Own brand strategy of the Japanese apparel manufacturers

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Abstract

Purpose - This study highlights the own brand strategies undertaken by Japanese apparel manufacturers, and also illuminates the characteristics of those apparel manufacturers who adopt the SPA business model.

Design/methodology/approach - A questionnaire survey was sent to 4,557 apparel manufacturers in Japan, and logit regression analysis employed to identify the factors affecting the own brand strategies adopted by Japanese apparel manufacturers.

Findings - The main findings are as follows; (1) Apparel manufacturers having access to external designers, and who collect information relating to consumer needs for production planning tend to have their own brands; (2) Apparel manufacturers located in Tokyo have added benefits associated with launching their own brands than those located in other cities; (3) The size of the company behind the brand development is insignificant and therefore, SME apparel manufacturers have equal opportunities in developing their own brands, which could flourish in the future.

Research limitations/implications - The present study is limited in that it focuses solely on exogenous factors. Strategic decision-making processes, typical of the distribution structures of apparel industries, influence the apparel relationship between retailers, wholesalers, and manufacturers. Thus, the distribution structure and the relationships require further investigation studies.

Originality/value - Because of a lack of published data, no empirical studies investigating the effectiveness of own brand strategies developed by Japanese apparel manufacturers currently exist. The present study aims to address this by conducting questionnaire surveys with all Japanese apparel manufacturers and then using logit regression analysis, identify the primary

factors influencing own brand strategy. This study clarifies the situation regarding the survival of SMEs in the apparel market, considering only those apparel manufacturers who intend to launch their own brands.

1. Introduction

Integration of Planning, Production and Promotion activities within a company have developed as important strategies in the Japanese apparel industry. This is the well-known SPA[1] business model, especially adopted by apparel manufacturers in Japan and South Korea. (Urakami and Wu, 2010; Urakami et al. 2009; Urakami et al., 2010; Inoguchi et al., 2012; Lee et al. 2014). Urakami and Wu (2010) described SPA as a vertically integrated system, which deals with the coordination of marketing, sales, and purchasing activities of the retailer as well as the design, production, and distribution activities of the manufacturer within the company. Richardson (1996) pointed out that vertically integrated fashion apparel firms are leading in implementing innovation in areas such as information technology investment, reducing production cycles and inventories, and increasing coordination. In fact, the SPA business model has expanded rapidly in the Japanese apparel industry. Yano Research Institute Ltd. estimated the market size of SPAs in Japan as 3.0 trillion JPY in 1999, which increased to 4.9 trillion JPY in 2011 (Yano Research Institute Ltd. 2012). The 60.6% growth rate is evidence that the sales of SPAs and/or the number of apparel firms that adopt the SPA business model have increased.

Urakami et al. (2009) and Urakami and Wu (2010) conducted an empirical study on Japanese apparel wholesalers to analyze the factors affecting private label strategies and specialty store strategies- being the core strategies of the SPA business model. A number of interesting inferences were derived from the data, but these studies did not take into account the strategies undertaken by apparel retailers and manufacturers. The present study focuses on the apparel manufacturers and aims to clarify the factors affecting own brand strategies employed by Japanese apparel manufacturers.

When conducting empirical analyses on a company's strategic decision-making process, not only the methodology but also the theory must be taken into account. Hambrick (2007) highlighted that 120 articles were published in the 2005 volumes of the Academy of Management Journal, Administrative Science Quarterly, Organizational Science, and found that 100 percent of them contained some variation of the word "theory" in the text. Furthermore, only 78 percent of the 178 articles published in 2005 in the Journal of Marketing, Journal of Finance, and Accounting Review contained any such words. Hamblick cautioned that recent studies put too much

[1] Donald Fisher, ex-CEO of The Gap. Inc., in 1986, defined the company's business category as 'Specialty store retailer of private label apparel', and was featured as 'SPA' in the Japan's fashion daily, THE SENKEN, published by the Senken Shinbun Company. (Yamasaki, 2007)

emphasis on the theory, but, in fact, many researchers have actually conducted empirical analysis based on some sort of "theory." Therefore, in later sections, the present study surveys the types of theories and the methodologies adopted by recent empirical studies used for analyzing a firm's decision-making process.

This paper is organized as follows; First, we provide an overview of the Japanese apparel manufacturers; Second, we summarize previous studies which have adopted probit or logit models to analyze a firms' strategic decision-making; Third, we set hypotheses to be empirically analyzed using the logit model; Forth, the method and data used in this analysis will be set out, followed by the results of the logit analysis. The paper concludes by reviewing the results and potential areas for future research.

2. Japanese apparel manufacturers

Wu (2015) categorized the characteristics of the Japanese apparel industry as falling under five main headings; (1) declining industry; (2) competitive market due to the large number of SME wholesalers/manufacturers; (3) intense competition; (4) market uncertainty; (5) essential strategies of integrating Planning-Production-Promotion activities.

[Table 1. here]

Table 1 shows the trend in the production shipment (in million JPY) of firms with respect to the number of employees, for both manufacturer total and apparel manufacturers. (The Census of Manufacturers, provided by the Ministry of Economy, Trade and Industry). We can imply the characteristics of Japanese apparel manufacturers from this Table. Firstly, a larger percentage of firms are categorized as small, e.g. 83.8% of manufacturing firms, and 86.5% of apparel manufacturers are listed in 2002 are between 4~29 employee-size. However, the production shipments of 13.4% for manufacturing firms compared with 43% for apparel manufacturers, suggests there are many small manufacturers in Japan and, therefore, the market is very competitive. The significant difference between the production shipments of total manufacturers and apparel manufacturers implies that a large percentage of it comes from small apparel manufacturing firms. Furthermore, the production shipments per firms from apparel manufacturers are lower than the total manufacturers, which lead the authors to believe that they are facing hard times. Secondly, the economic trends of apparel manufacturers are worse than total manufacturers, e.g. the rate of change in the number of firms and production shipments for the total manufacturers between 2002 and 2012 are -25.6% and 7.2%, respectively, whereas for apparel manufacturer over the same period are -48.7% and -42.8%,

respectively. The situation is far worse for those in the small employee number category, e.g. a 55.1% and 51.0% reduction in the 4~9 employee number category for apparel manufacturers. This indicates that the Japanese apparel industry is a declining industry with the situation worsening year by year.

Many researchers and practitioners agree that the Japanese apparel industry is facing hardships, and therefore, it is argued the SPA business model, which is an apparel-firms' vertically integrated system is a key strategy to survive in an uncertain market. Table 2 shows the changes in the amount of sales of apparel retailers and those employing SPA.

[Table 2. here]

We can identify from table 2 that the amount of sales of SPAs continues to increase at a growth rate of 60.6% during the sample period (1999-2011), whereas the growth rate of apparel retailers not adopting the SPA business model has decreased by -17.2%. Therefore, the SPA business model can be viewed as an essential survival strategy, especially for SME apparel firms.

3. Literature review

There are numerous studies that have conducted empirical analysis on the strategic decision-making of firms. Here, we survey such studies, as published in the Strategic Management Journal and Academy of Management Journal from 2011 to 2014, focusing on logit and probit models, adopted as methodologies by the authors. The corresponding study comprises 26 journal papers, and the results from the survey are shown in Table 3.[2]

[Table 3. here]

For empirical analysis, eight out of twenty-six studies adopted resource-based theory, and five adopted transaction cost theory, whilst other studies adopted agglomeration economics theory, knowledge-based theory, and institutional economics theory. Perryman and Combs (2012) and Mahoney and Qian (2013) conducted interesting discussions on the theories researchers adopt. Perryman and Combs (2012) surveyed previous studies on franchising activities, listing the reasons behind the analyses with respect to the adopted theory (agency theory, transaction cost theory, property rights theory, and resource-based theory). Mahoney and Qian (2013) surveyed

[2] We also found previous studies that adopted the Heckman model, however, Soule et al. (2014) and Jian and Thietart (2014) stated that a rich database was required in order to employ the Heckman model. Unfortunately, our database used for the analysis was restricted, and, therefore, we excluded articles using the Heckman model from our review list.

previous studies on market friction, citing reasons behind market friction with respect to the adopted theory (transaction cost theory, property rights theory, real option theory, resource-based theory). Both studies highlighted that different researchers adopted different theories to analyze the same management or economic events. Therefore, the theories researchers adopt is more a case of what interests the researchers rather than a specific theoretical methodology. Furthermore, Mahoney and Qian (2013) also highlighted that some previous studies adopted two or more theories as part of their analysis. This is clarified in Table 3, which shows Montiel et al. (2012) adopted a transaction cost theory and an institutional economic theory to analyze the benefits of gaining ISO certification, and Brahm and Tarzijan(2014) adopted a transaction cost theory and a resource-based theory to analyze whether or not to conduct vertical integration.

As for the model, twenty-one out of twenty-six articles adopted the logit model.[3] Whether researchers use either the logit or probit model depends on their own reasoning. As Hoetker (2007) stated, the logit and probit models have become critical components in management research analyses, growing rapidly from almost no use in the 1980s to appearing in 15% of all articles published in Strategic Management Journal in 2005. However, Hoetker identified four critical issues associated with such models; (1) interpreting coefficients, (2) modeling interactions between variables, (3) comparing coefficients between groups, and (4) measuring model fit. The ordinary least square (OLS) methodology if far more familiar to researchers and overcomes the misinterpretation of the coefficient estimates using the logit and probit models. Therefore, we should understand the differences between these methodologies to obtain adequate inferences from the findings.

4. Hypotheses

The present study focuses on the Japanese apparel manufacturers to clarify the factors affecting the decision-making of adopting own brand strategies. To examine this issue, we adopt two theories: a resource-based theory and an agglomeration economic theory. This is because own brand strategy is understood to be the strategy undertaken to secure competitive advantage against rival companies, in so much that manufacturers require their own specific management resources. Furthermore, manufacturers situated near urban areas have additional advantages

[3] Maddala (1992) explained the relationship between the coefficient estimates of logit and probit model. Tsutsui et al. (2011) exposed reasons why researchers preferred the logit model over the probit model, being; (1) the load on the computer processing is low, (2) it is easy to interpret the estimation of the odds ratio results of the logit model. However, they also pointed out that (1) the recent advances in the development of IT technology was not a factor, rather that the logit model was used more frequently because of research convention and it being a more popular choice amongst researchers.

such as access to mass information on recent fashion trends, availability of skilled human resources and access to various funding sources. Therefore, one can assume that it is easy for manufacturers located in close proximity to urban areas to employ own brand strategies. We test both these theories using four hypotheses as set out below.

Success for apparel manufacturers is to provide attractive products to consumers in a timely manner. Collins-Dodd and Tara (2003) proposed it was the wide array of commodities that was behind the reason why consumers choose a particular store. Kahn (1998) stated two reasons why an increased array of product lines could lead to increased consumer satisfaction and loyalty. The first reason is, more variety in a product line increases the likelihood of consumers finding exactly what they desire. The second reason is greater variety in a product line enables individual consumers to enjoy a diverse range of options over time. Miwa and Ramseyer (2002) stated that apparel manufacturers generated scope economies by providing an array of commodities, and moreover, they could transform scope economies into scale economies by ordering larger amounts for each commodity. From these discussions, we derived the following hypothesis.

H1: Firms that have the ability to produce many apparel commodities tend to have their own brands

As many researchers have observed, apparel products have seasonal, yearly, or even monthly trends. Therefore, it is necessary that apparel manufacturers have design abilities. However, as already discussed before, the numerous SME apparel manufacturers in Japan make it difficult for them to employ in-house designers. Some previous studies reported that a number of high-achieving SME apparel manufacturers took advantage of external designers. For example, Azuma and Fernie (2003) found a number of SME apparel manufacturers facing a crisis in spite of their skills, speed, and flexibility. They concluded that SME apparel manufacturers could realize better performance by networking with young Japanese creators (designers). Azuma (2002) highlights a Korean-Japanese fashion connection where a large number of small fashion firms in the Dondaemun fashion industry district in Seoul, played an important role in shaping Tokyo-style fashion, with their organic networks of small suppliers. Therefore, by linking the fashion industries of Seoul and Tokyo, led to an interactive fostering partnership where both parties learned from the uniqueness of each other's practice, and led them both to greater successes. From this argument, we derived the following hypothesis.

H2 ： Firms with access to designers tend to have their own brands

As discussed already, apparel manufacturers require information on consumer needs in order to survive in the market. Especially for high fashion items, the integration of Planning, Production, and Promotion activities by grasping consumer needs in a timely manner has become more important for developing value-added and differentiated brands. Cachon and Swinney (2011) suggested this could be an effective strategy for apparel firms to provide rich design products, and therefore immediately promote seasonal consumption rather than the current situation where consumers tend to wait for the end of season clearance sales. Kurosaki (2000) stated that only firms able to accurately meet customer needs could survive in mature markets. They highlighted two cases involving Japanese apparel firms, namely, United Arrows and Beams. Both achieved success by providing an array of value-added fashion items for each market segmented by customer characteristics. We derive the following hypothesis following these discussions.

H3 ： Firms able to accumulate customer needs and utilize the data for future product development tend to have their own brands

Firms situated in urban areas have multiple advantages. They have direct access to not only a great deal of information, but also access to human resources, financial services, distribution services, and etc. These are the benefits of an agglomeration economy. Therefore, apparel manufacturers take advantages of developing own brands in such urban areas. Urakami et al. (2009) conducted an empirical analysis using data obtained from a questionnaire survey of apparel wholesalers' self-planning strategy. The authors concluded that relatively large apparel wholesalers tended to have self-planning functions if located in urban areas. Rantisi (2002) conducted an empirical analysis of the women's wear industry in New York City and concluded that an agglomeration economy existed in the apparel industry. From these discussions, we derived the following hypothesis.

H4: Firms located in urban area tend to have their own brands

A number of previous studies adopt control variables as part of their empirical analysis and include common scaling factors such as sales amount, the number of employees, and etc. In this paper, we adopt the number of employees as a scaling control variable. The relationship between hypotheses own brand strategy, and firm performance is shown in Figure 1.

[Figure 1. here]

5. Methodology

5.1 Logit model

The Logit model is defined as follows[4]:

$$y^* = x'\beta + \varepsilon \quad (1)$$

Where y^* is a latent variable, x is a vector of independent variable、β is a vector of parameters, ε is an error term which is defined as a logistic distribution.

y^* is not observable, so we define observable variable y as follows:

$$\mathrm{y} = \begin{cases} 1 & if\ y^* > 0 \\ 0 & otherwise \end{cases} \quad (2)$$

We adopt a linear equation model for equation (1) as follows:

$$D_{BRAND} = \beta_{CONS} + \beta_{CAT}CAT + \beta_{DSN}DSN + \beta_{CN_i}CN_i + \beta_{URBAN_j}URBAN_j + \beta_{SIZE}SIZE \quad (3)$$

Where D_{BRAND} is a binomial variable (1: apparel manufacturer that has own brand, 0: otherwise), CAT is the number of apparel categories that apparel manufacturer produce, DSN is an outsourcing dummy variable (designer), CN_i are dummy variables used to obtain consumer needs information (i=1, fashion conscious ; i =2, participation in the fashion show ; i=3, direct dialogue with consumers), $URBAN_j$ is a location dummy (j=1, Tokyo ; j=2, Osaka ; j=3, Aichi), SIZE is a company scale defined by the number of employees.

5.2 Data and Variables

We adopted the same dataset as used by Inoguchi et al. (2009), obtained from a questionnaire survey conducted in January/February 2011. The observations were selected from The Yearbook of Textile/Apparel Companies, edited by the Credit Exchange Agency Ltd in Japan. The total sample size was 4,557 in the apparel manufacturers' category dealing in men's wear, women's wear, children's wear, school uniforms, work wear, knitted wear, casual wear, jeans, sportswear, and shirts. A two-step process was used in conducting the questionnaire survey. First, a pilot study was undertaken by mailing a questionnaire to 150 companies randomly selected from the Yearbook. Second, after checking the consistency of the questions, a modified questionnaire was then sent to 4,407 companies. The total number of usable questionnaires came to 1,211, giving a response rate of 27.47 *per cent*.

[4] See Maddala (1992).

The independent variables in the model are defined as follows: A number of apparel categories (CAT) defines the following number of apparel categories that manufacturers answering the survey said they actually produced; men's wear, women's wear, children's wear, school uniforms, work wear, knitted wear, casual wear, jeans, sportswear, and shirts. For an outsourcing dummy variable, we defined DSN = 1 if the apparel manufacturer has contracts with an external designer for more than three years, and DSN = 0 otherwise. Dummy variables to obtain information of consumer needs (CN_i) are defined as follows; CN_1 =1 if the apparel manufacturer observe the fashion of passers-by in urban areas and CN_1 =0 otherwise; CN_2 =1 if the apparel manufacturer participated in the fashion show and CN_2 =0 otherwise; CN_3 =1 if the apparel manufacturer interact directly with consumers or conducted a consumer survey to, and CN_3 =0 otherwise. For location dummies ($URBAN_j$), we defined $URBAN_j$ =1 if headquarters or branch office are in Tokyo (j=1), Osaka (j=2), Aichi (j=3) and 0 otherwise. A proxy variable of company scale (SIZE) is defined as the number of full-time and part-time employees. The descriptive statistics and correlations are shown in Table4.

[Table 4. here]

6. Estimation results

The program STATA SE Ver12 is used in our analysis and an estimation of the coefficients and marginal effects are shown in Table 5. The goodness-of-fit of the estimated models is not very high (0.044). The result of log-likelihood (LR) statistics, however, is 38.9, suggesting the null hypotheses and all independent variable parameters are jointly equal to zero and, therefore, can be rejected at the 1 per cent level of significance. (χ^2 at 1 per cent level is 21.7) As a consequence, the estimated model is accepted as valid.

[Table 5. here]

As shown in Table 5, CAT is negative and is therefore statistically insignificant, indicating that the ability to provide a wide variety of apparel items is not a factor in developing own brands. Therefore, H1 is not accepted.

The estimation of the DSN variable is positive, and therefore statistically significant at the 0.1 per cent level. Marginal effects of DSN come to 14.3 per cent, and are statistically significant at the 0.1 per cent level, indicating that apparel manufacturers who can access external designers tend to have their own brands. *H2* is accepted on the basis the result of this study is statistically significant and is consistent with the discussion of Azuma (2002), if SME apparel manufacturers could have links with external creators/designers, they could provide unique fashion items with

their own brands and achieve greater performance.

As for the dummy variables used to obtain information of consumer needs (CN_i), the estimated marginal effects of fashion observers (CN_1) and direct conversation with consumers (CN_3) come to 8.0 and 9.6 per cent, and are therefore statistically significant at 3.7 per cent and 1.3 per cent levels, respectively. However, the estimated marginal effects of participation in the fashion show (CN_2) are not statistically significant. These results are consistent with the discussions of Cachon and Swinney (2011) and Kurosaki (2000), who proposed that the key to success for apparel manufacturers is to integrate production and planning activities to better understand consumer needs. Thus, those apparel manufacturers who have a better understanding of consumer needs tend to have their own brands. *H3* tested whether apparel manufacturers tended to develop their own brands. The findings have concluded that the marginal effects of CN_1 and CN_3 are statistically significant and are therefore accepted in the hypothesis. However, the marginal effects of CN_2 are rejected in this hypothesis.

Further noteworthy findings are the estimated marginal effects of $URBAN_1$ come to 14.4 per cent and are statistically significant at 0.1 per cent level, whereas that of $URBAN_2$ and $URBAN_3$ are statistically insignificant. These suggest that apparel manufacturers located in Tokyo have advantages of developing their own brands, contrary to those located in Osaka and Aichi, who have no merits in keeping their own brands. The reason could be related to the economic magnitude, e.g. the population of Tokyo, Osaka, Aichi are 13,390, 8,836, 7,455 (in thousands, Statistics Bureau, Ministry of Internal Affairs and Communications, FY2014), whereas GDPs in Tokyo, Osaka, Aichi are about 92, 37, and 34 (in trillion JPY, Prefectural Accounts in FY2012). The disparities between Tokyo and Osaka/Aichi are 1.5 times the population size, and 2 times on an economic scale, so from this argument, it is easy to understand that Tokyo has more advantages for apparel manufacturers to develop their own brands than either Osaka or Aichi. This finding is consistent with New York City, where the accumulated benefits of the apparel industry have existed and have been analyzed by Rantisi (2002). Therefore, *H4* is accepted, especially in the case of Tokyo.

Finally, of particular note is that the coefficient estimate of SIZE is statistically insignificant, indicating that relatively large apparel manufacturers do not have greater advantages than SME apparel manufacturers. In other words, SME apparel manufacturers have equal chances to realize benefits by developing their own brands. This result agrees with Azuma (2002).

7. Conclusions

The aims of this study are to clarify the factors affecting own brand strategy of Japanese apparel manufacturers. This investigation is particularly noteworthy since it illuminates how SME

apparel manufacturers survive in the market.

Before undertaking empirical analysis, we set out the hypotheses based on resource-based theory and agglomeration economic theory, as well as from evidence gathered from previous studies: (*H1*) Firms that can produce an array of apparel commodities tend to have their own brands; (*H2*) Firms with access to designers tend to have their own brands; (*H3*) Firms that can gather consumer needs and utilize the data for future product development tend to have their own brands; (*H4*) The firms located in urban areas tend to have their own brands.

With regards to *H1*, the findings from the analysis show that the ability to provide an array of apparel items is not a factor in developing own brands. With respect to *H2*, the marginal effect of DSN show a positive sign and is statistically significant at the 0.1 per cent level. This indicates that apparel manufacturers that can access external designers tend to have their own brands. *H3* was accepted due to the facts that the estimated marginal effects of fashion observation (CN_1) and direct conversation with consumers (CN_3) come to 8.0 and 9.6 per cent, and are statistically significant at 3.7 per cent and 1.3 per cent levels, respectively. This suggests that apparel manufacturers who collect information on consumer needs and use the data for production planning tend to develop their own brands. A more interesting result is obtained from *H4,* where apparel manufacturers located in Tokyo tend to launch their own brands. Agglomeration economies in Tokyo are outstanding compared with other cities, even compared to Osaka and Aichi, so firms located in Tokyo have more advantages than those located in other cities. Furthermore, another interesting result is that company scale is not an important factor in developing brands, indicating that SME apparel manufacturers have equal chances in developing their own brands, and which could enhance their future prospects.

In this paper, we identified a number of key points necessary to develop apparel manufacturers' brands. The findings improve on previous studies. (Urakami et al., 2009, Urakami and Wu, 2010) ignored apparel retailers and manufacturers, as well as their strategic decision-making process. The present study, however, is limited in that it focuses solely on exogenous factors. Strategic decision-making is understood to be influenced by typical distribution structures of the apparel industry as well as by the apparel retailer-wholesaler-manufacturer relationship. Thus, the distribution structure and their relationships also need to be investigated, which is an issue to be addressed by future research.

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Table1. Trends in the number of firms and their production shipments

	Number of employee	2002		2012		Nu
		Number of firms	Production shipments	Number of firms	Production shipments	
Manufacturer Total	all	290,848	269,361,805	216,262	288,727,639	
		100.0%	100.0%	100.0%	100.0%	
	4~9	144,216	9,103,096	94,320	7,129,326	
		49.6%	3.4%	43.6%	2.5%	
	10~29	99,586	27,025,896	78,186	24,317,037	
		34.2%	10.0%	36.2%	8.4%	
	30~99	33,484	43,492,899	30,733	44,908,299	
		11.5%	16.1%	14.2%	15.6%	
	100~	13,562	189,739,914	13,023	212,372,977	
		4.7%	70.4%	6.0%	73.6%	
Apparel Manufacturer	all	13,565	1,896,112	6,953	1,083,834	
		100.0%	100.0%	100.0%	100.0%	
	4~9	6,817	251,935	3,063	123,469	
		50.3%	13.3%	44.1%	11.4%	
	10~29	4,912	564,012	2,903	352,151	
		36.2%	29.7%	41.8%	32.5%	
	30~99	1,546	630,827	837	354,301	
		11.4%	33.3%	12.0%	32.7%	
	100~	962	n.a.	150	n.a.	
		7.1%	n.a.	2.2%	n.a.	

Table 2. Changes in Sales of apparel retailers and SPAs

	1999	2003	2007	2011	Change (Change rage) 1999-2011
Apparel retailers	109,254	101,953	102,848	90,502	-18,752
Change rate	-	98.9	100.1	101.4	(-17.2)
SPAs	30,447	37,043	46,300	48,900	18,453
Change rate	-	103.3	102.7	103.5	(60.6)
SPA/ Apparel retailers	27.9	36.3	45.0	54.0	(26.1)

Table3. A survey of previous studies: the model and theory adopted by the authors.

Author	Theory	Sample	Model
Menz & Scheef (2014)	Contingency theory	147firms (all industries)（2004-2008）	Logit
Montiel et al. (2012)	Transaction cost economics, institutional theory	433 automotive supplier facilities in Mexico (2004)	Logit
Arora & Nandkumar (2012)	Capability and Technology theory	270 information security start-ups (1989-2004)	Logit
Belderbos et al. (2011)	Agglomeration economics	692 Japanese electronics firms entered into Chinese province (1979-2001)	Conditional Logit model
Fortune & Mitchell (2012)	Capability	172 internet sector firms (2001-2002)	Logit
Fern et al. (2012)	Knowledge base theory	120 new entrants in the air transportation industry (1995 -2005)	Conditional Logit model
Eesley et al. (2014)	Contingency theory	2067 ventures (2001) (questionnaire survey)	Logit
Bertrand & Mol (2013)	Knowledge-based theory	6015 or 2251 observations (all industries) (1995-2004)	Probit
Brahm & Tarzijan (2014)	Transaction cost theory, Capability theory	10548 project-activity observations in Chile (2004-2008)	Logit
Jain & Thietart (2014)	Transaction cost theory	180 executives experienced in outsourcing (all industries) (2006-2007) (questionnaire survey)	Probit
Hawk et al. (2013)	Capability theory	50 LNG projects (1996-2007)	Logit
Berchicci et al. (2012)	Capability theory	2485 acquisitions (all industries) (1991-2005)	Conditional Logit model
Kim (2013)	Resource-based theory	108 electric utilities (1992-2008)	Probit
Karim & Williams (2012)	Knowledge-based theory	48 firms in the medical sector (1978-1997)	Logit
Wiersema & Zhang (2011)	Capability Investment analysis	500 firms (all industries) (2000-2005)	Logit
Zhou (2011)	Coordination cost	965 firms (all industries) (1993-2007)	Logit
Lewis et al. (2014)	Institutional economics	589 firms (all industries) (2002-2008)	Logit
Li & Qian (2013)	Principal agency theory	1548 firms (all industries) (1998-2007)	Logit
Tuschke et al. (2014)	Organizational learning theory	93 stock corporations (all industries) (1990-2003)	Logit
Muehlfeld et al. (2012)	Experience learning theory Organizational learning theory	4973 M&A attempts in the newspaper industry (1981-2008)	Logit
Soule et al. (2014)		449 firms (all industries) (1996-2002)	Logit
Tong & Li (2013)	Real option theory	135 international joint ventures (all industries) (1989-2008)	Probit

Moore et al. (2012)	Signaling	Foreign IPOs listed on U.S. exchanges(103 firms) and U.K. (99 firms) (2002-2006)	Logit
Perryman & Combs (2012)	Agency theory	4339 outlets in the fast-food/quick-service industry (2005)	Logit
Jia (2014)	Corporate political action	Private firms in China (all industries) (1995-2006)	Probit
Gu & Lu (2014)	Resource base theory	285 venture capitals in China (all industries) (1999-2011)	Logit

Table4. Descriptive statistics and their correlations

Variables	Mean	SD	Min	Max	D_{PLAN}	CAT	DSN	CN_1	CN_2	CN_3	$URBAN_1$	$URBAN_2$	$URBAN_3$	SIZE
D_{PLAN}	0.546	0.498	0	1	1									
CAT	2.905	1.894	1	11	-0.036	1								
DSN	0.282	0.450	0	1	0.152	0.032	1							
CN_1	0.520	0.500	1	1	0.092	-0.022	0.024	1						
CN_2	0.338	0.473	0	1	-0.007	0.115	0.001	-0.008	1					
CN_3	0.581	0.494	0	1	0.117	-0.08	0.109	0.021	-0.103	1				
$URBAN_1$	0.283	0.451	0	1	0.134	0.204	0.116	0.014	0.094	0.006	1			
$URBAN_2$	0.158	0.365	0	1	0.05	0.076	0.167	-0.013	-0.029	0.012	0.185	1		
$URBAN_3$	0.07	0.256	0	1	-0.019	0.03	0.1	-0.029	-0.055	0.036	0.058	0.065	1	
SIZE	55	374	1	9000	0.007	0.095	0.079	-0.170	0.107	-0.110	0.269	0.173	0.069	1

Notes：Correlations of SIZE and other variables are calculated after taking logarithms for SIZE.

Table5. Results of the Estimates

Variables	Description of Variables	Coefficient	Standard error	P value	Marginal effect	Standard error	P value
CAT	Categories of products	-0.063	0.045	0.160	-0.015	0.010	0.158
DSN	External professional designer	0.612	0.191	0.001	0.143	0.043	0.001
CN_1	Fashion observation	0.344	0.167	0.039	0.080	0.038	0.037
CN_2	Participation in the fashion show	-0.015	0.177	0.932	-0.004	0.041	0.932
CN_3	Direct conversation with consumers	0.411	0.169	0.015	0.096	0.039	0.013
$URBAN_1$	Tokyo	0.620	0.199	0.002	0.144	0.045	0.001
$URBAN_2$	Osaka	0.071	0.236	0.762	0.017	0.055	0.762
$URBAN_3$	Nagoya	-0.336	0.324	0.300	-0.078	0.075	0.299
SIZE	Number of Employees	-0.011	0.070	0.871	-0.003	0.016	0.871
	constant	-0.334	0.285	0.241	-	-	-
	Pseudo R^2				0.044		
	Log Likelihood				38.9		
	n				639		

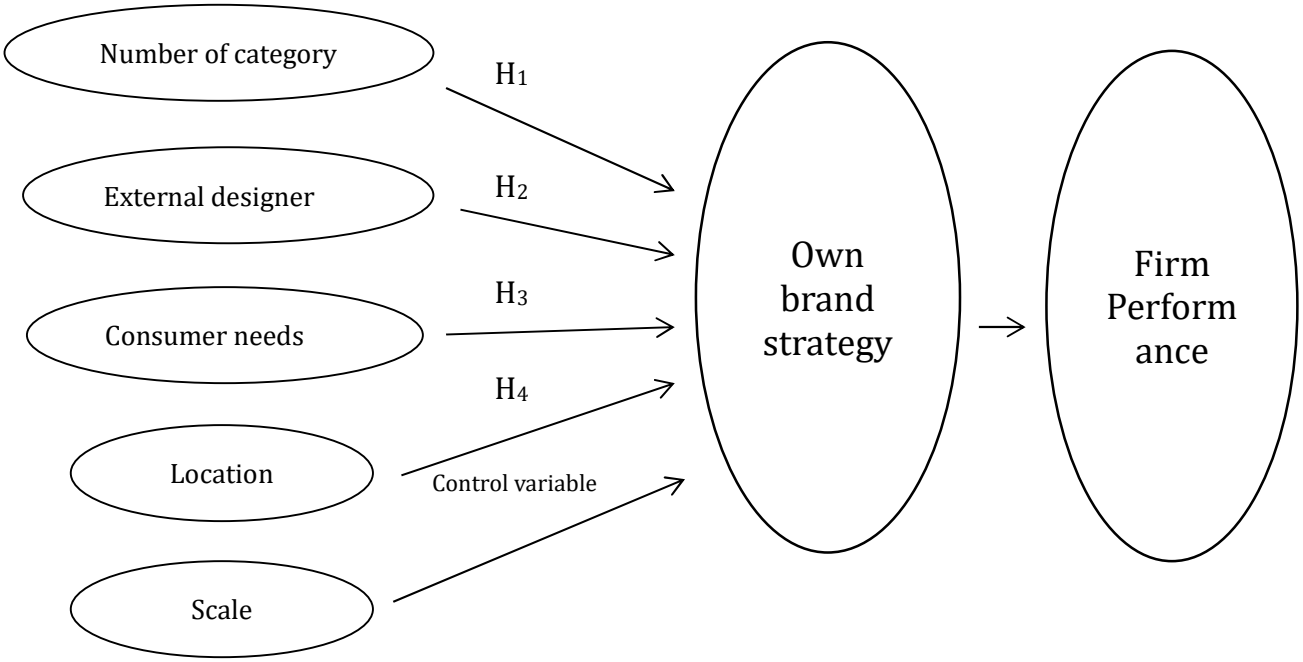

Figure 1. Hypotheses