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The International Development Strategy of Les Enphants Roots in China Market

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Abstract *Facing a mature domestic market and the challenges of the global consumer market, retailers in Taiwan are in pursuit of international development strategies for increasing its market opportunities as one of its key growth strategies. In the global market, the Chinese market becomes Taiwan retailers' main international development milestone due to its similarity of language, culture and historical background with China. Therefore, this research uses case study method based on Eclectic paradigm (Dunning 1981) to explore the various advantages of a Taiwanese children's clothing retailer Les Enphants, which include ownership advantage, internalization advantage, and location advantage. These advantages in turn demonstrate rationales behind Les Enphants' internationalization necessity (Why to Go), selecting China as an expansion target (Where to Go), and management and operation strategies implemented in China (How to Go). Our study highlights a successful entry and expansion model of the Taiwanese children clothing retailer, and may have solid contribution to the practical application of internationalization strategy theory.*

Key words *Les Enphants, Children clothing retailer, China market, Internationalization, Eclectic paradigm*

Introduction

Taiwan's economy development has majorly relied on manufacturing exports of electronic goods ever since a long time ago. However, these electronic-related industries heavily operate by original equipment manufacturer (OEM) model, which has unavoidably suffered from the very low sales margin below 20% (Ding, 2014). This low margin suffering leads directly to unacceptable low wage levels, which in turn cause severe confliction between employees and employers, between civilian and government (Chen, 2013).Therefore, to pursue higher sales margin has become the champion goal of Taiwan's economy

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development. In this context, the gross profit is able to be increased from 20 % to 30 % if the company is transferred from Original Equipment Manufacturing (OEM) to Original Brand Manufacturer (OBM) (Ding, 2014). In terms of the clothing retail of Les Enphants, the gross profits were approaching 50 %, which is higher than the OEM and OBM companies. Hence, higher-sales-margin service industries play a crucial role in shifting this dilemma. Taiwan's service industries develop their own competitive advantages by persistent efforts, though, the relatively small domestic markets block their growth opportunities by the same token. Internationalization is an efficient approach to maintain sustainable growth.

With the rapid development of domestic retail markets and the entry of international retailers, retail industries in Taiwan have gradually reached a state of saturation. According to the data from Department of Statistics, Ministry of Economic Affairs of Taiwan (2014), the number of operating clothing and apparel retailers in Taiwan has decreased annually from 41,100 in 2006 to 38,541 in 2010, with a continuing decline of 6.23%. In recent years, international retailers for example UNIQLO, ZARA, GAP has entered Taiwan making the competition is getting intense. Therefore, the internationalization of retailers is required for enterprises to grow. Because of their geographical advantage, and because Taiwan and China share the same language and cultural origins, retailers in Taiwan possess relatively prominent advantages for developing markets in China compared to retailers from other countries. For this study, we conducted a case study of Les Enphants, which has performed excellently in China and is set to grow continuously. Using this case study, we can establish a model of successful international expansion for Taiwanese enterprises to enter the Chinese market.

Eclectic paradigm proposed by Dunning (1981) contends that internationalization is based on three crucial factors, namely, ownership advantage, internalization advantage, and location advantage. This paradigm primarily holds that "enterprises can attain final decisions regarding overseas investments only after including eclectic considerations of each factor." The interaction of these three advantages influences which model enterprises select to enter the Chinese market. Due to the fact that services providers in multinational operations have to be responsive to different consumer preferences and the external economic environment, in combination with their financial abilities, they have to seek proper business strategy and the know-how of chain operation in order to operate smoothly. Therefore, the mainstream of international management strategy, the eclectic paradigm (Dunning, 1981), which highlights the importance of transaction cost and ownership advantage (Buckley and Casson 1976) is more suitable for analyzing the status of development in the internationalization of retailing service industries (Sun, 2009; Sun and Peng, 2012).We used the eclectic approach as the primary conceptual framework of outward investments to explore why Les Enphants went international (Why), why the enterprise chose to enter the Chinese market (Where), and how the enterprise entered the Chinese market (How). The research framework of this study is shown in Fig. 1.

The internationalization of retail industries has become a development trend for current chain enterprises. Therefore, in this study, we explored Les Enphants Co., Ltd.'s successful expansion of its infant and toddler apparel into China's retail industry. Based on the successful experience of Les Enphants, a model is developed that Taiwanese enterprises can use to establish themselves in the Chinese market.

This model can also be used as a reference for future academic studies and practical operations. Thus, this study aims to answer the following research questions:

1. What were the development processes and strategies for the internationalization of Les Enphants?
2. What were the (eclectic) competitive advantages that Les Enphants possessed and used in the Chinese market?
3. What development strategy did Les Enphants use to expand their share of the Chinese market?

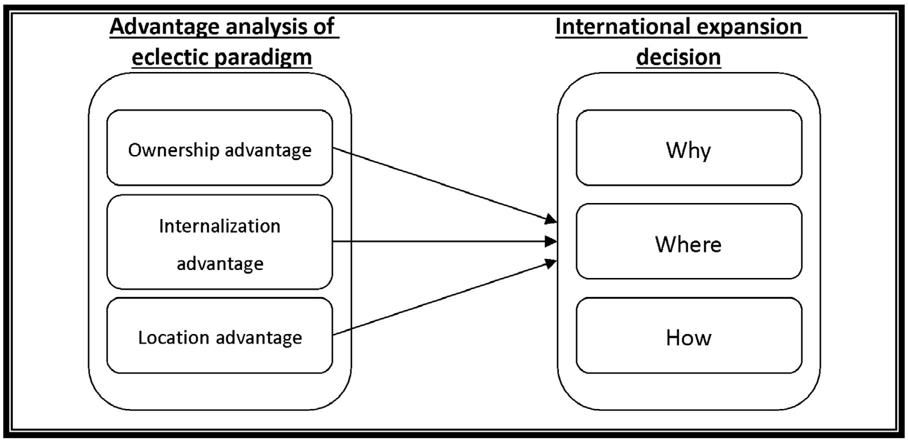

Figure 1.
The research framework

Theoretical Background

Classic internationalization theories majorly spring up from transaction cost theory. The theory argues that transactions are made within an institution if the transaction costs on the free market are higher than the internal costs (Reid, 1933). Dunning (1977) considered that enterprises need to assess their own abilities, advantages and resources before entering the international market. The theoretical perspective presented by Dunning, known as eclectic paradigm, attempts to explain both the rationale for and the direction of foreign direct investment (FDI) by three types of advantages, which a firm intends to exploit for internationalization (Hill, 2011). According to eclectic paradigm developed by Dunning (1981), advantage analysis can be divided into ownership advantage, internalization advantage, and location advantage. Of which, ownership advantage is the prerequisite condition that enterprises use to determine whether to expand international operations. Internalization advantages induce enterprises to use export and direct investment methods, rather than transferring operational resources. Location advantages encourage manufacturers to use direct investments as the primary method. In other words, based on the unique ownership advantage of the company, enterprises identify countries where they possess location advantages to make direct investments, the type of which is determined by internalization factors, as shown in Table 1.

Table 1.
Advantage analysis

Advantage analyzed	Description
Ownership advantage	This advantage is also known as the “firm-specific advantage” and it represents the special productive resources and capacities owned by the enterprise. · Asset ownership advantage represents the specific characteristics originally owned by the enterprise and its competitive tangible and intangible assets, such as technical abilities, product development and innovation abilities, production and management abilities, professional knowledge, and high-quality talent, which are the primary resources enterprises use to create competitive advantages. · Transaction ownership represents the operational management advantages, such as logistics and digital management systems, adopted by enterprises to overcome market transaction barriers, which can also reduce transaction costs further than the market mechanism.
Internalization advantage	Enterprises internal intangible asset advantages. If ownership advantages are publically available, competitors can easily imitate and obtain these advantages.
Location advantage	This advantage is obtained when enterprises integrate “ownership advantages” and “the immovable factors of the host country (gifts and the market attraction of the host country)” to determine which market they should invest in.

After assessing the enterprise’s own ownership advantages, internalization advantages, and location advantages, the enterprise needs further assessments of international expansion strategy, including why to go, where to go, and how to go.

The question of why to go, Hollander (1970) argued that during the 1960s and early 1970s, the primary reason stimulating retail expansion was to seek the growth opportunities higher than the home country, achieve lower costs and move their investments to safer political environment. Erramilli & Rao (1990) mentioned that the service industry sometimes enters international market in order to follow existing customers (Client Following, CF) and explore overseas markets (Market Seeking, MS). Dawson (1994) reviewed empirical research of number of scholars and summed up 13 reasons why retailers want to develop international market, such as the home market is saturated, foreign markets are untapped and other external environmental issues. Thus, there are several reasons for retailers to invest in other countries: To obtain growth opportunities superior to those in their home country, reduce costs, and transfer investments to securer political environments.

Retail enterprises wishing to enter developed countries must possess considerably exceptional abilities and resources because the markets of developed countries are generally fairly competitive. By contrast, the competition in markets of developing countries is relatively low, and the costs of labor and land are also lower. Furthermore, Erramilli (1991) study shows that the service industry lack of experience will choose overseas markets which have similar cultures to the home country. Therefore, when retail enterprises aim to expand internationally, they must consider which developed and developing countries the company should enter based on its enterprise advantages, the local resources of each country, and countries which have similar cultures to the home country.

Regarding global and multinational companies, Salmon and Tordjman (1989) proposed the following descriptions: (1) global companies focus on implementing a standardized retail style throughout the world. (2) Multinational companies emphasize adjusting the retail style according to the local market situation. This type of company emphasizes location advantages and adjusts its retail supplies according to the market to cooperate with local market operations. Additionally, Salmon and Tordjman (1989) stated that multinational companies tend to enter two types of countries: (1) countries where the company can possess superior competitive advantages in the local market, and (2) countries that possess a fairly favorable scope for local retail business development.

Therefore, enterprises should consider their own advantages and resources, clarify their purpose of internationalization and choose appropriate markets to enter. Enterprises also need to develop business strategies suitable to meet local consumer demand in order to reduce the risk of entering the international market and increase the chances of success.

Methods

For this study, we conducted a case study of Les Enphants, which has developed successfully in the Chinese market. In 2013, Les Enphants's market share in China was 2.8%, ranking fifth. It is the only Asian brand and also the only brand from Taiwan (The National Commercial Information Center of China, 2013). The revenue generated from China's market share occupies at least 80 percent of all sales revenue for the parent company in Taiwan, which shows that reinvestment in the Chinese market is a successful strategic move. Thus, we aimed to identify the internationalization model used by Les Enphants in Taiwan to expand into the Chinese market from a decision-making perspective. Most related previous studies have focused on overall internationalization strategies for services (Grönroos, 1999) but did not pay much attention to business management in foreign country. Therefore, we used explanatory case studies (Yin, 1984)) based on eclectic paradigm to analysis and explain how Les Enphants success in China. After collecting the secondary data and reviewing all the literature relevant to Les Enphants for the past 10 years, the information was then organized chronologically and analyzed using the eclectic paradigm. Then, the accuracy of the data was confirmed using the in-depth interview. We conducted a phone interview with the marketing manager of Les Enphants, Taiwan, on March 8, 2006. Subsequently, we conducted a face-to-face interview with the associate marketing manager of Les Enphants, China, on August 29, 2011. The interviewee is a fifty-year-old male and is the vice chairperson of the board of directors of Les Enphants in the Shanghai city. He has been working in Les Enphants for fifteen years.

The Case

General Company Profile

Les Enphants celebrated its 40th anniversary in 2011. It established the children's clothing retail store in 1971, and then in 1978 set up its first merchandise counter in the LaiLai department store of Taipei. It established a children's clothing empire by building its own brand. Les Enphants officially registered its trademark as LES ENPHANTS in 1983. In 1984 it started to distribute foreign brands. In 1987 it obtained the right of production and franchisement for foreign brands, officially moving into the overseas market. It started the business with the integration of production and marketing operations. From merchandise design and production to sales, it has total freedom to integrate merchandise design, production and marketing.

Les Enphants specializes in producing children's clothes and goods, along with retailing and wholesaling. The main items include clothing for children, all kinds of toys, furniture, shoes and socks, and accessories, etc. Les Enphants utilized and integrated the industries of women's and children's goods through managing know-how and strategy. In 2004, it began to venture into the children's sports and exercise business. The first children's sports fashion concept shop 'Open For Kids' was opened in Asia. In March 2006, it ventured further into children's accessories when the 'Les Enphants Plus' retail store was opened. In that same year, they opened the accessory store 'PLUS' and created children's shoe brand 'MY NUNO', a move towards developing a children's boutique brand. In 2009, it won a Commercial Fine Brand award of the Department of Commerce's service sector of Ministry of Economic Affairs, R.O.C., transferring the successful experience in Taiwan to China, and then achieving great results.

Les Enphants specializes domestically in children's clothing for ages 0 to 12 children and has become the bestselling brand in the domestic children's clothing market. The products of its design, purchasing, production, and marketing channels use consistent integrated operations, not only reducing the production costs, but also mastering consumer demands, offering quick feedback. It will create a system with quick information feedback, focusing on consumers' needs, and will make full use of the benefits of scale economy. From Table 2, Les Enphants Taiwan's 2010 annual gross income is 23.59 hundred million NT dollars. It is 0.38% less than 2009. The annual net income is 60 million NT dollars. In addition, Les Enphants Shanghai earned a better profit. Its annual net income is 2.7 hundred million NT dollars. Les Enphants Taiwan's final net income after taxes is 3.3 hundred million NT dollars, which increases 17.6% over 2009. In the first half of 2011, Taiwan's fertility rate increases 8%, which breaks the decreasing rate of the previous 11 years. It was estimated that the profits in Taiwan would increase by 30%. This forecast was proved to be partially successful since the profits in Taiwan did increase by 10.6% from 2010 to 2011. Further increase of profits was also generated from 2011 to 2012, which was increased by 5.6%.

Table2: Les Enphants Taiwan 2005 to 2012 Business Performance Unit: One Hundred Million NT Dollars

Table 2.
Les Enphants Taiwan 2005 to 2012 Business Performance

Year	2005	2006	2007	2008	2009	2010	2011	2012
Income	23.22	22.96	22.85	23.33	23.68	23.59	26.08	27.55
After Tax Net Income	1.83	1.25	1.58	1.70	2.78	3.27	2.76	1.63
Counts(Stores)	253	254	262	274	279	280	292	304

Note: Not Include Income of Subsidiary Companies, Source: Les Enphants Annual Reports, 2005~2012.

International Development of the Company

The International Expansion Process

Les Enphants took its first steps towards overseas investment in 1989. (see Fig. 2) Earlier in 1989 it officially entered into Thailand and cooperated with local manufacturers for sales. Then in 1991, Indonesia Les Enphants was established and started to expand overseas markets. In 1992, Les Enphants Thailand was established. In 1993, Les Enphants Shanghai baby supplies Co., Ltd. was established. In 1999 Les Enphants Singapore was established. Among them, only Les Enphants Singapore has not set up any production centers. Other branches have all set up their own production centers in order to integrate production, marketing, and sales modes. In the future, China still will be the core developing area. The overseas market will expand to Malaysia.

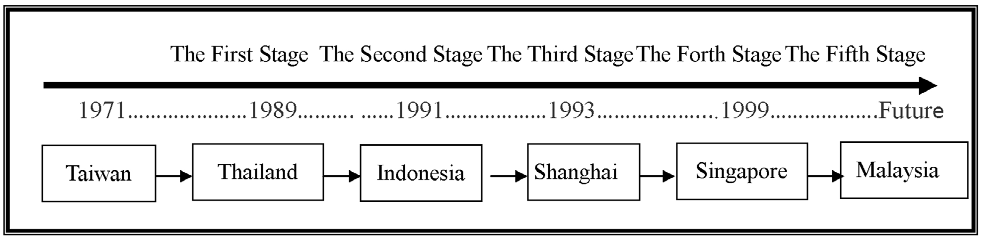

Figure 2.
The Stages of Les Enphants' International Development

Source: Hsu and Huang, 2004

Les Enphants Business Overview in Various Countries

The children's clothing giant, Les Enphants, already has 2,154 sales outlets worldwide, which include the most access points of children's clothing and accessories. It has expanded into Singapore, Indonesia, Thailand, and China, etc. All the regional companies own their production center to integrate local production and marketing, except in Singapore, which does not own its production center. In Table 3, at the end of December 2013, Les Enphants had 308 retail outlets in Taiwan and 1,800 outlets in China. In the period from December 2005 to the end of March 2013, Les Enphants has increased by

1,145 retail outlets worldwide. Among them, China has increased by 1,286 retail outlets, and other countries only have increased by a few. Indonesia and Singapore have decreased the number of shops instead. (see Table 3) Thus it can be seen that Les Enphants is mainly expanding its global marketplace in China, and hopes to be able to reach the goal of business profitability by expanding into China's big market.

Table 3.
The comparison of Les Enphants' business growth overview of various global retail outlets from 2005 to 2013

Areas	Taiwan	Thailand	Indonesia	China	Singapore	Summary
Entry Year	1997	1989	1991	1993	1999	-
December 2013 Retail Counts	308	40	6	1,800	0	2154
December 2012 Retail Counts	304	60	51	1,730	14	2159
March 2011 Retail Counts	280	47	67	1,595	14	2003
December 2005 Retail Counts	253	78	107	514	57	1009
Growth Rate(Counts)(Decrease)	55	(38)	(101)	1,286	(57)	1145
Growth Rate(%)(Decrease)	21.74	(48.72)	(94.39)	250.19	(100.00)	113.48

Source: Chinese website of Les Enphants, 2005 and 2013

In financial performance, Table 4 shows the rate of increase and decrease of every global branch company of Les Enphants' over the past 8 years. Among them only Les Enphants Shanghai in China keeps making profits over the eight years, while the branches in other countries recorded a deficit in certain periods of those same years. In 2010, the annual income of Les Enphants Taiwan was more than 3.2 hundred million NT dollars and was the most profitable branch company of Les Enphants. The second highest profitability in 2010 was from Les Enphants Shanghai, followed by Les Enphants Thailand. Les Enphants Indonesia and Les Enphants Singapore were recorded as deficits. In 2012, Les Enphants' annual income in Taiwan was more than 96 million NT dollars. The highest profitability in 2012 was from Les Enphants Shanghai, followed by Les Enphants Taiwan and Les Enphants Thailand. Les Enphants Indonesia was recorded as deficits.

Table 4.
Les Enphants' global companies' annual profit (Loss)

Year / Areas	Taiwan	Thailand	Indonesia	China	Singapore
2005	183,541	5,817	3,463	72,009	(1,860)
2006	125,090	(417)	(6,100)	97,594	(3,240)
2007	157,722	(10,874)	(16,077)	186,731	(6,401)
2008	169,924	(820)	(14,031)	222,180	(4,036)

2009	277,643	5,740	(6,115)	241,702	(1,317)
2010	326,860	1,663	(17,386)	282,656	(10,908)
2011	114,068	13,267	(17,367)	262,741	-
2012	96,135	5,724	(28,014)	158,080	-
Total	1,450,983	20,100	(101,627)	1,523,693	(27,762)

Note 1: Thailand's annual profit (Loss) includes Les Enphants Thailand and Les Enphants Thailand marketing; China's annual profit (Loss) only includes Les Enphants Shanghai. It does not include Suzhou Enphants Logistics Co., Ltd. and Shanghai Lead Han Trading Co., Ltd. ; Singapore's annual profit (Loss) only includes Les Enphants Singapore Marketing, but not include PT Les Enphants Mitraprima. Note 2: Les Enphants Taiwan's annual profit (Loss) includes the investments in Thailand, Indonesia, China, and Singapore.

Source: Les Enphants, 2005~2012. 2005-2012 Annual Report

Internationalization Strategy Analysis

According to the previous analysis, we can understand the operational abilities and unique capabilities of Les Enphants regarding infant and toddler apparel market operations. Additionally, the Taiwanese and Chinese markets are extremely similar and, despite the low investment costs in the Chinese market, possess significant synergy. That is, Taiwan and China have high affinities in language and culture, however, the average salary in mainland China is lower than that in Taiwan. For this reason, factories can be moved to mainland China in order to reduce operating costs. Les Enphants can use its knowledge of channel management in Taiwan for many years to come in the China market. Therefore, entering the Chinese market is appropriate for Taiwanese enterprises. According to the recommendations of Dunning (1981), we investigated the enterprise advantages to facilitate evaluations of whether enterprises possess the ability to enter foreign markets. Subsequently, we analyzed internationalization decisions and considered the chosen markets to explore why Les Enphants went international (Why), how they entered the Chinese market (How), and why China was selected (Where). A description of the analysis of each decision is provided as follows:

Why to go

Under long-term operations and development, infant and toddler apparel chain businesses in Taiwan have encountered numerous restrictions to industrial growth. Adverse factors influencing development in domestic markets have become the primary reason firms pursue internationalization strategies. These adverse factors are listed below.

Declining birth rate

Birth rates in Taiwan have declined continuously in recent years. Compared to the average birth rate of 11‰ for developed countries worldwide, the birth rate in Taiwan has dropped beneath the standard, below that of advanced countries such as France and the U.S. The decreasing birth rate in Taiwan has resulted in the number of infant and toddler apparel shops decreasing from 1,200 to between 500 and 600 (Directorate-General of Budgets, Accounting and Statistics, 2011). These phenomena have a significant influence on the decline in total market demand, resulting in a troubling situation where firms cannot grow continuously.

Market saturation

Analyzing the retail business market situation, we found that the number of operating clothing and apparel retailers in Taiwan has decreased annually from 41,100 in 2006 to 38,541 in 2010, with a continuing decline of 6.23% (National Statistics, ROC, 2011). The decline in the number of retailers not only demonstrates the increasing competition in the domestic industrial environment but also indicates that the market is oversaturated. When supply exceeds demands, enterprises retreat from the market gradually.

Increasingly fierce intratype competition

Currently, the domestic infant and toddler apparel and supplies market is approximately NT$22 billion. Les Enphants is the leading brand and retailer of children's apparel in Taiwan, earning an annual income of NT$2.36 billion in 2010 with a market share of 11%. Les Enphants' primary competitors are Love World, Chickabiddy, Why and 1/2, and Yih Dah (Best Pals). Each of these brands has nearly 1,000 independent stores and counters in department stores, for a total market share of 80% (National Statistics, ROC, 2011). However, these companies trend toward homogeneity and exhibit minimal differences in the product quality of various brands. This has generated increasingly intense industrial competition.

Where to go

By integrating the cases discussed above, we found that Les Enphants tended to select the markets of developing countries as targets to enter. Of the countries that Les Enphants expanded into, including Thailand, Indonesia, China, and Singapore, only Singapore is highly developed. This phenomenon corresponds with the argument proposed by Sternquist (1997), that is, retailers that expand internationally to avoid high domestic industrial competition tend to enter countries with superior location advantages. In other words, retailers invest in countries with lower labor and land costs, lower domestic industrial competition, and greater market growth potential to pursue increasing sales. Regarding this case study, Les Enphants, Taiwan, adopted this perspective when deciding to enter the Chinese market. Regulations, economic strength, and target customer population are important evaluation factors.

First, regulations are the most influential factors. In July 1992, China opened its market to foreign capital retailers for the first time, allowing joint ventures between Chinese and foreign capital retailers in cooperative management to invest in five special economic zones (Shenzhen, Zhuhai, Shantou, Xiamen, and Hainan) and six major cities (Guangzhou, Dalian, Qingdao, Beijing, Shanghai, and Tianjin). The special projects were approved by local governments or the State Council of the People's Republic of China. Les Enphants was approved to enter the Chinese market by entering Shanghai City in the first wave of foreign capital since the 1993 open market strategy.

The second factor is the China's impressive economic strength. The 91% increase in GDP from 1993 to 2010 demonstrates the healthy economy and enhanced consumption power of China. In 2010, China's GDP was RMB 39.7983 trillion (approximately USD 6.1228 trillion), exceeding the USD 5.4742 trillion of Japan. Thus, China became the second-largest economy in the world, second only to the U.S., which achieved a GDP of USD 14.6602 trillion. According to these considerations, choosing the Chinese market is the optimal option.

The third factor is the high infant and child proportion of the population. Figure 3 shows that the proportion of the population aged between 0 and 14 years accounted for 26.6% to 18.48% of China's total population for 1995 to 2009. This ratio only decreased slightly because of China's implementation of the one-child policy. However, the ratio was still significant compared to that of other countries. The proportion of the population aged under 14 years reached 0.24 billion in 2009, which is a tremendous number of target customers.

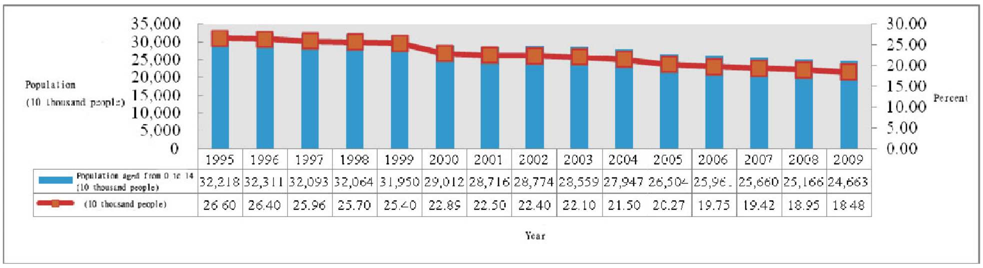

Figure 3.
The population aged between 0 and 14 years and the ratio to the total population of China in 1995 to 2009

Analysis of the International Development Based on the Eclectic Paradigm

We used the advantage analysis contents in Table 1 to analyze the ownership, internalization, and location advantages of Les Enphants, Taiwan.

Ownership Advantage

Les Enphants, Taiwan, has been developing for many years, accumulating a significant amount of resources and abilities. These characteristics were the foundation of Les Enphants ability to expand internationally. We analyzed the asset and transaction ownership advantages of Les Enphants as follows:

Asset ownership advantages

Table 5.
Asset ownership advantages of Les Enphants

Items	contents
Excellent brand image:	· The brand equity Les Enphants has established throughout the years is a crucial resource for its future development.
Vertical integration of production and marketing:	· The design, development, production, logistics, warehousing, marketing, and channel management of products in Les Enphants are conducted by franchise departments. · This strategy not only provides Les Enphants with a considerable cost advantage but it also facilitates effective coordination between production and marketing.
Specific and extensive product lines:	· Les Enphants provides extensive and varied products to satisfy customer demands. Their product line includes a miscellaneous variety of infant and toddler apparel, supplies, accessories, toys, and shoes.
Prominent research and development design capacities:	· For several years, Les Enphants has actively invested in research and development designs and devoted substantial effort to cultivating design talent. · Les Enphants has acquired fashion and costume knowledge to innovate products that satisfy customer demands.
Substantial control of product quality:	· Because Les Enphants is scrupulous regarding the quality of its products in every country, the firm does not sell inferior products in China or Southeast Asian countries. Thus, Les Enphants' attention to providing consistent product quality contributes to the enterprise advantages.
Successful experience in Taiwan:	· Les Enphants has been operating in Taiwan for more than 30 years and is the domestic infant and toddler apparel supply channel with the most chain stores in widely dispersed locations. With its extensive experience in business channel operation, Les Enphants was equipped with the basic ability to enter the Chinese market, which has a similar culture to Taiwan.
Stable financial structure:	· As the leader of infant and toddler apparel chain stores in Taiwan, Les Enphants has expanded its operating domains by transferring investments for many years. · Les Enphants has established solid financial foundations and, in 2010, reported a low debt ratio of 35.21%. Thus, with its stable financial conditions, Les Enphants can focus on international development.

Transaction ownership advantages

The main characteristic of apparel logistics is that is involves a considerable amount of reverse logistics and a short product life on the market. When the season changes, out-of-season goods are returned to factories for reclassification and reallocation and then stored until the selling season of the following year. Les Enphants primarily sells infant and toddler apparel and supplies. Thus, the product structure comprises all-year-round supplies with high inventory turnover rates (such as strollers and toys) and seasonal apparel with low inventory turnover rates. The attributes of these two types of products differ significantly. Therefore, Les Enphants must adopt various processing methods to perform the various product storage operations, that is, product receipt, replenishment, storage, moving, order processing, and tallying. To resolve storage management issues, Les Enphants established highly efficient logistics operations.

Les Enphants' logistics center processes more than 70,000 items of infant and toddler apparel and supplies and stores them in over 10,000 storage locations. The logistics center must execute inbound examinations, labeling, collection, distribution, and replenishment of these goods. Additionally, the logistics center also processes returned goods. Thus, the logistics process must be precise. Les Enphants introduced a wireless messaging system (WMS) to support the regional distribution center (RDC) + format distribution center (FDC) multiple storage operating model in April 2005 and improve the storage of seasonal apparel and all-year-round goods (Lu, 2005).

Introduction of a new POS system enabled the Les Enphants head office to access the real-time sales situation and stock information of shops throughout the country, and transfer products and replenish goods in real-time to increase the overall operating efficiency. Regarding the CRM, we introduced the MIGO WebMAXTM platform to analyze member information, including transaction analysis; shopping recency, frequency, and monetary (RFM) analysis; and 4Ps analysis, to understand members' consumption status (Chen, 2010; Kim et al. 2010).

Internalization Advantages

Les Enphants, Taiwan, serves as the operations center in the internationalization process. In other words, operations in each country are managed by the head office in Taiwan. The head office integrates and distributes global resources throughout its branches in every country and establishes various standardized documents and manuals to ensure that the channel operations and service quality are consistent in all regions.

Although Les Enphants strives to purse product localization, its operating methods involve local branches understanding customers' requirements, reporting this information to the head office in Taiwan, and conduct research and development at the Design Center of head office in Taiwan to designing innovated products. Therefore, Les Enphants actually controls the product research and development knowledge completely.

Location Advantages

China has a vast market, substantial population, considerable workforce, low standard wages, and low land costs. Combined with its recent rapid economic growth, China's industrial environment, which continues to mature daily, is ideal for foreign companies to enter to invest (Yu, 2011). Additionally, China and Taiwan share a similar cultural background, which provides Taiwanese firms with greater familiarity with the Chinese market, and enables them to invest with greater efficiency. Table 6 shows the location advantages that attracted Les Enphants to enter the Chinese market.

Table 6. Location advantages of China: The factors influencing investment decisions

Dimension	Country advantages
Population variable	· Population: 1.33 billion (2009); substantial domestic market. · The average woman gives birth to 1.77 children (2009).
Cost aspect	· Sufficient workforce (population aged between 15 and 64 in 2009 was 0.85 million) with a low wage standard. · Low land costs.
Competitiveness	Few competitors exist; thus, the competitiveness of the market is low.
Economic characteristics	Rapid economic growth in recent years has resulted in a rapidly developing gross domestic product (GDP).
Geographical position	Near to Taiwan.
Culture	Shares similar language and cultural backgrounds with Taiwan.
Politics and laws	Host country incentives for investment.

Source: China Statistical Yearbook, 2010

Analysis of the Strategies of the Company

Our research findings show that Les Enphants indeed possess ownership advantages, location advantages, and internalization advantages highlighted in eclectic paradigm to justify its rationales and strategies of FDI to and in China. Les Enphants' ownership advantages come mainly from its excellent brand image and superior marketing and product portfolio management. China's location advantages are explicit in its super large market size and culture and language similarity. Internalization advantages are evidenced by Les Enphants' consistent and persistent control on channel operating know-how and product research and development knowledge by its Taiwan head office. These three advantages work together to empower Les Enphants to aggressively expand China's market and maintain sustained growth.

How to go

Summarizing the previous discussion, we found that the internationalization strategy of Les Enphants followed a global strategy to a significant degree, employing centralized management and standardized operations in every country. However, Les Enphants adjusted its product structures and prices according to the local market. This agrees with the adjustment measures to local conditions method of the multinational strategy. Analysis of the actual operational strategy is shown in Table 7. Thus, we can infer that Les Enphants incorporated the advantages of both global and multinational strategies.

Table 7.
Strategies Les Enphants adopted for China

Strategy	Content
Product and brand strategies	· High-class brand strategy with mid-to-high prices: Based on the Taiwan quality requirement, prices are set as approximately 40% of the prices in Taiwan. Stores across China adopt identical prices. · A comprehensive series of products for children aged 0 to 12 years: Les Enphants sells various products, including children's apparel, daily infant supplies, and accessories, and also provides comprehensive products suitable for children aged between 0 and 12 years.
Channel strategies	· District management: District management strategies are used. Including the Shanghai head office, Les Enphants' operation in China are divided into the following nine districts: Shanghai district, Zhejiang district, Fujian district, Guangdong district, the southwestern district, central district, northeastern district, and north district. Thus, diverse management and in-depth monitoring are attained. By the end of March 2011, a total of 1,595 retail spaces had been established. · Using the chain franchise mode: Regarding the channel structure, Les Enphants first entered top-level department stores to extend its awareness by primarily using counters in department stores (70%), supported by independent shops (30%), and rapidly extended the number of shops to explore the market. The chain model focuses on regular chains (70%) and assisted-licensed chains (30%).
Promotional activity and marketing service strategies	· Store image is the best advertisement (Kim et al. 2011): Les Enphants emphasizes the establishment of store image and consumer interaction. An excellent service attitude and extensive professional knowledge are the best methods for attracting new customers and retaining existing customers. · Establishing Golden Elephant Members: Currently, Les Enphants possesses more than 100,000 golden elephant members in China. Members who do not purchase Les Enphants products for over one year are removed from the system. Members receive special services, such as the Golden Elephant Journal, text messages regarding new products, and shop discount information. · Interactive event activities with consumers: Les Enphants organizes activities such as creating dough figurines and child model search to let local children to be the stars of the activities. Thus, children can be materially content in and spiritually encouraged to a significant degree.
Logistics strategies	· Establishing four major logistics centers: The logistics services of Les Enphants was transformed into a highly efficient service system. Currently, four logistics centers have been established to distribute goods smoothly: (a) the Shanghai Large-Scale Wholesale Logistics Center is responsible for infant and toddler supplies; (b) The Suzhou Taicang Logistics Center established in 2008 is responsible for infant and toddler apparel; (c) the Taicang Logistics Center is responsible for the apparel and supplies wholesales; and (d) logistics centers in each district are responsible for distributing goods to each city.

Source: This table was developed based on information from Lu, 2002, Huang, 2002 and Lu, 2010

Conclusion

Established in 1971, Les Enphants entered the Chinese market in 1993 and has showed excellent performance in Taiwan and China. Les Enphants has managed its rapid development throughout China. The results of this case study indicate that Taiwanese retailers possess considerable advantages for investing in the Chinese market. In addition to the ownership and internalization advantages of Les Enphants, the Chinese market provides desirable location advantages. Besides the conditions developed by parent companies over long periods, Taiwanese enterprises must operate in the Chinese market following eminent strategies and plans. For example, Les Enphants has indicated that creativity, design, and research and development cannot be localized. Quality control requirements and enterprise cultures and systems correspond with the standard of the parent company in Taiwan. Therefore, beyond investigating the local market, parent companies in Taiwan can as well control the management (internalization advantage) to maintain adequate standardization and create competitive advantages.

About the theoretical implication, our case study contributes on exploring whether the well-established FDI theory, eclectic paradigm, is capable of justifying the internationalization rationales and strategies of a successful Taiwan's Children clothing retailer in China market. In addition, our study also demonstrates that eclectic paradigm framework not only work out for manufacturing industries, but also may apply to retailing service industries. From the analysis showing its ability to the business analysis of the local market (where to go, why to go, and how to go), we can comprehensively understand how Les Enphant enters the Chinese market. Early market entry was the most critical success factor of Les Enphant in the Chinese market. Furthermore, franchising strategy expands market share and appropriate product adjustment fits local consumers' requirements. These lead to Les Enphant having a place in consumers' hearts.

For all other companies who want to enter Chinese Market, *localization* and *listen to customer voice* are the best ways to run a successful business. The Chinese area is quite large, with significant differences of temperature in different areas. For example, while it is still snowing in northern China, there is sunshine in southern China. The difference in weather deeply influences production capacity, supply forecasting and logistical capabilities. The problems of lack of supplies, unavailable goods or excessive production capacity will be generated by an error in weather prediction. Therefore, it is suggested that when entering the Chinese market for the first time, retailers can expand by using a regional approach. For example, companies can set up retail stores in the region of Eastern China in cities such as Shanghai, Suzhou, Hangzhou etc., and then develop in other regions after reaching a working stability for the retailers. In addition, companies can adjust product structure, develop local talent in management and adjust management strategies when operating in Eastern China. In particular, a good relationship with the local government and businesses is very important when entering China's market, along with the use of 1:1 direct selling stores and franchise stores to expand market share. The knowledge of management in the Chinese market is the Case study of Les Enphants and can be applied to other foreign retailers wishing to enter the Chinese market, as a reference for future international strategy adjustments from the

Les Enphants case analysis.

The limitation of this research is that only one case was chosen to analyze its development strategy. For the future research direction, we suggest researches can apply the eclectic paradigm to other specific service industries such as the banking industry and food and beverage industries, both of which are aggressively taking internationalization into consideration to pursue their continued growth in the long run.

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