

# Stringing the Pearls Together

An Interview with Li Rucheng, Chief Executive Officer, Youngor Group

**EDITORS' NOTE** In 1982, Li Rucheng began the journey of developing a large-scale enterprise from a small factory that was facing bankruptcy. As a witness to Chinese reform and opening up, Li started his own brand and built a successful industry model.



Li Rucheng

**COMPANY BRIEF** Youngor Group (<http://en.youngor.com>), now a major multinational corporation, was founded in 1979, and has since established businesses in sectors including property development and equity investment, in addition to its core business of branded garment manufacturing and marketing. Youngor Group was named one of the "Top 100 Chinese Companies 2008." The National Bureau of Statistics puts the group in 134th place out of the Top 500 in China's manufacturing industry. The group has been included in the Forbes Philanthropy List a number of times, has won the China Philanthropy Outstanding Contribution Award, and was listed in the Hurun Corporate Social Responsibility Ranking for two consecutive years.

## How did the global financial crisis affect your company and the clothing manufacturing industry in China?

As a leading corporation in clothing manufacturing in China, our sales in both domestic and overseas markets have been maintaining a relatively fast pace. Take our main product – Youngor shirts, for example; half of that product exports to overseas markets and, last year, our export figures reached \$770 million.

The financial crisis had very little effect on our domestic markets. Last year, our sales in China maintained a fast pace, increasing 18 percent. But the crisis did somewhat crush our overseas markets, especially the U.S. market, where our textile sales are about \$400 to \$500 million. However, we have sped up the reformation and integration of our corporation. Initially, we only focused on increasing the quantity of our products. In the future, we will focus on improving quality, but will also aim at promoting Youngor's brand image, and setting up a flow path for our brand by dividing Youngor into three branch styles: casual-fashion wear (Green Youngor); business wear (Youngor CEO); and official's wear (Youngor Mayor).

At the same time, we spent six years

developing China-hemp products, which are now in production. This is a whole new industry that has drawn the world's attention. The FAO (United Nations' Food and Agriculture Organization) gave us an innovation award for our work in that area. At that time, more than 300 experts from Britain, Australia, and Germany visited our factory. We are prepared to exhibit China-hemp products during the World Exposition Shanghai in 2010.

**Chinese products have been exported throughout the world based on their low prices, but because of this, China was considered at the low end of the world's manufacturing industry. Now, more and more products "Made in Vietnam" or "Made in Laos" are making their way into the low-end clothing markets in Western countries, and more countries have started to boycott China for dumping. How is Youngor dealing with this situation?**

On one hand, it is impossible for us to reduce our costs below those of northeastern counties like Vietnam, Myanmar, or Laos. On the other hand, we cannot improve our products' qualities to the same level as luxury brands in Italy or France immediately. So what should we do? After this round of the economic crisis, it is necessary to restart the economy with new industries, new techniques, new businesses, and new systems. There is no time to waste, because the production of textile products has already exceeded demand. In order to deal with this situation, we reorganized our company. We are pressing innovation and have developed durable press pure cotton non-iron shirts and wrinkle-resistant suits. Meanwhile, finding ways to improve the Youngor brand will be our first priority in future development. Now that we have established several workshops, we hope that within 10 years, we can train more than 100 designers to help Youngor evolve from just "making" clothes to "creating" clothes.

**As the labor costs in China have increased, what advantages does the Chinese clothing manufacturing industry still have that will allow it to compete with others in the international markets?**

Although the capital dividend of Chinese labor is being reduced, 30 years of development and accumulated knowledge in Chinese enterprises have set up a very firm manufacturing

and production foundation. The manufacturing industry is very important. Without a strong manufacturing industry, the service industries and research and development would lose their foundation. So manufacturing is an eternal industry; the question is, which class of the goods we should produce?

The gap between Youngor's garment manufacturing and the world's top level is gradually narrowing. More importantly, as we set up our own research and development team in recent years, we paid a lot attention to institutional innovation, and set up a vertical production chain from fabric selection to garment manufacturing to the terminal end of marketing. It is possible that the products in our research center today will be in production tomorrow, and the day after tomorrow, they will be launched in the markets – this is our core competitive advantage.

**Last year was your company's 30th anniversary. How would you characterize the growth of Youngor, and how will Youngor continue to be the leader in Chinese clothing manufacturing?**

After 30 years of development, Youngor has become a corporation that combines clothing manufacturing, real estate, and equity investments. Our annual sales are 25 billion Yuan and our annual profits are 4 billion Yuan. In the latest list of top 500 enterprises in China, Youngor ranked 77 – we have already become a major corporation in China.

Youngor benefited a lot from the great opportunities that were available during reform and opening up, as well as from constant progress as enterprises developed over time. If we say that 30 years ago Youngor relied more on being in the right place at the right time with the right people, then in our future strategic layout, we will focus more on building our culture and systems, and developing sustainable development strategies and growth systems that will allow us to constantly recreate our brand and build our systems to ensure Youngor's sustainable growth.

Each sub-company is a pearl; what I am doing is stringing the pearls together so they can shine.

**How do you hope your company will affect the world's clothing manufacturing?**

I hope with unremitting efforts, Chinese clothing brands will become more outstanding, with more cultural connotation and added value and we can contribute our creative and unique value to the world's clothing manufacturing. ●