They started to shift production to less developed markets for similar reasons in the 1980s (Lau & Chan, 1994; Douglas et al., 1994; Ofreneo, 1994; Au, 1997).

6. The global expansion of retail

In the mid-2000s, Chinese apparel companies began to shift their orientation from exports to the domestic market. They started developing fashion brands and moved away from their status of being mere outsourcers. This had an impact on their internationalisation strategy. These firms aimed to expand retail overseas and to upgrade their position in the GVC. They adopted two main strategies: direct expansion and cross-border M&As.

6.1 Geographical expansion of self-owned brands

The first attempts to expand brands abroad resulted from the transformation of Chinese apparel companies from OEM manufacturers to domestic brand retailers after 2005 (Zhang & Donzé, 2023). Heilan Group is an excellent illustration of this change. This firm was established as an export-oriented fabric and shirt manufacturer in the late 1980s. In 1996, it began its internationalisation as an OEM manufacturer, setting up wholesale branches and offices in Hong Kong, France, Italy, and the US in order to promote export.[32] The shift started in 2002

[31] "Xingwen Fangneng Zhiyuan" [A far-reaching future results from stable steps]. *China Fashion*, 06(2019):24-25.

[32] "Zonghe Kuaixun" [Comprehensive newsletter]. *Textile & Apparel Weekly*, 1999(08):4-11; "Daizhe Sixiang Ban Qiye – Hailan Jituan Chuangye Huimou" [Business with Thoughts--Heilan Group's Entrepreneurial Retrospective]. *Jiangsu Textile*,

when Heilan first launched a menswear brand, HLA, and established retail stores across the Chinese mainland. In the following years, the company gradually divested itself from OEM manufacturing and outsourced production to other Chinese OEM suppliers, retaining only the production of customised uniforms for the government and SOEs, which accounted for only a tiny portion of sales.[33] Through this transformation, the company upgraded from an export-oriented manufacturer to a domestic retailer. Heilan nurtured its brands in the domestic market and, in 2017, initiated the foreign expansion of retail by establishing six HLA mono-brand stores in Malaysia.[34] By 2021, it has further added mono-brand stores in Singapore, Thailand, Vietnam, and Japan.[35]

Heilan's internationalisation as a retailer, therefore, conforms to the general theory of the Uppsala model by first selecting target markets with cultural and geographic proximities. Semir Group has experienced a similar path, although it was founded as a retailer in 1996, without any production facilities.[36] It belongs to the new generation of apparel retailers that emerged at the time in China, following the example of Western retailers (Zhang & Donzé, 2023). Based on the experience accumulated in the domestic market, Semir began to expand the retail of its children's wear brand, Balabala, to proximate markets, including Saudi Arabia, Indonesia, Laos, Mongolia, Vietnam, and Nepal in 2018.[37]

Bosideng Group, on the other hand, contrasts this general model by expanding retail into

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2002(12):33-35; "Hailan: 'Xiaoshanban' De Bianshen Zhi Lu" [Heilan: The road to transformation of a "small sampan"]. *China Textile*, 2004(Z1):144-146.

[33] Heilan Annual Report, 2017; "Huanyuan 'Qing Gongsi' Shenhua Beihou De Luoji" [The logic behind the myth of "light company"]. *China Apparel*, 2007(12):12-14; "Jiangsu Fangzhi Chanye Zhi Lu Keyi Zheme Zou" [The road of Jiangsu textile industry]. *Jiangsu Economic News*, 2012-09-17; "Cong Chuantong Dao Xiandai De Huali Zhuanshen – Hailan Zhijia Zhuanxing Fazhan Diaocha" [From traditional to modern – Investigation of Heilan's transformation and development]. *Qunzhong*, 2014(10):47-48.

[34] Heilan Annual Report, 2017.

[35] Heilan Annual Report, 2021; "Hailan Zhijia Jinru Riben" [Heilan's entrance into Japan]. Chinese NIKKEI. May 20, 2019.

[36] "Dazao Baiyi Qiye Chuangzao Bainian Pinpai – Tanfang Senma Zhongguo Mingpai Fazhan Zhi Lu" [Building a 10-billion-dollar enterprise and creating a century-old brand——Exploring the development of Semir's famous brand in China]. *Yangtze Delta*, 2006(10):65-67; "Chuangzao Xuni Jingying Zhong De Senma Moshi" [Creating the "Semir Model" in Virtual Operation]. *Wenzhou Daily*, March 11, 2011 (006).

[37] Semir Annual Report, 2018 & 2022; "Shijian" [Events]. *China Apparel*, 09 (2018): 8; "Bentu Pinpai Nishi Chuhai Tuo Shichang" [Local brands go overseas and expand the market]. *China Fashion Weekly*, 2021-09-24.

non-Asian markets. Founded in 1976 as an OEM manufacturer, it started moving some production facilities abroad in the early 1990s, particularly to Russia, where it established three JVs to produce and sell apparel.[38] Besides that, it launched its first brand, Bosideng, on the domestic market in 1992. Hence, the portion of OEM manufacturing dropped to less than 12% of sales in 2008.[39] In 2012, the company opened its first overseas flagship store in London; it was also the first Chinese brand flagship store in an international metropolis. One year later, it acquired the menswear business of the British company Greenwoods to further expand sales.[40] However, this expansion was unsuccessful and the London store was shut down in 2017.[41] Moving directly from a large domestic market to a high-income Western market was challenging, and Chinese MNEs in other industries had similar experiences. For example, the mobile communication firm Huawei made its first foray into the US market in 2001 after a domestic success, but retreated in 2003 due to backfires (Sun, 2009).

In summary, since the mid-2000s, the largest apparel companies have been seeking to upgrade into global retailers through self-owned brands following their transformation from OEM manufacturers to domestic branded retailers. However, the share of overseas retail sales is rather insignificant to these companies' turnovers. For example, it amounted to 0.1% of total turnover for Bosideng in 2016 and 0.04% for Heilan in 2021, indicating that none of their brands were truly global.[42]

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[38] "Tuijin Xiangzhen Qiye Jingying Guojihua De Yitiao Jiejing" [A shortcut to promote the internationalization of township enterprises]. *China Textile*, 1994(07):34-35.

[39] Bosideng Annual Report, 2008; "Bosideng: Mengyuan Xin Shidai Dili Zai Chufa" [Bosideng: Dreaming of a New Era, Setting Off Again]. *China Textile*, 2021(Z5):36-38.

[40] "Mai Runquan: Bosideng Haiwai Moulve" [Mai Runquan: The Overseas Strategies of Bosideng]. *Corporate Finance*, 09(2012):38-39; "Deyi Yu Shiyi Zhijian" [Between Gain and Loss]. *China Textile*, 12 (2013): 72-80; "Bosideng Dadan Zou Guoji" [Bosideng Goes International Boldly]. *Textile Science Research*, 01(2013):72-73; "Bosideng Zhuanxing Naxie Tong Ni Budong" [Bosideng: those pains you do not understand in transformations]. *China Chain Store*, 08(2016):58-61.

[41] Bosideng Annual Report, 2017; "Bosideng: Kuaisu Kuozhang Zhi Xiaohua Buliang" [Bosideng: Rapid Expansion Causes Indigestion]. *Business Culture*, 06(2017):54-57.

[42] Bosideng Annual Report, 2016; Heilan Annual Report, 2021.

6.2 Portfolio investment through the acquisition of foreign companies

In contrast to the direct expansion strategy explored above, internationalisation through M&As enabled some Chinese apparel companies to establish themselves more successfully in the global market. Their objective was to build a portfolio of brands to compete in various countries and segments. This pattern fits the general argument made by international business scholars; according to them, MNEs from emerging countries prefer M&As to achieve rapid internationalisation over their counterparts in developed countries (Kumar, 2009).

Shandong Ruyi shows how a domestic OEM manufacturer aimed to transform into a global fashion conglomerate within a decade through M&As – although this ended in a financial disaster. This company was established as a fabric manufacturer in 1972 and remained an exporter without any self-owned brands prior to its internationalisation. In 2010, Ruyi made a first acquisition by purchasing 41% of the Japanese fashion company Renown, which owned and licensed over 30 brands, including Anya Hindmarch, Arnold Palmer, and Hiroko Koshino. It became Renown's largest shareholder and targeted the Japanese market. In the following years, it successively completed a series of foreign M&As, including Peine Gruppe (Germany) in 2014 (with brands Barutti and Materhand), SMCP (France) in 2016 (with brands Maje, Sandro, and Claudie Pierlot), Trinity Group (Hong Kong) in 2017 (with brands CERRUTI 1881, Kent & Curwen, etc.), and the luxury brand Bally (Switzerland) in 2018.[43] In addition to fashion companies, Ruyi also purchased manufacturing plants around the world. Hence, it adopted an ambitious and unique strategy in the apparel industry, characterised by the full

[43] "Ruyi Jingwai Shougou SMCP Shifou Ruyi" [Is Ruyi's offshore acquisition of SMCP as intended]. *China Textile News*, 2016-04-11(001); "Cong 'Zhongguo LV' Dao Qianzhai 400 Yi – Shandong Ruyi Zouxia Shentan" [From "China's LV" to 40 billion in debt - Shandong Ruyi, going down]. *China State-owned Enterprise Management*, 17(2022):105-106+3; "Shandong Ruyi 'Shinian Moyijian' Zaoyu Chanyelian 'Kuayue Zhi Shang'" [Shandong Ruyi's "ten years of sharpening a sword" encounters the "death of the industrial chain"]. *China Family Business Review*, 2020, No.61(08):63-67; "Ruyi Jituan De Shishang Diguo Weihe Mengsui" [Why Ruyi Group's fashion empire dreams are shattered]. *China Business Daily*, 2022-11-21(A09); "Shandong Ruyi Konggu Bally, Fuxing Shougou Lanvin. Zhongguo Qiye Cheng Shechipin Dapai Maijia" ["Shandong Ruyi Holds Bally, Fosun Acquires Lanvin. Chinese Firms Become Buyers of Luxury Brands]. *China Economic Weekly*, 09(2018):65-66; "Daguo Xiang Qiangguo Lushang You Yi Lichengbei Shandong Ruyi Wancheng Shougou Meiguo Laika LYCRA Pinpai" [Another Milestone on the Transformation from a Big Country to a Strong Country, Shandong Ruyi Completes Acquisition of U.S. Lycra Brand]. *Textile & Apparel Weekly*, 05(2019):12.

verticalisation of operations, from sourcing, and production, to design, and retail. To name a few, it acquired the Australian cotton plant Cubbie Station (2012), the Scottish tweed manufacturer Carloway Mill (2013), the Australian wool supplier Lempriere (2013), and the US fibre maker Lycra (2019). The CEO of the company, Zhou Yafu, has expressed his ambition to build 'the LVMH of China.'[44] However, due to the debt default caused by excessive expansion, high leverage, and sizeable losses of acquired firms, Ruyi failed and lost control of most of these firms after 2020.

Dishang had a similar but better-managed expansion. It was born as an export-oriented OEM manufacturer in the 1990s and started its internationalisation in 2002 by opening wholesale branches and offices in Japan and Europe.[45] The transition to global retailer began in 2008 when Dishang completed its first acquisition of the US company Virgowill and the German childrenswear company Pampolina one year later. In 2012, it acquired a 39% stake in the South Korean womenswear company AVISTA and 85% of the US company Brandon Thomas Design.[46] These acquisitions enabled Dishang to internalise design and R&D, and to consequently launch its own brands.[47] For example, it developed the denim brand Indigo Reign (2012) and the menswear brand Standard & Grind (2014) for the North American market.[48] Dishang demonstrates that building brands in the Chinese market is not a necessary condition to become a global fashion retailer.

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[44] Ibid.

[45] "Yangfan Chuhai Jiqing Chuangye Liuda Zhanlve Yinling Guoji Fangzhi Fuzhuang Hangmu Qiye - Dishang Jituan Chuangxin Fazhan Jishi" [Entrepreneurship with passion and entrepreneurship, six strategies to lead the international textile and garment enterprise--Dishang Group's innovative development]. *China Economic & Trade Herald*, 22(2009):58-59; "Rang 'Dishang' Chixu Chuangxin" [Keep "Dishang" Innovating]. *Oriental Enterprise Culture*, 01(2021):48-50.

[46] "Dishang: Chuangyi Yinling Shishang" [Dishang: creativity leads the fashion]. *Openings*,15(2017):62-65; "Jintui Weigu Waimao Fuqi Xunqiu Zhuanxing Zhenjing" [Seeking transformation to deal with the dilemma of clothing enterprises' foreign trade]. *Textile & Apparel Weekly*, 21(2013):52-57.

[47] "Dishang: Chuangyi Yinling Shishang" [Dishang: creativity leads the fashion]. *Openings*,15(2017):62-65; "Dishang: Dazao Guojihua Gaoduan Fuzhuang Pinpai" [Dishang: establishing an international high-end clothing brand]. *Imp-Exp Executive*, 10(2014):39-4; "Dishang Yu Dazao Zizhu Fuzhuang Pinpai" [Dishang wants to build its own clothing brand]. *Textile & Apparel Weekly*, 26(2013):70.

[48] "Zhijing Pinpai: Zoujin Bali Zhan" [Tribute to Brands: Into the Paris Show]. *China Textile*, 09(2018):134-136; Development History, official website of Dishang Group, available at: https://www.dishang.com/aboutus/develop.aspx.

Youngor, on the other hand, represents the case of a domestic retailer that pursued internationalisation through M&As while focusing its own brands exclusively on the domestic market. The company, which was founded as a shirt manufacturer in 1979, began the production of men's suits in the early 1990s and launched the brand Youngor into the domestic market. It remained the largest source of its revenue in 2021.[49] Besides, internationalisation started with the opening of branches to sell OEM products in Japan (1999) and the US (2004).[50] In the early 2000s, the gradual transition to a global fashion retailer is observed through the sharp decline in OEM sales (42% in 2004 and 4% in 2014).[51] M&As made this change possible. In 2008, Youngor acquired two subsidiaries of the US group Kellwood, Xin Ma and Smart. Together, they owned 14 production bases in Sri Lanka, the Philippines, and mainland China, and specialised in ODM production for more than 20 brands, including POLO and Calvin Klein. They also owned the license for five brands, including Nautica and Perry Ellis.[52] Unlike OEM products, for which design is developed by the client, ODM products are designed by the manufacturer under a private licensing agreement. Hence, these acquisitions enabled Youngor to internalise design and product development knowledge. More recently, this firm has pursued its investments in US apparel retailers, including the streetwear brand Undefeated and the fashion brand Alexander Wang.[53] Hence, Youngor has kept a twofold brand management strategy: foreign brands acquired through M&A for the overseas market and the Youngor brand for the Chinese market.

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[49] Youngor Annual Report, 2021; "Yageer, Qingchun De Shiye" [Youngor, the career of youth]. *Foreign Investment in China*, 1995, (04):45-46; "Yageer: Yanyi Zhongguo Shangwu Nanzhuang De Shishang Chuanqi" [Youngor: Interpreting the fashion legend of Chinese businessmen's wear]. *China Textile*, 2022(12):118-119.

[50] Su, *Yageer: Feifan Jueqi*, 144; "Yageer: Cong Tiepai Dao Chuangpai" [Youngor: from OEM to branded retailer]. *CBN Daily*, 2004-12-27, C06.

[51] Youngor Group Annual Report, 2004 & 2014.

[52] "Yageer Ni 1.2 Yi Meiyuan Gou Liang Guoji Gongsi" [Youngor plans to buy two international companies with 120 million USD]. *Securities Times*, 2007-11-24(A03); "Yageer Zuida Haiwai Shougou An Huopi" [Youngor's largest overseas acquisition was approved]. *CBN Daily*, 2007-12-18(C03); "Yageer Chuixiang Kuaguo Binggou Ji jiehao" [Youngor blows the rallying cry for cross-border M&A]. *China Textile*. 02(2008):32-37; "Yageer Binggou Xinma: Gonglve Xiangjie" [Younger's M&A of Xin MA: A Strategy Explained]. *China Fashion*. 08(2009):38-39.

[53] Youngor Annual Report, 2021; "Alexander Wang Receives Funding from Chinese Investors." *Women's Wear Daily* (Sep 06, 2022): 2; "Alexander Wang's China Dream." *Women's Wear Daily* (Dec 01, 2022): 10.

These three examples demonstrate that, as opposed to the direct expansion of self-owned brands, portfolio investment enabled Chinese apparel companies to transform directly into global retailers and take control of the GVC. However, this entry mode, which entails a higher level of commitment and risk compared to stepwise entries of the general theory, might lead to financial and managerial failures, as exemplified by the case of Ruyi.

7. Conclusion

Starting from the early 1980s, the Chinese apparel industry has grown from a weak basis to the world's largest apparel producer and exporter. It exhibited the development of two distinct periods: the export-oriented period from the 1980s to the mid-2000s, and the domestic-oriented period after 2005. Accompanying this strategic transition, the internationalisation of Chinese apparel companies, which started gradually in the 1990s, also indicates different characteristics over the two periods.

The early attempts by the largest Chinese apparel companies to invest overseas took two basic forms of direct expansion. The first form was to establish independent representatives for wholesale trade, mostly in developed countries, in order to promote OEM exports from China to the local markets. The second form was to construct manufacturing plants abroad due to rising domestic labour costs and export restrictions. The relocation of production was primarily located in less developed countries and intended for re-export. Consequently, during this period, the primary goal of Chinese apparel companies' internationalisation was to increase exports and consolidate their positions as world-leading OEM suppliers.

As the leading apparel companies began to transition from OEM manufacturers to branded retailers in the mid-2000s, new patterns of internationalisation emerged. Some companies focused on the geographical expansion of their own brands through retail stores, either in proximate or distant markets. However, direct retail expansion is still at a low level with rather minimal overseas sales. Additionally, the use of foreign knowledge through portfolio fulfilment became an efficient approach for leading Chinese companies without strong brands to initiate rapid internationalisation. They typically acquire established foreign brands and manufacturing facilities to become global retailers and take control of the GVC.

This paper offers three main contributions to literature. First, it gives the perspective of business history to research in management and economics on the growth of the Chinese apparel industry. While the literature is either focused on quantitative analysis or on single case studies, we have provided an exploration of the industry itself. Focusing on the pattern of the development of the top 25 apparel firms in China enabled us to identify the specificities of this sector and various strategies adopted to internationalise. Furthermore, by dividing the industry's development into two distinct periods, our research shows that the dynamics of internationalisation goes hand in hand with the transformation of this industry over the past three decades. We have, hence, provided a comprehensive framework for further research on the history of the Chinese apparel industry.

Second, this paper complements the research on the internationalisation of Chinese firms, which focuses mainly on high-tech industries like electronics and communication equipment. Apparel is a labour-intensive and low value-added industry, which main driver of foreign expansion was however not limited to efficiency seeking. Looking for cheap labour was not the only reason for overseas investments. Since 2000, shifting from OEM manufacturers to global retailers and consequently improving the position in the value chain has become another major objective. Like high-tech companies, the acquisition of specific knowledge to be globally competitive – here essentially related to design and branding – was also largely realised through M&As.

Third, and finally, this research contributes the perspective of Chinese firms to the literature in business history of fashion. While the narrative in this field is mostly based on the global expansion of Western companies through various organisational models, the Chinese experience highlights the role of accumulated knowledge in OEM manufacturing to develop fashion brands and the importance of neighbouring emerging countries to nurture them, together with a more traditional mode of expansion based on M&As. This shows that non-Western brands, largely ignored in this literature, have found their own way to develop as latecomers.

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