

Levi's Launching New Brand for China

by Rachel Brown

Posted THURSDAY APRIL 15, 2010

From WWD ISSUE 04/15/2010

LAUNCH SLIDESHOW 1 image



主页 街头风格 店铺位置 新鲜消息 地点 登记 Levi's #x Phunk 工作室 关于我们 Sound Off

An image from Levi's China Web site.

Photo By Courtesy Photo

Classic Americana purveyor Levi Strauss & Co. is heralding the arrival of the young mainstream Chinese consumer by launching a new brand this summer in China — its first unveiled on foreign soil.

Befitting the new label's vast home turf, the San Francisco-based denim company has ambitious plans to grow the line's store base in China to 1,000 by 2015 from 20 this year. Levi Strauss wouldn't disclose the name of the brand, which is likely to be priced slightly below traditional Levi's and is being called Standard internally, but revealed it would be in English and make its Levi's pedigree apparent.

"Although we are focused on China, our hope is that this brand will become one of our big brands," said Tod Gimbel, senior director of corporate affairs at Levi Strauss' Asia-Pacific division.

China's huge population and rising wealth — Carnegie Endowment for International Peace senior associate Albert Keidel has projected the country's economic footprint will match the U.S.' by 2035 — are integral to Levi Strauss' strategy.

"The reason that we are doing this in China is that there is an emerging middle class of youthful consumers that want to wear quality jeanswear at a more popular price," Gimbel said.

The denim giant joins Hermès International in the push to develop a brand for China. The luxury firm has taken a majority stake in Shanghai-based Shang Xia, which is creating, manufacturing and will sell a collection of clothing, accessories, furniture and other lifestyle products using Chinese raw materials and artisanal know-how. The first Shang Xia store is to open this year in Shanghai.

China, which has weathered the economic downturn better than the U.S., Japan and Europe, is becoming the leading expansion venue for European brands such as Louis Vuitton, Gucci Group, Chanel, Lanvin and Christian Dior, among others.

others.

Levi Strauss envisions the prototypical consumer for its new brand to be an educated 18- to 28-year-old who covets fashionable jeans, but may not be able to afford jeans in the high end of the market. It is estimated that the new brand's jeans will retail at \$40 to \$60.

"That's a kind of category that 20 years ago probably didn't exist or it was really small," Gimbel said of upwardly mobile, middle-class Chinese youth. "Now, if you do go to China, you will notice that, especially in the cities, there are a lot of young people who are in the workplace and getting more opportunities for higher education. That is the group we are talking to."

Sunny Yeung, a Levi Strauss veteran, is vice president of the new brand and is overseeing its development, sales and marketing efforts from Shanghai. Design responsibilities are being handled out of Levi Strauss' offices in Hong Kong and San Francisco. The new brand's merchandise will mostly be made in China.

Levi Strauss' goal is to develop the new brand's store base with an even balance of franchised units and company-owned units. The stores are expected to average about 1,000 square feet, which is similar in size to existing Levi's stores in China. Shop-in-shops within department stores will showcase the brand, as well.

The stores will start popping up in eastern China in key population centers such as Shanghai. Eventually, it is anticipated the brand's units will blanket the entire country and expand outside of China to other Asian countries.

"It is very difficult to do one splash launch across the whole country because China is way too gigantic," Gimbel said. "It [will be rolled out in] more of a wave."

Like Levi's other stores in China, the new brand's shops will offer a "top-to-bottom experience," Gimbel said, with an array of merchandise for men and women. The denim will feature Levi's signature five-pocket design, but will have a "distinct style and flair," he said. "There will still be that Levi Strauss & Co. authentic denim craftsmanship, but it will have its unique identity."

Levi Strauss has been among the most successful American apparel brands in China, though it had a rocky beginning in the country. In 1993, the company halted manufacturing in China because of human rights concerns. Production resumed five years later and Levi's stores launched about 10 years ago. Now, Levi's has 620 branded retail locations in mainland China and boasts a considerable presence in the nation's major bustling retail districts.

"The first few years when we started in China it was triple-digit growth," said Sarimah Salamon, the company's Asia-Pacific corporate communications manager. "In the last few years, it has been double-digit growth, and we expect it to be double-digit growth in the next few years. We are investing significantly in China because China is a key market for our growth."

For the first quarter, Levi Strauss' revenues for Asia-Pacific, a region that includes Japan and India, climbed two percent to almost \$184 million from slightly more than \$180 million. On a constant currency basis, however, revenues for the region decreased, primarily as a result of lower sales in Japan. India and China remained strong performers. Earlier this week the company reported a 17.2 percent increase in first-quarter earnings to \$56.4 million as total revenues increased 8.8 percent to \$1.04 billion. The Levi's brand accounted for about 79 percent of company sales last year, with the remainder in Dockers and Signature by Levi Strauss & Co.

With the Levi's brand heavily represented in China, Paul Marciano, chief executive officer and vice chairman of Guess Inc., said a new label could help Levi Strauss continue to realize growth in the market. "They have already a substantial number of stores in China, and they see that [new brand] as developing a secondary market for them," he said. "That's unusual, but I think it could be a good strategy."

The introduction of a new brand may risk cannibalization of Levi's brand sales, but Gimbel was unfazed.

"Our Levi's brand is a solid brand....It is growing around the world, and we expect and hope that it will continue to do that," he said. "The research that we have done shows there is a need for product in the value segment and we don't think there is a going to be a huge overlap with the consumer of the Levi's brand. They [the new brand consumers] may eventually become consumers of the Levi's brand as they work their way through life."

Although Levi Strauss is so closely affiliated with the U.S., Kelly Tackett, senior apparel analyst at consultancy Kantar Retail, speculated that the company could take advantage of patriotism in China to build the new brand.

"While there is an appetite for U.S. brands, they are a proud country," she said. "You do have the Levi's brand

"While there is an appetite for U.S. brands, they are a proud country," she said. "You do have the Levi's brand recognition, and you are pairing that with something crafted specifically with the Chinese consumer in mind, which I think would play really well in that population."

WWD

Copyright ©2009 Fairchild Fashion Group. All rights reserved.