

COMMERCE

Easy days are over in China

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Harrods' WeChat promotion

By JOE MCCARTHY

NEW YORK - Luxury brands managed to reap huge profits with crude strategies in China a few years ago, but now only smart marketers versed in cultural norms will survive, according to a China Luxury Advisor partner at Luxury Interactive 2014 on Oct 15.

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As brands initially set up operations in China, they struggled with awkward localization efforts, overexpansion, sluggish online activities, poor choice of local partners, miscommunications and more. Such mishaps today are becoming unacceptable and brands that want to succeed in China must adhere to several guiding principles.

"Develop online touchpoints in China, then close the circle abroad," said Avery Booker, partner at [China Luxury Advisors](#), New York.

"China is a demographic," he said. "Don't just focus China efforts in China. Catch [consumers] where they come."

"You might need 15 stores in China, or you might not even need one."

The framework

Mr. Booker outlined some pitfalls common among brands new to China in "The Global Chinese Luxury Consumer: Opportunities & Pitfalls" session.

At first, many brands think they can seize the China opportunity by setting up retail locations all across the country. While some stores in highly trafficked retail areas such as Hong Kong surge, other stores wither and the overabundance leads to brand fatigue.

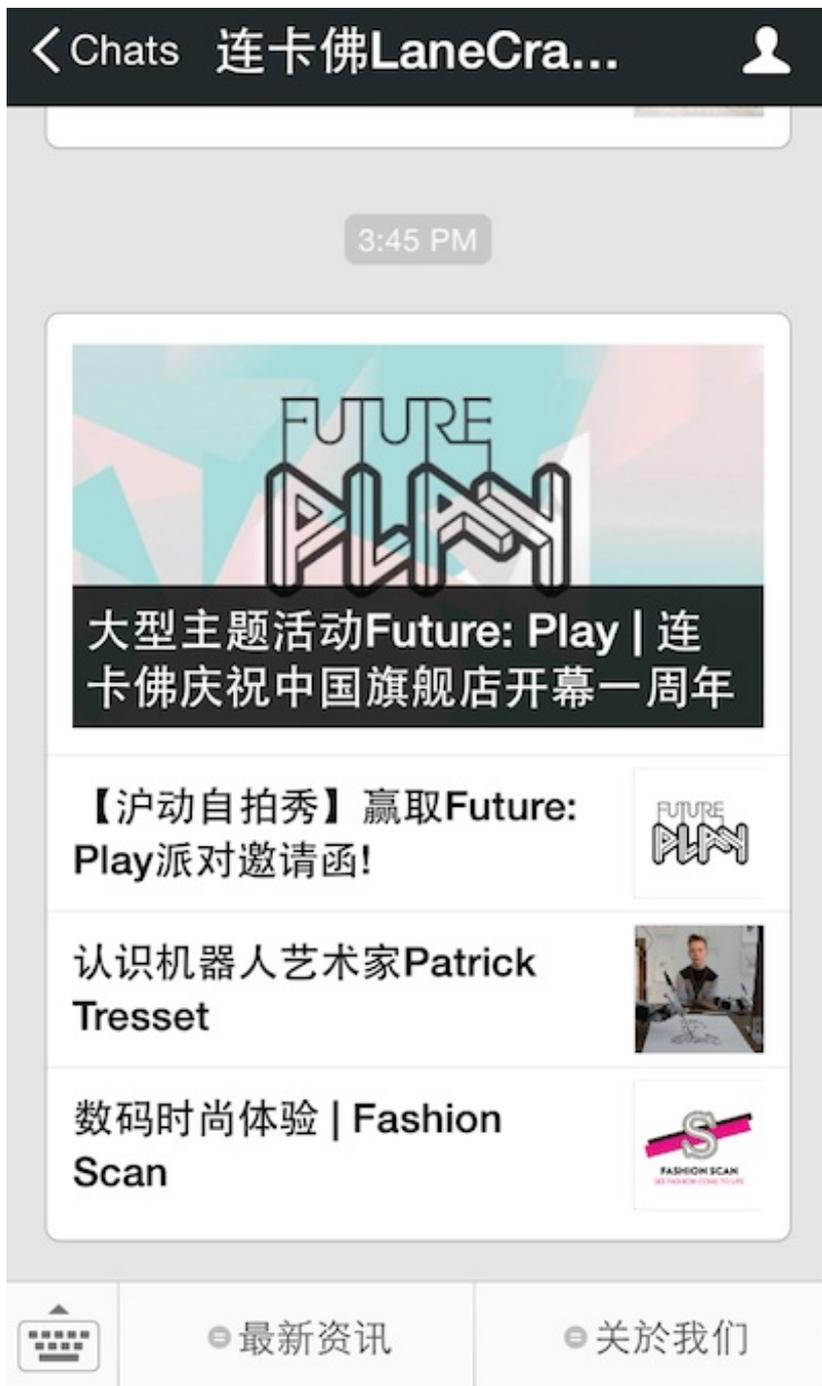
Awkward localization attempts such as creating exclusive products that bombastically draw from ancient Chinese culture harm brands, because it comes off as pandering. Consumers really just want the same products that are sold elsewhere in the world or, if at all, subtle heritage items.



Avery Booker at Luxury Interactive 2014

Many brands naively partner with social influencers that have large Sina Weibo communities, unaware that these influencers have little influence over target demographics. Mr. Booker emphasized that Weibo is not the social media platform brands should be active on. Instead, WeChat has much better prospects.

For example, London department store Harrods increased its exposure in China by being the first British retailer to launch a WeChat social media account that conveys its latest content and special offers to Chinese consumers ([see story](#)).



Lane Crawford on WeChat

Another major error is not fully reckoning the global purchase path of Chinese consumers, since a significant percentage of purchases occur abroad.

While the domestic growth rate of luxury consumption has fallen to 2 percent, the growth of outbound tourist spending is at 20 percent.

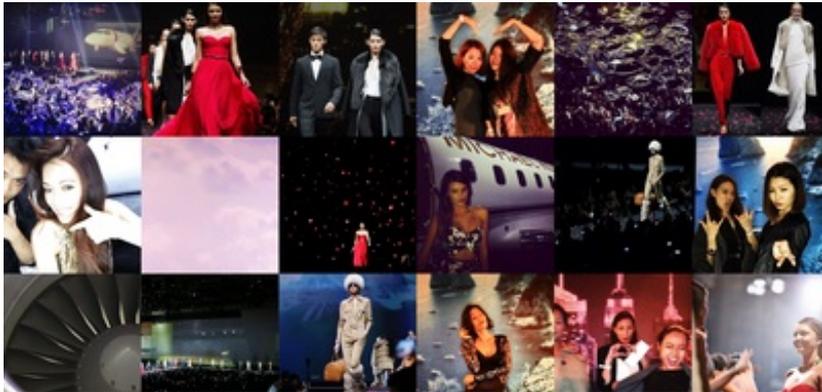
Ninety percent of Chinese consumers cite shopping as a top priority when traveling, and more than 90 percent have their purchases planned prior to boarding the plane.

This means that stores in different countries should communicate about customer preferences rather than view one another as competitors for the same sale in a "zero sum game."

Other pitfalls include failing to address the gray market of counterfeits, failing to create

strong CRM systems, neglecting sizing, payment and communication preferences and failing to invest heavily in mobile.

Mr. Booker then outlined some steps, including reversing the aforementioned pitfalls, that brands can take to improve their China strategy.



From Michael Kors Jet.Set event in Shanghai

For instance, brands should tap Chinese ambassadors outside of China to reach the country's diaspora and tourists abroad.

Also, brands should embrace the experiential nature of travel. When courting tourists, brands should set up events such as golf outings, winery visits and holiday celebrations.

Equipping stores across the world with either Mandarin speaking sales associates or simply advising sales associates of Chinese mores will go a long way in making customers feel comfortable.

Still bright

While many commentators have lamented the decline of China's explosive growth, Mr. Booker remains optimistic about the country's potential.

The crackdown on luxury consumption primarily affects the older generation of government officials. China may have a huge bureaucracy, but there are many more consumers outside of this net that still consume luxury goods and are emerging as key players in luxury consumption.

Younger Chinese consumers are powering the consumption of categories like apparel, accessories, jewelry and cosmetics. These consumers are more experimental with brand decisions, dedicated users of social media and considered the tastemakers.

The influencer status is heightened for students studying abroad, who oftentimes spend lavishly abroad and bring items back home.

"The easy days are over in China," Mr. Booker said. "But it can be more sustainable now."

Final Take

Joe McCarthy, staff writer on Luxury Daily, New York

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