

Study on the Internationalization Strategy of China's Garment Enterprises under Digital Economy

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Abstract: The digital economy is gaining momentum, and has become one of the core competitiveness of enterprises in the global market. COVID-19 has put all countries through a tough test against the backdrop of growing trade protectionism in the international environment, which has placed the contracting China's garment enterprises on a even worse situation. This paper will emphasize the using of digital economy to remove impediments to internationalization of China's garment enterprises. The internationalization strategy of "digitalization + internationalization" was established at a comparatively late date among China's garment enterprises. In view of this, three strategies including "digitalization + production internationalization", "digitalization + international marketing", "digitalization + international product portfolio" are introduced, providing China's garment enterprises with advice on their internationalization.

Keywords: digital economy; internationalization strategy; digital tools; digital supply chain

1 Introduction

Among different traditional industries, China's garment enterprise is both a crucial link in China's economic development, and more importantly, an industry indispensable for trade in China. Nevertheless, with the development of the Internet and its emerging technology, China's garment enterprises started an unfortunate downward spiral, which necessitate the instilling of new impetus. It is an inevitable trend to combine digitalization and internationalization strategies to instill novel vitality into garment enterprises.

"Digitalization + internationalization" refers to utilizing rapidness, convenience, intelligence and other advantages of digitalization to contribute in support of internationalization. Relevant contents will be detailed in this paper, involving digital tools, digital supply chain and digital platform which are incorporated in international marketing, international supply chain layout, international product portfolio strategies and so on. Although an insignificant amount of garment enterprises have applied digitalization to international strategies, they have not been deeply integrated with the digital economy and are still in their early stages without an accomplished and mature "digitalization + internationalization" framework. Moreover, digitalization and internationalization have received little attention in the research field. Therefore, it is of great significance for this paper to tap the potential of digitalization in the process of internationalization, to provide new ideas and directions for enterprises to internationalize themselves.

At present, scholars mostly delve into the significance of digital economy for national economic development. Some scholars propose that digital competitiveness has made national competitiveness more relevant with the new era, and is the direction for future development and the key to competitiveness of countries. While others highlight that the wide application of digital technology in various industries promotes labor productivity improvement and expands the demand for product markets [1]. From the perspective of the garment industry, some scholars have also clearly proposed that digital transformation will promote the transformation of traditional manufacturing from the low-end to the high-end of the value chain, and enhance the competitiveness of the garment industry in the global value chain [2].

In general, there is a paucity of survey on the "digitalization + internationalization" strategy of garment enterprises, so the application of digital economy to the internationalization strategy of garment enterprises in China needs to be further explored.

2 The level of "digitalization + internationalization" in China's garment enterprises

China's garment enterprises are still at the early stage of digital transformation, and have overall low level of "digitalization + internationalization", which is mainly reflected in the following four points.

(1) China's garment enterprises rely too much on offline business model.

The digital economy of has garnered widespread attention from China's garment enterprises, but the majority of China's garment enterprises have greater reliance on offline business models, and have insufficient understanding of the digital economy, on the other hand, and the digital economy transformation means capital investment and cost consumption, which brings up a great challenge for enterprises.

(2) The scale of China's utilization of "digitalization + internationalization" marketing is not large.

Competition is growing tougher with the participation of digital economy in the international market. Therefore, for China's garment enterprises, the lack of influence of international brands is fatal under the market law of selection whereby superior enterprises will prosper and inferior ones be eliminated. There is merely a minor amount of garment enterprises in China using "digitalization + international marketing". And herein lies enormous business opportunities.

(3) There is room for improvement of garment supply chain in China and exterior risks may exist.

Against the backdrop of growing trade protectionism in the international environment, China's high-end market is almost occupied by foreign brands. On the one hand, fewer and fewer domestic brands can go abroad. On the other hand, Garment enterprises all over the world are attempting to control China's garment industry chain. Therefore, China's garment industry is facing a pressing task to overcome the constraints put in place by international garment brands and to go global.

(4) *China's garment enterprises rely too much on traditional production methods.*

China's garment enterprises regard the cost of products as more valuable in the course of internationalization and attempt to commercialize their products in the international market with high-quality and low-cost. Yet the biggest issue for this model is that it is excessively reliant on traditional production methods, so when the new model enters the market, it is difficult for China's garment enterprises to transform.

Although the overall level of digitalization of China's garment enterprises is low, the market has seen the competitiveness brought by the digital economy with its participation, and garment enterprises have successively initiated digital transformation, including Shein, Anta, and Saint Angelo. Nevertheless, the application of digitalization is still too superficial and fails to be close to the core of "digitalization + internationalization".

3 Analysis on the strategy of "digitalization + internationalization" for textile and garment enterprises in China

3.1 "Digitalization + internationalization" marketing strategy

3.1.1 Approach

Digital platform is crucial for enterprises to gather online and offline resources to participate in international marketing via digital economy. The most important matter in international marketing is demand, so enterprises must take the methods shown in the above figure to stimulate demand, promote products and improve user stickiness.

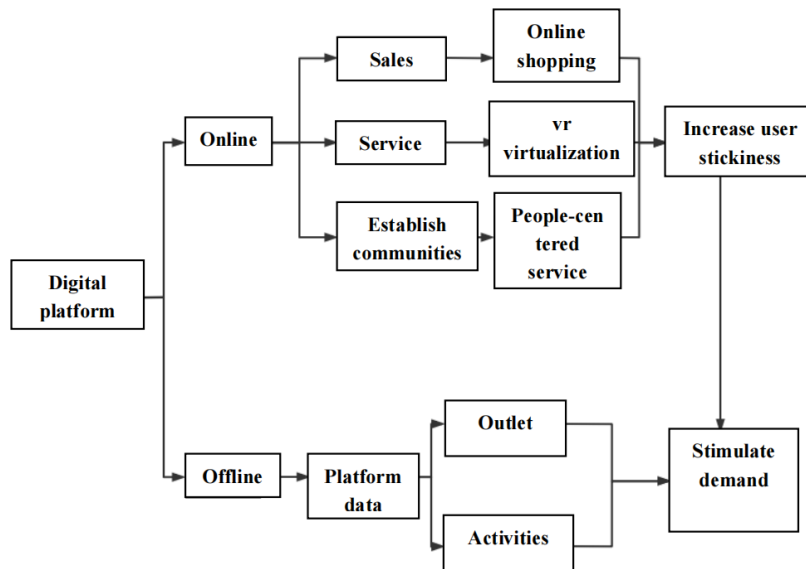


Fig. 1. "Digitalization + Internationalization" Approach [Photo credit: Original]

3.1.2 Analysis of mechanisms

(1) Establishing a digital platform combining "online + offline".

China's garment enterprises should establish a "online + offline" digital platform, combine the internationalization strategies of Nike+ and Gucci, provide online services through sales, service and platform building, and use platform data to control outlets and activities to be held offline, so as to improve user stickiness and stimulate demand to promote products.

(2) Using digital platform to increase people-centered services.

While establishing a digital platform, China's garment enterprises should use digital tools to supplement people-centered services. To name only a few, China's garment enterprises can use VR virtual try-on, daily sharing and other means to increase promotion by linking with users' life. Additionally, enterprises can also use the data collected by the digital platform to quickly determine users' preferences. In this way, enterprises can provide personalized services for user groups and improve the influence of products.

(3) Selling on digital platform in the pandemic era.

China's garment enterprises should establish a digital platform, establish their own apps or websites, for the main purpose being not only to increase their own brand marketing power, but also to promote sales. With priority being given to build communities and services, as Nike+ and Gucci have done, China's garment enterprises can turn digital platforms into their user gathering points.

3.1.3 Effect of implementation

(1) Increase the global user stickiness and improve the brand's international influence.

"Digitalization + international marketing" is mainly adopted to increase user stickiness, while improving the brand's international influence, based on which enterprises can further stimulate demand and promote products. Digital platforms are applied to provide consumers with better people-centered services and establish connections with consumers in daily life.

(2) Digital platform improves the recognition of global users.

"Digitalization + international marketing" can improve online and offline people-centered services with digital tools, such as using virtual VR, to build an online mall or try-on service, or using community to improve customer stickiness, which further improves the online experience and recognition of global users on digital platforms. For offline sales, digital platforms use their own data to seep into offline activities and outlets. The focus of the "digitalization + international marketing" strategy is to use digital platforms to bring users, products and lives closer, and the narrowing of this distance is enough to make a difference in the international market.

3.2 "Digitalization + production internationalization" strategy

3.2.1 Approach

The framework of "digitalization + production internationalization" is shown in the figure. The Internet of Things is used to collect and analyze the information of production planning, procurement, inventory, manufacturing, sales and distribution in a timely manner, that is, the entire supply chain process is controlled by means of digital supply chain to prevent risks and control in real time, which increases the operational efficiency of the supply chain and reduces costs.

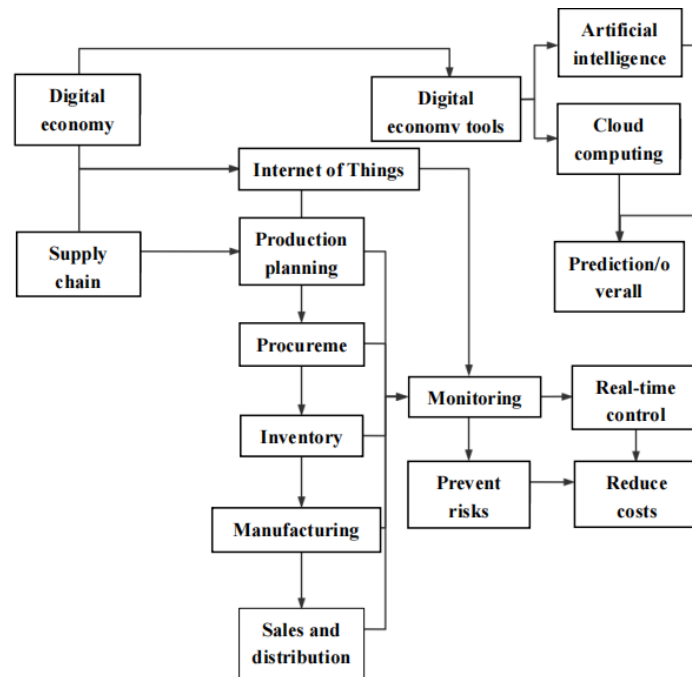


Fig. 2. "Digitalization + Production Internationalization" Approach [Photo credit: Original]

3.2.2 Analysis of mechanisms

(1) Using digital supply chain to improve the effectiveness of supply chain in international market.

China's garment enterprises should adopt the strategy of "digitalization + production internationalization". "Digitalization + production internationalization" mainly uses the digital supply chain, which means the digitization of management services, that is, the operation and information flow of the complex supply chain is digitized and processed by timely collection, analysis, feedback, prediction, collaboration and other intervention methods of supply chain data, so as to achieve the purposes of making decisions in advance, improving efficiency, saving costs and controlling risks.

(2) Using the Internet of Things to track supply chain dynamics and meet customer needs.

Among the diverse digital tools of the digital supply chain, the most important one is to use the Internet of Things, which alters the structure of the supply chain. Therefore, China's garment enterprises can use the Internet of Things technology to realize the status identification and tracking of raw materials, semi-finished products and finished products. Integrated management of supply chain is established through intelligent management of products on the node, enabling each enterprise in the supply chain to monitor the flow status of products in real time, know about changes in customer demand in time, realize real-time visual management of supply chain, synchronize product information, and meet customer demand quickly and timely at the lowest expense.

3.2.3 Effect of implementation

China's garment enterprises can solve the difficulties in the process of internationalization through the digital supply chain, quickly coordinate departments in the international market, and improve efficiency. Nevertheless, China's "digitalization + production internationalization" strategy is not nearly enough practiced. On the whole, China's garment enterprises do not invest enough in the digital supply chain, so it is difficult to take "fast" as a competitive advantage like Zara does, make overall planning globally, and total distribution within 14 days all over the world. However, there are also enterprises in China that can be honored as a benchmark. As an example, Shein, who also takes "fast fashion" as the core concept, uses the digital supply chain to open up the international market. Shein uses big data to link upstream and downstream industries and increases speed with digitalization, significantly reducing the cycle of stocking, and improving turnover of inventory.

3.3 "Digitalization + international product portfolio" strategy

3.3.1 Approach

The international product portfolio of the market is mainly divided into four types: expanding product portfolio strategy, reducing product portfolio strategy, high-end product strategy and low-end product strategy. The digital economy provides tremendous data support for international product portfolio strategies, and supports enterprises' international product portfolios by screening with big data, monitoring market and stimulating demand.

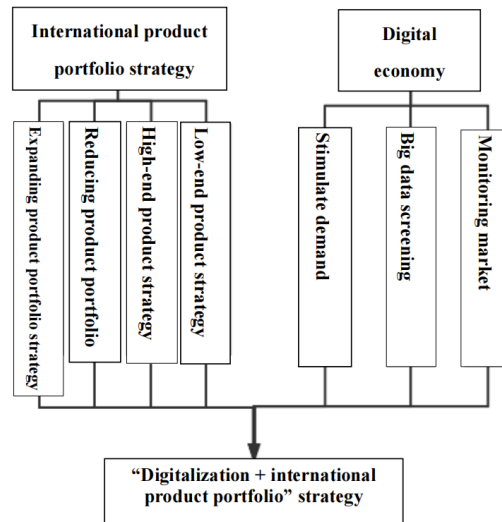


Fig. 3. "Digitalization + International Product Portfolio" Approach [Photo credit: Original]

3.3.2 Analysis of mechanisms

(1) *Using big data to select appropriate international product portfolio.*

China's garment enterprises are too conservative in the international market, resulting in the fact that our product portfolio strategy has been at a disadvantage in global competition. Nevertheless, if the digital economy can be properly harnessed, digital tools can be used to monitor the market, and appropriate international product portfolio strategies can be used in appropriate countries, many garment enterprises of China will establish world-renowned brands and break up the "made in China" limit.

(2) *Using big data to create representative differentiated products.*

The digital economy not only helps product strategies, but also provides novel ideas and methods for product differentiation. Big data analysis is used to predict the types of commodities that consumers need in the market, so that enterprises can decide the production mode and differentiation measures of products on their own when expanding product strategies. In order to maintain competitiveness in the international market, China's garment enterprises must constantly create products that meet the needs of consumers in the international market.

3.3.3 Effect of implementation

"Digitalization + international product portfolio" is to provide ideas for enterprises in a different way with data. China's garment industry is extremely mature, what is insufficient is not technology and production factors, but the appropriate approach and innovation direction. This "digitalization + international product portfolio" strategy is the way to solve this problem. With this strategy, China's garment enterprises will not be limited to "made in China", but will gradually develop many internationally renowned clothing brands.

4 Conclusion

The overall level of digitalization of China's garment enterprises is low, mainly due to the difficulties including too much reliance on offline business models, insignificant scale of "digitalization + international marketing" and insufficient supply chain level. However, this is not to say that there is no representative enterprise in China with regard to "digitalization + internationalization", not to mention Shein, Anta and Saint Angelo, which are all one of the excellent enterprises in China in "digitalization + internationalization".

For the internationalization strategy of garment enterprises under the digital economy, there are three aspects: "digitalization + international marketing", "digitalization + production internationalization" and "digitalization + international product portfolio". These three aspects highlight the core competitiveness of the digital economy, and for the international market, the core competitiveness is one of the keys to occupy the market, so it is simply easy to see the cruciality of the digital economy in the international market.

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