Garment Industry Analysis in China

Case Study on YiChang Richart Factory Limited

Degree Thesis of 30 credit points

Service Science

LIU XIANG & XING ZHENZHEN

Supervisor: Lars Haglund
1. ABSTRACT

**Purpose** - In manufacturing industry, China is the most powerful all over the world. The garment industry is one of the most important parts in the market for manufacturing goods. And for the garment industry, China is the largest export country in the world. When we go shopping, we can see a lot of tags about “made in China”. Referring to China’s exporting capability in the garment *industry*, we want to find out why most of international clothing companies choose China as their manufacture market for their production basement. And whether the “made in China” tagged in clothes is influencing consumer behavior or not. Moreover, the authors would like to provide some feasible suggestions on the management for the Chinese garment manufacturers, especially in the labor force problem.

**Methodology** - This paper mainly takes the methodologies of literature review, both qualitative and quantitative analysis in case study, and questionnaire survey. The literatures reviewed here include company articles, academic papers, books, and website information. And in consumer behavior part, we use questionnaire as our research tools.

**Findings** - According to our research, it is clear that many firms choose China as their manufacture manufacturing basement because of Chinese low labor cost. Country-of-Origin (Made in China) affects little in final consumer behavior compared with many other elements influencing consumer behavior in clothes purchasing. The human resource management in Chinese private-owned enterprises is very important and so emergent to be improved now.

**Research limitations / implications** – The restricted access of information and data in China where the authors conducted the research could bias people against the result. And the low response rate of questionnaire though e-mail also resulted in many obstacles in such a research.

**Keywords** - “Made in China”, Export, Quota, labor cost, Human Resource Management (HRM), Consumer Behavior
2. ACKNOWLEDGEMENTS
We would like to acknowledge the people who support us with the thesis. First, we would like to express the heartfelt thanks to Mr. Lars Haglund, the supervisor of the thesis, who has given us many valuable suggestions in our writing process, through which we have learned a lot. Besides, we would also like to thank Yichang Rechart Garment Factory Limited from which we got a lot of good guidance and useful information to support our thesis when we conducted the research. Finally, we would like to appreciate our own family and friends who assist and encourage us during our Master study.

LIU XIAN

XING ZHENZHEN
3. **TABLE OF CONTENTS**

1. Abstract .......................................................................................................................... 2

2. Acknowledgements ....................................................................................................... 3

3. Table of Contents ......................................................................................................... 4

4. Introduction .................................................................................................................. 6

5. Research Questions ...................................................................................................... 8

6. Methodology ................................................................................................................ 9

   6.1 Self-Completion Questionnaires Method .................................................................. 9

   6.2 Quantitative Research Method ................................................................................ 9

   6.3 Qualitative Research Method .................................................................................. 10

7. Background of Chinese Garment industry ..................................................................... 12


8. Theoretical Framework and Model ................................................................................ 15

   8.1 SWOT Model .......................................................................................................... 15

   8.2 Wheel of Consumer Analysis .................................................................................. 15

   8.3 Elements of Product ............................................................................................... 18

   8.4 General Framework for analyzing industries relations issues .............................. 18

   8.5 Porter’s Five Force Framework ............................................................................... 19

   8.6 Theory for Service Innovation ............................................................................... 20

      8.6.1 Conditions for Product Innovation ................................................................. 20

      8.6.2 Conditions for Organizational Innovations ..................................................... 22


   9.1 Introduction & Research Questions .......................................................................... 24

   9.2 Background of Case Company – YiChang Richart Garment Factory Limited .......... 24

   9.3 Case Analysis .......................................................................................................... 25

      9.3.1 SWOT Analysis ................................................................................................. 25

      9.3.2 The Export Process Analysis ........................................................................... 27

      9.3.3 Quota Problem Analysis .................................................................................. 30
9.3.4 Clothing Cost Analysis ................................................................. 31
9.3.5 Labor Salary Analysis ................................................................. 32
9.3.6 Conclusion of Case Study ............................................................. 33

10.1 Foundation of Human Resource Management Analysis ................................................................. 35
10.2 Human Resource MANAGEMENT (HRM) in China ................................................................. 36
10.3 History of Human Resource Management in China ................................................................. 36
10.4 Human Resource Management Problems in Chinese private-owned enterprise ................................................................. 37
10.5 Human Resource Management Problems for Chinese Government ................................................................. 38
10.6 Conclusion of HRM analysis ................................................................. 39

11. Consumer Behavior in Clothing ................................................................. 40
11.1 Questionnaire Description ................................................................. 40
11.2 Selecting relevant Sites and subjects ................................................................. 43
11.3 Collecting of relevant data ................................................................. 44
11.4 Interpretation of data ................................................................. 44
11.5 Conceptual and theorical work ................................................................. 47
11.6 Findings and conclusions ................................................................. 50

12 Discussions and Reflection ................................................................. 52
13 Conclusions ................................................................. 55
14 References ................................................................. 57

15. Appendix ................................................................. 60
15.1 Male Jean Cost ................................................................. 60
15.2 Questionnaire in Consumer Behavior ................................................................. 61
15.3 Human Resource Management ................................................................. 62
4. **INTRODUCTION**

When you walk into many clothing stores in the world, you will find many clothes tagged with “Made in China”. The main purpose of this paper is to reflect the influence of consumer behavior on countries of origin by analyzing China’s private-owned enterprises in the apparel industry. According to this situation, we expand our study as follows:

**Conceptual Model**

Figure 4.1 Conceptual Model of Analysis

```
```

According to our conceptual model of analysis of figure 4.1, there are two main sectors we research in our thesis. The first one is the analysis on one clothes manufacture factory: YiChang Richart Garment Factory Limited. We take this factory as our case study and we research on it from different perspectives, such as labor force, labor salary, process of production and textile cost. Then we find the labor cost problem. Based on this problem, we introduce the human resource management of China and illuminate the HRM situation of garment industry of China. And the second section is a questionnaire study of consumer behaviors on clothes. We sent our questionnaires, received feedbacks, collect useful information, interpret the data and make conclusions of this section. In the end we highlight the conclusions. The aim of our research is to find out reasons why China becomes the most
powerful country in the global manufacturing industry and influences of original-of-country on clothes consumption.

In this paper, firstly we write about the background of the economy and garment industry of China from 1995-2009. With the development of Chinese economy, the garment industry develops very fast and many clothes are exported to EU, USA and other countries in the world. And we mainly focus on researching and analyzing the development and export of one private-owned garment factory: YiChang Richart Garment Factory Limited. And we use SWOT model to analyze the company in deep. The most important problem in Chinese Garment industry export is the quota problem. And we will also analyze quota problems in our case company and even whole industry. Then we will analyze the human resource management in China, how it changed from personnel management to human resource management (HRM), especially in the state-owned enterprises and private-owned companies. From the foundation of new China under the Communist Party to the Open and Reform policy, China has been changing a lot. It is necessary to talk about the development of human resource management (HRM) in China. Last, it’s consumer behavior part, we designed questionnaires for research, and we get about 150 feedback. And with the results of questionnaire we can make several tables and figures and then analyze the whole garment industry of China. For this part, the main purpose is to find the affects that original producing area has on consumer decision when they are buying clothes. At last we find some problems of Chinese garment industry and we have some suggestions from the service innovation aspect for Chinese private-owned factories to develop in future.
5. **RESEARCH QUESTIONS**

There are three main research questions in our study. First, what is the most important reason that international clothing companies choose China as their manufacture market? Is it low labor cost or not? Second, what are problems in human resource management in private-owned enterprise in China garment industry? How to develop it? Third, China is a mass clothing manufacture country all over the world, is Country-of-Origin influence consumer behavior or not?

According to these three research question, we start and develop our research and study.
6. METHODOLOGY
There are three main methods in our paper: quantitative research, qualitative research and self-completion questionnaires.

6.1 SELF-COMPLETION QUESTIONNAIRES METHOD
First, we use questionnaires to analyze consumer behavior part on clothes. Compare to structured interview, there are some advantages of the self-completion questionnaire to our thesis. 1. Cheaper to administer. The cheapness of the self-completion questionnaire is especially advantageous if you have a sample that is geographically widely dispersed. (Bryman & Bell, 2007) In our situation, we email to send our questionnaire and it can reduce cost for us. 2. Quick to administer. Self-completion questionnaires can be sent out by post or otherwise distributed in very large quantities at the same time. (Bryman & Bell, 2007) Through email, we can get response immediately wherever we are. 3. Absence of interview effects. 4. No interview variability. Self-completion questionnaire do not suffer from the problem of interviews asking questions in a different order or in different ways. (Bryman & Bell, 2007) 5. Convenience for respondents. Self-completion questionnaires are more convenient for respondents, because they can complete a questionnaire when they want and at the speed that they want to go. (Bryman & Bell, 2007)

6.2 QUANTITATIVE RESEARCH METHOD
The figure below is described the main steps in quantitative research:

![Diagram of the process of Quantitative Research](source: Alan Bryman & Emma Bell Business Research Methods P155)
In our paper, we use quantitative research to analyze our case company; we use SWOT and Porter’s five forces to analyze our case company. And in our research, we suppose labor cost is the one of the most important elements in garment industry in China. Then we collect data about clothes cost and salary composition for analyzing. And we get conclusion on advantages and disadvantages in Chinese garment industry.

Quantitative research can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and that:

- Entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories;
- Has incorporated the practices and norms of the natural scientific model and of positivism in particular.
- Embodies a view of social reality as an external, objective reality. (Bryman & Bell, 2007)

6.3 Qualitative Research Method
Third research method in our paper is qualitative research. We can also use a figure to describe the process of qualitative research:

![Figure 6.2 An outline of the main steps of qualitative research](image)

Source: Alan Bryman & Emma Bell Business Research Methods P406
In our case, we collect relevant data like labor cost, clothes cost, salary composition from our case company for analyzing. Moreover, we use the data of whole industry like export to support our research questions.

Qualitative research can be construed as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data and that:

- Predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories;
- Has rejected the practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world
- Embodies a view of social reality as a constantly shifting emergent property of individuals’ creation (Bryman & Bell, 2007)
7. BACKGROUND OF CHINESE GARMENT INDUSTRY


China is a big country with a population of 1.3 billion. And it is the largest clothing consumer and producer in the world. In recent years, China's garment industry has a great development, which has greatly promoted the development of its national economy. The textile and apparel output in 2005 accounted for about one-tenth of the national output. Meanwhile, China has become the world's largest garment producing and processing base in the world. In every three garments, there is one of the productions coming from China.

Figure 7.1.1  The total amount of exports of Chinese textile and apparel exports (1995-2004)

In figure 7.1.1, the blue bar represents all the amount of exports of China and the brown bar displays the amount of exports of Chinese garments. It is shown that the amount of China’s exports has seen a rapid development between 1995 and 2004, and it is the same with the amount of exports of Chinese garments. The amount of overall exports of China from 1995-2004 increased from 148.77 billion USD to 539.96 billion USD, while the amount of exports of China’s textile was 95.1 billion USD in 2004 increasing from 35.88 billion USD in 1995.

The table 7.1.1 shown below indicates the changes of the proportion of China’s textile exports. The first list is about the year from 1995 to 2004. The second list is about how much proportion of China’s textile exports take in the overall amount of China’s exports. It is observed that the proportion is becoming less because of the development of other industries, such as electronic equipment, foodstuff, and raw materials and so on. But the amount of

Source: General Administration of Customs of China
textile is increasing, which can be seen from the table. The third, fourth and last lists are about the proportion that China’s textile exports take respectively in the amount of exports of the whole world, the USA and the EU. It is found that the proportion is bigger and bigger, which means that the exports of China’s textile become more and more important, not only for the USA and the EU, but also for the whole world.

Table 7.1 1 The changes of the proportion of China's textile exports (1995-2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion of all amount of China’s exports</th>
<th>Proportion of all exports of whole world</th>
<th>Proportion of import of the USA</th>
<th>Proportion of import of the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>25.6</td>
<td>16</td>
<td>14.3</td>
<td>12</td>
</tr>
<tr>
<td>1996</td>
<td>24.6</td>
<td>15.2</td>
<td>14.3</td>
<td>12</td>
</tr>
<tr>
<td>1997</td>
<td>24.9</td>
<td>17.4</td>
<td>14.7</td>
<td>13.8</td>
</tr>
<tr>
<td>1998</td>
<td>23.3</td>
<td>16.4</td>
<td>12.9</td>
<td>14.8</td>
</tr>
<tr>
<td>1999</td>
<td>22.1</td>
<td>16.5</td>
<td>12.9</td>
<td>14.8</td>
</tr>
<tr>
<td>2000</td>
<td>20.9</td>
<td>18.1</td>
<td>13.1</td>
<td>15.5</td>
</tr>
<tr>
<td>2001</td>
<td>20.1</td>
<td>19.2</td>
<td>13.8</td>
<td>15.8</td>
</tr>
<tr>
<td>2002</td>
<td>19</td>
<td>21.3</td>
<td>15.2</td>
<td>17.4</td>
</tr>
<tr>
<td>2003</td>
<td>18</td>
<td>24.5</td>
<td>17.5</td>
<td>18.8</td>
</tr>
<tr>
<td>2004</td>
<td>13.06</td>
<td>28.7</td>
<td>24.02</td>
<td>22.17</td>
</tr>
</tbody>
</table>

Source: General Administration of Customs of China

7.2 The Situation of Chinese Garment Industry Recently (2005-2009)
In 2009, the gross domestic product (GDP) of the year was 33,535.3 billion RMB, up by 8.7 percent over the previous year. Analyzed by different industries, the value added of the primary industry was 3,547.7 billion RMB, up by 4.2 percent, that of the secondary industry was 15,695.8 billion RMB, up by 9.5 percent, and the tertiary industry was 14,291.8 billion RMB, up by 8.9 percent. The value added of the primary industry accounted for 10.6 percent of the GDP, dropped by 0.1 percentage point over that in the previous year, that of the
secondary industry accounted for 46.8 percent, down by 0.7 percentage point, and that of the tertiary industry accounted for 42.6 percent, up by 0.8 percentage point.

The year 2008 for the clothing industry history is a very unusual year. The scale garment enterprises accumulated a production of 20.652 billion, including 9.34 billion of woven and 11.312 billion of knitwear. In 2009, China's garment industry economy has gone through a relatively difficult period in history because of the international financial crisis. However, the amount of China’s textile exports still increased. (National Bureau of Statistics of China)

The Figure 7.2.1 shows information we mentioned before.

Figure 7.2.1 Gross Domestic Product of China (2005-2009)

Resource: National Bureau of Statistics of China
8. THEORETICAL FRAMEWORK AND MODEL

8.1 SWOT MODEL
SWOT analysis of the strength of machine integrated risk analysis is an analysis of enterprise competition, and is the basis of marketing analysis methods by evaluating business strengths, weaknesses, competitive market opportunities and threats which are used in the formulation of development strategies of enterprises before a thorough business analysis and competitive positioning.

**Strengths:** An enterprise beyond the capacity of its competitors or unique to a company can improve the competitiveness the company. For example, suppose two companies are in the same market or they have the ability to provide the same customer groups, products and services, if one of the enterprises has a higher win rate or profit potential, then the business of this enterprise is considered to be more than the other, thus enjoying a competitive advantage.

**Weaknesses:** The lack of a company or doing bad things, or some kind of conditions will make the company at a disadvantage.

**Opportunities:** Market opportunities are significant factors affecting the company strategy. Company managers should be sure of every opportunity to evaluate the growth and profit prospects, selecting those with financial and organizational resources to match the company's competitive advantage and those which are the best opportunity for the greatest potential.

**Threats:** In the company's external environment, there is always some on the company's profitability and market position, a threat factor. Company managers should promptly recognize the threats endangering the interests of the company's future, by making a strategic assessment and taking appropriate actions to offset or mitigate their impact.

8.2 WHEEL OF CONSUMER ANALYSIS
There are four parts in the wheel of consumer analysis. According to the figure below, they are consumer affect and cognition, consumer behavior, consumer environment and marketing strategy. In our study, the consumer behavior research is based on this model.

The figure 8.2.1 shows this model.
There are three elements in this model, consumer affect and cognition, consumer behavior and consumer environment. Consumer *affect* and *cognition* refer to two types of mental responses consumers’ exhibit toward stimuli and events in their environment. *Affect* refers to their feelings about stimuli and events, such as whether they like or dislike a product. *Cognition* refers to their thinking, such as their beliefs about a particular product. *Behavior* refers to the physical actions of consumers that can be directly observed and measured by others. It is also called *overt behavior* to distinguish it from mental activities, such as thinking, that cannot be observed directly. The consumer *environment* refers to everything external to consumers that influence what they think, feel, and do. It includes social stimuli, such as the actions of others in cultures, subcultures, social classes, reference group, and families that influence consumers. It also includes other physical stimuli, such as stores, products, advertisements, and signs that can change consumers’ thoughts, feelings and actions. (Paul & Olson, 2008)

These three elements influence each other. That means affect and cognition can influence behavior and environment; Behavior can change affect, cognition and environment. Environment can have impact on affect and cognition, behavior. Moreover, there are five implications in consumer processes. 1. Any comprehensive analysis of consumers must consider all the three elements and the relationships among them. 2. Any of the three elements may be the starting point for consumer analysis. 3. This view is dynamic, that recognizes consumers can continuously. 4. Consumer analysis can be applied at different levels. 5. This
framework for analyzing consumers highlights the importance of consumer research and analysis in developing marketing strategies. (Paul & Olson, 2008)

And in consumer analysis, a **marketing strategy** is a set of stimuli placed in consumers’ environments designed to influence their affect, cognition, and behavior. (Paul & Olson, 2008) And the influence should be reacting on both sides. That means marketing strategies should be designed not only to influence consumers but also be influenced by them. (Paul & Olson, 2008)

Figure 8.2 2 The Role of Consumer Research and Analysis in Marketing Strategy


The last point in consumer analysis is of different levels. There are four levels in this model: societies, industries, market segments and individual consumers. First, the wheel of consumer analysis can account for these changes in our society and can also be applied to other societies to help explain their structures. Second, the wheel of consumer analysis can be used to analyze the relationships of a company and its competitors with consumers in specific industries. And at industry level, when consumer cognition, affect, and behavior change, it can threaten the existing products and can also provide opportunities to develop products which are more consistent with new values and behaviors. Third, the wheel of consumer analysis can be used to analyze groups of consumers who have some similarity in cognition, affect, behavior, and environment. Finally, the wheel of consumer analysis can be used to
analyze the consumption history, a single purchase, or some aspects of a purchase for a specific consumer. (Paul & Olson, 2008)

8.3 ELEMENTS OF PRODUCT
There are 11 elements in a product, every aspect is very important. The core of a firm’s international operations is a product or service. This product or service can be defined as the complex combination of tangible and intangible elements that distinguished it from the other entries in the marketplace. (R.Czinkota & A.Ronkainen, 2010). The figure 8.3.1 shows the elements of a product.

Figure 8.3 1 Elements of a Product

And when we analyze the case and design the questionnaire, we use this theory as our foundation. According to this model, we choose quality, brand, country of origin and anything else as our option to find out the importance of country of origin and consumer prefer.

8.4 GENERAL FRAMEWORK FOR ANALYZING INDUSTRIES RELATIONS ISSUES
In our study, we analyze garment industry in China. Therefore, we adopt this framework to support our analysis on the relationship between China’s garment industry and Human Resource Management.

**Figure 8.4 2 General Framework for Analyzing Industries Relations Issues**

In human resource management (HRM) research, there are four kinds of social actions which are particularly relevant in shaping HR practices. They are instrumental-national, value-national, effectual/emotional and traditional. When decisions are related to the shaping of employment relationships, other categories of social actions, based on values, emotions and traditions are at stake. The figure above attaches the importance to the role of values, which stem from different rationalities, the role of history, and processes of institutionalization. (Boxall, Purcell, & Wright, 2008)

**8.5 PORTER’S FIVE FORCE FRAMEWORK**

In practice, there are many features of an industry that determine the intensity of competition and the level of profitability. A helpful, widely used framework for classifying and analyzing these factors was developed by Michael Porter from Harvard Business School. Porter’s five forces of competition framework views the profitability of an industry (as indicated by its rate
of return on capital relative to its cost of capital) as determined by five forces of competitive pressure. (M.Grant, 2008)

Figure 8.5 1 The determinants of the five forces of competition

In this model, there are five parts included: supplier power, buyer power, and industry rivalry, threat of entry and threat of substitutes. In our paper, we can use this model to analyze the garment industry in China. The purpose of this analysis is to find the advantages and disadvantages in Chinese garment industry. We use this model to analyze the competition power between China garment industry and other countries in discussion part.

8.6 Theory for Service Innovation

8.6.1 Conditions for Product Innovation
Firms need some solutions to protect their production from failures. And failures sometimes can be taken as lessons to improve the innovative performance. Here we have several conditions for product innovations.

Clear Project Organization
Project should not necessarily be organized in a complex manner with steering committees, task forces and other interfering parties (Tidd and Hull, 2003). The innovation project absolutely needs a wise leader and a clear organization system to adjust relationships of all colleagues and prepare for all the unexpected conditions.

**Top Management Support**

Every new product development project needs support from top management during the entire development process (Tidd et al., 2001). As for the innovations, it is necessary to get a lot of findings, techniques and human resources from the company. And there is a big risk to fail of innovation. Obviously the support from top management is really important.

**New Product Committee**

A New Product Committee (NPC) consists of high-ranking managers from different functional departments of the company. The workers in NPC should have a clear and shared vision to judge how the organization is going on. The first task of NPC is to make a reasonable agenda for all workers.

**Product Champions**

The product champion should be someone with experience in the organization and enough formal and informal power to control the project (Chakrabarti, 1974; Maidique, 1980). The product champion needs a capability to overview the activities in the past, solve the problem at present, and look forward to the future developments.

**Integration in the Development Process**

The traditional “throw it over the wall” phenomenon where individuals work in isolation needs to be changed into an integrated development approach (cf. Flynn et al., 2000). The team members should share information with each other. And they should communicate and collaborate with each other.

**High Involvement Teams**

A high involvement team consists of people who are assigned to the team on a full-time basis. Workers from different departments can give advice to the new innovation using their own professional knowledge and skills. And the high involvement team also need high acceptance. Members in the team should respect and accept different opinions from each other.
Until now we mainly introduced the several conditions of product innovation. There is not so much difference among firms from different industries. The case discussed in this thesis—a Chinese private-owned garment factory—also needs these conditions to get innovative production.

**Conditions for product innovation**

- **Clear (and straightforward) project organization**
- **Top management support during whole development process**
- **Special decision-making unit for screening of projects and allocation of resources**
  - **Product champions with formal power and process overview**
  - **An integrated product development approach**
  - **High involvement teams with right mix people**

### 8.6.2 CONDITIONS FOR ORGANIZATIONAL INNOVATIONS

The first category of organizational innovations is “replication innovation” (Normann, 2001; Winter & Szulanski, 2001). In order to develop the replication concept, one of the crucial issues is to balance control and learning. Most of production and consumption are produced locally in sites close to the customer and the market. Growth of the firm creates the challenge of replication of the service production system (Grönnroos, 2000) from one site to another. Firms get production from the chain organization and independent entrepreneurs. Then it is necessary to maintain good relationships and cooperation between the new sites and also diffuse the learning experiences to each other.

The second type of organization innovation is “new customer rules”. In services, customers not only demand for the result of the service production but also play a role as co-producer (Tidd & Hull, 2003). The first task for firms is to satisfy customers’ demands. So it is required to involve customers in the innovation process. Some firms are successful in exploring new forms of production and services due to their good cooperation with customers. For example, Nike was founded in 1970s. And it was a really small company at first, but now it achieved the No.1 of the sportswear industry in the world. There is an innovative service called Nike ID. Customers can make their own sports clothes and shoes with their characteristics, such as names, numbers, colors and photos printed and labeled on the clothes and shoes. It is the unique sportswear.
Conditions for two types of organizational innovations

“Replication”

- Organization structure that balances control and learning
- Mutual learning between chain organization and independent entrepreneurs
- Teams dedicated to setting up new sites and diffusing learning experiences

“New Customer Roles”

- Involvement of customer in innovation process
- Commitment of demanding customers
9. CASE STUDY – YiCHANG RICHART GARMENT FACTORY LIMITED

9.1 INTRODUCTION & RESEARCH QUESTIONS
Textile clothing is an important backbone industry in China. It has powerful market all over the world. China is the No.1 in the production and export of clothing in the world. According to this background, we choose one company-YiChang Richart Garment Factory Limited as our case company, because there are more than 1000 garment factories all over China. They have similar operating processes. China’s textile clothing has extremely powerful competence in global textile clothing industry because of its cheap labor resources and equipped industrial advantages. In recent years, the development of clothing manufacturing is faster than that of GDP and textile industry. The scale of market realizes a stable increase. In this part, there are three questions we need to analyze: export, garment cost and labor cost. We want to use these three aspects to research into the reason why international company choose Chinese factory to manufacture the clothes.

9.2 BACKGROUND OF CASE COMPANY – YiCHANG RICHART GARMENT FACTORY LIMITED
YiChang Richart Garment Factory Limited is located in YiChang City, an economic booming international hydropower city and a tourist attraction with beautiful natural sceneries. The YiChang Port is one of the eight main ports along the Yangzhi River. The three Gorges Airport, greeting regular air flights from most of Chinese major cities, and the Han Yi Expressway, connecting YiChang City to Chinese Eastern and South-Eastern key export and import ports with overall highway, make the transportation very convenient.

YiChang Richart Garment Factory Limited was established in 2001 with a total investment exceeding RMB 30 million (USD3.8 million). Its 800 skillful employees use Japanese, American and Dutch famous-brand sewing and washing machines to produce 1.5 million men, women and children leisure-wears annually, and 90% of the products are sold to EU and USA markets every year. It has been recognized by Levi’s, H&M, Sears and other international firms’ factory inspection processes. Through the four years operation, it has accumulated rich experience on leisure-apparel manufacturing.

YiChang Richart Garment Factory Limited, a member of Chinese Chamber of Commerce for Import and Export of Textile, has the authorization to export and import its own products. Moreover, as a company obtained ISO9001 Quality System Certificate in 2004, the products
quality and its internal management system have been improved to a higher level. Consequently, it is going to expand its operation into a broader range. Pursuing mutual benefits and development, providing better products and services for the customers is its principle to build business partnership with their clients.

9.3 **CASE ANALYSIS**

**9.3.1 SWOT ANALYSIS**

First, we use one table to describe SWOT elements in case company.

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weakness</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional skills (water-wash)</td>
<td>Low-education level of employees</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>Inferior working environment</td>
</tr>
<tr>
<td>Integrated organization system</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankruptcy of small-sized factories</td>
<td>Cancellation of quota due to strong competition</td>
</tr>
<tr>
<td>New products, creating its own brand</td>
<td>Interest rate policy of RMB</td>
</tr>
<tr>
<td>Expansion of customers</td>
<td>Economic Crisis</td>
</tr>
</tbody>
</table>

*In the aspect of strengths*, professional skills are very important during the manufacturing process of jeans, especially during the procedure of water-wash which is one of the most important elements of the whole process. In YiChang Richart Garment Factory Limited, there are some high-level water-wash workers in the company from all around China. They can develop and improve skills on water-wash in a period of time to face the changes of the industry. Another aspect is employee-benefits; good employee-benefits can abstract more employees and increase the loyalty of employees. Expecting basic welfare, YiChang Richart Garment Factory Limited offers some extra benefits for employees. For example, the company pays for lunch and dinner for employees. There are some professional chefs providing meals for workers. Moreover, the company will provide 200 Yuan and birthday cakes for workers on their birthday. Humanistic management is a good way to develop employee loyalty. This is also strength of human resource management. As for our case company, it has integrated organization system for management, and it has clearly department division. Management department and workshop are two primary parts in company. Each
In the aspect of weaknesses, by means of our research, there are two problems which create weakness for YiChang Richart Garment Factory Limited. First, the education level of employees, especial those in workshops, is relatively low. According to our survey, the education background of employees is senior high school or just junior high school; they know how to manage the current skills, but they don’t have enough knowledge to develop and improve their skills. It’s a problem that can lead to the decreasing of productivity. Another problem is working environment; the workshop environment is not very good. Because of the operations of garment machines, the temperature in the workshop is high and the company doesn’t have effective ways to lower the temperature.

In the aspect of opportunities, we can find some opportunities for YiChang Richart Company to get a better position in garment industry. 1. Expansion of customers; 2. Bankruptcy of small-sized factories; 3. New products exploration, the company will create its own clothes brand. 4. Expansion of market share. With the development of the company, their clients are not only jeans companies, like Levi’s, they can also develop new clients like jacket companies or others. From 2008, financial crisis happened all over the world, many manufacturing companies got into bad conditions. Under this background, many small-sized factories chose to bankrupt, which provided market opportunities to medium-sized factories, like YiChang Richart. They can receive orders instead of small-sized companies. The third aspect is new products exploration. We called on the CEO of YiChang Richart, and he told us that they want to create their own brand in two years. Till now, they have practical skills and workers, which can promote the establishment of their own garment brand. Another opportunity is the expansion of market share. In current situation, the main export countries for YiChang Richart are the USA and Canada. The target market is large supermarkets in the two countries. In 2010, they signed a contract with a large supermarket in France; this good beginning will create more opportunities for YiChang Richart to enter European countries.

In the aspect of threats, for garment industries in China, the biggest problem is quota, which means that there are limitations for export quantity. For our case company, actually they can make mass productivity before cancellation of quota, but they cannot export all of them because of quota. But after the cancellation of quota, the competition becomes fiercer in garment industry. Therefore, this is one threat for YiChang Richart. The second threat is about
the policy of exchange rate and foreign trade. The changing of policy creates difficulty and pressure for our case company, especially the exchange rate between US dollars and RMB. And the last threat we discussed is economical depression during these years. From 2008, the financial and economic crisis started all over the world, and it led to the bankruptcies of many manufacture factories. According to this background, it also brings threat to YiChang Richart.

According to the SWOT model of the case company, we analyzed integrate situations of YiChang Richart. In the following part, we will analyze the detailed elements in three aspects.

9.3.2 The Export Process Analysis

In our case company, export is its main business. Most of clothing of YiChang Richart is exported to the USA and Canada every year. Thus, the processes of clothing export and how to choose products for exporting are very important. The model – Factors Affecting Product-Adaptation Decisions can help us to analyze export process in YiChang Richart.

![Factors Affecting Product-Adaptation Decisions](image)

Source: Adapted from V. Yorio, Adapting Products for Export (New York: Conference Board, 1983), 7

Marketing Environment

- Government Regulations
Government regulations often present the most stringent requirements. (R. Czinkota & A. Ronkainen, 2010). For garment industry, the purpose of government regulations is to protect the domestic industry. In Chinese garment industry, the most important government regulation to China export is quota. Quota influenced the clothing manufacturing in China in the long term and also influenced YiChang Richart. We interviewed the General Manager of our case company, and he said that quota limited their quantity of production, which means they can produce more clothing without the limitation of quota. With the cancellation of quota, some new problems arise. And we will discuss more on quota in the next part.

✧ Nontariff Barriers

Nontariff Barriers include product standards, testing or approval procedures, subsidies for local products, and bureaucratic red tape. The nontariff barriers affecting product adjustments usually concern elements outside the core product. (R. Czinkota & A. Ronkainen, 2010) YiChang Richart has its professional testing system to guarantee its clothing quality. One way to keep a particular product or producer out of market is to insist on particular standards. (R. Czinkota & A. Ronkainen, 2010) YiChang Richart obtained ISO9001 Quality System Certificate in 2004; its products quality and internal management system have been improved to a higher level.

✧ Customer Characteristics, Expectations, and Preferences

The characteristics and behaviors of intended customers groups are as important as governmental influences on the product adaptation decisions. (R. Czinkota & A. Ronkainen, 2010). According to our research, Levi’s is one of the most important customers for YiChang Richart, which means it must manufacture clothing or jeans in terms of Levi’s characteristics, expectations and preferences. Levi’s is one of famous luxury jeans companies in the world. It needs high-level raw materials to produce. The quality control department in YiChang Richart checks the quality of fabric cautiously before producing in order to meet the needs of Levi’s.

✧ Economic Development

Management must take into account the present stage of economic development of the overseas market. (R. Czinkota & A. Ronkainen, 2010) Most of the jeans from YiChang Richart are exported to the USA and Canada. According to this situation, more and more potential customers appear. For Levi’s, young people are not the only target group. Kids are now
becoming new target customers for Levi’s. Therefore, YiChang Richart is always improving their professional skills to attract more orders from Kids Levi’s for more benefit.

◊ Competitive Offerings

Monitoring competitors’ product features as well as determining what has to be done to beat them, is critical. (R.Czinkota & A.Ronkainen, 2010), we have already used SWOT model to analyze the competitive advantages of YiChang Richart. Better wash skills for jeans have brought more orders for our case company.

◊ Climate and Geography

Climate and geography will usually have an effect on the total product offering: the core product, tangible elements, mainly packaging, and the augmented features. (R. Czinkota & A. Ronkainen, 2010). YiChang Richart Garment Factory Limited is located in YiChang city in Hubei Province. And the YiChang Port is one of the eight main ports along the Yangtze River. It brings more convenience in shipment for export. Moreover, because of the geographical advantage, YiChang Richart can also reduce the cost of transportation.

Product Characteristics

Product characteristics are the inherent features of the product offering, whether actual or perceived. (R.Czinkota & A.Ronkainen, 2010) YiChang Richart Garment Factory Limited specializes in the jean material garment production. 80% of the productions are international brand authorized, such as Levi’s, H&M, etc. The company also owns its own brand products under the brand name “Richart”, which is 20% of the total production.

The products range includes jeans, jean jacket for all ages and genders. The products also range from traditional jean garment to the newest fashion and technical designed ones.

Most of the products are exported to America. Therefore, the package and sizes follow the American style. For the company’s own brand “Richart” products, they are basically sold in the Chinese domestic market. Consequently, the design, packaging and the sizes are in the Chinese ways.

The product quality is around the medium level, giving considerable price offerings. For the customers in America, they are quite used to the label “made-in China” for all garments that is not in the luxury range. The country-of-origin effect here has slightly negative effects.
However, the brands, such as H&M, which the company is dealing with, are seeking the cost efficiency all over the world. Their customers are paying relatively less attention to the country of origin. Therefore, the authors consider that this effect is not critical for YiChang Richart Garment Factory’s products.

**Company Considerations**

There are number of factors that can be classified as company related. Most of these factors are influential in determining the marketing strength of the international market. (Albaum, Strandskov, & Duerr, 1998) It includes as follow:

- Marketing management capability and know-how
- Newness of the company to international marketing activities
- Size of the company and which of its product line
- Financial strength and ability to generate additional capital if needed

The YiChang Richart Garment Factory Limited was founded in 2001, which means it is a young company. It is also considered as a small and medium sized Chinese garment company. This means the company has relatively low financial strength. And due to the fact that the company is private-owned and not listed in the stock market, the capability of generating additional capital is highly restrained. Since YiChang Richart conducts quite a few authorized productions for international brands, most of the marketing effort is put into the business-to-business section. The company’s production line is within the factory itself, which is relatively simple and small. The management group personnals are led by person who has been working in this industry for decades, supported by a group of open-minded young assistants. The production ability is considered to be medium, while the international marketing ability is considered to be low-medium.

**9.3.3 QUOTA PROBLEM ANALYSIS**

For China’s clothing industry, quota is playing an important role in a period, as same to YiChang Richart Garment Factory Limited. But in 2005, the quota for textile products was canceled for the first time. The quota system that has restricted the export of textile clothing products for a long period retreated from the history forever. World textile clothing industry enters a brand-new age. The development trend of China’s garment industry will focus on: scale, information, brand, and fashion.
Quota is a topic about international marketing environment. According to the articles, “The political environment of international marketing includes any national or international political factor that can affect its operations. (Terpstra, 1983) The most important reasons to set quotas are to protect domestic industry and to conserve foreign exchange. Some importing countries also set quotas to ensure an equitable distribution of a major market among friendly countries. (R.Cateora, 1996)

Quotas are specific provisions limiting the amount of foreign products that can be imported. The application of quotas may be global or on a country-by-country basis. In general, quotas may be classified into three categories: (Terpstra, 1983)

1. Most restrictive are absolute quotas, which limit absolutely the amount that can be imported. The most extreme case is the zero quota, or embargo. The European Union, for example, in the mid-1990s, had quotas on a number of Chinese-made products, including toys, footwear, gloves, glassware, and so forth. These replaced any national quotas that existed.

2. Tariff quotas permit importation of limited quantities at low rates of duty, with any amount in excess subject to a substantially higher rate.

3. There are different types of voluntary quotas. These are known as voluntary export restraints (VERS) and are generally to protect domestic companies until they have had time to make necessary adjustments to regain external competitiveness.

For the YiChang Richart Garment Factory Limited, the quota is absolute quotas, according to our research, before the cancellation of quotas, it could produce more under quotas, but it was not allowed to export more. Many firms want to complete limited quotas. In meanwhile, we interviewed the General Manger in firm to talk about the influence of quota. He told us, after cancellation of quota, the competition is becoming stronger than before. First, intangible elements are becoming more and more important. Intangible elements include working environment, employment ability, human rights and anything else. For example, LEVIS’ China will test YiChang Richart Garment Factory Limited every year, they could test whether employments work over time or not.

9.3.4 CLOTHING COST ANALYSIS
In this part, we analyze the clothing cost to find out the elements of clothing. According to our information collection, we set as male short jeans as our example to analyze cost. The table
9.3.4.1 shows main elements of male short jeans cost. And this cost happened before cancellation of quota. Moreover, the detail information of clothing cost, we can see from Appendix.

<table>
<thead>
<tr>
<th>Element</th>
<th>PRICE (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabrics</td>
<td>18.17</td>
</tr>
<tr>
<td>Accessory</td>
<td>12.36</td>
</tr>
<tr>
<td>Garment Wash (Water Wash)</td>
<td>1.80</td>
</tr>
<tr>
<td>Cloth manufacturing</td>
<td>7.97</td>
</tr>
<tr>
<td>Executive Salary</td>
<td>1.11</td>
</tr>
<tr>
<td>Firm Fixed Charges</td>
<td>2.32</td>
</tr>
<tr>
<td>Quota</td>
<td>8.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52.03</strong></td>
</tr>
</tbody>
</table>

Source: YiChang Richart Garment Factory Limited

According to data of table, we can see fabrics and accessory are the two most of important aspects in cost. It occupied more than 50 percent. Fabrics include kinds of cloth jeans need. And sacking is also including fabrics. Next, in accessory, it includes line, zipper, main laber, size laber, wash laber and anything else. And in our research, most of accessories come from Hongkong. Third, in water wash, there are three elements compose: dyes and chemicals, employees salary and fixed charge and cost are 0.33RMB, 0.76RMB and 0.71RMB. In cloth manufacturing, it also includes workers salary 6.56RMB and fixed charges 1.71RMB, in our whole research, our purpose is analyzing the percentage of labor cost in clothing. Based on our data, the total labor cost in a male short jean is (0.76+6.56+1.11)=8.42RMB, it’s occupied 16.2% of total price.

9.3.5 LABOR SALARY ANALYSIS
There are two ways to calculate labor salary in YiChang Richart. They are time-counting and piece-counting. Time-counting is for management level in our case company. The management level includes office, sales, accounting, equipment, technology, quality-control
apartment. We use the salary analysis in July of 2009 as our example. In time-accounting aspect, we use sales department to analysis. It shows in table 9.3.5.1 below:

**Table 9.3.5.1 Time-Accounting Salary in Sales Department**

<table>
<thead>
<tr>
<th>People</th>
<th>Full-Attendance Bonus</th>
<th>Reward</th>
<th>Callback Pay</th>
<th>Time-Accounting Salary</th>
<th>Transportation</th>
<th>Mobile</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>680</td>
<td>2174.7</td>
<td>19426.03</td>
<td>332</td>
<td>1050</td>
<td></td>
<td>23662.73</td>
</tr>
</tbody>
</table>

Source: YiChang Richart Garment Factory Limited

The data above is shows all sales department salary, that means for one person, the salary for one month is (23662.73/13), it equals 1820.21RMB per month. And it almost equals 1820 SEK; however, compare to salary in Sweden, the salary in China is very low.

Next, we analysis the piece-accounting salary, In YiChang Richart, The workshop and back office use this kind of salary calculation. In this part, we use water-wash workshop as our example to analysis.

**Table 9.3.5.2 Piece-Accounting Salary (Water-Wash Workshop)**

| Basic Salary | 14690 |
| Money for occupation | 807.24 |
| Full-Attendance Bonus | 1290 |
| Rewards | 40 |
| Callback Pay | 1386 |
| Piece-Accounting Salary | 170622.87 |
| Transportation | 400 |
| Money for night works | 1454 |
| **Total** | **190690.11** |

Source: YiChang Richart Garment Factory Limited

And in our research, there are almost 100 people in water-wash department, that means for one person, it almost 1900 RMB for one month.

**9.3.6 Conclusion of Case Study**

From the SWOT analysis of YiChang Richart Garment Factory Limited, which is a typical Chinese medium garment company, there are certain implications can be drawn for the management.
The small-medium garment companies rely heavily on the exporting business. Both of their financial and marketing capabilities are relatively low. In order to catch the international opportunities, the companies should enhance their ability of marketing. Another critical point is that the foreign currency management. Due to the sharp fluctuation of the exchange rate in the foreign exchange market, especially against the RMB value, the companies are in high economic risk without any currency managements. Therefore, tools such as currency forward contract could be used to exclude the foreign exchange risks.

At the same time, Chinese garment companies’ biggest strength or advantage over the garment from other countries is their sufficient and low cost labor supply. The garment industry is extremely labor-intensive. In our case, YiChang Richart Garment Factory Limited has more than 200 employees. Most of the employees working in the workshop are not well educated. Also the workshops cannot be considered as good working environment. Although the company tried to improve the relationship with the employees by giving extra employee benefits, there are more remained to be done. It is very significant to improve the productivity of the major manufacturing resource—human resource. And also, according to the Service dominant logic claimed by Vargo and Lusch states that the operant resources are those resources that produce effects. (Vargo & Lusch, 2004) They future argued that the essential of the operant resources is the human resources. The critical defects of current Chinese garment industry human resource management can be perceived through all the problems that has emerged during the past few years. For years, the employees have been complaining about their rewards and there even have been several employee strikes. Perceiving the importance of the human resource management for the Chinese garment industry, in the next section, the authors will further discuss about the HRM.
10. **HUMAN RESOURCE MANAGEMENT IN GARMENT INDUSTRY IN CHINA**

10.1 **FOUNDATION OF HUMAN RESOURCE MANAGEMENT ANALYSIS**

According to our case study before, we can find problems from employees management in private-owned garment manufacturing company. Low labor cost and weak organizational management resulted in problems in management. That’s the reason we need research human resource management aspects in our analysis. We use Harvard model of HRM as a foundation of our research.

Figure 10.1.1 The Harvard model of HRM

The situational factors influence management’s choice of HR strategy. The stakeholder interests recognize the importance of “trade-offs”, either explicitly or implicitly, between the interests of owners and those of employees and their organizations, the unions. Human resource management policy choices emphasize that management’s decisions and actions in HR management can be appreciated fully only if it is recognized that they result from an interaction between constraints and choices. The human resource outcomes are high employees commitment to organizational goals and high individual performance leading to
cost-effective products or services. And the long-term consequences distinguish between three levels. (Bratton & Gold, 1999)

10.2 HUMAN RESOURCE MANAGEMENT (HRM) IN CHINA
The concept of Human Resource Management is new compared with Chinese market economy. In China, the government has a traditional personnel administrative system for the past several decades in last century because of the Chinese own legislative, social, cultural and business factors. After the open and reform policy in 1978, it has been changed a lot. Nowadays the function of HRM has played a more and more important role in Chinese market economy.

10.3 HISTORY OF HUMAN RESOURCE MANAGEMENT IN CHINA
After the founding of People’s Republic of China in 1949 under the Communist Party, the personnel management in China has three decades history until 1978. And at that time there were only state-owned enterprises because China was under the planned economy.

Firstly, the personnel practices of organizations were strictly under the control of the local labor force department. And it can be seen as the government affairs. The tasks of hiring how many employees, who should be hired and who should be transferred to other enterprises were what the Ministry of Labor and the Ministry of Personnel should consider about. The enterprises had no right to hire professional employees they actually want. What they can do is to wait the Ministry of Labor and the Ministry of Personnel to send workers to them, whatever they need or not. This was called “Obey the command of government term less and unconditional”. As the Chairman Mao said we are one brick of the construction and we should go to the place where the government need us to (Child, 1994; Cooke, 2003a).

Secondly, for most people in those three decades, employed in the state-owned enterprises was a lifelong job and once-in-life event. Wages were typically low but compensated by a broad range of workplace welfare provisions, including housing, pension, health, children’s schooling, transportation to and from work, employment for spouses and school-leaving children, as part of the responsibility of the “nanny” employer (Warner, 1996a; Cooke, 2000). That means when one people got employed in one state-owned enterprise, then he had no need to worry about his life and also his family. All his fees were paid by government. And even his child graduated, he could ask for retailed earlier and then let his child to take his position in the SOE. He could get pension from the SOE and his child get salary from the same SOE.
With the open and reform policy in 1978, the composition structure of business ownership changed a lot. The state ownership has shrink share of the whole market and the private and foreign-related firms grows rapidly. The HRM of those companies have obvious implications for the personnel management of Chinese government. In fact, after 1980s, we Chinese people have witnessed and felt the changes of personnel policy and practice. The HRM and government personnel management coexist in the state-owned enterprises now. Today four types of business ownership coexist in Chinese market economy:

1. State-owned enterprises
2. Collectively-owned enterprises in cities, townships and rural areas
3. Privately-owned firms and self-employed businesses
4. Foreign businesses, Sino-foreign joint ventures, and Sino-foreign cooperative enterprises (including investment from Hong Kong, Macao and Taiwan).

In the case study, the factory we analyzed is a privately-owned firm. And it now widely exists in different industry in Chinese market. It is the main type of business ownership in garment industry in China.

10.4 Human Resource Management Problems in Chinese Private-Owned Enterprise

With the open and reform policy from 1978, the employment contracts were introduced in all kinds of business ownership enterprises. It replaced the old personnel system in which managers were appointed by the superiors in the Ministry of Labor and the Ministry of Personnel and workers were employed for whole life. It has a great freedom for both enterprises and individuals to deal with their employment relationship based on the supply and demand of market economy.

Human resource problems in Chinese enterprises (adapted from Sergeant and Frenkel, 1998) we can find there are a lot of problems of HRM in all types of business ownership of Chinese enterprises. Here we focus on the problems in the private-owned firms.

For employees in the private-owned firms, their wage increased rapidly. But in fact there is still a big shortage of skilled manual and blue-collar workers. In Chinese opinion, the best position in enterprises should be a kind work of white-collar of sitting in the bright and big office, using computers and having a cup of coffee. Working in the factory and workshop as a
blue-collar is not what they want to be. So there is a situation that in university very less student wants to learn skills and most students are business background. In China there is only one trade union-the All Federation of Trade Unions (ACFTU). This organization is responsible for all kinds of the workers’ rights and benefits, such as welfare, payment, pension, training, furlough and so on. But in the private sectors, union membership levels are far lower than those in the state sector and union activities are less popular (Ding and Warner, 1999). One reason is that the ACFTU doesn’t have enough power. It is not adversarial and helpful to arranging courses to educate the workers, including mentality and skills. They don’t have capital and place for education and training. About the training, there has always been a high level of state involvement in the training policies and practices of SOEs and public sector organizations (Cooke, 2004b). For example, a national network of Cadre Management Training Institutes has been established providing compulsory training courses for all (potential) managers (Warner, 1992). And in 1981, the State Council of China stipulated that enterprises should allocate a minimum of 1.5 percent of the total wage bill as funding for employee education and training (Lu, 1987). The Chinese government is taking some measures to enhance the ability and skills of workers.

Another reason is that most of the private-owned firms are aiming at pursuing maximum profit. They will try their best to decrease cost and payout. They need workers to work hard but they don’t want to pay for workers to get training. If the workers can pay for themselves to get training, they will be happy to let them go. But the training time is in the evening after one-day work. So it is not possible. And then what the workers do is making clothes by hands every day. The salary of workers is low. The private-owned firms reach their purpose: lowest payout to produce clothes and finish orders on time. For example, in the garment factory, workers usually have 8 hours to produce clothes and sometimes they need to work overtime. They don’t have time to get training to be professional to use machines and computers. This leads to the shortage of skilled workers. And this directly results in that workers’ efficiency is low and the quality of clothes is under standard.

10.5 Human Resource Management Problems for Chinese Government
There also exist difficulties of transferring staff from SOEs to private-owned firms. Staffs who work in SOEs don’t want to transfer to other firms. Usually in other firms, the salary will be higher than those in SOEs. But with other bonus and welfare, it is better to work in SOEs. The payment system in China demonstrates a number of unique characteristics which differ from that in other societies, characteristics such as the egalitarian, culture, the relatively heavy
proportion of bonus in SOEs. In Chairman Mao’s era, the distribution principle was based on the equality norm which was “expected to lead to the best group harmony and stability” (Yu, 1984: 304).

It is difficult to introduce pay differentials for workers of similar status. In China, the public relation is the most important. So as you knew some powerful and high level government officers, you can work less and get higher salary. While employees can’t change these latent rules of wage structure, what they can choose is to work in SOEs to have more chances to get to know these powerful government officers. If you work in the private-owned firms, you lose these chances. And Chen’s Sino-American study (1995) found out that Confucian values were still evident in the continued emphasis on the social hierarchy. People would like to work in SOEs because that is work for government and country. In Confucianism, contribute for government and country is the most advisable.

10.6 CONCLUSION OF HRM ANALYSIS
Many government policy and culture background leaded to human resource problems in Chinese Garment industry. So it take long time to solve these problems. In short, the HRM practices are processing in China, by political, legal, economic and cultural factors. With the growth of China’s economy, we believe that the Chinese government will make a better HRM and personnel management. Till now, we finished our analysis about providers on “made in China.” Except providers, the customers are also very important in our main issues – “Made in China” So, we will analyze consumer behaviors on clothes in next part.
11. CONSUMER BEHAVIOR IN CLOTHING

Time is valuable for everyone. So we want to use it wisely. We don’t want to waste time. And the questionnaire is a good way to see if people are interested and serious on what you are asking. Some people may think it is too abrupt, but it can get rid of those who have no interest in a hurry. And questionnaire is one of the qualitative research methods. It helps us to get the first data directly from people and then select useful data to get a conclusion.

As we mentioned in the part of 6.3 qualitative research method, Bryman and Bell have a model to suggest us how to do a questionnaire. There are six steps of this model. And we did our questionnaire by this model step by step.

11.1 QUESTIONNAIRE DESCRIPTION

S. Cameron recommended that questionnaires should be set to have questions direct and to the point. Here we setup some questions. This questionnaire is about the consumer behavior on clothes. What elements most affect the decision of customers? There are some options such as price, brand, and style, quality of clothes and original producing area of clothes. We will figure it out through the result of this questionnaire. And the detail of this questionnaire will be showed in the appendix.
In the first part of the questionnaire, we will ask some questions about personal information like gender, age, marital status, occupation, salary and nationality. Consumer behavior is dynamic because the thinking, feeling, and actions of individual consumers, targeted consumer groups, and society at large are constantly changing (Peter and Olson, 2008). We realize that these personal details will affect customers’ decision very much.

In 1997 around 40% of new cars were bought by women, with a prediction for 1998 that woman aged 18-40 will be the dominant buyers—“Women buyers mean business” (Roberts 1998). Dubbed “Winning Women” by the marketers, these “high spending single females” (Marketing 1998a) also make inroads into hitherto largely male and premium sectors of the market. It is easy to see that single female like to buy clothes much more than male. So it is necessary for us to know the interviewee’s gender and marital status.

A consumer’s age exerts a significant influence on his or her identity. Marketers often target products and services to one or more specific age groups. The buying power of different age groups shifts with the sands of time (Solomon 1996). People in different age have different level of fan on clothes. To know about the age of interviewee is helpful for our questionnaire.
Based on this model of the cultural process, we can see that culture has done a lot of work for consumers. Culture means in social and physical environment, products and services and finally in consumers. The cultural process decides how the cultural meaning is moved about or transferred between different locations by the actions of organizations and by individuals in the society. Different countries have different culture. So here we would like to know the nationality of the interviewees.

In the second part we provide several more specific questions. Such as the frequency of buying clothes, style of clothes. Coleman (1983) pointed out that social class affects tastes and lifestyles. People work in different occupations has different lifestyles and consume habits. What kinds of job are you doing and how much money you can spend on clothes every month are important for our questionnaire.

In the third part the questions focus on original producing area of clothes, which is our main point. Nowadays when customer go shopping and choose clothes, they can find clothes which
were made in different countries and areas such as with tag of made in China, made in Turkey and made in Indonesia. And some people care about the original producing area of clothes very much while some people not. Some customers prefer to buy Chinese products while some others want to buy Indonesian products. That is called consumer preference.

To ensure valid measurement, a customer must be aware of his or her preferences and must be able to express them (Simonson, 2005). Research on consumer decision making (Bettman, Luce and Payne, 1998; Fischhoff, 1991; Slovic, 1995; Yoon and Simonson, 2008) suggests that preferences are often constructed on the basis of how the options are framed when the consumer needs to make a decision.

Preferences are malleable and can be easily influenced by descriptively variant but normatively equivalent manipulations (Ariely, Loewenstein, and Prelec, 2006). Two of the most important and common types of preferences are (a) revealed preference or choice (“Which clothes will you buy?”) and (b) hedonic preference or liking (“Which clothes do you like more when you shopping?”). Sometimes, researchers use words like “enjoy” instead of “liking” to elicit hedonic preference (Amir and Ariely, 2007).

The last question is that the first impression when you see clothes with tag of “Made in China”. For this we want to know the comments and experiences customers have with Chinese clothes. Then we can analyze this comments or problems in the part of final discussion.

11.2 SELECTING RELEVANT SITES AND SUBJECTS
We choose to send our questionnaire to our friends and classmates. We make about 100 copies of the questionnaire and sent them out in library of Karlstad University. We also sent 100 questionnaires via emails. And we think they maybe will take the time to get back to us. So we write about our emails and telephones numbers in case the interviewees want to give some feedback to us. Until now, we sent out 200 samples of questionnaire to our friends from different countries, on different occupations and in different ages. For instance we sent the questionnaires to people from some Asian countries such as China, Korea, Hong Kong, Japan, Pakistan, Syria, Bengal, Vietnam and Thailand. We also sent to some friends from Western countries such as Germany, France, Poland, Russia, Turkey, Croatia, Italy, Austria, Spain, UK, USA, Denmark, Finland and Sweden.
11.3 COLLECTING OF RELEVANT DATA
And we already received 150 feedback of the questionnaire. 50 persons didn’t reply the questionnaire. Sometimes people ignore the questionnaire or read it but don’t reply it. It is the disadvantage of using questionnaire. We want to send more questionnaires and wish to get back more feedbacks. But it is hard for us. It is the biggest limitation of our research study of this questionnaire.

After that we make a statistics for the results. We two looked into every feedback of questionnaire very carefully. Xing Zhenzhen reads about the feedbacks and selects data. At the same time Liu Xiang makes notes of every feedback. At last we got the useful and relevant data we need. We have a brief sum up about the personal information in this part. In these 150 people, there are 60 males and 90 females. And more than half people (80) are between 18-25 years old. Also there are 44 people aged between 25 and 35. Our questionnaires were sent to different people work in different industries to get a good feedback. In these 150 people, we have a lot of occupations such as student, teacher, doctor, nurse, engineer, architect, policeman, government officer, IT worker, advertisement worker, clothes stylist, chemical checker, newspaper editor and so on. The detail interpretation of data will be showed in the next part.

11.4 INTERPRETATION OF DATA
As we all know, in Europe and Asia, the condition of salary and consumption has a big difference. So here we classified the result for Asia (mainly China) and Europe. And for every question we make a graph based on the results of our questionnaire and then explain the data.

Graph 11.4.1 The Salary Per Month
According to Graph 11.4.1, we can see the salary per month in China. As our main target is young people, most are students or graduate students starting to work. So 35% of interviewees have salary between 1000 to 3000 RMB per month. 31% have salary less than 500 RMB; most of them should be students. And 23% have salary of 3000 to 5000 RMB. (RMB is the currency in China and one Euro charge for about nine RMB)

Graph 11.4.2 The Money Spent for Cloth Per Month

It is presented that more than half of the interviewees (56%) spend less than 500 RMB on clothes per month. And 30% pay 500 to 1000 RMB to buy clothes per month. From here we can deduce that the consumption condition in China is very low and customers don’t want to disburse money on clothes. We will discuss this problem in the part of questionnaire results analysis.

Graph 11.4.1 The Salary Per Month for European

For the European, we mainly sent our questionnaires to students and university staffs. And from the chart we can find that 62.5% of interviewees have salary less than 500 Euros, most of them are students. And 27.5% have salary between 1000 to 3000 Euros.
Half of EU people we interviewed spend 50-200 Euros on clothes per month. And there are also 47.5% pay less than 50 Euros on clothes per month. For students, that is a big amount of payout on clothes every month.

Through the feedback of questionnaire, we realize that most people, whatever he is from EU or Asia, choose casual clothes. And there are also a lot of people like formal clothes due to need of their jobs, such as government officers, doctors, and so on.
When customers make decisions to buy clothes, there are a lot of elements to affect them, such as brand, quality, price, style, original producing area and others. Based on the result of our questionnaire, most care about quality and style of clothes when they are shopping. And for the original producing area, there is very little customer pay attention to that.

11.5 CONCEPTUAL AND THEORICAL WORK
China is in the process of creating a market economy from the planned economy. And the country ran an 18.3 billion USD trade surplus with the United States in 1992. It bought 7.5 billion USD in US exports, which translated into jobs for thousands of Americans (Nelan, 1993).

Most consumers can get a lot of information of the product from previous experiences and the basic marketing strategy. And evaluative criteria are more than the particular dimensions or attributes that are used in judging the choice alternatives (Engel, Blackwell and Miniard, 1995). In purchasing clothes, customers may consider about factors like brand, quality, price, style, original producing area and others. And customers may choose evaluative criteria more hedonic in nature than the practicability, such as the feelings that come from owning (such as prestige and status) and wearing (such as exhilaration and excitement) the clothes.

Brand
Advertising may help get a brand famous to be one choice for customers. Advertisements that capture consumer’s attention and communicate favorable beliefs about salience attributes and consequences of the brand may be able to create that knowledge (Peter and Olson, 2008). Salience refers to the potential influence each dimension may exert during the comparison process. Whether this potential influence materializes depends on how consumers perceive the alternatives under consideration to perform along an evaluative criterion (Engel, Blackwell and miniard, 1995). And here goes the forming a consideration set of brand choice alternatives.

![Diagram showing the process of forming a consideration set of brand choice alternatives](image)


From this model, we can see the differences between unknown brands and familiar brands. When customers find an unknown brand, they need to do a lot research to get information of this brand. And then they also will try to get comments of this brand from their friends, who have used this brand before. Then they may buy this unknown brand. But for the familiar brand, it is totally different. Customers can find their own memory and experience of this brand and make decision to buy it quickly.

**Quality**

As we mentioned in the description of questionnaire results, when people see clothes “Made in China,” many interviewees think about low quality and short time of product life. And actually, people care about the quality very much, based on the figure.
The product life cycle (PLC) is a key concept of the elements which affect consumer decisions on clothes. Firms need a portfolio of products in various stages of the PLC to achieve the growth, profitability, and capital objectives of the firm (Engel, Blackwell and Miniard, 1995). The problem increases because of what Olshavsky and others show to be an increasing rate of adoption of innovations, causing a rapidly shortened product life cycle, although this view has been challenged by others such as Bayus.

For the garment industry in China, the labor cost is low and the ability of workers is low. The condition of low labor cost in China has been introduced in the part of case study. The reason why the ability of workers is low will be analyzed in the part of final discussion. And clothes made in China always have a short use age. Consumers can buy Chinese clothes with a low price. After wearing several times, they can throw it away and buy new Chinese clothes still with a low price.

**Price**

Nonetheless, Gabor and Granger (1964) pointed out that there is considerable variation in the importance of price across both consumers and products. And Dickson and Sawyer (1990) insisted that the importance of price is often overrated. When supermarket shoppers were asked the price of an item they had just places in their shopping basket, less than half of them could do so. Similarly, less than half were aware they had chosen a product offered at a reduced price. Nor are consumers always looking for the lowest possible price or even the best price-to-quality ratio (Huber, Holbrook and Kahn, 1973).

For the clothes made in China, due to the low labor cost, the price is lower than the same level of clothes for other countries to produce. And in the comments of the first impression of clothes “Made in China,” some people wrote they are satisfied with Chinese clothes in a low price because they can use little money to buy the best clothes, which are made in China. It can be considered to be the high price-to-quality ration of Chinese clothes.

**Style**

From Style: An Anti-Textbook (1974), Richard Lanham has offered not so much blueprints for change as sometimes gleeful inspiration for rearranging everything from academic structures to the very heart of civilization. And choosing which style of clothes shows the
characteristic and personality of the customer. The style of sports means people like doing practice and taking exercises. And casual clothes imply people have the passion of life. People wearing formal clothes most work in government offices, banks, hospitals and they are really under pressure.

Most of the Chinese clothes factories are doing a machining and low value-added business. They lack of professional stylists and are in shortage of innovations. They get orders from big famous brand companies, like CK, HM and Levis, and produce clothes for them. What these companies need to do is to label their logo on clothes. Then the clothes can be sold in a pretty good price.

**Original-of-Country**

Consumers may use a number of cues to infer quality. Traditionally, product attributes that signal quality have been dichotomized into intrinsic and extrinsic cues. A cue can be defined as “a characteristic or dimension, external to a person that can be encoded and used to categorize a stimulus object” (Schellnick, 1983). Intrinsic cues involve the physical composition of the product. These attributes cannot be changed without altering the nature of the product itself and are consumed as the product is consumed. Extrinsic cues are “product-related but not part of the physical product itself”. They are, by definition, “outside the product” (Olsson, 1977; Olsson and Jacoby, 1972). The significance of the location of production can, as mentioned (cf. Johansson, 1989), also be approached as an information cue issue (Bilkey and Nes, 1982). A product’s country of origin can be looked upon as an extrinsic informational cue, which can be communicated in several ways.

As the interviewees wrote about the last question of the questionnaire, most of them think “Made in China” means low price and low quality. So this original producing country has been considered as this. It is not prejudice. Because indeed there are a lot low quality and reputation of clothes are made in China. What is lucky, consumers don’t care about the country of origin very much based on our results of questionnaire. But how to change the situation that people think clothes made in China are poor quality is the main task in the part of discussion and reflection.

11.6 **FINDINGS AND CONCLUSIONS**

As the interviewees wrote about the last question of the questionnaire, we find that most of them think “Made in China” means low price and low quality. So this original producing
country has been considered as this. It is not prejudice. Because indeed there are a lot low quality and reputation of clothes are made in China. The conclusion is that the elements most effect customer decisions should be style, quality and price. And consumers don’t care about the country of origin very much based on our results of questionnaire. But how to change the situation that people think clothes made in China are poor quality is the main task in the part of discussion and reflection.
12 DISCUSSIONS AND REFLECTION

According to our research, there are four characteristics in China’s Garment industry: Large scale, Mass production, low level and low structure. China is the world's largest apparel consumer, but also the world's largest garment producer, but the overall development of China's garment industry is very uneven. Guangdong, Jiangsu, Zhejiang, Shandong, Fujian, Shanghai and other provinces of the southeast coast of products account for more than 80% market share. The central and western regions of the garment industry are still very backward. The competition between clothing companies still remain relatively low in the face, mainly still at the price, style and other aspects of competition, most clothing sales business or in the main wholesale market of large circulation. Apparel companies in recent years although the continuously strengthen the brand awareness, but the Chinese apparel industry is still only a limited number of well-known trademarks in China, still lacking in the true sense of the international clothing brand, mainly through low-cost advantage to compete with international brand.

The factors influence the export of Garment industry in China

Green Trade Barrier

The main destinations of China’s textile exports are the USA, the EU and Japan, which take about 75% of all the China’s textile exports. All of these countries and areas are developed and the consumers pay attention to sustainable development and protect environment very much. And they want to buy clothes which are safe and harmless.

After China entered WTO, Chinese government urged all industries followed the rules of WTO including garment industry. And it is done very well. But actually there are a lot of garment companies and factories can’t reach the high level standard. They don’t have enough money to get professional workers and machines. That is a big problem to be solved for Chinese garment industry.

Lack of self-owned brand

Not only the scale of the garment industry of China is No.1 in the world, but also ranks the first position in the international mainstream market. China has become the world's largest apparel producer and apparel consumer. But China's clothing industry due to lack entirely their own brands in the export trade, they have been greatly reduced of China's garment
exports. For example, the shirt of the German brand Hugo Boss sells 120 USD in New York. When look into this price, you can see salesman gets 60% of the benefit and the brand company gets 30%. The producers in China only get the rest 10%.

Most of the Chinese garment factories is doing value-added business. They produce clothes for the famous brand companies, such as HM, CK, Levis and so on. These companies just put their brand on the clothes and then the value of the clothes increases several times. For example, one factory in China produces hat for Adidas. It is 1 USD per hat. But after put the brand and the logo of Adidas on the hat, it sells 20 USD. There is big difference between 1 USD and 20USD. So for long-term strategy, lack of self-owned brand will limit the development of Chinese garment industry.

**Quality of garment**

As we mentioned in the results of questionnaire, most consumers including Chinese consumers think that Chinese garments are low price and low level quality. In fact, there are some factories use bad quality of materials and accessory for clothes in order to decrease the cost and get more benefit. Usually they don’t have enough capital to do innovation and make their own brand of clothes. They just get the orders of big famous brand companies and produce clothes for them.

And Chinese government doesn’t make specific rules and laws for the quality of garments. So some factories don’t care about the quality very much. In their opinion, style is most important for clothes. They also don’t pay attention to protect environment.

**Antidumping agreement**

If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be “dumping” the product. Is this unfair competition? The WTO agreement does not pass judgment. Its focus is on how governments can or cannot react to dumping — it disciplines anti-dumping actions, and it is often called the “Anti-dumping Agreement”.(WTO)

With the garment trade integration process, once removed apparel quotas, there is significant resources and labor cost advantage for China compared with the EU and the USA. And EU and USA imports from Chinese clothing products increasing should be reasonable. But
actually, in order to protect their own garment industry in EU and USA, they will use the antidumping policy to decrease the quotas of imports of China’s garments.

Chinese garment enterprises remain in the traditional design structure chain management model, the design means more than to stay behind in the paper setting out the stages of the design cycle is long, expensive trial, resulting in weak new product innovation, new product development cycle is long, not easy to find marketable products, thus causing inventory backlog, impact of cash flow. The new product cycle clothing (design, garments to enter the sales) industrial countries on average two weeks, the United States the fastest 4 days, and our average is 10 weeks, the difference is very obvious.
13. CONCLUSIONS

In our whole research, the two main target group in our analysis – customers and employees. With the development of science and economic, the situation of economy is service economy, According to the model 13.1, there are four elements for a company to develop its service and business: employees, organization and control, customers and physical/technical resources. In our paper, we analyze the employees (labor force), the organization and control (human resource management) and customers (consumer behavior). We ignore the element of physical/technical resources because the aim of our paper is not about the tangible and intangible resources such as office buildings, machines and internet working.

Figure 13.1 Model of the resource categories of the service system.

Source: Bo Edvardsson; Quality in new service development: Key concepts and a frame of reference

The element of employees is a key concept in our research, we choose one Chinese garment factory to analyze the labor force, labor salary, the process of production and the textile cost. We find the labor cost problems. We suggested developing employees’ working level and increasing labor cost are the ways to improve Chinese garment industry current condition.

In our initial research, human resource management is not our research area. We just want to find reason why international clothes companies choose China as their manufacturing market. And we got conclusion that low cost be the most important reason. After we research deeply in our thesis, we find weak management level resulted in so many problems, like low labor cost in garment industry in China. So we introduced the situation and problems of human resource management in China, especially in the private-owned enterprises. Because the
factory in our case study is a private-owned enterprise and this kind of factories is the main economic power in Chinese market. For this part, we suggested professional training to develop employee level and suitable rewards to increase employees’ passion for working.

For consumer behavior part, from the feedback of questionnaires, we concluded that the elements most effect customer decisions should be style, quality and price. The original producing area doesn’t matter that much as we thought previously.

After joined the WTO, the garment industry, if only relies on low labor costs of the price advantage, the space of increasing will become smaller and smaller, and the RMB exchange rates have far-reaching harm on exports. Here we suggest that the Chinese private-owned garment companies should face these problems. And they should try best to solve to have a better development in future. We have several advises for the Chinese private-owned garment factories as follow:

1. For the employees, develop their working level and increase the labor salary.
2. For the human resource management, train the employees professionally and form the company value.
3. For the consumers, design and produce clothes using a customer-dominant logic way.
14. REFERENCES


R. Cateora Philip. (1996). International Marketing. IRWIN.


## 15. APPENDIX

### 15.1 MALE JEAN COST

<table>
<thead>
<tr>
<th>制 衣 成 本 表</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>富艺编号：RA7001/02</td>
<td>订单号：CT# 43036/10</td>
<td>毛坏</td>
<td>108×56</td>
<td></td>
</tr>
<tr>
<td>订单量(PCS)：11000</td>
<td>出口数(条)：15000</td>
<td>生产数(条)：15135</td>
<td>实际成本价：52.05元/条</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>品名</td>
<td>规格</td>
<td>单</td>
<td>采购成本/利润</td>
<td>实际成本/利润</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td>采购数量</td>
<td></td>
<td>批注</td>
</tr>
<tr>
<td>毛坏</td>
<td>米</td>
<td>21590.00</td>
<td>5.21361</td>
<td>19495.68</td>
</tr>
<tr>
<td>全棉纱卡染色费</td>
<td>米</td>
<td>24974.00</td>
<td>2.108258</td>
<td>52651.62</td>
</tr>
<tr>
<td>108×56</td>
<td>1.58</td>
<td>21913.30</td>
<td>9.914523</td>
<td>247905.30</td>
</tr>
<tr>
<td>袋布</td>
<td>60×60</td>
<td>0.60</td>
<td>9081.00</td>
<td>5393258</td>
</tr>
<tr>
<td>面料小计</td>
<td></td>
<td></td>
<td>52651.62</td>
<td></td>
</tr>
<tr>
<td>线</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>606#</td>
<td>n/个</td>
<td>107.5</td>
<td>1085</td>
<td>1107</td>
</tr>
<tr>
<td>604#</td>
<td>n/个</td>
<td>144.0</td>
<td>1090</td>
<td>3.247863</td>
</tr>
<tr>
<td>603#</td>
<td>n/个</td>
<td>190.5</td>
<td>721</td>
<td>4.102564</td>
</tr>
<tr>
<td>拉链</td>
<td>YKK</td>
<td>个</td>
<td>15135</td>
<td>15376</td>
</tr>
<tr>
<td>胶袋</td>
<td>个</td>
<td>1/10</td>
<td>1500</td>
<td>1505</td>
</tr>
<tr>
<td>纸箱</td>
<td>个</td>
<td>1500</td>
<td>1500</td>
<td>5.309139</td>
</tr>
<tr>
<td>封箱胶</td>
<td>个</td>
<td>50</td>
<td>4.45</td>
<td>222.50</td>
</tr>
<tr>
<td>钩</td>
<td>24H 0.3O</td>
<td>粒</td>
<td>7</td>
<td>109945</td>
</tr>
<tr>
<td>主唛</td>
<td>CM-SF-318</td>
<td>个</td>
<td>15135</td>
<td>15450</td>
</tr>
<tr>
<td>洗水唛</td>
<td>个</td>
<td>15135</td>
<td>15530</td>
<td>0.281</td>
</tr>
<tr>
<td>尺码唛</td>
<td>个</td>
<td>15135</td>
<td>15680</td>
<td>0.20</td>
</tr>
<tr>
<td>吊牌</td>
<td>CM-MT.310</td>
<td>个</td>
<td>15135</td>
<td>15450</td>
</tr>
<tr>
<td>服牌</td>
<td>CM-BK.501</td>
<td>个</td>
<td>15135</td>
<td>16210</td>
</tr>
<tr>
<td>组带</td>
<td>400# 5.8</td>
<td>米</td>
<td>1.84</td>
<td>27848</td>
</tr>
<tr>
<td>组带</td>
<td>454# 5</td>
<td>米</td>
<td>15135</td>
<td>15325</td>
</tr>
<tr>
<td>辅料小计</td>
<td></td>
<td></td>
<td>176787.76</td>
<td></td>
</tr>
<tr>
<td>钉花料</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.32</td>
<td>4903.74</td>
<td>4910.65</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>人工工资</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.416</td>
<td>7655.39</td>
<td>11367.39</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>固定费用</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.70</td>
<td>10594.50</td>
<td>10594.50</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td>制衣</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.63</td>
<td>91097.57</td>
<td>96457.78</td>
<td>6.56</td>
<td></td>
</tr>
<tr>
<td>固定费用</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.40</td>
<td>21189.00</td>
<td>21189.00</td>
<td>1.41</td>
<td></td>
</tr>
<tr>
<td>管理人员工资</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td>16648.50</td>
<td>16648.50</td>
<td>1.11</td>
<td></td>
</tr>
<tr>
<td>公司固定费用</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.30</td>
<td>34810.50</td>
<td>34810.50</td>
<td>2.32</td>
<td></td>
</tr>
<tr>
<td>外加工费</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>配额</td>
<td>打</td>
<td>1251</td>
<td>99.528050</td>
<td>125469.59</td>
</tr>
<tr>
<td>成本费用合计</td>
<td></td>
<td>769072.44</td>
<td>788153.61</td>
<td>52.05</td>
</tr>
<tr>
<td>销售收入</td>
<td></td>
<td>776160.00</td>
<td>781200.00</td>
<td>52.08</td>
</tr>
<tr>
<td>利润</td>
<td></td>
<td>7087.56</td>
<td>447.39</td>
<td>0.03</td>
</tr>
</tbody>
</table>
15.2 QUESTIONNAIRE IN CONSUMER BEHAVIOR

QUESTIONNAIRE about Consumer Behavior on Clothes

Part 1
1. Gender □ Male □ Female
2. Age □ younger than 18 □ 18-25 □ 25-35 □ 35-50 □ older than 50
3. Occupation
4. Your Salary every month
   □ less than 500RMB □ 1000-3000RMB □ 3000-5000RMB □ 5000-10000RMB □ more than 10000RMB
5. Where are you from?
   □ Asia □ European □ South America □ Africa □ Others

Part 2
6. How much you spend every month on clothes?
   □ less than 500RMB □ 500-1000RMB □ 1000-2000RMB □ more than 2000RMB
7. How often do you buy clothes?
   □ Every week □ Every month □ Not sure
8. What kind of clothes do you like?
   □ Sports □ Casual □ Formal □ Others
9. Which element is the most important when you buy clothes?
   □ Brand □ Quality □ Price □ Style □ Original producing area □ Others

Part 3
10. Do you pay attention on the original producing area on clothes?
    □ Yes □ No
11. When you decide to buy clothes, does original producing area affect you?
    □ Yes □ No
12. What is your first impression on “made in China”?

If you have any suggestion, you can contact us:
Liu Xiang: juxin877003@hotmail.com
Xing Zhenzhen: keai110@hotmail.com

Thank you for your cooperation!
Have a nice day!
### 15.3 Human Resource Management

<table>
<thead>
<tr>
<th>HRM</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee recruitment</td>
<td>Rapid wage increases, high staff turnover and poaching of staff common because of shortages in the labour market for skilled manual and blue-collar workers.</td>
</tr>
<tr>
<td></td>
<td>Novocom and over-hiring</td>
</tr>
<tr>
<td></td>
<td>Difficulty of transferring staff from state enterprises as approval needed and liability for economic damage may result in compensation paid by the new employer.</td>
</tr>
<tr>
<td>Reward system</td>
<td>New labour laws permit companies to set their own wage levels resulting in disadvantage to Chinese organizations as IJV. tend to pay much more.</td>
</tr>
<tr>
<td></td>
<td>Wage disparity between skilled and non-skilled</td>
</tr>
<tr>
<td></td>
<td>Reward packages complex because of social benefits (which are increasingly being taken over by the state, allowing more flexibility to IJV).</td>
</tr>
<tr>
<td></td>
<td>Difficulty in introducing pay differentials for workers of similar status (because of disruption to interpersonal harmony, and distrust of performance appraisal: evaluations in state enterprises based on ideological principles and guanxi).</td>
</tr>
<tr>
<td>Employee retention</td>
<td>Difficult for IJV because of shortages of well-trained local staff, but now being overcome by more control on compensation and other motivational techniques.</td>
</tr>
<tr>
<td>Work performance and employee management</td>
<td>Lack of initiative of Chinese staff due to socialization.</td>
</tr>
<tr>
<td></td>
<td>Time not seen as a scarce resource</td>
</tr>
<tr>
<td></td>
<td>Little emphasis on quality</td>
</tr>
<tr>
<td></td>
<td>Lack of work ethic</td>
</tr>
<tr>
<td></td>
<td>Managers rarely rewarded for high performance</td>
</tr>
<tr>
<td></td>
<td>Managers risk averse and not innovative (risk of failure and losing face)</td>
</tr>
<tr>
<td></td>
<td>Difficulties in dismissing non-performers</td>
</tr>
<tr>
<td>Management-employee relations</td>
<td>The right to join trade unions</td>
</tr>
<tr>
<td></td>
<td>Trade unions not adversarial and help to facilitate operations by arranging courses and cultural activities</td>
</tr>
<tr>
<td></td>
<td>Unions may become more adversarial with new laws and possibility of collective bargaining</td>
</tr>
<tr>
<td>Expatriate relations</td>
<td>Often problems of preparation of expatriates in Chinese IJV</td>
</tr>
<tr>
<td></td>
<td>Balancing foreign and local staff can be a problem</td>
</tr>
</tbody>
</table>