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Internationalization of SMEs in the Chinese market: a case study of Monnalisa SpA

Prof. Antonio Majocchi

SUPERVISOR

Prof. Matteo Giuliano Caroli

CO-SUPERVISOR

Gaia Zompetti - 766191

CANDIDATE

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Introduction

In an unprecedentedly globalized and interconnected era, small and medium-sized firms (SMEs) are leading the way in expanding their businesses internationally. SMEs are increasingly stepping outside of their domestic countries to investigate new markets, connect with a variety of consumer segments, and take advantage of worldwide prospects. SMEs are engines of economic growth and innovation. They are the backbone of the European economy, and they are major players in the contemporary economy, driving employment, economic expansion, and the reduction of poverty. Among all the global markets, China stands out as a particularly interesting destination due to its enormous potential and complexity.

With a special focus on the complex environment of the Chinese market, this thesis undertakes a thorough analysis of SME internationalization. A compelling path characterized by ambition, resiliency, and adaptability in the face of shifting sociocultural, economic, and regulatory contexts is described via the globalization journey of SMEs. With a focus on China in particular, this study attempts to shed light on the complex dynamics influencing SME internationalization plans through a synthesis of theoretical frameworks and empirical research through a case study.

The rationale for investing SME that decide to internationalize within the Chinese market is compelling and multifaced. China now has a huge consumer base, a growing middle class, and a vibrant corporate environment, making it a fundamental player in the international arena thanks to its explosive ascent to prominence as a global economic powerhouse. Additionally, SMEs looking to gain traction in this dynamic market face both opportunities and challenges from China's changing regulatory frameworks, market liberalization initiatives, and technical improvements.

By carefully examining academic papers, this thesis aims to clarify the fundamental dynamics behind SME internationalization processes. Moreover, the utilization of primary research methodologies and in-depth case study will yield empirical insights that are valuable in shedding light on the strategic considerations, opportunities, and problems that SMEs face when engaging with the Chinese market.

In the first chapter we have examined SME internationalization to China, including market entry strategies, strategic considerations and obstacles faced during the process. There is first an overview of SMEs, outlining their main traits, importance, and contributions to the global economy. Expanding on this structure, the chapter moves on to a study of SME internationalization to China, highlighting the reasons, approaches, and entrance methods used by SMEs entering this peculiar market. The chapter delves into the various entry strategies used by SMEs to create a foothold in the Chinese market. It describes the strategic options that SMEs have, ranging from export to wholly owned subsidiaries, and the implications of each. Additionally, it explores the subtleties of the Chinese market, revealing its potential challenges and peculiarities that influence the internationalization paths of SMEs. The chapter provides a thorough overview of the obstacles faced by SMEs and the tactics used to overcome them, ranging from cultural hurdles and legislative restrictions to intense rivalry. Moreover, it is clarified the strategic requirements and industry best practices for SMEs hoping to close the gap with multinational corporations and achieve effective internationalization in China. This section distills practical methods and advice specific to the requirements and difficulties experienced by SMEs entering the Chinese market by utilizing theoretical frameworks.

In the second chapter, the child wear fashion sector is thoroughly examined, with a particular emphasis on current developments in China. The history and distinguishing features of the child wear fashion sector are outlined, giving readers a basic overview of the industry. This chapter provides insights into the major forces influencing the industry's trajectory, such as shifting consumer tastes, technology breakthroughs, and sociocultural influences.

It examines the current trends that are influencing product development, marketing tactics, and consumer preferences in the child wear sector, ranging from sustainable fashion to digitalization. In addition, a thorough examination of the child wear market's dynamics, competitive environment, and major participants is done.

With its expanding middle class, fast expanding economy, and changing customer tastes, China offers enticing opportunities for child wear fashion firms. In addition, the chapter highlights the specialized market of Chinese children's luxury clothes consumption since rich Chinese families are looking for high-end apparel for their kids. This section explores the subtleties of brand preferences, market dynamics, and trends in luxury consumption within China's rapidly expanding children's luxury clothes market.

Chapter 3 of this thesis presents an in-depth empirical case study of Monnalisa Spa, a leading player in the child wear fashion industry. This chapter aims to provide a comprehensive analysis of Monnalisa's internationalization process, with a particular focus on its expansion into the Chinese market. The case study method offers valuable insights into the practical application of theoretical frameworks and highlights the unique challenges and strategies associated with SME internationalization.

First, we have a detailed examination of Monnalisa Spa, including its organizational structure, core products, and market positioning. The research methodology is deeply explained, detailing the data collection and analysis methods used to ensure robust and reliable findings.

The chapter traces the history of Monnalisa's internationalization, exploring the company's strategic decisions and milestones as it ventured into global markets. Then, Monnalisa's specific internationalization journey toward the Chinese market is examined, analyzing the steps taken, challenges encountered, and strategies employed to establish a foothold in this dynamic environment. Finally, there is a final discussion and interpretation of the case study results, linking empirical findings with theoretical insights and drawing conclusions about the factors contributing to Monnalisa's international success. This chapter not only provides a detailed account of Monnalisa's experiences but also offers broader lessons and strategic recommendations for other SMEs seeking to navigate the complexities of internationalization.

To sum up, this thesis seeks to advance the academic conversation on SME internationalization while providing useful perspectives and suggestions for SMEs, decision-makers, and other parties involved in determining the future direction of international trade in the twenty-first century. This study intends to deepen our understanding of the dynamic processes reshaping the global economy by unraveling the complexities of SME internationalization with a focus on the Chinese market.

Chapter 1. From local to global: an insight into SMEs Internationalization to China

1.1 SMEs: definition and an overview

According to the European Union, small and medium-sized enterprises (SMEs) are classified as autonomous, non-subsidiary companies with less than 500 workers. These businesses are further divided into micro-enterprises, which employed 1 to 9 individuals, small businesses 10 to 99, and medium businesses 100 hundred to 499 people (Savlovschi & Robu, 2011b).
However, different nations use different standards to identify small and medium-sized businesses, such as employment, total net assets, sales, or investment level. For example, a company with fewer than 500 employees may be classified as an SME in the United States, but a different country may define the threshold as 200 or, as in Europe, 250 employees (Ayyagari et al., 2007).

However, policies supporting SMEs in the European market must be founded on a shared definition to increase their efficacy and consistency and to prevent competitive distortions. The substantial interplay between national and European Union (EU) initiatives to support SMEs in areas like research funding and regional development makes this even more important. The European Commission (EC) approved a recommendation in 1996 that established the first standard definition for SMEs. Then, a revised suggestion was agreed by the Commission in 2003, to reflect changes in the economy since 1996 (European Commission, 2020).
The current definition for SMEs from Article 2 of the Recommendation of the European Commission states that 'The category of micro, small, and medium-sized enterprises is made up of enterprises that employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euros, and/or an annual balance sheet total not exceeding 43 million euro' (Art. 2 Recommendation, 2003).

An estimated 95% of firms globally are small and medium-sized enterprises, which also contribute up to 40% of the gross domestic product (GDP) and 60% of employment (Dabić et al., 2019).

Almost 23 million SMEs, or 99 percent of all businesses, operate in the 25 member states that make up the expanded European Union and generate almost 75 million employments. So, they are extremely important since they represent a significant source of employment, innovation, and entrepreneurial skills. However, they frequently encounter flaws in the market. Among the others, SMEs usually struggle to get funding or credit, especially in the early stages of their business. Their limited resources could also make it harder for them to adopt innovative or new technologies and be able to compete with big enterprises. Supporting SMEs is therefore a top priority for the European Commission in terms of job creation, economic growth, and social and economic cohesion (European Commission, 2020).

To begin with, an enterprise must be deemed to meet the requirements for SME status.
"Any entity engaged in an economic activity, irrespective of its legal form" is the modern definition of a business by the European Commission (European Commission, 2020: p. 9).
As we can see from the green row of the table in Figure 1 below, after confirming that a business is an entity, we must look at the company's data based on the following three standards: yearly turnover, personnel headcount, and annual balance sheet. To ascertain if the business is micro, small, or medium-sized, we should compare the data with the thresholds for each of the three categories. Micro, small, and medium-sized businesses are defined as those that employ fewer than 250 people and have annual balance sheet totals of no more than 43 million euros or an annual turnover of no more than 50 million euros. Small businesses that fall under this category are those that have less than 50 employees and an annual balance sheet total or turnover of less than 10 million euros. Micro enterprises are those that have less than 10 employees and a yearly balance sheet total or turnover of less than 2 million euros (European Commission, 2020).

Figure 1: Thresholds for micro, small, and medium-sized enterprises

THE NEW THRESHOLDS *(Art. 2)*

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover		Annual balance sheet total
Medium-sized	< 250	≤ €50 million (in 1996 € 40 million)	or	≤ €43 million (in 1996 € 27 million)
Small	< 50	≤ €10 million (in 1996 € 7 million)	or	≤ €10 million (in 1996 €5 million)
Micro	< 10	≤ €2 million (previously not defined)	or	≤ €2 million (previously not defined)

Source: European Commission (2020): p. 11

Moreover, a business may not qualify for SME status if it has access to appreciable additional resources (for example, because of ownership, affiliation, or partnership with a larger business). A case-by-case study might therefore be necessary for businesses with more complicated structures to make sure that only businesses that fit the spirit of the SME Recommendation are classified as SMEs (European Commission, 2020).

Small and medium-sized businesses are the engine of the European economy. They play a significant role in the modern economy and act as the catalyst for economic growth, employment, and poverty alleviation. Countries of various stages of development, as well as developed ones, acknowledge the critical role that SMEs and entrepreneurs play in advancing an economy. First, contribution to development is not restricted to the economy's SMEs; rather, it has an impact on businesses outside of this sector as well. Second, data from practically every nation demonstrates that SMEs dominate the economy, significantly influencing both the creation of jobs and the GDP. In fact, the small and medium sector is responsible for two-thirds of the recently created jobs. Moreover, Small and medium-sized businesses are a source of equilibrium in the macro and microeconomic domains because they disrupt the oligopolies and monopolies that large corporations have in the marketplace. Small businesses are more likely than large businesses to create regional networks to access resources or knowhow, and their inventiveness catalyzes both economic expansion and the spirit of entrepreneurship, producing a large percentage of the technological innovation used in the economy (Savlovschi & Robu, 2011b).

Figure 2: European Union SMEs data

Class size	Number of enterprises		Number of persons employed		Value added	
	Number	Share	Number	Share	**Billion €**	Share
Micro	22 744 173	93,5%	38 790 351	29,4%	1419,4	18,6%
Small	1 332 200	5,5%	25 602 334	19,4%	1259,8	16,5%
Medium-sized	204 786	0,8%	20 493 722	15,5%	1266,5	16,6%
SMEs	24 281 159	99,8%	84 886 407	64,4%	3945,8	51,8%
Large	43 112	0,2%	46 918 978	35,6%	3673,8	48,2%
Total	24 324 271	100,0%	131 805 385	100,0%	7619,6	100,0%

Source: European Union (2023): p.3

SMEs propel general economic growth and corporate dynamism. A few of the primary peculiarities of SMEs include lower market shares and, as a result, lower profiles, and reputation levels (the "liability of newness"); smaller scale and fewer resources (the "liability of smallness"); the lack of knowledge of foreign markets (the "liability of foreignness"); and their struggle to establish important positions in global networks (the "liability of outsidership") (Morais & Ferreira, 2020).

Adaptability, flexibility, and organizational dynamism are among their main strengths. Their limited size both in terms of the number of constituent parts, their modest physical asset dimensions, and their lower activity complexity compared to large enterprises let them be more agile and with a high capacity for change. Other distinguishing characteristics are the entrepreneurial spirit, strong interpersonal relationships, and huge group cohesion. Because they are closer to the market and often focus specifically on certain market niches, they can more easily adjust to the needs and desires of the customers and be extremely flexible if circumstances change (Savlovschi & Robu, 2011b).

SMEs are frequently defined by the individualistic leadership of the company owner, and decisions are made primarily in response to unforeseen events and based on the personal intuition and vision of the entrepreneur (Child & Hsieh, 2014).
This might be the reason why SMEs are extremely prone to innovate. In the OECD region, SMEs that are considered innovative range from 30% to 60%. They are more likely to innovate by inventing new strategies to increase sales, introducing new organizational procedures to improve productivity, or designing or re-engineering goods or services to satisfy changing market demands (OECD, 2000).
However, SMEs frequently experience market failures that increase the difficulty of operating in their industry and competing with other big competitors. Small and medium-sized enterprises might face difficulties in obtaining financing, investing in research and innovation, or meeting the country's complex regulatory frameworks due to insufficient resources. They frequently must get beyond structural obstacles as well, like a lack of managerial and technical know-how, labor market inflexibility, and a lack of awareness of prospects for global expansion (European Commission, 2020).
Due to the Covid-19 epidemic, SMEs worldwide have experienced unheard-before levels of economic uncertainty since the beginning of 2020. SMBs had to cope with several new hurdles in addition to hiring challenges because of an unexpectedly strong comeback in demand. Significant increases in inflation rates occurred, particularly in 2022. This led to an increase in interest rates, which further restricted access to credit. Businesses are under additional pressure due to rising energy expenses and rising raw material prices. Furthermore, the pandemic's downward trend led to the withdrawal of government financial aid, which weakened SMEs' resilience and increased their already precarious position. Furthermore, broader issues related to the war threaten the expansion of EU SMEs and are directly and indirectly harmed by Russia's invasion of Ukraine. Finally, SMEs have had to get ready for the shift to a digital and sustainable economy while simultaneously overcoming the great economic and social challenges of the past few years (European Union, 2023).
These constraints often require them to innovate and be flexible and resourceful to respond to changing market conditions or catch new emerging opportunities to maintain a sustainable competitive advantage.

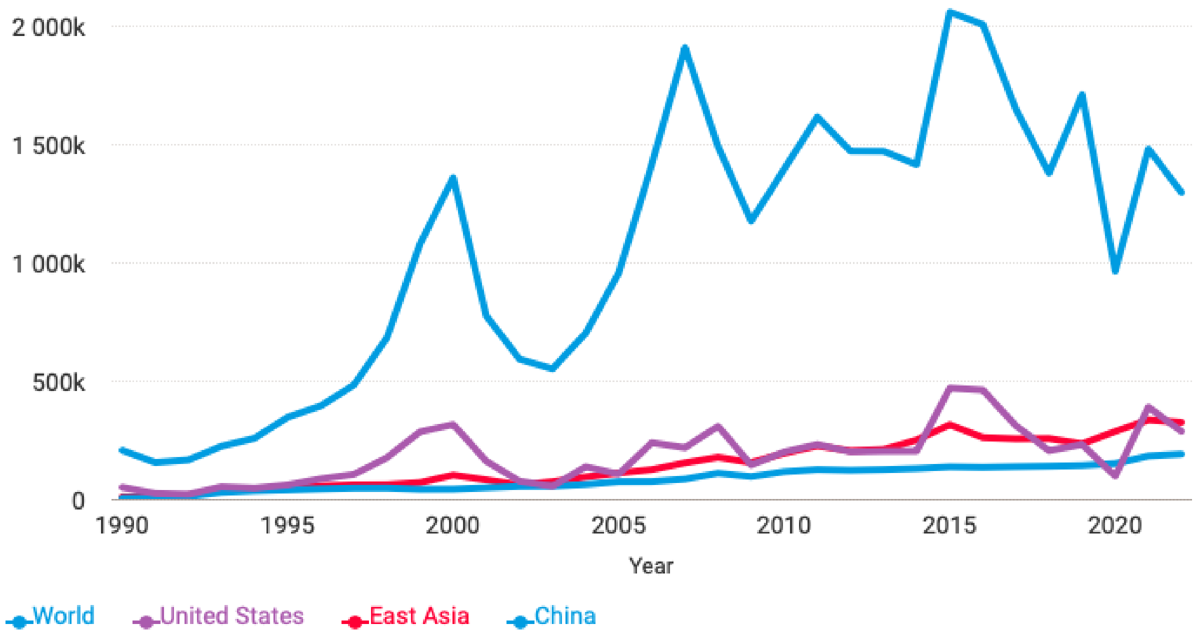
1.2 Internationalization of SMEs to China

Many smaller businesses are still concentrating on their home markets as they have in the past, while others are becoming more globally oriented (OECD, 2000).
Small and medium-sized businesses and foreign entrepreneurs now have access to global markets thanks to the removal of artificial barriers and recent advancements in manufacturing, transportation, and communications technology. Previously, multinational corporations dominated global markets, while SMEs operated on a local level. Now SMEs must operate outside of their national borders to survive, looking also at previously unexplored emerging markets such as China (Dabić et al., 2019).
Smaller businesses now have even greater potential to internationalize as the importance of economies of scale in various operations declines due to new technology and globalization. However, in a globalized, technology-driven society, many of the typical issues that SMEs face, such as a lack of funding, challenges in utilizing technology, limited managerial competencies, low productivity, and regulatory burdens, may worsen (OECD, 2000).

SMEs' interest in internationalizing towards emerging markets is not a recent development, but it has been stronger in recent years. This is likely due to several companies starting their overseas operations in response to the saturation of local demand and the pressing need to diversify their target markets. Notwithstanding the country's tough environments and the difficulties involved in entering a market as complicated and culturally diverse as China, internationalizing SMEs is a strategic step that can yield several benefits and prospects for well-prepared SMEs due to its enormous size, rising wealth, shifting demographics, and economic development.

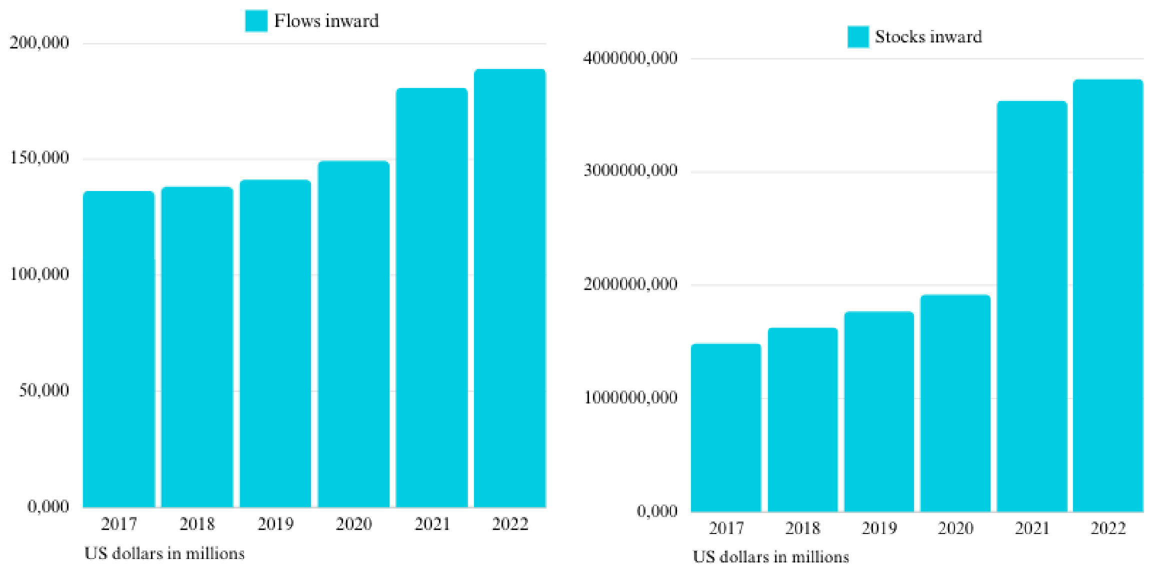
China has emerged as the world's leading developing nation in terms of FDI since 1993. As we can see from *Figure 3*, in 2002, it overtook the United States as the world's top recipient of foreign direct investment. This gave China the advanced technology, finance, and management experience it needed and greatly aided in the country's economic development. Overall, FDI has taken center stage in the Chinese economy, and China has gradually become one of the most popular destinations for FDI (Zhang & Corrie, 2018).
The first graph of *Figure 4* highlights a steady positive trend of FDI investments flows toward China between 2017 and 2022, with a huge bust of $180,957 million in 2021. Also, the second graph of *Figure 4* presents a spiking positive trend of FDI investments stocks in 2021, reaching $3,633,317 million in 2021 and $3,822,449 million in 2022 (UNCTAD, 2023).

Figure 3: FDI data inflows country comparison



Source: World investment report (2023)

Figure 4: China inward FDI flows and stocks



Source: UNCTAD (2023)

FDI inflows have significantly expanded since China's economic reforms that allowed it to join the global economy. The development of China's FDI policy can be divided into four primary phases:

- The *first phase* of foreign direct investment in China ran from 1979 to 1982. China established and enacted the Law of the People’s Republic of China (PRC) on Chinese Foreign Equity Joint Ventures on July 1st, 1979, which promoted FDI and safeguarded the rights of foreign investment. However, because of inadequate infrastructure, opaque policies, and unfinished Chinese laws, most international investments were exploratory in nature (Zhang & Corrie, 2018).
- The *second stage* (1983–1991) of FDI is the growth stage. The regulations governing the use of foreign funds were more lenient at this point. Coastal port cities and a few coastal zones for economic growth were gradually opened up between 1984 and 1985, and more favorable regulations were extended to foreign investment. As a result, FDI increased quickly at this point (Zhang & Corrie, 2018).
- The rapid development stage of FDI is represented by *stage three* (1992–2000). Following Deng Xiaoping's 1992 speech, the State Council opened 18 provincial capital cities, 13 inland boundary cities, and six Yangtze River cities. This increased opening and enhanced the investment climate, which in turn encouraged the unprecedented uptake of foreign capital (Zhang & Corrie, 2018).
- The *fourth stage* of FDI is known as comprehensive development. In December 2001, China joined the WTO. Additionally, China pledged to have a more open investment environment and techniques, a more public and transparent trade and investment policy, and a significant decrease in tariffs and non-tariff measures. These modifications demonstrated how China's opening moved from a policy to an institutional stage and from a government-oriented to a market-based mode, laying the groundwork for China to now attract international investment in a new era (Zhang & Corrie, 2018).

Because of the implications for organizational control over international activities, investment risk, and resource commitment, the choice of entrance mechanism is seen as a critical strategic decision, especially for SMEs.

Within the motivations to internationalize to China for small and medium enterprises, we have the willingness to look for a bigger and more attractive market with huge demand, obtaining economies of scale and scope to achieve higher efficiency and strategic assets such as natural or human resources (Qi et al., 2020). A Chinese FDI also entails achieving learning opportunities based on new knowledge and technology, enhancing the performance of businesses in terms of innovation. Overcoming the competitive pressure, especially between late-comers, and sustaining a competitive advantage, being able to catch new emerging opportunities, are mostly the core reasons why SMEs decide to invest in the Chinese market (Li & Xiong, 2022). In the end, the SME will grow its market presence and sales, increasing profits and overcoming the domestic market's smaller size (Morais & Ferreira, 2020).

The Chinese middle class has grown because of the country's transition from the low-wage, labor-intensive, traditional manufacturing economy to one that is more technology-intensive and high value-added. This has increased consumer demand for a wide variety of goods. In fact, local customers are becoming more and more important on the global stage, making market entry to China essential to maintaining competitiveness (International Trade Administration).

As a result, choosing the best entry mode strategy has grown in importance as China's rising sectors flourish.

1.2.1 Entry mode in China

Before analyzing the reasons why an SME would choose an entry mode with respect to another, we should have a quick grasp of the different entry modes for a good market expansion to China.

Entry modes are described as "*structural agreements that enable a firm to carry out both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations) or by carrying out only market operations (export) in a host country*" (Pongelli, 2016, p. 788).

Between the foreign market entry modes, we can distinguish: Export, Franchising, Minority holdings, Joint ventures, and Wholly owned subsidiaries.

Exporting is the process by which a business moves products or services across international borders via a price coordination system (Majocchi). When a product is exported directly, it goes through independent middlemen like agents, distribution networks, and licensing agreements that are located outside of the exporter's home nation and sell to local consumers. Products sold to domestic intermediaries, such as purchasers, brokers, and merchants, are considered indirect exports since they are exported to foreign nations by the middleman (Compagno, 2005).

Strategic alliances, which rely on reciprocity and trust rather than contracts, entail collaboration, coordination, and information sharing for a joint project by the participating firms (Majocchi).

International licensing is defined as *"contractual relationship in which an international firm (licensor) grants to a host country firm (licensee) the right to use an intellectual property is exchange for payment (a royalty). It can take various forms, including brand licensing, product licensing and process licensing"* (UNCTAD, 2011).

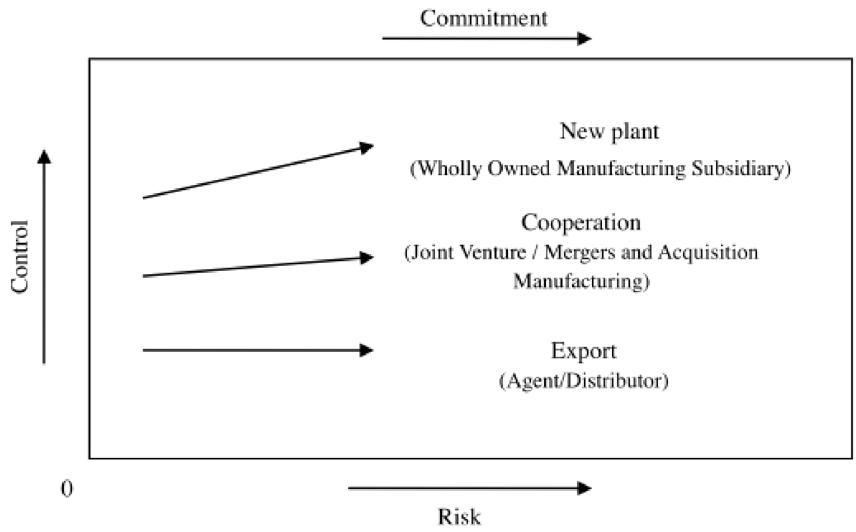
Franchising are defined as *"contractual relationship in which an international firm (franchisor) permits a host country firm (franchisee) to run a business modelled on the system developed by the franchisor in exchange for a fee of mark-up on goods or services supplied by the franchisor"* (UNCTAD, 2011).

Each partner owns a share that can range from 10% to 90%, but is typically close to 50% in an international joint venture, which is a new entity created by two or more distinct firms for a specific purpose. In a greenfield joint venture, a new entity is created, whereas in a partial acquisition, the target firm is an already existing firm (Majocchi).

A foreign direct investment (FDI) is the acquisition of tangible assets (Greenfield) or a sizable portion of a business in another nation through mergers and acquisitions (M&A) in order to obtain some level of managerial control, acquire a long-term stake in the businesses, or maybe take control of a foreign affiliate (Majocchi).

The hierarchical selection entry mode process consists of two parts. First, selecting between an equity and non-equity technique entails making a big decision about the resource commitment, the investment time horizon, and the expected returns. The non-equity technique results in a contractual arrangement; the equity form requires a sizable financial commitment. The second phase is a company's readiness to work with a foreign party or to exercise exclusive authority, for example, through a joint venture or a fully owned subsidiary (equity form) or a contract with export (non-equity form) (Pongelli, 2016).

Figure 5: Evolution of a decision on entry mode



Source: Li & Xiong (2022): p.4

Now we will use a framework to understand which mode best allows an SME to take advantage of its strengths and react to external circumstances in the environment during the process of internationalization toward China.

Figure 5 above highlights how the trade-off between a firm's control, resource commitment, and risk linkage determines the entrance mode of choice of an SME. Within this analysis entry modes are divided into three categories: direct or indirect export through an agent, cooperation through a joint venture (JV) or merger and acquisition (M&A), and lastly a new plant with a greenfield investment or wholly owned subsidiary (WOS) (Li & Xiong, 2022*)*.

As for the SME's internationalization to the Chinese market, the more applied entry modes are indirect export, joint ventures, or wholly owned subsidiaries.

First, as for the Export entry mode, the SME manager must decide whether to choose a direct export to clients abroad or an indirect mode through an intermediary agent or distributor. Small businesses seek an indirect route to internationalization by selling their products and services through domestic and international agents to fill knowledge gaps, locate clients, and lower the risks and uncertainties related to doing business abroad. Moreover, additional expenses, like those related to locating and assessing local partners and gathering data on outside markets, can be taxing, particularly for SMEs with little funding. However, indirect export could entail a loss of control for the company (Hessels & Terjesen, 2008). To sum up, indirect export entails a lower risk and resource commitment, higher flexibility, but a loss of control for the company.

Second, JVs may suffer from normative culture and self-interest since international partner companies frequently refuse to share the technology and know-how that their local partners are keen to acquire. In technological JV, this asymmetry is well-known to raise the possibility of knowledge leaking, intellectual property theft, and opportunistic actions. Since opportunistic threats and direct competition between partners are the main causes of firm alliances dissolving unexpectedly, JVs are prone to instability. In terms of technology, JVs in emerging markets typically lag behind their overseas counterparts, which further reduces the benefits. Joint ventures work better in emerging markets when it's hard to have access to local complementary assets, so consisting of a link JV and less of a scale JV. For foreign subsidiaries, local complementary assets like labor, land, customer base, and distribution are vital since appropriability rules are weak in emerging economies (Tse et al., 2021). Also, if an SME has limited knowledge of the local environment could want to give the local partner a portion of the equity. Therefore, the greater the cultural gap, the greater the probability that the SME will select a joint venture (Wei et al., 2005). So, JV entails less managerial control and a medium level of risk, but it has a lower cost base and resource commitment.

Lastly, WOSs may have some limitations in some specific industries and no access to partner resources. However, WOSs have the independence to develop and carry out their strategies, which is crucial for international businesses doing business in China, as these businesses frequently must adjust their plans and reallocate resources to deal with the country's unpredictable changes in the economy and market. As a result, a WOS organizational mode seems more flexible, independent, and strategically focused (Tse et al., 2021). WOS avoids conflicts of interest with local partners, preventing the appropriation of a company's unique knowledge advantage. In this last case, the level of managerial control and the level of risk is high, but it entails a high resource commitment of initial set-up and operating costs and a low level of flexibility (Deng, 2001b).

1.2.2 The Chinese market

Nowadays for SMEs to continue growing strategically, they should take advantage of the huge Chinese market. With a population of 1.4 billion people in 2021 and a rapidly expanding economy, China is seen as having the potential to become both an economic giant and a massive market (Teng, 2004).

By gross domestic product (GDP), the Republic of China has maintained its ranking as the second-biggest economy in the world since 2010 with a GDP growth of 8.44% in 2021 (International Trade Administration).
Recently, WOSs have gained popularity since they provide joint ventures with greater administrative authority. Furthermore, the government of China is eager to sell off several small and medium-sized state-owned businesses, providing excellent acquisition prospects, because of the country's aggressive economic reforms. Moreover, China has drastically reduced its tariffs and other trade obstacles to encourage international exports to join the WTO (Teng, 2004).

However, China's market is still highly regulated, with government policies frequently taking precedence over commercial considerations. China still has a lot of trade and foreign direct investment restrictions in place even after joining the WTO. So, the key to the right entry mode lies in balancing the different needs and tradeoffs of an SME together with the complex peculiarities of the host country.
To conclude, the preferred entrance modes in China are joint ventures where there is a considerable demand for local resources. Due to China's distinct market, which demands a high degree of local response, SMEs frequently require the crucial resources and capabilities held by local firms, either temporarily or permanently. WOSs are the preferable option if control is highly required. For SMEs, control means having the autonomy to make choices and manage the business to prevent them from losing firm-specific advantages. Moreover, exporting is the best choice if speed is a priority since, given the potential importance of first-mover advantage, speed is a crucial element. It is both a rapid and inexpensive method of entering the market because no new facilities are required (Teng, 2004).

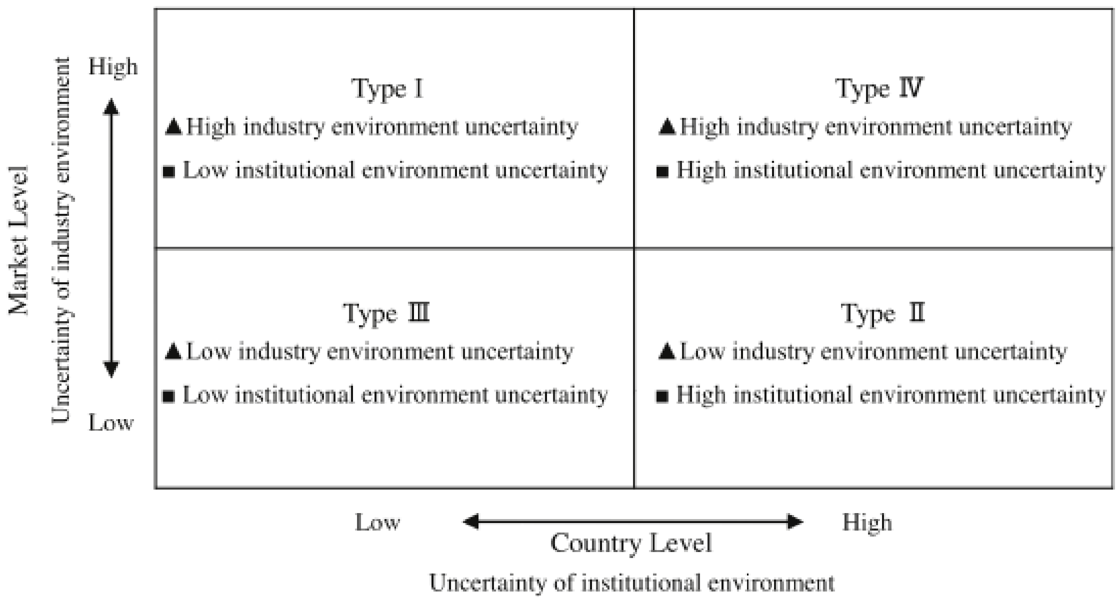
1.3 Barriers and challenges to SMEs' internationalization in China

SMEs that invest and operate in emerging markets such as China must deal with several environmental uncertainty-related barriers and challenges, which primarily limit international commercial activity.
Two categories of uncertainty can be distinguished: on one hand, the institutional environment of the host country is generally unclear due to political unpredictability, unstable government

policies, and cultural disparities; on the other, demand and technology uncertainties are included in the industry environment uncertainties (Li & Xiong, 2022).

Most businesses select a cooperative approach when the institutional environment is not as unclear as the industry environment is. A high level of institutional environment uncertainty leads to enterprises selecting a new plant to avoid trade obstacles if the industry environment indicators become volatile. As an alternative, going with a more cautious mode like export (Li & Xiong, 2022).

Figure 6: Matrix Four types of host country environmental uncertainties



Source: Li & Xiong, 2022: p. 4

Figure 6 above summarizes with a matrix the four different types of environments in which an SME may find itself during its internationalization to China. On the x-axis, we can find the uncertainty of the institutional environment (country level), while on the y-axis the uncertainty of the industry environment (market level). The various levels of elements influencing environmental uncertainty interact with one another and impact enterprises' strategic decisions. Most businesses would rather select export when entering a foreign market in a Type I environment, cooperation in a Type II and III environment, and in a Type IV export or new plant (Li & Xiong, 2022).

To select a suitable entry mechanism for foreign investment in emerging countries, a company needs to thoroughly assess the macro aspects of the host nation and always try to keep the firm's transaction costs to a minimum. Firms must constantly monitor changes both at the company and industry levels in addition to conducting a comprehensive analysis of the political and cultural system features and assessing potential risks.

Internationalizing small and medium-sized enterprises in China involves navigating a complex landscape marked by various internal and external factors that affect the entry mode choice. Let us now examine the main elements that may impact SMEs' decision to enter the Chinese market.

Exogenous factors

Externally, SMEs grapple with a range of challenges that can impede or slow down their internationalization journey toward China.

First, understanding and navigating consumer behavior in such a diverse market pose additional hurdles, with SMEs confronted by the standardization-localization dilemma – whether to adhere to global standards and achieve economies of scale or adapt to local preferences to meet local customers' needs (Liu et al., 2016). Foreign investors regard Chinese regions as distinct markets because of local protection against finished product inflows and regional market segmentation both in terms of local preferences and regulatory requirements (Wei et al., 2005).

Second, political and regulatory considerations, including concerns related to industrial protectionism and intellectual property rights, introduce an intricate layer of challenges. The history of trade friction in growing industries like China is complicated and involves some interrelated issues, including global politics and technological domination, in addition to economic concerns at the trade level. Emerging market companies don't have an ownership advantage over developed market companies, and they have unique institutional and market backgrounds (Li & Xiong, 2022).

Foreign enterprises continue to express dissatisfaction with protracted and unclear administrative procedures, particularly concerning permits, registration, and licensing, despite government efforts to simplify bureaucracy and cut red tape. Furthermore, foreign businesses continue to warn that government representatives might withhold approvals if they don't agree to perform R&D, transfer technology, or make deal-specific commercial concessions. China continues to implement a wide range of industrial plans and related policies that aim to restrict market access for imported goods, foreign producers, and foreign providers of services, all the while providing significant regulatory support, government guidance, and resources to domestic firms. Other domestic companies as well as state-owned corporations' benefit from these preferential policies. This includes the 14th Five Year Plan and Made in China 2025, which aims to increase industrial productivity by focusing on ten key industries. The goal is to enable local businesses to dominate both local and international markets and secure much bigger global market shares by substituting foreign technologies, goods, and services with indigenous ones (International Trade Administration).

Third, the absence of reliable public support or trustworthy partners and infrastructures, such as suppliers and distributors, leaves SMEs without a solid foundation for their operations. Geographical distance, exacerbated by the vast expanse of the Chinese market, adds logistical complexities that must be carefully managed. These logistical challenges are now reduced thanks to China's largest international economic goal: the Belt and Road Initiative. The plan intends to promote economic growth in a wide area that includes subregions of Asia, Europe, and Africa. The Chinese government implemented this worldwide infrastructure development strategy in 2013, investing in over 150 countries and international organizations, including ports, railroads, highways, bridges, airports, coal-fired power plants, and railroad tunnels (Huang, 2016).

Moreover, due to the prevalence of intellectual property infringement, businesses need to be proactive in safeguarding and upholding their rights. Regulations about data security, cyber security, and the protection of personal information have presented new difficulties for businesses. For instance, stringent rules for cross-border data transfer have resulted in major and expensive obstacles for businesses conducting business in China, while local data storage requirements have increased operating costs (International Trade Administration).

Along with these enduring difficulties, the market is characterized by industrial overcapacity and growing labor prices (International Trade Administration).

To conclude, China was typified by significant state engagement in corporate affairs, a dearth of trustworthy business data, and insufficient institutional frameworks for contract enforcement. The primary cause of these location-specific traits is the nation’s inexperience with economic liberalization and opening to the outside world. This reduces the efficiency of transactions and, more importantly, raises enormous uncertainty for investors. However, China has gained step by step a great deal of experience over the past 25 years as it has opened to the outside world and implemented economic reforms. As a result, it has gradually liberalized its investment regime, increased transaction efficiency, and encouraged WOS opportunities even though there is room for future improvements (Wei et al., 2005).

Endogenous factors

In the realm of SME internationalization in China, the internal factors acting as potential barriers are multifaceted.

Financial constraints and resource capabilities due to the small size of the company often limit the choice of entry modes, making the initial foray into the Chinese market a daunting task. SMEs are often thought of as being under-resourced, with insufficient knowledge, resources, and market strength to compete successfully in global marketplaces (Hessels & Terjesen, 2008). They often have currency and liquidity problems, and banks sometimes don't provide credit to them, with the consequential inability to invest. The necessity for control and the availability of resources determines a trade-off. A big investment has a high risk/return ratio and favors WOS; thus, an SME must be able to get financial resources for it (Wei et al., 2005). In addition, they have less exploitation of economies of scale and less power in logistics management compared to big corporations mainly due to their business size.

Moreover, the lack of experience in diverse foreign markets and competitors, especially for businesses of young age, amplifies the uncertainty surrounding the entry mode for expansion. This uncertainty is further compounded by challenges related to information gaps, language disparities, and organizational issues (Morais & Ferreira, 2020). To effectively penetrate the Chinese market and set themselves apart from competitors, SMEs must tailor their offerings in terms of goods, services, and marketing techniques to the demands and preferences of Chinese consumers. This requires careful market research, localization efforts, and cultural sensitivity. Cultural barriers due to sociocultural distance pose a significant challenge, necessitating a delicate balance of cultural adaptability to successfully integrate into the Chinese business landscape. Understanding local conditions and good local partners to build a stable network is critical to the effectiveness of operations (Wei et al., 2005).

SMEs also face obstacles that are manifested in the organizational management and human capital spheres. Lack of human resources capable of taking care of new business abroad and, finally, limited organizational skills and knowledge for managing business internationally are in most cases absent. It might be difficult for SMEs to integrate Chinese operations with current organizational structures, procedures, and cultures. Effective leadership, communication, and change management skills are necessary to promote cross-cultural collaboration, strike a balance between local autonomy and centralized control, and match strategic objectives (Morais & Ferreira, 2020). Additionally, the success of internationalization efforts hinges on the SME's risk attitude of its management, underscoring the need for strategic planning and resilient leadership.

The overall international competitiveness scenario demands a nuanced approach, emphasizing the need for SMEs to not only survive but thrive in the dynamic Chinese business environment. Successful internationalization in China necessitates a comprehensive understanding of these internal and external challenges, coupled with proactive measures to address, and overcome them. Here below, is a summary of the factors previously explained that may influence SME internationalization in China.

Figure 7: Chinese internationalization exogenous and endogenous factors

EXOGENOUS FACTORS	ENDOGENOUS FACTORS
• Customer’s behaviors • Government regulations • Trustless partners • Cyber security issue • Geographical segmentation • Market characteristics	• Financial constraints and resource capabilities • Lack of experience • Cultural barriers • Management risk attitude and human capital

Source: Personal elaboration

1.4 Strategies to overcome the gap of SMEs towards internationalization

To bridge the existing gap between small and medium-sized enterprises and internationalization, a multifaceted approach involving various strategic measures is imperative (Altınay et al., 2015), (Li &Xiong, 2022), (Li &Xiong, 2022), (Hilmersson & Jansson, 2012).

First, innovation is a source of competitive advantage in international markets, as confirmed by the R&D intensity-internationalization dynamics. R&D operations can give SMEs a competitive edge in emerging markets, even though they could face latecomer disadvantages and lack vertical integration economies across global value chains. So, technology will undoubtedly be a mitigating factor in the degree of environmental and entry-level uncertainty in the host nation (Li &Xiong, 2022).

SMEs can maintain their worldwide competitive advantages by creating R&D subsidiaries in China. This allows them to make use of firm-specific resources, generate innovative technologies, and enhance local responsiveness. The impact of foreign companies' local R&D investment on their innovation performance is positively moderated in emerging markets like China by local government support; this relationship is stronger for international joint ventures than for wholly owned subsidiaries (Tse et al., 2021).

Innovation, incorporating technologies such as big data analytics, AI, and cloud computing, is essential for maintaining a competitive edge and overcoming inherent rigidity. Technology is developing so quickly that SMEs can now more easily think about internationalizing to China. The IoT, smartphone apps, social media, remote working, and artificial intelligence have all helped SMEs get more flexible tools for growth and internationalization. These technological developments are opening previously unthinkable opportunities for frequently underfunded businesses like SMEs, such as more integrated supply chains and quicker communication with partners, contractors, and suppliers. They are also lowering physical distances, which makes it possible to reach markets, partners, and potential customers more easily (Dabić et al., 2019).

Governments must be heavily involved in helping SME support. Above all, governments should encourage entrepreneurship, facilitate the launch and expansion of enterprises, and improve access to venture capital and other financial sources. One of the best ways to encourage entrepreneurship is to lessen the regulatory load on smaller businesses by simplifying processes and cutting compliance expenses (OECD, 2000).

They should help establish networks between domestic companies that are active abroad and SMEs that are not to encourage SME export activity. Furthermore, governments should work on enabling favorable investor access in the domestic market while enhancing SME access to information and technology (Hessels & Terjesen, 2008).

Government assistance can lower R&D costs and make it easier to use regional complementary assets such as distribution networks, manufacturing facilities, and specialized marketing. Moreover, it can increase the demand for foreign products and serve as a signal of product quality and a great brand reputation. To access local government assistance more effectively, SMEs must select the appropriate entry mode. To integrate themselves more fully into the local market environment and achieve greater market penetration, businesses should actively look to establish local strategic alliances with Chinese companies operating in the area rather than "going solo". Since businesses in China can obtain financial funds by aligning their innovation goals with official programs, SMEs should take advantage of this form of help provided by local governments (Tse et al., 2021).

As previously said, leveraging networks and alliances is an essential element that allows SMEs to access pooled resources, expertise, and market intelligence. Small and medium-sized businesses can combine the advantages of being smaller and more flexible with economies of scale and scope in larger markets by networking. They can share their resources and split the price of marketing, research, and training. Clustering opens new opportunities for efficiency improvements and helps address the problems posed by globalization. It also allows the exchange of human capital and the spread of technology (OECD, 2000).

Resources that support an SME's internationalization can be obtained from external network partners. These network connections can also provide an SME with a variety of advantages, including information on opportunities and challenges in international markets, and assistance with entering and succeeding in those markets. Clients, industry partners such as suppliers and distributors, and government and public institutions can all be key members of the network (Morais & Ferreira, 2020).

Collaborative efforts could catalyze the development of creative technology solutions that satisfy global market demands by leveraging shared knowledge and resource bases. Some SMEs can employ technology licensing to accelerate time to market and supplement the internal development of new products and services. Additionally, they have access to knowledge, enhanced legitimacy, reputational support, and other resources that help with their internationalization (Child et al., 2017).

In the process of securing a network insider position in international business networks, SMEs must lessen their liability for network “outsidership”.

SMEs should create insider positions in various institutional business networks. The process of extending an international network is progressive and dependent on experience and knowledge. Organizations acquire global exposure by initiating and cultivating connections with commercial associates, where the entering firm is the focal point of the business network. A smaller, closed network that fosters trust-building information has trade-offs with a larger, open network that optimizes information benefits. In the international market, an organization set is progressively established. Once the company has established one or more business ties, the entry procedure is completed (Hilmersson & Jansson, 2012).

Network-extending companies are vulnerable to “outsidership” since they do not have a local network position at first. By fortifying their network position, companies can lessen this

liability by gaining knowledge about their overseas counterparts' preferences and range of business opportunities through their interactions. The expertise of the suppliers and customers, as well as factors like commitment, distance, uncertainty, and adaptability, define the different stages of the process. In this way, firms were able to comprehend local preferences and address the issues of local customers because of the knowledge they acquired from local contacts, which proved to be an excellent resource (Hilmersson & Jansson, 2012).
However, the firm's capacity to create and maintain business contacts is critical to its success in the admission process. Furthermore, the network organization must be modified following the evolution of the entrance process (Hilmersson & Jansson, 2012).

Another appealing strategy for small businesses obliged to compete against the scale economies that larger competitors can accomplish is to find attractive opportunities also in niche markets. So, identifying and capitalizing on market niches or a specific region will allow them to carve out specialized areas of expertise (Akbar et al., 2017). Even marginal markets have the potential to be very lucrative given the size of the nation. Moreover, the adaptation of products and communication to align with local preferences and cultural nuances is paramount, together with the protection of any intellectual property before the entrance into the market (D. K. Tse et al., 1997).

China is also known for its predominately online shopping habits and growing wave of e-commerce activities. Embracing cross-border e-commerce B2B platforms such as Alibaba.com and Made-in-China.com, and B2C such as JD Worldwide, TMall International and NetEase Kaola provide SMEs with global reach and exposure, while digital platforms like WeChat and Douyin facilitate direct engagement with international audiences. E-commerce can boost trust while lowering risk, uncertainty, and transaction costs. International businesses should invest less in physical stores, hiring and training employees, shipping, and warehouses given that the platform serves as the sole intermediary between clients and foreign businesses. Moreover, the advent of e-commerce lowers the cost of searching by increasing the amount of information that is available and accelerating the gathering and processing of that information. (Qi et al., 2020).

Professional and specialized management with a good level of international experience and knowledge is needed when expanding internationally to China. The complexity that managers must face in this situation is further increased by the diversity of national settings concerning customer behavior, legal and administrative requirements, and market conditions. Therefore, to handle the growing complexity, SMEs need specialized additional knowledge, experience, and networks (D'Angelo et al., 2016).

Welcoming non-family members with a global mentality or a local talented team into the management structure ensures diverse perspectives and skills (such as understanding customer attitudes, business practices, distribution channels, languages, marketing strategies, and exporting documentation and procedures), fostering adaptability to changes in the international business landscape (D'Angelo et al., 2016). External managers with international experience are usually innovative toward creative solutions, with proactive and risk-taking behavior. This structure creates autonomy and flexibility, pushing the organization's readiness to give people responsibility and allow them to act independently (Altınay et al., 2015).

Additionally, investing in employee education with cross-cultural training ensures that the workforce is equipped with the skills necessary for navigating the complexities of such a complex market as China. Careful planning and investment are necessary for efficient human resource management that can sustain organizational culture and propel corporate success.

A well-defined plan supported by extensive market research and understanding of local regulations, coupled with the dedication of adequate time and resources, is vital. Combining strategic and entrepreneurial management is necessary since SMEs must always look to expand into new markets and revitalize their current operational areas. To boost performance, SMEs need to create internal processes that facilitate organizational learning and increase knowledge-building ability. Management dedication, transparency, knowledge sharing, and integration are key. Effective market knowledge analysis and integration have been shown to support innovation, risk-taking, and proactiveness, which in turn leads to successful products and services, a larger market share, profitability, and a long-lasting competitive advantage. This encourages the gathering of information and creates opportunities for learning about market expansion and opportunities (Altınay et al., 2015).

In essence, a comprehensive and integrated approach that encompasses these strategies is pivotal for SMEs aiming to successfully internationalize their operations in China. However, companies must understand which mix of these strategies fits best to their businesses and internationalization plan.

Chapter 2. The Child wear fashion industry with a focus on the Chinese market

2.1 Child wear fashion industry: a definition and its evolution

As children transitioned from working in factories to embracing schooling and leisure activities in the late 1930s, there was a swift emergence of a market catering to school-appropriate clothing. Consequently, the evolution of product classifications in childrenswear has paralleled that of the adult apparel market, reflecting the increasing importance and diversity of children's roles as consumers (Diamond, 2002).

Starting from the definition of the MarketLine report of 2014, we can define the Child wear fashion industry as “a market that includes baby clothing, boys activewear, boys casual wear, boys essentials, boys formalwear, boys formalwear-occasion, boys outerwear, girls activewear, girls casual wear, girls essentials, girls formalwear-occasion, girls outerwear, and toddler clothing” (MarketLine, 2014, p. 6).
The following categories are used to split the market further: Coats & Jackets market, Blazer market, Suits & Ensembles market, Dresses & Skirts market, Trousers market, Shirts & Blouses market, Jersey, Sweatshirt & Pullover market, Sports & Swimwear market, Night & Underwear market, T-shirt market, Tight & Leggings market, Socks market, Baby clothes market and Clothing accessories & Other clothes (Statista, 2023).

A quarter of all people on the planet are children, defined as those between the ages of 0 and 14. Regarding sales quantities, the children’s apparel section outpaces the men’s apparel segment. However, the segment comes in third place in terms of sales, after the apparel segments for men and women (Statista, 2023).
The Children’s wear market has continued to grow at a respectable rate worldwide. Particularly given the difficult economic climate we're in right now, the children’s’ wear sector has fared better than the women’s wear and men’s wear markets combined. While adults can put off buying new clothes for themselves, children outgrow their clothes fast, making the purchase of new children’s apparel necessary (MarketLine, 2014).

To introduce some key takeaways of the industry, in 2022, 15.83% of the apparel market's revenue came from children's clothing. In 2024, the children's apparel market will generate, according to some estimates, around US$279.40 billion in revenue, and growth in the market is predicted by 2.56% a year (CAGR 2024-2028). Comparatively speaking, the United States generates most of the revenue worldwide ($54 billion in 2024). With an outlook to the future, by 2028, the volume of the children's apparel market is projected to reach 66.9 billion pieces, and it is anticipated that it will expand by 1.0% in volume by 2025, with an average volume per person that will reach 8.3 items in 2024 (Statista, 2023).

Among the leading global players in the Childrenswear market, we can highlight: Carter's, Inc., The Children’s Place Retail Stores, Inc., The Gap, Inc., and Mother Care plc (MarketLine, 2014).

In the US, Carter's is a well-known retailer of kids' apparel, presents, and accessories, owning brands like Carter's, OshKosh B'gosh, and others. They operate through categories serving a range of age groups. They conduct business internationally through a variety of channels, including retail, wholesale, and online, in more than 60 countries. Carter's also collaborates with licensees to increase the brand's visibility abroad (MarketLine, 2014).

Children's Place is a specialist store that sells children's clothing and accessories under several brand names. In North America, they run more than 1,100 physical sites in addition to an online store. The Children's Place US and Children's Place International are the two business segments. Their merchandise is sold in malls, strip centers, outlet centers, and street stores, and it is suitable for youngsters up to the age of fourteen (MarketLine, 2014).

Gap is a global retailer that sells apparel, accessories, and personal hygiene goods for babies, kids, and adults. It caters to distinct market niches and conducts business under a few brands. Products from Gap can be purchased globally through franchised stores, company-owned retail locations, and internet retailers. Every brand offers products that range from high-end fashion and sportswear to casual necessities, depending on the tastes of the individual buyer (MarketLine, 2014).

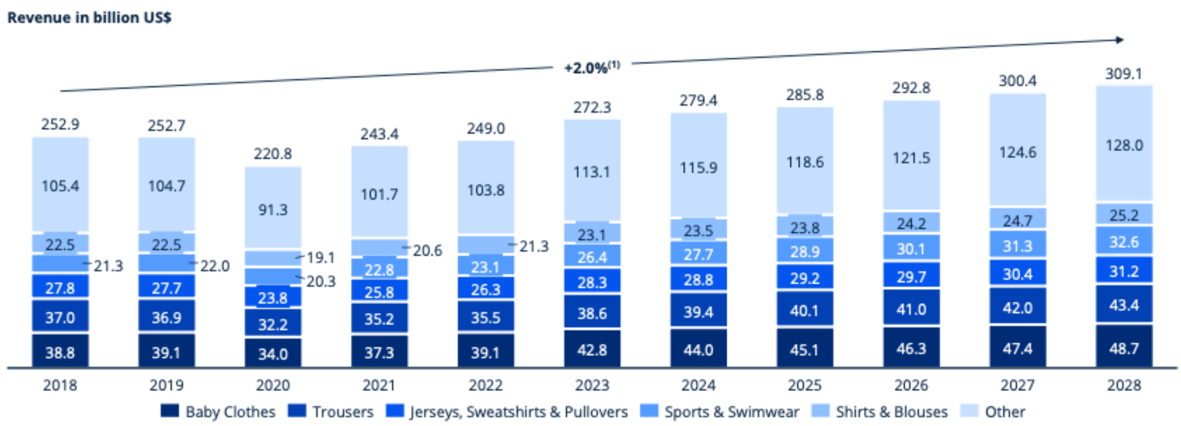
Mothercare is a UK-based company that focuses on selling toys, home goods, and clothing for infants and early children. Through a variety of methods, such as UK storefronts, direct sales, and overseas franchises, it operates across Africa, the Far East, the Middle East, and Europe. Mothercare has three brands: Gurgle.com, a social networking platform for new parents; Early Learning Centre (ELC), which specializes in toys and kid's products for ages one to six; and

Mothercare, which sells goods for expectant moms and kids up to eight years old (MarketLine, 2014).

Regarding relevant brand share, UNIQLO reached the highest share in Children's apparel in 2022 with a 2% share, together with Carter's, Zara, and SHEIN. Levi's, Balabala, Adidas, FILA, NEXT, and H&M reached a 1% share. The remaining 86% belongs to the rest of the worldwide brand share (Statista, 2023).

Looking at the main evolution of the sector, *Figure 8* shows that the Children's Apparel industry revenues are estimated to increase at a CAGR (1) of 2.0% from 2018 to 2028. This constantly upward trend promises strong future growth (Statista, 2023).

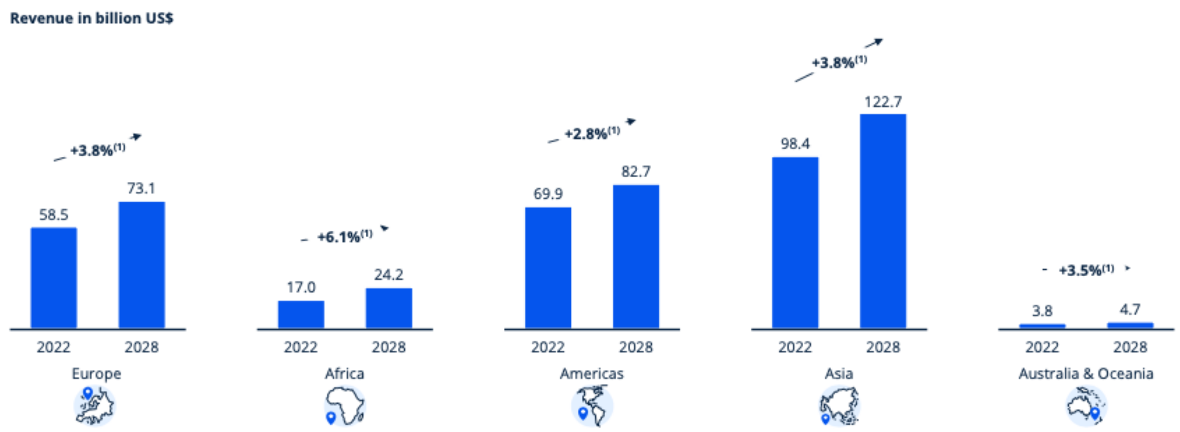
Figure 8: Children's Apparel revenues



Source: Statista market insights, 2023, p. 9

Looking now at geographical areas, with revenue of US$ 98.4 billion, Asia was the biggest market among selected regions in 2022, followed by the Americas and Europe, as displayed in *Figure 9* (Statista, 2023).

Figure 9: Country comparison



Source: Statista market insights, 2023, p.10

Moreover, Children's Apparel price per unit are estimated to increase from 2018 to 2028, and Europe will reach the highest price per unit. One of the main reasons should be that the quality, substance, and durability of clothing are some of the factors that parents look for while buying items for their kids and it is anticipated that these standards will remain essential (Statista, 2023).

The children's fashion market encountered a considerable evolution during the 2000s. Historically, the children's fashion market catered primarily to mothers, but it shifted gradually towards children themselves becoming influential consumers (Crewe & Collins, 2006).

Children's clothes serve a vital social purpose; hence the social context of consumption is particularly significant for this age group. Clothes are a means of expressing affinity and belonging. They are a means for people to demonstrate their allegiance, which helps them navigate this time of heightened social consciousness (Piacentini, 2010).

The development of the designer childrenswear market can be traced back to the early 1990s, with retail chains like Next and The Gap playing pioneering roles by bringing affordable style and quality to the middle market. This transformation led to increased consumer expenditure on childrenswear and organizational shifts within the market, resulting in a tiered and highly segmented structure. The market is polarized, with the middle market suffering from competition while growth is strong at both the lower and upper ends. The upper end sees an increasing demand for high quality, style, and design, with consumers becoming more discerning and knowledgeable about clothing, so spending larger amount of money but buying fewer garments (Crewe & Collins, 2006).

Some factors highlight the evolving dynamics of children's fashion consumption, with children themselves becoming increasingly influential in shaping purchasing decisions and fashion trends. Firstly, changes in demographics, including declining birth rates and more women entering the workforce, suggest a smaller yet more discerning consumer base with higher disposable incomes. Secondly, there is a notable increase in preschool-age children attending formal daycare, leading to greater parental investment in children's clothing for outdoor activities. Thirdly, economic changes have impacted the market, with fashion-aware parents from the 1980s now having children and seeking fashionable yet practical clothing for them (Crewe & Collins, 2006).

With the influence of adult fashion trends penetrating the childrenswear market, retailers face intensified competition, particularly from new entrants like Zara and Jigsaw. This is the reason why, in the upper end of the market, retailers differentiate themselves through exclusive, high-quality offerings, often paralleling adult fashion or featuring luxury fabrics like cashmere and kid leather. Nowadays, there is a shift away from conspicuous designer labels and towards more exclusive, specialized offerings desired by consumers seeking distinction from mainstream fashion trends (Crewe & Collins, 2006).

2.2 Main trends in the Child apparel industry

Looking at the main trends in the industry, we can identify the following main phenomena: a trend toward sustainability, ethical and social ramifications, and a trend toward digitalization.

A key trend is the share of sustainable children's apparel, which is estimated to increase from 2018 to 2026 as shown in *Figure 10* (Statista, 2023).

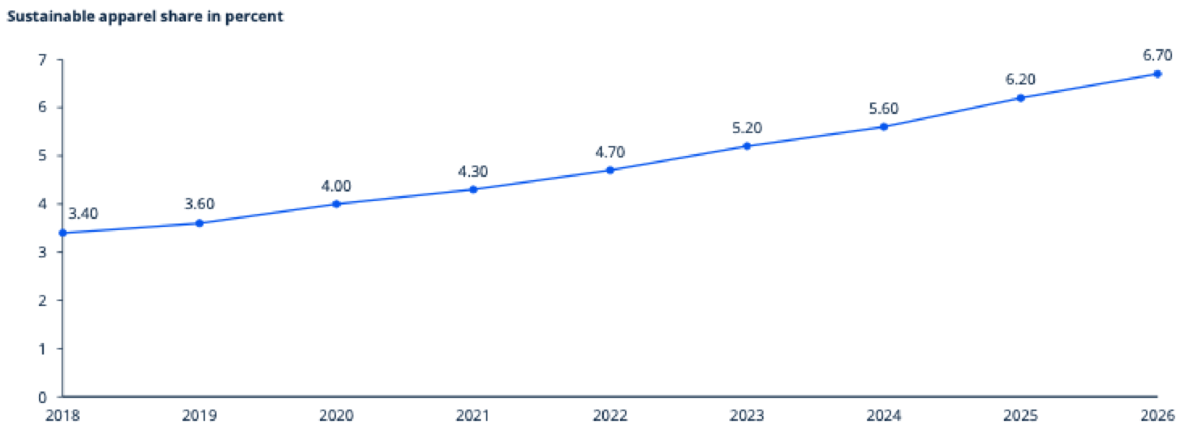
This pattern indicates a substantial shift in consumer preferences toward purchases that are more socially and environmentally conscious. It is fueled by customers' increased consciousness of sustainability issues, especially among parents and other caregivers who are becoming more concerned about how their purchases affect the environment and future generations (Yeng et al., 2015).

There are several reasons behind the growing focus on sustainability in children's clothing. First, consumers are increasingly looking for items with the least amount of ecological impact possible due to increased awareness of environmental issues, including pollution, climate change, and resource depletion. Parents are actively looking for alternatives that promote sustainability as they become more aware of the negative effects traditional clothes production methods have on the environment, including as chemical-intensive farming practices and textile waste.

Furthermore, the ethical and social ramifications of the apparel industry are becoming more widely acknowledged, especially with regard to supply chain transparency and labor standards. Attention toward sustainable children's clothing that is made under fair labor conditions and respects human rights is rising as consumers expect more responsibility and ethical sourcing practices from manufacturers (Kozar & Connell, 2013).

In addition, technological and innovative developments have made it simpler for companies to implement sustainable practices and provide environmentally friendly substitutes for traditional children's apparel. Consumers are finding more and more sustainable fashion options appealing, ranging from organic cotton and recycled materials to cutting-edge dyeing techniques and water-saving procedures (Islam et al., 2020).

Figure 10: Share of sustainable Children's Apparel



Source: Statista market insights, 2023, p.15

The digitalization of purchasing habits among customers has had a profound impact on the children's apparel market, leading to a significant increase in online revenue share. In 2022, online revenue share in the children's apparel market reached 26.0%, marking a substantial portion of overall sales. It is anticipated that this trend would continue its upward path, with forecasts indicating that online revenue share will reach 33% by 2027, as the *Figure 11* displays (Statista, 2023).

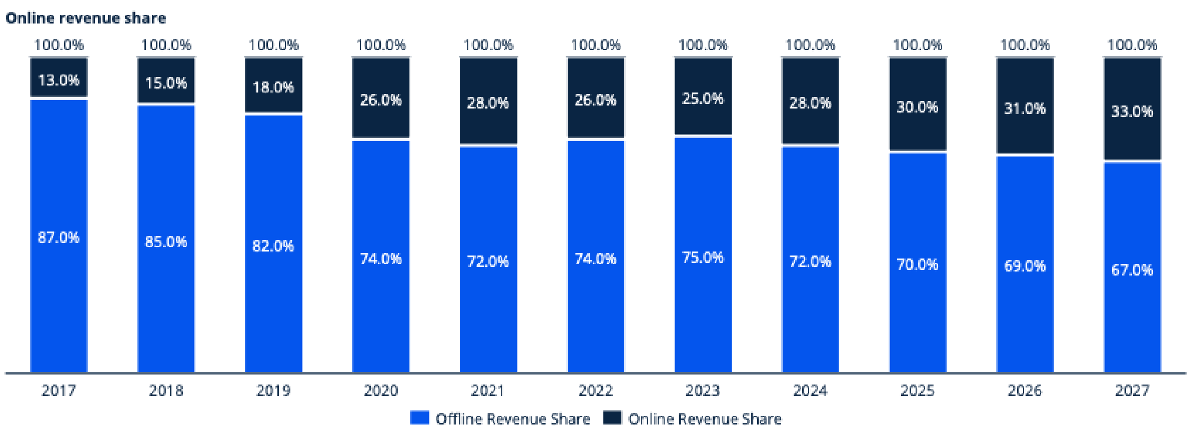
This movement in the children's clothing sector toward online shopping is caused by several factors. First off, parents and other caregivers who lead busy lives have found great satisfaction in the ease and accessibility provided by online buying platforms. Traditional brick-and-mortar stores cannot match the convenience of online shopping, which allows customers to explore and buy products from the convenience of their homes or even while using mobile devices to travel (Kacen et al., 2013).

Second, parents can compare prices, styles, and brands with ease because of the plethora of options available online, which gives them the power to make better purchasing selections. Because of this transparency, consumers benefit from a competitive atmosphere that encourages businesses to provide competitive pricing and a wide selection of products to attract customers.

Furthermore, the development of social media influence and digital marketing has greatly impacted how consumers behave in the children's clothing sector. Brands use influencer relationships and targeted advertising to promote their products, interact with consumers, and increase sales on social media sites like Facebook, Instagram, and TikTok. Online peer recommendations and direct brand interactions improve the overall buying experience and promote repeat business (Cho & Son, 2019).

Furthermore, the gap between online and physical shopping experiences has been closed by technological breakthroughs like augmented reality (AR) and virtual try-on capabilities, which let buyers see how apparel will fit and appear before making a purchase. Customer happiness and confidence in their purchasing decisions are increased by this engaging and interactive shopping experience (Baytar et al., 2020).

Figure 11: Online revenue share



Source: Statista market insights, 2023, p.2

2.3 Child wear industry analysis

To investigate the industry characteristics, we will use Porter's Five Forces framework to analyze the competitive environment of the Child-wear fashion industry (Porter, 2023).

The distribution of the economic value that industry creates is determined by the five factors, which in turn control the profit structure of that business. Naturally, competition between current rivals has the potential to erode such value, but other factors that may also be leveraged include supplier or customer power, the possibility of new competitors, or the threat of alternatives. Developing a position in an industry where the forces of competition are weaker or fortifying oneself against them are two examples of strategies.
Businesses can better understand power dynamics in their industry by using the model to guide them in assessing the level of competition and possible profitability in their market.
Industry rivalry can vary from "intense" to "mild," and as a sector's intensity increases, it becomes more difficult to turn a profit. In highly competitive industries, the majority or all of the five forces exert a significant impact (Porter, 2023).

Figure 12: Forces driving competition in the global childrenswear market

Source: MarketLine, 2014: p. 11

The Childwear global market ((MarketLine, 2014).) is characterized by a high level of competition due to the low switching costs and the vast number of participants. There is a moderate amount of buyer power in the market because of the extensive range of possible customers, as well as other variables like low switching costs and retailers' position at the end of the value chain. Due to positive characteristics, including cheap switching costs for retailers playing against a lack of substitute inputs, suppliers have a considerable amount of leverage. There is a high probability of new entrants in the childrenswear industry because it is feasible to enter on a small scale and does not always require substantial quantities of funds (MarketLine, 2014).

Buyers bargaining power

Since buyers are typically lone individuals, their sheer number reduces their purchasing power, and losing a single customer seldom has a big impact.

The product is a requirement that needs to be purchased frequently because of a child's growing. The population of many developing nations is expanding at an ever-increasing rate. As these areas grow wealthier, the need for products that cater to both the low and high ends of the market will rise along with the consumption of childrenswear.

While homemade clothing is one alternative source for childrenswear, most customers place a high value on retail sales of these items, which reduces their purchasing power. On the other hand, the lack of consumer switching costs increases buyer power. Compared to the adult apparel market, fashion and label consciousness are less important in this one, which makes buyers more price sensitive and powerful. So, buyer power is rated as moderate overall (MarketLine, 2014).

Suppliers bargaining power

Retailers can source from both apparel manufacturers and wholesalers, who are major suppliers in this sector. In most nations, the wholesaling and apparel manufacturing industries are somewhat dispersed. Although the production of clothing still accounts for a sizable portion of all manufacturing in some industrialized economies, supplier fragmentation is increased when merchants in a specific nation can purchase goods from producers abroad. Supplier strength in the global market is eroded as trade liberalizes due to competition from manufacturers in low-wage regions, particularly China. The production of apparel is typically labor-intensive because it is challenging to automate tasks like stitching. The danger of selecting a low-cost supplier entails a longer supply chain that might not be able to handle abrupt changes in demand in a market vulnerable to shifts in fashion. However, this is less of an issue in the childrenswear market. Nevertheless, switching costs for retailers are low. Because of their lack of diversity, suppliers are even more vulnerable, which is why the market is crucial to their operations. The 2013 Bangladesh Rana Plaza tragedy, which claimed over 1,100 lives and left several others injured, has increased the moral pressure on businesses to buy ethically. In this market, supplier power is often moderate (MarketLine, 2014).

Threat of new entrants

Most retail markets have minimal barriers to entry, with capital needs that allow individuals to participate even in nations with relatively low median incomes like China and India. The fact that many childrenswear stores are tiny enterprises, including sole proprietorships, reflects this. Nonetheless, in certain nations (such as the US), a small number of very large companies control a sizable portion of all market sales. Because of their size and range of economies, they may establish brands across several retail locations and have more negotiating leverage with suppliers. The latter makes it harder for new entrants by enabling them to compete more fiercely on pricing. Customers have no charges associated with transferring to another player, thus they are free to do so. This also stimulates new entrants because suppliers and distribution networks are easily accessible. Compared to adult clothing, where brand power is more crucial, childrenswear is less competitive, which also makes new competitors more likely. New competitors are deterred, meanwhile, by the threat of reprisal from established firms, such starting a pricing war. A newcomer to the market in recent years is the supermarket retailer, who can now take a larger and larger portion of the budget-conscious market due to their considerable buying power. A change in customer attitudes toward retail had also contributed to this increase, as consumers are now willing to explore supermarkets for clothing purchases, when in the past, they were mostly associated with food. The reduction of brand importance in this market is partly responsible for this success. Many nations have seen relatively minor growth in the childrenswear sector in recent years, largely because of the ongoing consequences of the global economic crisis, which limit potential spending and deter new entrants. In many emerging economies, where economic growth has been less hindered, the market is more alluring. In general, there's a good chance that new players will enter this market (MarketLine, 2014).

Threat of substitutes

Purchasing directly from manufacturers is one alternative to the childrenswear industry, one that is made more accessible by the rise in Internet sales. To benefit from cheaper operating expenses associated with not having to pay for the overheads associated with operating a high street store, an increasing number of online fashion retailers have entered the market. Manufacturers who could be lured by the prospect of selling directly to consumers without the intermediary of a store now have an outlet to sell online. Additionally, specialized options for the retail of ready-made clothing are clothing manufactured at home and through custom tailoring (couture). In certain nations, the sale of counterfeit apparel can pose a serious risk to financial gains. It is determined that there is little risk of substitutes entering the childrenswear industry (MarketLine, 2014).

Industry rivalry

The world market for childrenswear is dispersed. This market allows for a huge number of smaller businesses, which fuels competition. If major capacity increases necessitate the opening of new locations, they may be quite expensive for smaller players; however, this may not be the case if it can be achieved by hiring extra people on a flexible basis.

Although some retailers in this industry are more diverse than others, many of them, like Mother care for example, retain a strong focus on childrenswear, which fuels competition because these businesses are so dependent on this market. While lower consumer spending has recently caused problems for retail establishments, consumers are also growing more quality concerned, as evidenced by the rise in sales of numerous medium-to high-end products. This indicates that the global childrenswear market is changing, which could lead to more rivalry as businesses try to adjust. In the lead-up to Christmas, shops reduce prices on a variety of goods, including clothing, at "Black Friday," creating hectic scenes at the stores. Customers can easily switch from one merchant to another as a result, which heightens competition. Furthermore, rivalry is heightened even more by challenging economic conditions. On the other hand, better worldwide market growth is anticipated, which should reduce competition. Overall, rivalry is rated as moderate (MarketLine, 2014).

2.4 A focus on the Chinese children’s apparel market

We will now narrow the focus by considering the peculiar child wear market in China.

China's sales of children's clothing increased to 255 billion yuan in 2021 from 220 billion yuan the previous year. The coronavirus outbreak in 2020 created a setback, but the Chinese market for children's apparel recovered rapidly the following year. So, overall, the industry is expanding, much like that of many other items connected to childcare (Statista, 2023). Chinese parents increased their yearly spending on children's clothing from 877 yuan in 2020 to 994 yuan in 2021, and it is expected to grow over the following five years, reaching 1,458 yuan in 2026 (Statista, 2024).

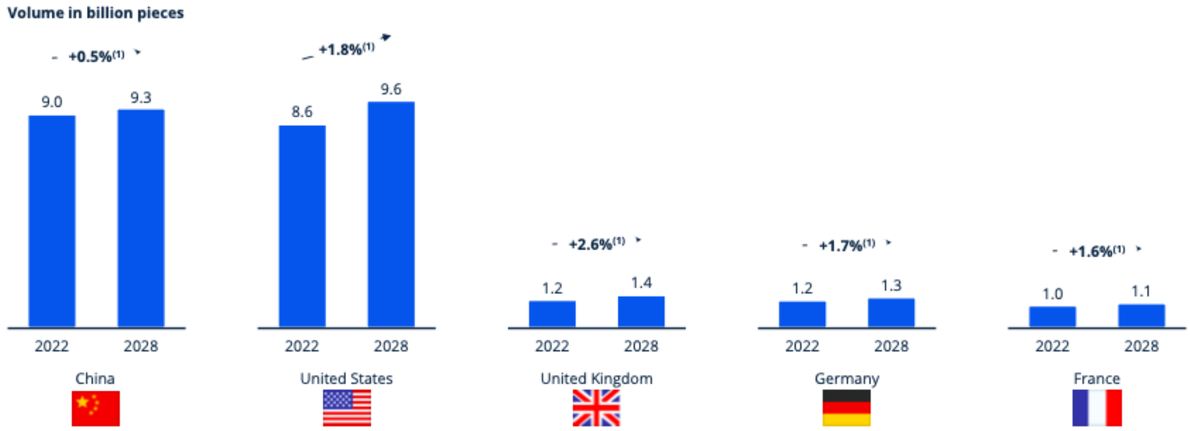
The Chinese children's apparel industry is expected to generate US$45.45 billion in revenue by 2024 and to expand by 3.79% each year (CAGR 2024-2028). China's whole population is predicted to generate US$31.72 in revenue per person in 2024. For this reason, the market is expected to reach a volume of 9.3 billion pieces by 2028 and a 0.1% increase in volume is anticipated in 2025. In 2024, it is projected that the average volume per person in China's children's apparel will be 6.5 items, mostly due to China's middle class and rising disposable income, which are fueling a demand explosion for children's clothing (Statista, 2024).

In 2023 Chinese population of children between 0 and 14 years was 151.20 million (Statista, 2024). Growing disposable income, shifting spending patterns, and rising living standards have all contributed to China's garment retail sales rise, which was predicted to continue, albeit more slowly. With sales of almost one trillion-yuan, womenswear is the biggest apparel subsector in China. Nonetheless, the market sectors with the highest growth are sportswear and children's clothing, surpassing the growth rate of the apparel market.

Even though, as of 2021, children's clothing only made up 12% of China's overall apparel market, it remains one of the most promising consumer goods segments. Rather than China's two-child policy, the double-digit growth in sales of children's apparel can be mostly ascribed to rising per capita spending on childcare-related products. The category with the most potential was baby and toddler apparel, since for obvious reasons they are more replaceable and are bought more frequently (Statista, 2023).

Comparing some selected countries, with a volume of 9.0 billion pieces, China was the biggest market among them in 2022 as you can see from *Figure 13* below.

Figure 13: Volume in pieces of selected countries



Source: Statista market insights, 2023, p.18

Looking now at the distribution channels, in 2023, offline distribution was 57.2% and online 42.8%, but it is forecasted to reach most of the offline distribution by 2026 with an online revenue share of 51.2% (Statista, 2023).

The Children's fashion apparel industry is considered one of the primary retail sectors in China that are undergoing significant channel changes because of its short product lifecycles, high market volatility, unpredictable demand, and many impulse purchases.

Omni-channel has changed the retail industry's game by replacing the conventional independent paths to purchase with a seamless universal purchase model as the digital world develops. The integration of cross-channel business models used by retailers to enhance consumer experiences and increase their market share is known as omni-channel retailing. The implementation of the omni-channel strategy tends to blur the border between online and offline buying, transforming the retail environment into a wall-free showroom. Concurrently, the Chinese retail business is moving toward a concierge model that is focused on assisting customers rather than just transactions due to the development of advanced technology on smartphones and other devices that enable constant real-time information.

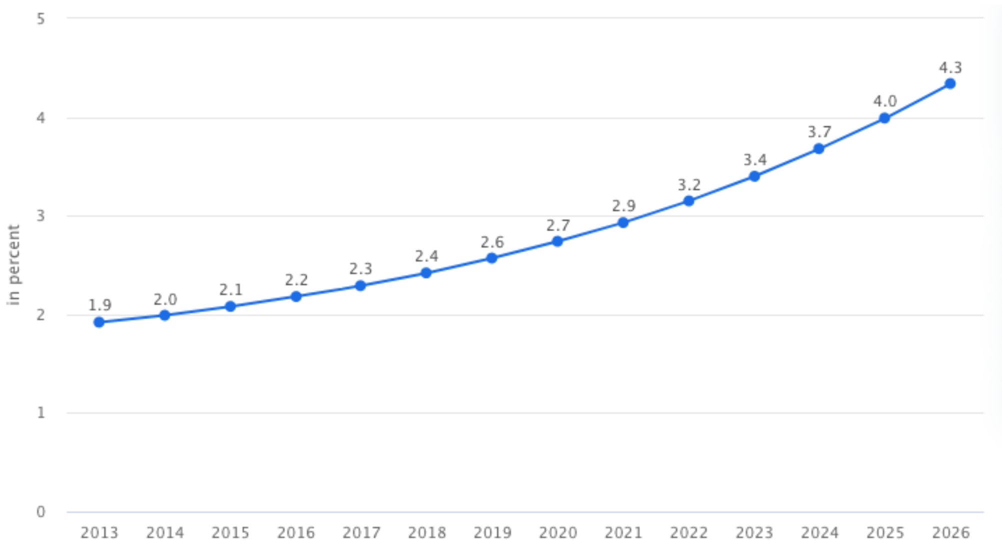
The Chinese market is dynamic, extremely fragmented, and primarily comprised of small and medium-sized shops. China is characterized by several distinct submarkets with widely disparate economic, cultural, and demographic traits. Because of this, the emergence of e-commerce giants like Alibaba, Taobao, and Tencent has drastically changed the local market structure, providing new chances for small and medium-sized shops in the countryside and interior areas that were previously limited by their physical location (Ye et al., 2018).

Regarding sustainability, as we can see from *Figure 14*, there has been a huge increase of sustainable apparel share in the previous years and this trend is predicted to increase even more in the following years (Statista, 2023).

China has emerged as the industrialized country with the highest rate of consumption, due to its 25% of the world's population, quickest pace of economic growth, and sixth-highest rate of domestic output. Overuse of natural resources has led to environmental issues and has endangered China's ecological balance as well as human existence.

For these reasons, a change to more sustainable consumption habits is needed in China both for the planet and for the future generations to come. The key determinants of sustainable decision making encompass consumption values and social norms. Consumption values are driven by the desire for prestige and social status, influences consumer behaviors, particularly in China where reputation holds significant value. Moreover, in collectivist societies like China, social norms emphasize fitting in with the group and maintaining harmony. Thus, social norms are crucial in shaping attitudes and intentions towards sustainable apparel consumption. So, enormous market prospects for sustainable apparel marketing exchanges may be presented by China's growing apparel sector, large-scale consumption, and the adoption and enforcement of environmental protection laws (Jung et al., 2020).

Figure 14: Share of sustainable Children's Apparel



Source: Statista, 2023

The child wear fashion industry in China has between its main players: Esprit Holdings Limited, Fast Retailing, Giordano International and the Miki House Group.

Esprit Holdings Limited is an international lifestyle company known for its ESPRIT brand. Operating through a single division, the company implements a multi-channel distribution strategy encompassing retail, wholesale, and licensing. They manage over 1,000 stores worldwide and operate an e-shop platform. Additionally, Esprit has a significant wholesale presence with over 9,000 points-of-sale globally. Their licensing business covers accessories, home products, and baby/kids' products, including toys, furniture, and nursery equipment (MarketLine, 2014).

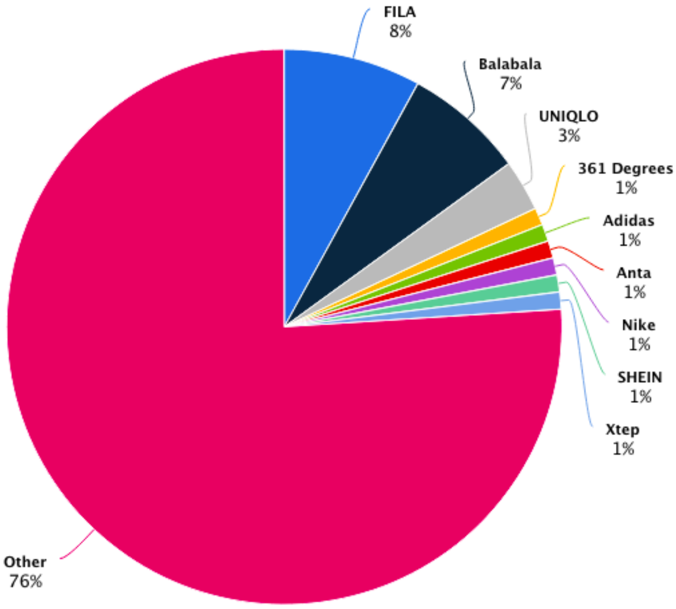
Fast Retailing, including its main brand UNIQLO, specializes in offering casual wear for men, women, and children. Operating through different business segments, UNIQLO Japan represents operations within Japan with approximately 853 stores, while UNIQLO International encompasses operations in various countries including China, South Korea, the UK, and the US, among others (MarketLine, 2014).

Giordano International, headquartered in Hong Kong, is a major retailer of apparel and clothing products with a vast network of over 2,600 shops across 20 territories. The company operates through two main segments: retail and distribution, and wholesale sales to overseas franchisees. Giordano offers a diverse range of fashion apparel and accessories for men, women, and children under various brands such as Giordano & Giordano Junior, Giordano Ladies, and BSX. Its stores are operated by joint ventures and third-party franchisees, particularly in South Korea and the Middle East (MarketLine, 2014).

The Miki House Group is a company that develops, produces, and markets family- and kid-oriented products, along with cultural activities such as printing, education, and child-rearing support. Operating through four segments: apparel, total baby care, publishing, and child education and development, the company consists of 180 stores nationally and internationally, providing clothing, footwear, toys, and other items for infants and children. Additionally, Baby House, a one-stop shop for baby needs, offers products and services tailored for expectant and new mothers through eight stores nationwide and an online platform. The publishing business produces children's picture books since 1987, while the education segment offers classes like Kidspal and English Club to facilitate children's growth. In China, Miki House operates over 17 stores in major cities including Beijing, Shanghai, and Tianjin (MarketLine, 2014).

Looking at the graph below, we can see the brand share division of the major child wear brands in China in 2022. The most tree important brands in terms of brand share are FILA (8%), Balabala (7%) and UNIQLO (3%) (Statista, 2023).

Figure 15: Brand share 2022 in China



Source: Statista, 2023

The remarkable increase in the children's wear sector in China has been fueled by a steadily increasing purchasing power. Spending on children has skyrocketed in mainland China, particularly in large cities like Shanghai. Key attributes influencing purchasing decisions include quality and style between the most important. Differences in preferences are noted based on children's ages, with emphasis on fabric quality for younger children and increased focus on style, quality, and fissionability for school-age children. Price is considered relatively less important, though consumers are attracted to markdowns and sales promotions. The acceptance of higher-priced merchandise is growing, particularly among young and higher-income consumers, though price sensitivity remains a factor. Chinese consumers shop at various outlets including department stores, specialty stores, supermarkets, markets, and small stores. Shopping frequency is often incidental with consumers buying seasonally and for festive occasions such as Spring Festival, National children’s day, New Year’s Day, or Birthday. Branded products are perceived as superior in quality and design, although some

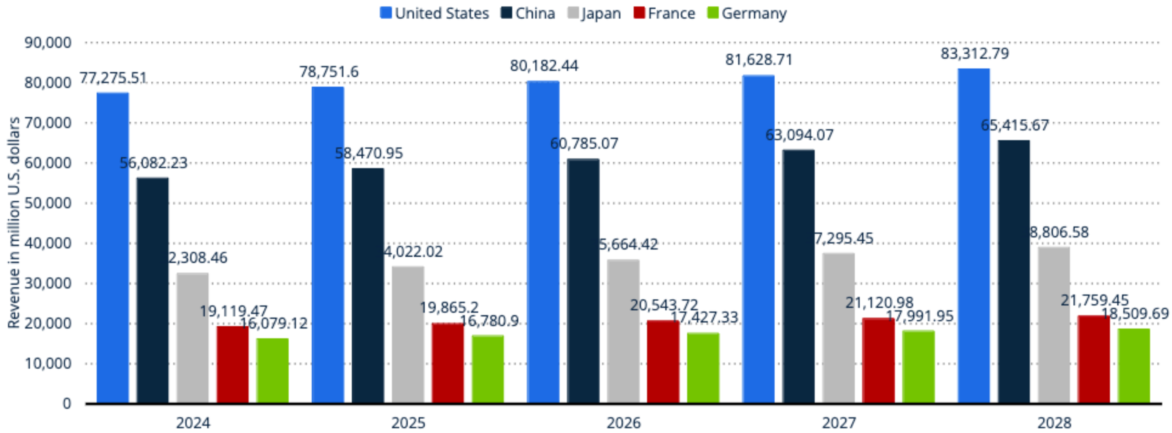
interviewees find them overpriced without offering unique features. Overall, there is a desire for brands to provide distinctiveness and added value in the children's wear market.
To satisfy consumers who are growing more and more value-conscious, products must offer noticeable quality and attractive styling. Since more people are beginning to accept more expensive children's clothing, it's critical to understand that there are chances to produce products with higher value and more potential for profit. To improve their businesses and appeal to younger and wealthier consumers, manufacturers and retailers must also endeavor to keep up with fashion trends (Chen et al., 2004).

2.5 Children luxury apparel consumption in China

"Refined enjoyment, of elegance, of things desirable but not essential" is the definition of luxury. Owners gain status just by using or displaying a specific branded product; this is in addition to any practical benefit (Zhang & Kim, 2013; p.69).
Luxurious products, brand heritage, craftsmanship expertise, bespoke communications, exclusive service, and long-term connections with chosen clients are all components of luxury, which is defined by premium prices and upscale physical storefronts. The key components of this luxury brand's value proposition are handmade, time, and class.

The emergence of new markets with robust purchasing power and a growing appetite for luxury brands, in particular China, has driven luxury fashion designers to expand globally.
China has some of the highest rates of luxury goods consumption in the world, especially in luxury fashion, as you can see from *Figure 16*. This is a result of the country's economy now being driven more by consumption than by output, which has produced a generation of nouveau riche who are eager to buy high-end fashion items (Bonetti, 2014).

Figure 16: Revenue of the luxury goods market worldwide in 2024 and 2028, by country (in million U.S. dollars)



Source: Statista, 2023

Despite the recent economic downturns brought on by the Covid-19 outbreak that shook many regions of the world and the saturation of the developed mature markets, China's desire for luxury remains strong. Chinese buyers frequently believe that purchasing luxury items will demonstrate their accomplishment and improve their social standing. Therefore, globally recognizable brands are more likely to be successful in the Chinese market.

Chinese consumers are driven to purchase luxury products by a combination of increasingly sophisticated Confucian beliefs, a need for social validation, and the pervasiveness of Western values (Ngai & Cho, 2012).

The impact of globalized consumption principles formed by the socio-political economic changes in modern China has made Chinese consumers yearn for internationally renowned luxury fashion brands as a symbol of success, wealth, and status, as well as a desire for a worldwide material lifestyle. The middle class in China owns luxury items despite not being able to afford them since they represent a prosperous life and good taste. Fashion items act as instruments for a person to declare their social status to onlookers as well as to express their identity. Being luxurious is a social symbol. People's symbolic aspirations to obtain social recognition and membership in an elite social class are the essence of luxury (Zhang & Kim, 2013).

In China, luxury is inclusive rather than exclusive and everyone believes they are entitled to possess expensive goods. People in China are only drawn to well-known brands because they are renowned locally, not because they have a strong sense of identity with the brand's values and history (Kapferer, 2014).

People tend to conform to group standards, and expectations from the group have a tremendous influence on individual behavior. So, people will attempt to prevent feeling ashamed if they don't behave in accordance with the group norms. Aspects of contemporary Chinese society, in addition to an improved economic climate and elements of Chinese culture, have contributed to the rise in luxury consumerism. More specifically, younger Chinese have a propensity to live extremely hedonistic lives and to adopt hedonistic beliefs, which has contributed to the development of luxury goods (Walley & Li, 2014).

Chinese people are mainly driven by some purchasing factors: Brand consciousness, Materialism, Social comparison, and Fashion innovativeness.

Brand consciousness is the psychological inclination for well-known brand-name products. In collectivistic nations like China, a brand's name is a crucial symbol of group identity and determines the wearer's social standing and self-worth. The value that a consumer places on material goods and acquisitions is known as materialism. In this sense, having something signifies achievement and leads to greater contentment and pleasure. As a result, materialism elevates their prestige because they are visibly wealthy. Social comparison is the process by which people assess themselves by comparing them to others. Because they own luxury things to impress others with the ideal status that the commodities signify, Chinese people are easily affected by others. Lastly, being innovative means having the courage to adopt novel concepts before others do and standing out from the crowd. Innovators seek to set themselves apart by examining many styles, while followers fulfill the function of mimics (Zhang & Kim, 2013).

Chinese luxury consumers also have a fascination with and a yearning for Western culture, in particular Italy (Walley & Li, 2014). Since the early 1960s, “Made in Italy” excellence has come to represent design brilliance, craftmanship, and quality in products and technologies made by Italian companies that are acknowledged throughout the world. Italian fashion has a significant positive impact on Chinese consumers' tastes, specifically regarding children's clothing. Chinese consumers' tastes are positively influenced by the presence of an Italian store sign and retail policies, which uphold the Italian brand image. This is the reason why the Italian brand image is upheld via a mono brand retail strategy in China (Pucci et al., nd).

The baby and childrenswear sector in China are experiencing a generational shift as the oldest members of Gen Z will turn 29 in 2024. The one child per family policy and rising living standards in China have contributed to the hedonistic lifestyle and values of many young Chinese people. Since many young people are the only kids in their family, they receive most of the care, attention, and financial support from their parents and extended families. These kids have come to be known as little emperors because of their attention. Instead of experiencing the financial hardships of earlier generations, this kind of child can benefit from their parents' better economic circumstances, which frequently include luxury products and services. Parents frequently want to impart their sense of style on their children with original and fashionable garments. Sometimes they even wear the same garments as their parents, favoring the "Mini me" trend (Walley & Li, 2014).

Nowadays, many luxury brands are using their diversification strategies to include a segment of childrenswear, and competition in the industry is growing. Fashion brands have launched "Mini me" or original completely new lines to satisfy Chinese consumers' demand for upscale childrenswear and they opened dedicated boutiques in major Chinese cities. As long as they consistently adhere to the overall brand image, numerous brands frequently expand into the children's clothing market.

However, the government's efforts to increase spending, China's comparatively robust economic growth, and the relaxation of the one-child policy will support the maintenance of luxury sales levels and push the internationalization of luxury companies toward the market (Zhang & Kim, 2013).

Chapter 3. Monnalisa Spa: an empirical case study

3.1 Introduction

The globalization of markets in recent decades has brought with it previously unheard-of opportunities as well as difficulties for small and medium-sized firms. The swift economic development of developing nations, especially China, has made these regions a focal point for SMEs planning to expand internationally to take advantage of the enormous client base and rising purchasing power of the population. In this backdrop, SMEs' internationalization toward the Chinese market has emerged as a crucial field for strategic study.
This empirical case study investigates Monnalisa's internationalization process as it successfully entered the extremely lucrative but challenging Chinese market. I decided to choose Monnalisa Spa company since it is a well-known Italian SME in the children's apparel business with a huge experience in foreign markets. The experience of Monnalisa provides a useful way through which to examine the strategic issues, difficulties, and success factors related to SMEs' international expansion into China.

Because of its size, diversity, and growing urbanization, the Chinese market presents enormous prospects for SMEs operating in the industry. But to successfully enter and operate in this market, one must have a deep awareness of its distinct cultural, legal, and competitive environments. SMEs need to create customized plans that take advantage of their respectively competitive advantages that distinguish them from competitors, while reducing risks and uncertainties.
Regarding entry mode selection, market segmentation, distribution channels, and adaptation to local consumer tastes, Monnalisa's strategic approach to internationalization offers useful insights into practical tactics for SMEs entering the Chinese market. This case study looks at Monnalisa's experiences to add to the body of knowledge on SME internationalization and provide useful advice for SMEs looking to grow into China.
With a focus on the distinctive experiences and insights discovered from Monnalisa's journey, this case study aims to shed light on the potential difficulties and strategic concerns related to the internationalization of SMEs into the Chinese market. We hope to offer helpful insights

and advice for SMEs navigating the challenges of international expansion into one of the largest and fastest-growing consumer markets in the world.

3.2 Research methodology

The research will pursue a qualitative case study design methodology to examine an Italian company, Monnalisa Spa's process of internationalization into the Chinese market, following the guidelines outlined by Yin (2014). To provide a thorough knowledge of Monnalisa's internationalization methods, obstacles, and outcomes, a single-case design will be utilized, concentrating solely on the company. Monnalisa has been chosen for the following case study analysis since it represents a successful example of internationalization for an Italian SMEs and this choice can lead to insightful and informative findings for the research conducted.

The data collection method used for the Monnalisa case study comprises both primary and secondary sources.
Regarding the primary data, key Monnalisa Spa stakeholders, such as the founder and president Piero Jacomoni and the manager of foreign business development in China Thoms Bessi were interviewed in-depth at the company headquarter in Arezzo. I was also supposed to interview company CEO Christian Simoni, who has been the company's CEO since 2009, but unfortunately during the data collection period his term ended and new CEO Matteo Tugliani took office. The interview procedure at Monnalisa Spa has selected participants using purposeful sampling, guaranteeing representation from different management levels involved in the internationalization process.
The company's internationalization goals, decision-making procedures, difficulties encountered, and lessons discovered were all covered in these interviews. All the question addressed to each of the interviewees where different from one person to the other, to cover the argument that best fit to them based on their experience and role inside the company. The interviews gave both thoughtful and unique insights about the internationalization path of the company. In particular, the interview with the manager Thomas Bessi was more technical due to the strong academical and professional background, while the one with the founder was really engaging and full of anecdotes due to his long business experience right from the foundation of the company.

With reference to the secondary data, to learn more about Monnalisa Spa's internationalization process, pertinent internal papers like company profile, business plans, financial reports, investors presentations and the annual reports were examined.
Secondary data were also searched on several databases such as Aida, Nexis Uni, Scopus, Web of Science and Business Ultimate Source. Further information was found in some newspapers such as Il sole 24 ore, La Nazione and other related web articles. A methodical examination of secondary sources has been carried out to pinpoint pertinent papers and scholarly literature.
To contextualize the case study findings, a thorough assessment of the body of literature on SME internationalization, entry mode tactics, market selection criteria, and the dynamics of the Chinese market was conducted in the first paragraph. This provided theoretical frameworks and comparative perspectives.

Figure 17 summarizes the primary and secondary sources used in this chapter to perform the case study analysis of Monnalisa S.p.A. This figure provides a detailed overview of the data collection methods employed, ensuring transparency and rigor in the research process.
Regarding the primary sources, the figure specifies the individual respondents interviewed, along with their respective management levels within the company. It details the number of interviews conducted with each respondent, providing insight into the depth of direct input gathered. Additionally, the specific duration of each interview is recorded.
As for the secondary sources, the table clearly displays the number of articles downloaded from each source and the number of articles read and analyzed. This distinction is crucial as it highlights the scope of literature reviewed and the selective process used to identify the most relevant and valuable information. The secondary sources encompass a wide range of materials, including academic journals, industry reports, market analysis documents, and news articles. Each type of source contributes different insights.

Figure 17: Data collection Summary

Primary Sources	***Respondent***	***Interview Time***
Interview	Piero Jacomoni; Founder and President	3 interviews; First 20 minutes, Second 1 hour, Third 15 minutes

Interview	Thomas Bessi; Manager of Foreign Business Development	1 interview, 50 minutes
Secondary Sources	***Number of articles downloaded***	***Number of articles read***
Financial reports	5	5
Investor presentations	3	3
Annual reports	5	5
Orbis	3	1
Nexis Uni	5	2
Scopus	6	4
Web of Science	2	1
Business Ultimate Source	2	2
Il Sole 24 Ore	5	3
La Nazione	3	1

Source: Personal elaboration

Patterns, themes, and important discoveries from observation notes, document analysis, and interview transcripts will be found through the application of qualitative data analysis.
The results obtained from the primary interviews will be cross-checked and validated using secondary data sources, which will increase the validity and dependability of the case study research. All the results and discussion about the findings will be analyzed within the paragraph about discussions and interpretations of the results.

Potential biases in self-reported interview data, restrictions on access to internal records, and the generalizability of findings restricted to the setting of Monnalisa Spa's internationalization process are some of the research's limitations.
Subjective interpretations provided by participants may introduce bias into the data obtained from interviews and document analysis. Reflexivity in data interpretation and the triangulation of data sources were two strategies used to try and reduce bias.
Moreover, the extent of study has been restricted due to limitations on accessing confidential and internal records at Monnalisa Spa.

The findings may not be as broadly applicable outside of the context of Monnalisa Spa's internationalization process and the Chinese market due to the use of a single-case study. Although the thorough investigation offers insightful information, care should be used when applying the results to other SMEs or industries.
Subsequent investigations may involve contrasting case studies of several SMEs engaged in the child wear fashion sector to examine differences in internationalization approaches and results.

For SMEs looking to expand internationally into the Chinese market, the case study's conclusions will provide insightful analysis and useful takeaways, along with practical advice and strategic direction derived from actual experiences. Furthermore, the study will improve academic knowledge of the dynamics of SME internationalization and contribute to the body of knowledge already available on international business tactics and market entry techniques.

3.3 Company profile

Monnalisa was founded in 1968 in Arezzo, Tuscany, by the current chairman of the board, Piero Iacomoni.
Engaged in the luxury market under the "Monnalisa" brand, the Group is a prominent global leader in the creation, production, and marketing of upscale apparel and accessories for kids between 0 to 16 years via a variety of distribution channels.
It works mainly through proprietary brands, but it’s on the path to becoming a multi-brand company. The company's strategy has always combined innovation, entrepreneurship, searching for new markets, unique styling, and paying particular attention to the business's resource and talent growth (Monnalisa, 2022).

The company is currently owned by a holding company that is related to the founding family, and it is led by CEO Christian Simoni. It is listed on the Euronext Growth Milan since July 2018. Monnalisa employs around 300 people and generated 46.4 million euros in revenue in 2022 (Monnalisa, 2022).

Figure 18: Financial profile and employees

Exchange rate: EUR/USD	31/12/2022 migl USD	31/12/2021 migl USD	31/12/2020 migl USD	31/12/2019 migl USD	31/12/2018 migl USD	31/12/2017 migl USD
	12 months Unqualified IFRS AR 1,0666660	12 months Unqualified IFRS AR 1.13260	12 months Unqualified IFRS REG 1.22710	12 months Unqualified IFRS REG 1.12340	12 months Unaudited IFRS AR 1.14500	12 months Unqualified IFRS AR 1.19930
- Total value of production	50629	51,217	42,238	55,47777	59,729	58.521
- Useful/Loss before tax	-3,620	-3,368	-10,732	-8,871	1,960	3,772 of the
Profit/operate loss [net profit]	-3,464	-2,154	-9,579	- 9,453	1,479	2,696 of 6
- Financial flow	4,8988	1,712 of the	-8,498	-4,339	5,007	5.4, 484
Total Active	76,057,077	64,667	71,453	76,41111	85,742 of the province, dis	68,189
- Net of the Net Worth	25,618	33,454,484	37,435	43, 700	54,275	35,024
Current liquidity index (x)	1.34 - The .	1.46	1.40	1.61 - The EESC'	4.20	2.83
Profit margin (%)	-7.15	- 6.58	- 25.41.	-15.99	3.28	6.45
Profitability of equity (ROE) - Gross (%)	-14.13	-10.07.	-28.67	-20.30	3.61	10.77
- Return of invested capital (ROCE) - Gross (%)	-4.23	-7.70	- 24.40	-17.98	3.38	8.17
Solvency coefficient (based on assets) (%)	33.68	51.73	52.39	57.19	63.30	51.36
Number of employees	n.d.	330	316 of the 216	362	314 in the 1	264

Source: Orbis, 2022

The company's revenue is split respectively 37% in Italy, 30% Europe and 33% Rest of the world, with exports making up 63% of total production in 2022 (Monnalisa, 2022).

Figure 19: Revenue distribution by geographical area

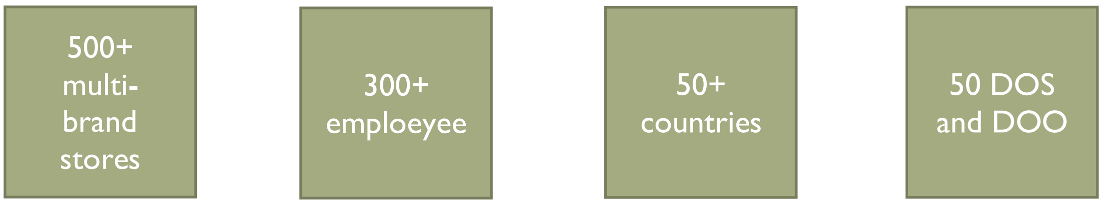
31st December at current exchange rates						
In thousands of Euro €	*2022*	*Inc. %*	*2021*	*Inc. %*	*Var*	*Var%*
Italy	*17.230*	*37%*	*15.982*	*37%*	*1.248*	*8%*
Europe	*13.916*	*30%*	*11.943*	*27%*	*1.973*	*17%*
Rest Of the World	*15.230*	*33%*	*15.707*	*36%*	*(477)*	*-3%*
Total	*46.375*	*100%*	*43.631*	*100%*	*2.744*	*6%*

Source: Monnalisa Financial report, 2022

There are seventeen European countries in the domestic market and the Americas, Eastern Europe, Russia, Asia, and the Middle East in the overseas market.

One of the first childrenswear companies to implement a continuous growth strategy was Monnalisa itself. Through the opening of direct and wholesale mono brand stores, the company developed a wealth of knowledge and expertise in managing mono brand stores, which now serves as a significant competitive advantage. With a strong and expanding international vocation, it has established subsidiaries in Russia, China, Brazil, the USA, South Korea, Taiwan, and Turkey since 2016, adding to its existing subsidiary in Hong Kong. The main goal is to increase the company's level of penetration in foreign markets with a focus on the direct retail channel (Monnalisa, 2022).

Figure 20: Monnalisa Key figures



Source: Monnalisa Investor presentation, 2022

Monnalisa Values are aimed to form a community founded on Creativity, Commitment and Care. The Mission is to create value over time with the goal of bringing the following Vision to fruition (Monnalisa, 2022):

- *Excellence* in innovation, creativity, and practicality of use to conquer new markets.
- *Stimulate* within a widespread managerialism to successfully meet the challenges posed by today's markets.
- *Expand* in the world at the production and commercial level, always cherishing the company's values and its identity to spread a culture of social and environmental responsibility.

Its success is based on entrepreneurship, innovation, and sustainability.

But if creativity is at the core of the manufacturing process, then innovation is the competitive lever par excellence, and it must be maintained and strengthened as one of the essential elements of the Company's intangible assets. Barbara Bertocci, the creative director, and her daughter Diletta Iacomoni, the fashion coordinator, oversee the production team.
The Group blends the Italian matrix with exceptional craftsmanship, inventiveness, and the capacity to reinvent itself and remain modern. The ability to occasionally spot emerging trends and maintain a constant focus on the distinctiveness, quality, and originality of its goods have allowed the Monnalisa Group to establish itself as a leader in the children's fashion sector.
Monnalisa offers engaging and high-quality fashion content while also making a substantial investment in R&D, social consciousness, SA8000 compliance, and ISO 14001 environmental certification. Additionally, Monnalisa has been certified by Elite-Borsa Italiana since April 2016, a program created to promote and expand SMEs and which has given the company access to new opportunities (Monnalisa, 2022).

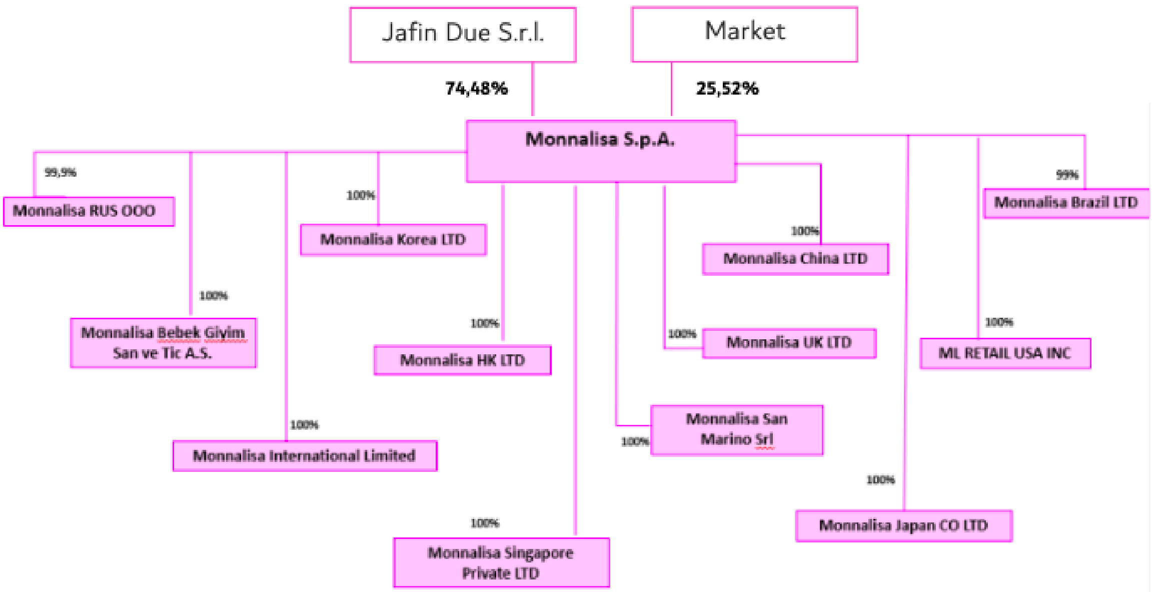
The owner, managers, and employees of Monnalisa are a group of "organized" individuals who, in conjunction with shareholders, façonists and suppliers, customers and consumers, the community in which the company is based, the institutions it interacts with, and the environment in which it operates, have established a mission centered around: Originality & Creativity. Monnalisa has consistently been associated with high-quality, sustainable, fashionable, innovative, and distinctive products. With diligence and commitment People are Monnalisa's primary concern (EBSCOH, 2018).

Except for the activities related to the distribution and management of retail outlets in various geographic areas, which are instead handled directly by the Group's individual commercial entities in the relevant market, the Monnalisa Group operates through a centralized business structure (Monnalisa, 2022).
Hence, Monnalisa is an operating holding company that, in addition to owning equity stakes in foreign commercial enterprises, oversees every stage of the production process, from product conception and development to marketing, solely contracting out specific production steps.
In addition to being a defining characteristic of the Monnalisa Group, the internalization of the product's creative and production process works toward the main goal of its robust industrialization. As a matter of fact, the Group can control all strategic activities internally, which has a good impact on margin and turnover management.

The Group is set up in accordance with a concept that closely links communication initiatives and product strategies to maintain the image and style of the Monnalisa brand and it is distinguished by the Company's ongoing management of the value chain (Monnalisa, 2022).

The Company is organized according to the administration and control model traditional with the Shareholders' Meeting, the Board of Directors, the Board of Statutory Auditors and the Statutory Auditor. The main corporate governance body is the Board of Directors, which is responsible for determining and pursuing the strategic objectives of the Company and the Group to which it belongs. Its members are: Piero Iacomoni (Chairman), Christian Simoni (Chief Executive Officer), Matteo Tugliani (Director), Leonardo Etro (Independent Director) and Fabrizio Dosi (Independent Director) (Monnalisa, 2022). During the data collection period the term of Christian Simoni ended and new CEO Matteo Tugliani took office. Tugliani is the husband of the founder's daughter Diletta, since 2013, he has been a manager and member of the board of directors of the company, in which he holds 3.8% through the company Jafin Due. The decision to have an in-house member of the family as CEO can be attributed both to the strong ties he has with the company, but more importantly to his extensive experience both academically and professionally. A graduate in economics and small business management, he has had experience at Columbia University and Carlos III in Madrid, as well as a master's degree from Bocconi in marketing and communication. He was the founder of the consulting firm Fashion Link and the second-hand platform Dresso, as well as the sole shareholder of the company Moaconcept.com. Tugliani will work in close partnership with the creative direction Diletta Iacomoni representing to formalize a generational transition, which will strengthen the brand.

Figure 21: Group structure and Board of Director structure



Board of Director	
Piero Iacomoni	Chairman
Christian Simoni	CEO
Matteo Tugliani	Board Member
Fabrizio Dosi	Indipendent Board Member
Leonardo Luca Etro	Indipendent Board Member

Source: Monnalisa Financial Report, 2022

Distinctive features of Monnalisa products include: high quality which is the result of skills and knowledge refined over time in the constant search for high levels of excellence and material quality; sartoriality of the realizations capable of guaranteeing a high wearability of the garments made; the contemporary character of the collections, which is an expression of a balance between innovation and identity of taste.

The group provides a broad range of items that are organized into themes and may be used for both professional and informal occasions (Monnalisa, 2022).

First, the Core line of Monnalisa products for children aged 0 to 16, which is a full and flexible offer with tailored suggestions for different age groups; from the gentle ensembles of the Layette line to the happy coziness of the suggestions meant for infants aged three to thirty-six months, to the witty and stylish looks for preteens and teens, including a tailored suggestion for baby boys. Under the theme "Maxi you," size development is also extended to XS, S, M, and L, which are dedicated to moms and allow for complementing pairings with their young daughters and sons.

Second, the Couture line is made to fit the child for the most exclusive events; it is the top of the line, declined in a select few elegant pieces that embody the finest Italian fashion heritage. Lastly, the Chic Line specializes in formal and occasion clothes, bringing back the past while providing elegant clothing with a romantic, modern vibe (Monnalisa, 2022).

The luxury lifestyle brand Monnalisa offers a broad range of products, such as apparel, accessories, shoes, furniture, and cosmetics. In more than 60 countries (the Americas, Far East/Oceania, Middle East/Africa, Europe, Eastern Europe/Russia), Monnalisa currently distributes its own-brand lines through five distribution channels (Monnalisa, 2022):

- *wholesale*: independent multi-brand stores;
- *wholesale retail*: single brand in partnership;
- *corporate retail*: direct mono brand stores;
- *e-business retail*: online sales channel direct to the end consumer;
- *e-business wholesale*: multi-brand online platforms directed to the end consumer.

A further noteworthy contribution to the Monnalisa brand's communication as a synonym of luxury, competitive with the best players in that market, is the brand's presence in premier luxury department stores and malls, as well as retail boutiques located in the world's most prestigious shopping streets (Milan, Rome, New York, Beverly Hills, Moscow, Madrid, and Hong Kong). Monnalisa items can be found in more than 750 multi brand stores as well as direct flagship stores and the most prestigious department stores in the world, such as Harrods, la Rinascente, Galeries Lafayette, Saks Fifth Avenue, Harvey Nichols, Bloomingdales, Sogo, El Cortes Ingles, SKP, and TsUM (Monnalisa, 2022).
Consolidated, retail accounts for 36% of the company's sales. As of 12/31/22, there were 49 mono brand locations, of which 14 outlets, in the retail space, plus an online store and shop-in-shops housed inside the world's most renowned department stores.
The retail channel is made up of mono brand stores that are run by Monnalisa's subsidiaries globally and directly in Italy. Italy is home to about 30% of the stores; the remaining outlets are spread across China, the USA, Hong Kong, Taiwan, Singapore, and Europe. Over 90% of the retail network has opened in the last seven years, with almost 50% of the current outlets having opened in the last five years.

Figure 22: Retail stores divided by country

Geographical Area	***Number of Stores***
Belgium	*1*
China	*11*
France	*3*
Hong King	*1*
Italy	*13*
Russia	*5*
San Marino	*1*
Singapore	*1*
Spain	*5*
Taiwan	*1*
Turkey	*1*
UK	*1*
USA	*5*
Total	***49***

Source: Monnalisa Annual report, 2022

When solely the in-house e-commerce platform is considered, the weight of the online channel has stabilized at 6%; when indirect online is also considered, the percentage impact on sales rises to 18%.

The wholesale channel's capillarity and exclusivity are its distribution strengths. Monnalisa has more than 500 retail clients as of December 31, 2022, with more than 50% of its value coming from overseas sales.

To maintain continuity with the brand's position and visibility, Monnalisa plans to keep expanding its direct retail distribution network by adding new stores in prestigious and significant worldwide locations. In addition, consistent distribution, marketing, and communication initiatives, improved inventory control, interaction with online and offline platforms, and improved production and raw material procurement planning are all paramount objective for the future growth of the company (Monnalisa, 2022).

3.4 Monnalisa history of internationalization

The Monnalisa Group has over the years developed a distinct and well-thought-out international expansion strategy that has allowed it to strengthen its brand identity, position itself in the target markets, gain more direct control over its distribution channels, and maintain the innovative spirit that has always defined it.

The international expansion experience for Monnalisa began very early compared to other members of the industry. The company was born in 1968, and Piero Jacomoni, founder, and president, started internationalizing in 1974.
The internationalization process began when, after the Belice earthquake, Piero needed to make up for lost sales and decided to participate in an industry fair in Germany (Il Sole 24 Ore, 2017). Starting from the year 1974, Monnalisa participated in various fairs all specialized for children's clothing in Paris, London, Valencia, Cologne and in the most important capitals and cities in Europe. Piero himself has left with his caravan and few collaborators to attend all the fairs that came his way. They were all young people who, with an enthusiastic spirit, helped him in selling and sponsoring products at the fairs they attended. Between the others, Pitti bimbo was one of the most important fairs, which Piero attended in Florence 96 times, for 46 years twice a year. However, the fairs currently, after 55 years of experience and extensive market knowledge, have decreased in importance for the company.

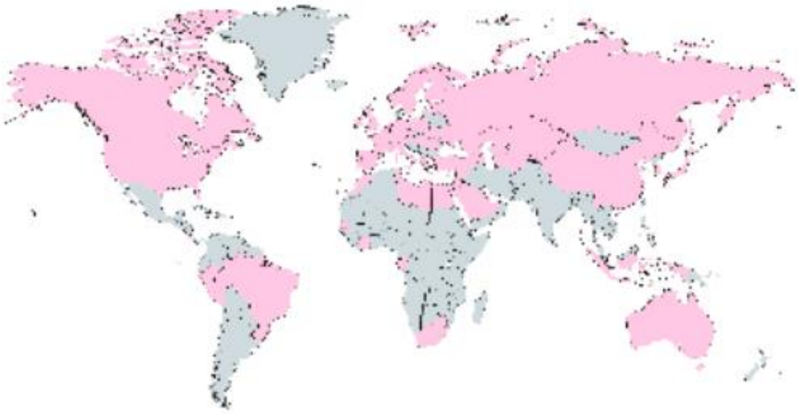
Piero has always believed that foreign companies bring news, novelties of both products and fabrics and ideas creating the positive effect of globalization. However, Monnalisa had in specific a doble motivation to start entering foreign markets.
The motivation before the initial willingness to internationalize the company was to take advantage of the hard currency of foreign countries. For example, when they went to Germany the company acquired the marks through their operations that were required by the bank which did not charge interest rates, and thus gave very important economic aid for the company. Hard currencies were for example the mark, franc, peseta. International expansion was therefore primary a way to finance their operations.
As a second motivation there was that going abroad meant facing the markets of the world, that is, having a huge market to expand demand and finally revenues.

In 1998, it was still a problem to go to both Russia and China, and Piero managed to enter both countries through a consortium of which he is still president today: Bimbo Italia. The consortium included 25 companies of Italian children's manufacturers and had the main purpose of making economy of scale between members. During trips abroad, Piero would take consortium members who wanted to participate in the fairs with him in order to save money. Each member who participated in the fairs would put a portion of resources into doing exhibitions abroad, creating economies of scale in their operations.
Through the Bimbo Italia consortium, requests to participate in the various foreign trade fairs were forwarded to all the members and companies would decide whether they wanted to participate. Piero always participated because he has always been inclined to export and take his products abroad since 1974.

The first entry mode used by the company to enter foreign markets was direct export done personally by Piero, until now having the company own several companies abroad. Instead, at that time it was just export, that was, looking directly for the customer in a particular country, taking orders, receiving money, putting the goods into production, and finally delivering them. Therefore, entry mode of direct export without intermediaries was used by Monnalisa, except for some countries. In some emerging countries such as China, India (EBSCO, 2018), Syria, Egypt, Libya, Iran and Brazil the company made a licensing agreement where a fee is given in exchange for the sample to be reproduced in the various countries. In this type of contracts there is always an exchange of know-how: Monnalisa bring innovation, creativity, marketing tools, and the partner has the control of the territory and knowledge of local consumer tastes. For example, Monnalisa inked a contract with Gato Mia Confeccoes, a prominent player in the Brazilian children's fashion industry and proprietor of several brands, including Petit Cherie, which supplies over 1,700 wholesale clients. Produced in Brazil, the Fall/Winter 2023 collection will be offered under the "Monnalisa for Petit Cherie" brand throughout Central and South America. As a result of the agreement, Monnalisa can broaden the scope of its global multichannel distribution strategy and will be paid a royalty contingent on sales within the designated territories (La Stampa, 2022).
Only in China there was a franchise agreement later made, where the Chinese partner of the initial license then became franchisor. We will elaborate on this argument in the following section.

In the years between 1990 and 2000 there was a huge export boom, and Monnalisa was always present at all the fairs that came up. Therefore, the process of international expansion occurred across the board according to where the fair was located, not related to market analysis of the specific country as they do now.
Monnalisa's breakthrough was the establishment of companies abroad with direct investments in 2016 to open direct stores. With representative offices and subsidiaries, the company wanted to make direct investments abroad through opening showrooms and boutiques in key cities around the world (Il Sole 24 Ore, 2017).
Where there was an opportunity, the company always tried to invest in new markets.
The first direct investment was Spain since there was the fair in Valencia and Piero went around the city looking for important customers. From there they now have two stores, one in Madrid and one in Barcelona.
Monnalisa has gradually opened single-brand boutiques, flagship stores, or corners with a strong identity in the best retail outlets.
All direct investment has been for retail and outlets so commercial activities, but they have never bought a company for production purpose. They also produce abroad but paying for the finished product, since they give the production partner the idea and fabrics and they make the finished items, as Monnalisa does in China.
Therefore, from an initial stage of direct export they have come to direct investment with their own stores and companies that import the product from Italy and distribute it through the network of retail and outlets. They decided to change the approach to areas that were strategic for them, transforming the company from mere exporter to investor.
Only in China was there the intermediate stage of licensing and then franchising, being a more particular and difficult market, but today they have their own direct company Monnalisa China.

Figure 23: Monnalisa international expansion map



Source: Monnalisa Investor relations, 2022

Among the biggest obstacles they encountered during their global international expansion were undoubtedly customs in China, a topic we will explore in the next section.
The difficulties at first were related to the documents and bureaucracy that were cumbersome and different for each country and the staff who were not trained with the knowledge of the various markets. No one was used, as they were all young people just out of university, to handling invoices or visas like the Eur document. Documents were needed for each invoice, and the help of the chamber of commerce in this case was crucial. These initial difficulties were normal since SMEs at that time did not do direct export as they did but sold through indirect export with intermediary agencies that made sales in exchange for commissions.
Monnalisa wanted to do everything directly, so the initial difficulties were greater. The documents, the way of thinking, the laws were all different from country to country.
Monnalisa initially had 28/30 agents around the world to be closer to the market and to gather knowledge of the single population since they internally did not have the right resources to do so. Now they have replaced all of them except one in Belgium who stayed, since they invested a lot with internal human resources capable for understanding foreign markets.
Especially the language was a problem. To move the goods around Europe they needed the ATA carnet, which was a special accompanying document, and this should be done in all the different languages for each country.
Gradually it started the transition from a small medium business to what it is now.

Apart from being an entrepreneur who has utilized the services of numerous Italian Chambers of Commerce abroad, ICE, Promos Milano, Promofirenze, and other organizations, Piero also serves as the president of two consortiums, namely Italy Glam export, and Bimbo Italia. The

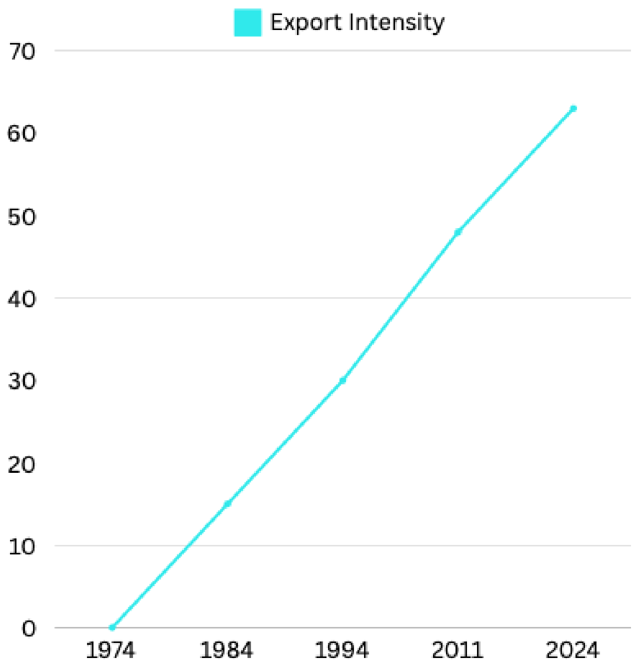
organizations tasked with promoting internationalization are garrisons equipped to provide first aid and logistical support in certain markets, which is extremely beneficial and enables cost savings, particularly during the initial approach stage.
Mainly through friendships of goldsmiths with important connections and great networks the company succeeded and learned how to deal with foreign markets. Both internal staff and consultants in the country were key, but the Milan Chamber of Commerce also lent a big hand in getting the right documents. The international carriers were also helpful by being real consultants telling them how to do the documents in the best way.
Whenever there were national events or foreign trade institute like ICE that took small companies like Monnalisa around they would help them as a real guidance. For example, to go to Thailand they needed a permit to come from the Tuscany region, to guarantee that the product would come out of Tuscany: they were told this by ICE itself.
The Bimbo Italia consortium, every time a member knew some information for a particular country, he would extend it to all the others. If one person attended a special convention the content was repeated for everyone so that knowledge was expanded to all companies.
Networking among the various companies in the industry and passing on information was a big money saver.
Early direct investment for different countries was especially a way of finding out what was in different countries as a method of exploration.
Now the company does market analysis when deciding to enter a certain country, looking at the customs and traditions of the country before making investments. For example, in Arabia they wore white clothes at first, but in the country, white represents mourning, so they had to change the color. Jews wanted long sleeves, so they had to ship more fabric to add long sleeves to the dress for their culture.
However, a single collection featuring made in Italy for the whole world is what was a great advantage and created fewer problems in production and therefore better deliveries for different countries. Garments in all colors and sizes become less when they are not differentiated from one country to another. Through a single collection with one cut you were supplying 1,000 garments that were the ones that kept production going, and that allowed the company to deliver better than competitors.
Only for the Chinese countries did they have to apply a specific label outside the garments to reflect the various bureaucracy of the country. It was one of the various documents according to which if the item did not have certain requirements, it could not pass customs.

Monnalisa was always increasing the export percentage, and this was a calling card for the company.
For the company it was a prestige to get to have a real export percentage from the beginning that was consistent. This was the purpose of the company that had a desire to exploit hard currencies, even though they started very early compared to other companies since the general direction aimed always at increasing exports.

To give advice to SMEs who want to approach foreign markets for the first time, Piero would say on one hand not to do as he did. He would take whatever opportunities came her way as trade shows or goldsmith friends with valuable contacts. Instead, he recommends considering 2/3 markets and delving into those markets before going further. Then specialize for those markets by dealing with them in more depth. The propensity to internationalize must be a beacon for companies, but a step-by-step growth process. However, looking back, he would do everything the way he did.
It is important based on the investment that the company can either pay an agent on a commission basis on what they work on or hire employees from within the company who have experience in the market. At the beginning export should be done with a network of agents, then the strategy is to move from selling to investing abroad through proprietary companies. Italian companies should take this step with the right gradualness and if they are SMEs, they should deal with consortia which is a valid tool, since being present abroad is more essential than ever. The key is human resources. Operating in new markets necessitates a thorough preliminary investigation of competitors, potential partners, and the most relevant players in the market. It is also imperative to have firsthand knowledge of the operating conditions. A key component of the plan should be the ongoing creation of knowledge of the market and act with the right strategic direction.

Piero has always believed in exporting, and this has made the company ahead of its competitors from the very beginning. Identity are the roots and internationalization the wings.
For Monnalisa, the weight of exports is worth the major percentage of sales with revenues accounting for most sales. A great part comes from outside Europe, in countries where there are more difficulties for small and medium-sized companies to enter (Il Sole 24 Ore, 2017).
Today because of the war and the closure of China they are experiencing a difficult time, due to social problems and the countries' governments.
Therefore, Monnalisa will focus its strategic expansion plan on other markets such as Bangkok.

Figure 24: Monnalisa Export Intensity, in percentage



Source: Interview with Piero Jacomoni, 2024

From *Figure 24* above, it is evident that the export intensity of the company has not exhibited any pronounced peaks over the years. Instead, the trend has consistently been positive, characterized by steady growth, which reflects a well-maintained alignment between market demand and the company's production and delivery capacity. This sustained increase indicates a stable and strategic approach to international market penetration.
The export intensity has notably increased in parallel with the expansion of the company's production capacity. This correlation suggests that as the company has grown its ability to produce more goods, it has simultaneously managed to enhance its reach in foreign markets, ensuring that increased production is met with corresponding demand.

Prior to the release of Monnalisa's sample collection, the company conducted forecasts. Based on these analytical predictions, the company scaled its production accordingly. This strategic planning ensured that the production levels were aligned with the demand. Consequently, this careful planning and execution allowed for a smooth integration of the new collection into the market, supporting the overall steady growth trend in export intensity.

3.5 Monnalisa internationalization toward the Chinese market

The expansion and evolution of the Monnalisa company in China has taken place over about two decades. It all began in the late 1990s when China was an entirely different country and market than it is today, but nevertheless undergoing maximum development. In particular, with the country's participation in the WTO and the Beijing Olympics, there was subsequently a radical change in conditions in the country. In fact, these two events were key points for the company's expansion in this market.
The Chinese market in the late 1990s was much less open than it is today, although also today it cannot be considered an open market, but it was characterized by very high barriers to entry.
The process of entering and developing operations in the Chinese market can be divided into three main phases: the most indirect one i.e. the licensing phase where the product was produced and manufactured by a Chinese third party, an indirect experience through franchising, and a direct experience in which the Chinese branch of Monnalisa China controls and still manages the company stores in China.

Phase 1: Licensing

With a dual purpose, Monnalisa then initially approached the Chinese market through a licensing agreement. The first partner they identified to enter into the licensing agreement was a Schengen partner in the year 1999.
The objective of the licensing agreement was twofold. The first objective was bai pass the tariff and non-tariff barriers that characterized the market, thus customs duties and stringent regulations that made the exported product particularly expensive. China at the time was under a discipline to discourage exports by foreign companies, and the purchasing power of the Chinese middle class was not as high as it is today.
So mainly the license made it possible to have a totally made-in-China product that could have a market price consistent with a Chinese production and not the much more expensive Italian one, excluding import duties that would have increased costs even more.
The second objective of the license was to seek through this also a new source of supply. The goal was to find a licensee who based on the designs of the parent company's collection could replicate a collection in China for the Chinese market. In addition, with the licensee's experience that it would have in making the made-in-China product Monnalisa hoped to find some particularly competitive product categories that the company could re-import and distribute through its traditional channels.

Licensing, therefore, was a strategy that allowed the company to implement both an internationalization strategy to get to the Chinese market and a strategy of supply differentiation since from that point on the company began to have made-in-China products in its parent company stores as well.

Initially, the conditions of both the company and the specific market did not allow them to begin a process of entering the Chinese market via export. This was due by virtue of the country-specific conditions of China in the 1990s, as entering through an export strategy would have made a product expensive for the Chinese customer and even more expensive because of duties on imports. Therefore, Monnalisa preferred to allow the brand to be in the market, however not with the product exported by the parent company, but with a product made completely in China.

Phase 2: Export through affiliation

After a decade or so, China gradually changed and opened up to the market, the middle class meanwhile became richer, and the purchasing power of customers increased. Above all, Monnalisa's target customer was a customer who in the years between 2010 and 2012 was starting to travel and began to recognize the difference of a product from Monnalisa original and the licensed product. In addition, those barriers to entry that had made licensing the only viable strategy had now faded and reduced.

Therefore, at this point it was possible to reach the Chinese market directly with the original product, the same product that could be found in the parent company's stores.

Around 2011, there is a first export strategy to China. The first phase of export experience was through an affiliation policy. The contract that Monnalisa entered is very similar to the franchise contract, although that particular one is a typical contract with specific characteristics. The company first identified a plurality of Chinese operators who then opened mono brand stores in China. The opening of the flagship store was followed by the export of the Monnalisa product to China by the franchisee customer.

The franchise agreement gave the right to operate the mono brand store to the Chinese operators and they in turn bought the goods from Monnalisa.

Initially Monnalisa started with franchises through a plurality of operators between the cities of Beijing, Shanghai, and Dalian.

Phase 3: FDI

Since 2016, Monnalisa has started buying some of those franchise stores that were already existing and also opening direct stores through a wholly owned Chinese foreign enterprise with total Monnalisa control.
At this most recent stage, the company started with direct investments in Beijing and from there increased to eleven in major cities: Beijing, Chongqing, an outlet in Tianjin, Hangzou and Shenyang (at the Micx Mall), Chengdu by Ifse and Shanghai in the Ifc Mall (Il Sole 24 Ore, 2018).
In most cases Monnalisa has set up shop-in-shops in major Chinese Department stores. Since the Department store is divided by departments, in the children's department Monnalisa has created a corner furnished with the Monnalisa concept, where the merchandise is owned by the Monnalisa branch and the salesclerk is instructed and paid by Monnalisa. The department store for its part sells the merchandise and keeps a percentage for its profit. 11 stores, on the other hand, are actual Monnalisa mono brand stores in China.
In the past three years, Monnalisa has also developed the eCommerce channel in China, through platforms of Tmal, a process accentuated by the covid. In order to bolster its position in the Asian market, the company has also inked a deal with Mei.com, the top online luxury retailer in China and part of the Alibaba Group. Monnalisa intends to cater to a discerning and quality-conscious customer base by promoting and selling its collections from 0 to 16 years old on one of the most well-known online marketplaces. With over 200 cities in the Dragon having a population of one million or more, it is imperative that the company integrates its current mono brand stores in China with the growth of the online business. (Il Sole 24 Ore, 2018).
The development of both online and physical retail channels has currently brought the percentage of exports to China of total sales to about 5 percent.
As for the production part of the company, it is currently partially in China, not with the licensee of the 1990s, but with a plurality of manufacturers each specific in its function.
They have no direct production factories in China, but everything made in China is purchased from China. Therefore, there is no direct production or no direct production investment of Monnalisa in China.

The motivations for entering the Chinese market initially were both having a market presence and finding a source of supply. Now the motivations have changed, and it is mainly to gain as much market share in such a large market through direct investment. The conditions have changed as the company has gone along and so have the purposes.

As for the major obstacles Monnalisa encountered during its entry process to the Chinese market, at the initial stage it was almost impossible to export since there were such high barriers to entry that made the European product uncompetitive to the Chinese market. Therefore, they opted for made-in-China production through licensing.
With China's participation in the WTO, the country was required to reduce tariff barriers, but in fact the non-tariff barriers represented by a much more stringent set of product quality certifications from the European Union remained. There are products that are marketed worldwide but cannot be exported to China, and this is a major obstacle that companies doing business with China must consider.
Some standards imposed by the Chinese government are more stringent than those in Europe, and in addition the company must bear the costs that result from testing products to prove to the Chinese community that the products meet certain qualities. Therefore, the biggest current obstacle is bureaucratic barriers that are still particularly stringent, partly because the company manufactures products for children, a very sensitive category. Even today the Chinese government is very strict in entry to defend the nation, so that the production and consumption of goods internal to Chinese territory is enhanced.
Going on to analyze the company's internal barriers, Monnalisa has since the 1960s always had a pioneering approach; therefore, cultural differences have never been an obstacle internally. Certainly, the company encountered an initial obstacle from the moment certain market characteristics and preference of the Chinese consumer were not aware of it and it makes a product that could not match the characteristics sought by that particular market.
But as soon as the company gained experience and refined the collection, it sought to make a product that reflected both the quality characteristics to Chinese standards and the consumer's own tastes.
In addition, Monnalisa identified products that they already knew were product that could result specific to the China-specific test, and this facilitated operations.
This, however, represents a typical evolution of any SME.
So, there were no particular cultural problems or market-specific aversions since Monnalisa has been exporting since the 1960s, so foreign markets have always been seen as a great opportunity.
The foresight lies in the fact that already with the licensing project the company aimed to find a market for the product's outlet, but also looked for a source of supply and suppliers already in this first step.

Regarding incentives and aids, Monnalisa had as an SME and member of an export consortium, some funds provided by ICE. Especially after the second phase of exporting, they were able to take advantage of a showroom in Shanghai, which was owned by the consortium of companies brought together for the purpose of expanding their export business in China. Monnalisa managed the Shanghai office, which was a consortium office, accessing some funding and after 20 years the same office is still used by Monnalisa.

Monnalisa has always taken a standardized approach to the market, and they do not have a specific product for a specific market. The company has a very large unique collection, so that each customer based on geographic area and preferences, can find the product that most interests them. Therefore, they do not have a specific product for China, but they obviously introduce products in the 700-model sampler that they know are needed for China.
The only difference in the products that are sold in China is that they have the product care label sewn on the outside for Chinese regulations. Every garment that will go to China must be modified, but only with this feature.
The selling price as a price to the end consumer is an area-specific price; therefore, the Chinese price must take into account the costs of testing, import duties, shipping, and structure costs such as store rent in China. All surcharges are then reflected in the price to end consumers.

According to the overseas sales manager Thomas Bessi, there is no China-specific strength that makes the company competitive in the market. Each brand has cross-country strengths and identities. For Monnalisa, the strengths and differentiators from competitors remain brand identity, product recognizability that comes from product coordination, and the strength of prints applied to products.
Monnalisa's strength is the use of prints in its children's collection as they were among the first companies to apply prints in children's product. Attention to detail and coordination, where the t-shirt is coordinated with the skirt, with accessory and shoe is an extremely relevant feature for the brand. This makes the brand competitive in the Chinese and global market.

The most important strategy that SMEs must use to enter the Chinese market is undoubtedly to find a partner who is a representative, an importer, a partner who is a Chinese employee to combat the innate difference to a foreign operator and to understand the communication dynamics and communication gaps that exist between Western and Chinese.

Knowledge of direct dealings in China is very important. Entering the market "solo" and doing business in China is unlikely. Establishing partners in the territory and having someone internally who is an employee, a hired, temporary area manager, or who is an employee or importer is critical.

Initially Monnalisa had a Chinese licensee, then on the export phase they had a Chinese employee at the Shanghai office who acted as a liaison between the customer and the company as a cultural intermediary, and on the FDI phase they still have an Italian employee who has lived in China and a Chinese office employee who is Chinese.

The structure of the company in China has also evolved based on how much investment has been directed into China. Structured with Chinese staff or experience in China to handle communications in the most agile way for the counterpart.

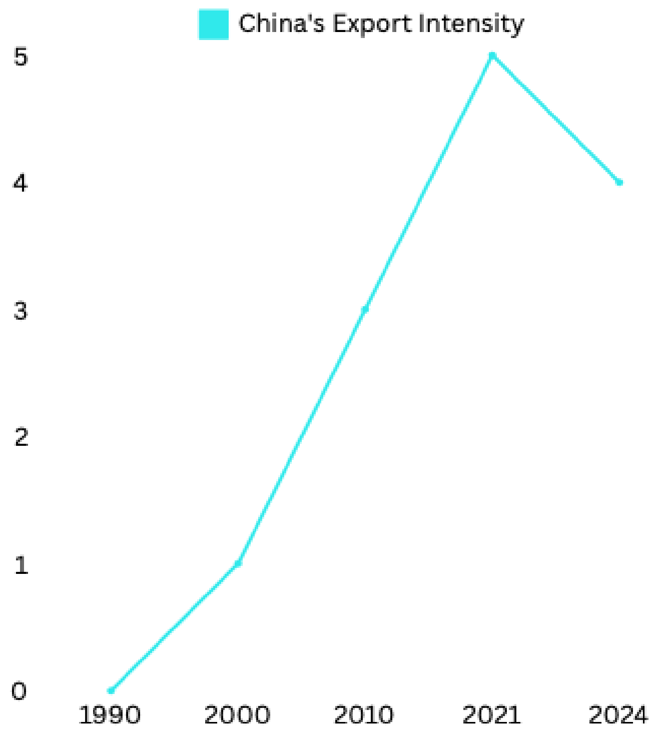
China in the historical evolution was one of the last countries where they expanded, but as a direct investment is where they invested the most.

Today Piero would not make so many investments in China, but would distribute them to other countries, but at the time he was in love with this grand China that liked beauty and the Made in Italy.

Due to the social and political shifts that have changed the country and the Chinese market, from the 11 stores in China 3 will close at the end of May 2024.

Despite this, Piero has great confidence that the Chinese market will recover in the near future.

Figure 25: China's Export Intensity, in percentage



Source: Interview with Piero Jacomoni, 2024

From *Figure 25* above, it is clear that export intensity in the Chinese market exhibited steady growth until 2021, culminating in a peak at 5%. This steady growth trend reflects the increasing penetration of Monnalisa products in the Chinese market, indicating effective market strategies and growing brand presence.

However, the spread of the COVID-19 pandemic caused a slight decline in the relative percentage of exports. This decline can be attributed to the disruptions in global trade, logistical challenges, and the overall economic slowdown induced by the pandemic. The lockdowns, reduced consumer spending, and interruptions in supply chains globally adversely affected the export dynamics. Despite these challenges, Monnalisa managed to sustain a relatively stable export intensity, showcasing resilience and adaptability.

The relatively modest percentage of export intensity in China can be attributed to the unique distribution strategy employed by Monnalisa. Unlike in other markets such as Russia, where Monnalisa exports through foreign independent clients and a network of local partners, exports to China are conducted exclusively through its proprietary stores. This approach involves higher operational control and brand management. The decision to operate proprietary stores in China allows Monnalisa to maintain stringent control over brand image, customer experience, and pricing strategies, which are crucial in a market as dynamic and competitive as China. However, this model also requires substantial investment in infrastructure, local operations, and marketing, potentially constraining rapid expansion compared to a model that uses independent distributors.

3.6 Discussion and interpretation of the results

We now have a global framework for the Monnalisa internationalization process, with a particular focus on the Chinese market, thanks to the analysis of data gathered from both direct and indirect sources.
Very informative results could be obtained, the majority of which supported earlier hypotheses on the internationalization and expansion of SMEs covered in the theoretical chapters.
The company successful internationalization performance result to be improved by brand identity, networking, and foresight of the founder in catching all the opportunities and in overcoming the main challenges ahead of them.

The research's conclusions can provide best practices and strategic insights for those in the child wear fashion industry, SMEs, who want to enter the Chinese market. Decision-making and resource allocation can be influenced by knowledge of the major success factors and potential pitfalls of internationalization for SMEs.
The research findings can also be used by industry stakeholders and policymakers to create programs that aid SME internationalization efforts in the child wear fashion industry. This could involve specialized assistance plans, easier access to markets, and governmental changes that encourage globalization.

First, Monnalisa presents the main characteristics of an SME. The "liability of newness" since Monnalisa had lower profiles and reputation levels at the beginning; the "liability of smallness" since the company had few resources; the "liability of foreignness" for its initial ignorance of foreign markets; and the "liability of outsidership" due to their difficulty securing significant positions in international networks such as the Chinese one (Morais & Ferreira, 2020).

Monnalisa's expansion and evolution in the Chinese market over the past two decades unveils a dynamic journey influenced by the shifting landscape of both the company's strategy and

China's economic and regulatory environment. It has not only fortified its brand identity but also facilitated its penetration into target markets while retaining its innovative edge.
Monnalisa's experience furnishes a meaningful example of an SME internationalizing to emerging markets such as China for the first time, highlighting all the difficulties and strategy used to overcome them.

As we have seen in the theory, SMEs are frequently defined by the individualistic leadership of the company owner, and decisions are made primarily based on the personal intuition and vision of the entrepreneur (Child & Hsieh, 2014). From the Monnalisa case study analysis we can depict the same concept, since through the interview with the funder it was possible to understand his strong charisma and entrepreneurship in his continuous search for new markets. It was first of all his great insight and charisma that led the company to expand into international markets from the very beginning. In particular, regarding the Chinese market, he was extremely fascinated by this peculiar country and the people who lived in it, and he decided to enter the market despite the huge challenges.
Monnalisa was motivated to internationalize to China by the need to explore for a larger and more appealing market in order to get economies of scale and scope, but also to meet strategic goals (Qi et al., 2020). Recognizing the dual benefits of accessing the country to increase the demand and find new source for supply, the company laid the groundwork for its future global presence.

Initiated in the late 1990s amidst a China characterized by formidable trade barriers and nascent consumer purchasing power, Monnalisa adopted a strategic approach of licensing to navigate the complexities of the market. This phase not only circumvented the exorbitant tariffs and stringent regulations, but also served as a pivotal point to explore local manufacturing and sourcing, laying the groundwork for future endeavors.
As China progressed economically and regulatory constraints eased, Monnalisa transitioned to a more direct approach, exporting through affiliation agreements in the early 2010s. This phase not only marked the company's increasing integration into the Chinese market but also reflected a maturation in consumer preferences, with an emphasis on original Made in Italy products.
The final phase saw Monnalisa's full-fledged commitment to the Chinese market through Foreign Direct Investment, a proof to its confidence in the market's potential despite challenges.
As we have seen in the literature, for foreign companies conducting business in China, the company's' independence in developing and implementing their strategies is essential, as these

often need to modify their plans to cope with the market. A WOS organizational form appears to be hence more adaptable, autonomous, and strategically focused (Tse et al., 2021).
Leveraging a combination of physical and online retail channels, Monnalisa strategically positioned itself to capitalize on China's vast consumer base. In fact, China is also known for its predominately online shopping habits and growing wave of e-commerce activities (Qi et al., 2020). This is the reason why Monnalisa started to do business with the Tmall ecommerce platform in China.

Between the main obstacles identified in the theoretical chapter, SMEs are frequently perceived as having inadequate resources, lacking the market power, expertise, and resources necessary to successfully compete in international markets (Hessels & Terjesen, 2008).
For Monnalisa was internationalization itself the source of funding for its operation, taking advantage from the hard currency of the foreign countries and the huge increasing of demand due to the larger customer base.
The choice of entrance approaches was limited by financial constraints and resource capabilities resulting from the company's modest size, since at the beginning the company didn’t have skilled human resources to deal with foreign markets or financial resources to start making direct investments.
Moreover, small businesses are according to theory more likely than large ones to establish regional networks to gain access to resources or know-how (Savlovschi & Robu, 2011b). This argument was definitely confirmed in the case study.
Embarking on the internationalization journey as early as 1974, Monnalisa under the stewardship of Piero Jacomoni leveraged participation in industry fairs across Europe to forge global connections and tap into emerging markets. Strategic alliances such as the Bimbo Italia consortium provided a network for cost-sharing and market exploration, underscoring Monnalisa's proactive stance towards international expansion.
Challenges such as bureaucratic hurdles and cultural nuances necessitated resourcefulness and collaboration with industry peers and support organizations, and this has led Monnalisa to continuously seek a network that facilitates its foreign operations.
Monnalisa, contrarly to what the theory said, was able to gather from the beginning a strong operational base thanks to the help of consortium and chamber of commerce, but also suppliers and distributors (Hessels & Terjesen, 2008).
Furthermore, inexperience with foreign markets and rivals, in specific the difficult Chinese market, increases the degree of uncertainty regarding the entrance strategy for growth.

Problems with information gaps, linguistic differences, and organizational concerns exacerbate this uncertainty even further (Morais & Ferreira, 2020).
Sociocultural distance creates cultural boundaries that are a major obstacle that require careful balancing to properly integrate into the Chinese corporate environment (Wei et al., 2005).
Additional challenges come from knowing and navigating consumer behavior in such a diverse market. SMEs must decide whether to follow global standards to achieve economies of scale or to adapt to local preferences to meet the needs of local customers (Liu et al., 2016).
Nonetheless, Monnalisa's standardized approach, coupled with a keen understanding of Chinese consumer preferences, has enabled it to carve a niche in the competitive market, mainly due to the strong identity that distinguishes the brand. From early ventures in direct exports to strategic partnerships and direct investments abroad, Monnalisa's evolution reflects a nuanced understanding of market dynamics that allowed the company to tailor part of the collection to meet the Chinese market tastes and regulatory requirement, maintaining a standardized unique collection.
A complex layer of obstacles was introduced especially by political and regulatory factors, such as worries about industrial protectionism and intellectual property rights of the Chinese government (Li & Xiong, 2022). Both Piero and Thomas confirmed this main problem since duties and regulations were the biggest challenge for them to deal with at the beginning of the operations in the Chinese market.
Navigating bureaucratic hurdles and stringent quality certifications remained formidable challenges, particularly in the sensitive children's product category.

As previously explained in the first chapter, between the crucial strategies through which SMEs can obtain combined resources, knowledge, and market information there is utilizing networks and partnerships.
According to literature, Governments and consortia need to play a major role. Above all, governments ought to support entrepreneurship, make it easier for businesses to start and grow, and provide access to venture capital and other funding sources. Reducing the regulatory burden on smaller enterprises by streamlining procedures and lowering compliance costs is one of the best strategies to promote entrepreneurship (OECD, 2000).
This argument was confirmed by Thomas Bessi, who stated that finding a partner who is a representative, an importer, or a Chinese employee is without a doubt the most crucial tactic that SMEs must employ to break through the inherent barriers to foreign operators and gain an understanding of the communication gaps and dynamics that exist between Western and

Chinese cultures. Understanding direct business transactions in China is crucial. It is improbable to enter the market solo and conduct business in China.

Through networking, small and medium-sized enterprises can combine the benefits of being more agile and compact with economies of scale and reach in bigger markets. (OECD, 2000). They can divide the cost of marketing, research, and training as well as pool their resources.

Because of the knowledge they gained from local contacts, which proved to be a valuable resource, businesses are able to understand local preferences and effectively handle the concerns of local customers (Hilmersson & Jansson, 2012).

Piero stated that it is crucial that the business hires staff members with specific market experience or pays an agent on a commission basis for the task they complete, depending on the initial investment. Exporting should first be carried out through a network of agents and participation in consortiums. The next step in the approach is to switch from selling to investing overseas through foreign direct investments. Human resources hold the key. Conducting business in new markets now requires a comprehensive first analysis of rivals, possible collaborators, and the most significant players in the industry. Having direct understanding of the operational circumstances is also essential.

When growing abroad to China, a company requires management that is professional, specialized, and has a solid foundation of foreign expertise and understanding. Because national environments differ in terms of customer behavior, legal and administrative constraints, and market situations, so managers now face an even more complex scenario. SMEs therefore require specific additional expertise, experience, and networks to manage the increasing complexity of global markets (D'Angelo et al., 2016).

Due to China's massive size, rising wealth, shifting demographics, and economic development, internationalizing SMEs is a strategic step that can yield several benefits and prospects for well-prepared SMEs, despite the country's harsh environments and the challenges involved in entering a market as complex and culturally diverse as China.

While recent closures of stores signal temporary setbacks, Piero's unwavering confidence underscores the resilience of the Chinese market and Monnalisa's enduring commitment to its growth trajectory, albeit with a recalibrated strategy in response to evolving dynamics.

Piero's emphasis on market specialization and gradual growth serves as a valuable lesson for aspiring SMEs seeking to navigate foreign markets, highlighting the importance of strategic planning, and leveraging human capital. Despite current challenges stemming from geopolitical tensions and market closures, Monnalisa's resilience and diversified approach position it to explore alternative markets while staying true to its core values of brand identity, innovation, and global engagement.

Conclusion

To conclude, this study offers a comprehensive global framework for understanding the internationalization process of Monnalisa, especially its entry into the Chinese market. The information obtained from direct and indirect sources has produced insightful findings that generally support existing theories regarding the expansion and internationalization of SMEs. Several important elements contributed to Monnalisa's successful internationalization, including a potent brand identity, efficient networking, and the founder's vision in seizing opportunities and overcoming obstacles. For SMEs in the children's wear apparel sector looking to expand into the Chinese market, these findings provide insightful best practices and strategic recommendations. SMEs can improve their prospects of a successful market expansion and long-term growth by better guiding their decision-making processes and resource allocation by knowing the critical success elements and potential pitfalls.

The study also emphasizes how crucial it is for legislators and industry players to encourage SME internationalization. The key to assisting SMEs in navigating the complexity of international markets is the implementation of regulatory reforms, facilitated market access, and specialized assistance. The route taken by Monnalisa serves as an example of the common problems encountered by SMEs, including scarce resources and the requirement to create substantial global networks. But it also presents practical methods for getting past these barriers. From licensing agreements to foreign direct investments, Monnalisa's market entry modes show the company's flexibility in responding to China's changing political and economic environment. Through the utilization of both physical and virtual retail channels, especially via its affiliation with Tmall, Monnalisa successfully leveraged China's extensive consumer base and expanding e-commerce platforms.

The results validate theoretical viewpoints about the advantages of alliances and networking for SMEs, emphasizing the function of industry fairs and consortiums in enabling Monnalisa's international connections. Monnalisa was able to overcome obstacles and achieve continuous growth in China despite early resource limits and cultural problems thanks to its proactive approach and strategic alliances. The company's experience demonstrates how important strategic planning, human resources, and leadership are to a successful internationalization project. Particularly in a demanding yet exciting environment like China, Monnalisa's adaptation and tenacity offer other SMEs attempting to traverse the difficulties of overseas markets a useful road map.

All things considered, Monnalisa's internationalization process provides an insightful case study for comprehending the dynamics of SME expansion into developing markets. It emphasizes the significance of visionary leadership, strategic networking, and a powerful brand identity. The final message of the case study is aimed to highlight how the way of internationalization has extremely changed since the years. From going to all the industry fairs that were available with just a caravan and few collaborators without any specific criteria, to detailed market analyses made by qualified managers to decide which country to expand into. Other SMEs can benefit from Monnalisa's experience by creating successful plans for their foreign business endeavors, which will ultimately increase their success and economic growth on a worldwide scale.

With CEO Matteo Tugliani's new strategic vision and strong ties to the group, the company has kicked off a new phase of revitalization and we look forward to seeing the results.

At a time of unprecedented change in the global landscape, the new CEO intends to preserve and enhance the brand's legacy, leading the company toward new and ambitious goals of innovation and social and environmental responsibility. In a context characterized by challenges such as changing consumption and geopolitical and macroeconomic variables, Monnalisa will continue to distinguish itself as an omnichannel manufacturing and distribution network at the forefront of children's fashion, grasping future challenges with foresight and moving toward a direct relationship with customers through a digital branding and marketing strategy (La Nazione, 2024).

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