

A move into children's outdoor clothing has helped set Camkids apart from both domestic and international competitors.

Camkids Group PLC



BRAND PROFILE: CAMKIDS

2013 marks the 35th anniversary of China's one-child policy, a strategy that has prevented 300 million to 400 million births, according to the government. But while the jury is out on the long-term social effects of the strategy, Camkids sees it as the reason for its growth into one of the largest children's outdoor apparel and footwear brands in China.

The little emperors' new clothes

It has created a nation of pessimistic, risk-averse little emperors" is the damning conclusion of a recent report on China's one-child policy by *Science* magazine, which studied the behavioural impacts on children of the controversial strategy, established 35 years ago to tackle the negative consequences of a booming population. The government claims it has prevented between 300 million and 400 million births in that time, leading to a more prosperous and stronger economy. In recent months, however, rumblings in the Chinese parliament suggested its opposers were gaining support, but the rumours were quashed in January when Wang Xia, the minister in charge of the National Population and Family Planning Commission, announced that the one-child policy is here to stay. "The policy should be a long-term one and its primary goal is to keep a low birth-rate," he said.

One company that has undoubtedly benefitted is Fujian Province-based Camkids, which started life in 1994 as a children's shoe manufacturer supplying to clients such as Italy's Geox and Fila. It has recently floated on AIM (Alternative Investment Market), the junior market of the London Stock Exchange, raising £5.4 million.

"Because of the one-child policy, there is a 4-2-1 family model, with four grandparents at the top and two parents. All the focus and all the attention is on the only child, and with the increase in disposable income in China, grandparents and parents are spending more on the child," says Camkids chief financial officer, Pei Eng.

Its products are marketed at the mid to high end of the market, aimed at middle-income families in tier-one cities. A report by Euromonitor, a market research company, shows that in 2011 the average expenditure on apparel and footwear on each Chinese child between 0 and 18 was 59% more than in 2007. The result of this has been that, although the

number of children between the ages of 0 and 18 has decreased in China since 2007, the market for children's apparel and footwear grew 10% and 11% in 2010 and 2011 respectively. This has enabled Camkids, which launched its first own-named products in 2008, to grow, operating out of more than 1,000 stores across the country.

A league of its own

Its differentiating factor, and one that puts it in the same league as domestic sportswear giants Anta and Li Ning, as well as international rivals such as adidas Kids and Nike Kids, is its focus on outdoor sports. From a starting point as a pure footwear company it branched into offering children's outdoor clothing and accessories. "At this moment we do not have any direct competition in China," says Ms Eng. "We have the first-mover advantage because this is quite a niche market. We are focusing on the outdoor segment, like hiking, skiing and mountain biking; we are not into general sportswear like tennis or football."

Camkids combines innovation and high-quality materials in its products, which it claims offer more functionality than those of similar companies. In 2011, the top five children's footwear and apparel brands in China accounted for 46% of the market; Nike Kids had a market share of 11.3%, Camkids ranked second with 11.1% and adidas Kids was third with 9.5%. That year, Camkids sold more teenage outdoor footwear than any company in China including Nike Kids and adidas Kids, according to the China Industrial Information Issuing Center Report.

However, unlike Camkids, the likes of Li Ning, Xidelong and, to some extent, Anta are struggling with oversupply and a backlog of inventory. So much so that Li Ning at the end of January announced plans to fundraise, to pull it out of a particularly dark hole – with "substantial" losses expected for 2012. This



Camkids chairman Zhang Congming. He is one of an increasing number of people appreciating the great outdoors..

 Camkids Group plc

compares with Camkids, which, for the year to the end of December 2012, generated revenues of RMB742 million (£74 million) and a profit after tax of £16 million.

The great outdoors

Aside from the one-child policy and increasing disposable income, there are a number of other factors working in Camkids' favour.

"Chinese are increasingly appreciating going out to greener places to relax, and enjoying the fresh air," explains Ms Eng. "Parents are keen that their child is properly equipped and dressed, and spending more time with the family is becoming the first priority. Schools are also organising more outdoors excursions, creating more awareness in children around such activities. People are more health conscious, too; they are going to the gym and, for example, our chairman and his wife go to the mountain every morning at 5am for exercise, regardless of the weather."

Parks and ski resorts are being constructed, and the government is improving infrastructure – building highways and railways, making the "outdoors" more accessible. "We believe that all these measures and changes in lifestyles work to our advantage," adds Ms Eng.

The group operates its own flagship store in Fujian Province, adjacent to its head office and manufacturing facility, but its products are predominantly sold in Camkids branded stores and concessions operated by its network of distributors. It sells on a wholesale basis – a business model that is common in the sportswear industry in China – across 29 provinces, four municipalities and five autonomous regions.

London listing

The company believes there are "huge growth opportunities" in China – one of the reasons it is not looking to expand outside the country, and one which is also behind its decision to go public.

"We chose to float now because we have the first-mover advantage – you don't see any other companies focusing on children's outdoor apparel, footwear and accessories at the moment and we think it's the right time in our development," explains Ms Eng. "We also wanted to raise the company's profile and bring external talent into the group."

"AIM is the most successful growth stock market in the world. It's very stable and credible, a recognised brand, so we feel it is a great advantage to us and our investors because we are a growing company."

Camkids' strategies include diversifying its product portfolio; strengthening core markets and pushing into new regions; investing in production capacity; building brand loyalty

through marketing; and "improving the customers' shopping experience" by introducing new-look stores in the next three to four years.

Camkids chief executive and chairman Zhang Congming comments: "The fundraise and the group's listing in London will help the board to take Camkids forward into the next phase of its development and expedite our growth in this rapidly expanding market."

To verify his predictions, by 2016, the retail sales value of the children and teenagers outdoor wear market in China is estimated to reach RMB23.7 billion (£2.4 billion), which is more than double that of 2007, according to Euromonitor.

A society in flux

The Chinese economic strategy has pulled more than 200 million people out of poverty during the past 30 years and, in the last 10, has allowed 60 million children to finish secondary school, who would otherwise not have done so. The negative social effects, as reported by Australian researchers in *Science*, might in that context be seen as a necessary evil.

Ms Eng adds, "Our chairman spoke of the children now and in the past and said he can see a huge difference. He grew up in the 1950s, he came from a poor family background and he therefore had to value every opportunity and treasure what he had. He feels that children nowadays have not gone through the same hardships, and if they're overly pampered they tend to be more risk adverse. But of course the 'little emperors' are so competitive in their own way. Because they are being influenced by their family background and education, and the complex social environment, they are merely pushed in a different way."

What is becoming increasingly important for the only-child generations is the need to differentiate and take the path less trodden if they are to stand out from the crowd. It is a strategy that has worked very well for Camkids.

Camkids focuses on the burgeoning outdoor market with its Cotton Boots range.

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