

RESEARCH

Brands entering Chinese market must appeal to unique preferences: report

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Chinese consumer uses mobile device

By KAYSORIN

The Chinese market is complex and ever-evolving, requiring international luxury brands to practice patience and due diligence if they want to enter and remain successful in this environment, according to a report by CR Retail.

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While some retailers are quick to blame China's anti-graft measures for their lack of success in the industry, ultimately failure is often the result of lack of research and an inability to understand the complexities of the market. In order to be successful in China, luxury brands must adapt to consumer preferences and target retail and marketing strategies to appeal to the Chinese consumer.

"However familiar the retailer thinks they are with China, they should not rush in and should spend time undertaking thorough due diligence," said James Rogers, managing director of **CR Retail**. "This will provide them with valuable market intelligence, which will help give them a clear understanding of the market.

"This will help determine who their target customer is and how to engage with them."

Slow and steady

Entering the Chinese market is undeniably difficult, and over the past year many of the luxury brands that attempted it have decided to scale back operations or leave the market entirely after disappointing profits. According to CR Retail's report, this is a result of lack of research and poor understanding of the Chinese consumer.



Entering the Chinese market can be difficult for many brands

The consumer lies at the heart of all transactions, so it is essential for brands to target marketing and retail strategies to appeal to them. The Chinese consumer is unique, however, and will have different preferences than consumers from other countries.

“Brands continue to make the mistake that because they are successful in other markets then they will automatically be a success in China,” Mr. Rogers said. “They often believe that the consumer will adapt their styles and tastes for the brand, but this is often not the case.”



It is important to appeal to consumers' unique preferences as much as possible

Some suggestions that CR Retail makes to help brands improve their relations with Chinese consumers include identifying the target audience, deciding whether or not to travel and introducing product when the consumer is ready. Many retailers do not consider these important questions when opening Chinese locations, consequently leading them to fail in the competitive market.

Additionally, it is essential that brands consider their ecommerce presence when entering the Chinese market, as it is a considerable element of the retail experience there. Brands must adopt local social platforms and target efforts to align with Chinese retail culture.



Ecommerce strategies are especially important in China

Unique approach

There are many benefits to entering the Chinese market, and brands that are able to do so successfully will reap the rewards. By 2022, China's retail market is expected to be double that of the United States and grow to \$8 trillion, according to a report by A.T. Kearney.

Although Asia, considered by the "Global Retail Development Index Ranking" as a regional winner for 2015, has slowed in growth over the last few years, the region still outpaced other emerging markets. The markets typically associated with retail expansion remain attractive for luxury brands looking to extend their bricks-and-mortar presence, especially as they become more developed ([see story](#)).

One of the most important strategies for brands looking to enter the Chinese market is to acknowledge the unique culture of the country and tailor marketing and retail strategies to appeal to a specific consumer. While much attention has been paid to the spending power and penchant for luxury goods among Chinese consumers, brands cannot assume that the same exact attitude and shopping habits exist across all Asian countries, according to findings from Agility Research.

China's maturing luxury buyers care most about quality and exclusivity, while in other areas, such as Hong Kong and Singapore, luxury is more defined by a lofty price point. As luxury brands spread out and increase operations throughout Asia to reach what will be 1 billion affluents over the next 10 years, understanding the nuances and personality traits typical in particular countries can help them more accurately market to residents ([see story](#)).

Adopting some of the strategies outlined in CR Retail's report can help brands looking to enter the market be successful. Some have already shown the importance of appealing to the Chinese consumer.

"The brands that have and will continue to be successful are the brands that understand the consumer and adapt for them," Mr. Rogers said. "Brands such as Burberry that

understand the importance of technology in the consumer's daily lives, have integrated it into their stores.

“In addition, luxury brands which are ensuring that they are not overexposed will continue to thrive; the best example being Hermes.”

Final Take

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