

RETAIL

Luxury-hungry Chinese Americans snap up offers, advice from Dealmoon

October 20, 2016



Ferragamo's Splendor of Life campaign for spring/summer 2016

By SARAH JONES

NEW YORK Luxury brands should consider offering discounts or offers on their best products to provide an entry point for consumers to experience them firsthand, according to the co-founder of Dealmoon.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Chinese shopping recommendation site Dealmoon has become the largest distributor for a number of luxury brands in the United States, as it feeds Chinese Americans' demand for high-end goods. While discounting is often looked at negatively, the executive pointed to deals as a prime provocation for shoppers to put a brand's product in their cart for the first time.

"The best branding you could possibly have is to put your best product into people's basket and let them try it," said Jennifer Wang, co-founder/chief marketing officer of Dealmoon. "What other thing can you do to convince people to try a brand they have never tried?"

"The number one thing is to make sure you are promoting something you think your brand is most proud of," she said. "Anything in your brand, that if you refer to a friend, what is worth buying from my company. Make sure you're putting that out there."

"In the past, luxury brands have been really concerned with not putting their best products on sale, but I would encourage you to keep the users who are interested in trying them at least one chance. They have probably heard of this product, but never had incentive to try it, so give them the opportunity to try your best products."

Trading up

Dealmoon was founded in 2009 as a deals and coupon site targeting Chinese Americans, with the product selection catering to these consumers.

From its beginnings, Dealmoon positioned its social media presence as more than a place for promotions and marketing, using Weibo in particular to act as a friend to its 6 million followers. Giving advice to those new to the U.S., Dealmoon's content would span subjects such as how to get a driver's license or what Halloween is.

This strong social following translated to 3 million users of Dealmoon's app since it launched. Leveraging the platform as a form of social media itself, users post photos of their purchases.



Dealmoon's app

With these Chinese Americans hungry for deals on more than just utilitarian products, Dealmoon has become the largest distributor in the U.S. for many luxury brands.

A rising middle class has helped China become a luxury powerhouse, with consumers there contributing 46 percent of the total luxury spend globally. A Chinese consumption upgrade means that average consumers have an interest in luxury handbags and skincare, wanting better for themselves than what they grew up with.

Chinese consumers are becoming more selective in their purchases, trading up from mass to premium labels as their confidence grows.

A McKinsey report, "The Modernization of the Chinese Consumer," found that a significant portion of the population would raise their spending on apparel, travel, personal care and other services if their incomes grew. Representing positive news for international companies, the preferred premium brands in categories such as cars, skincare and fashion remain foreign brands ([see story](#)).

In China, luxury goods are about 30 percent more expensive, so when Chinese consumers move to a new market, particularly the U.S., they are surprised at how "cheap" these products are. Adding to this comparable affordability, these newcomers have often left some of their closet behind in preparation for their move and they have less of a social calendar when they arrive, leaving ample time for shopping.

Chinese Americans buy luxury goods in bulk, partly because they are taking advantage of the U.S. prices for friends and family. Almost a third of Dealmoon's followers are the relatives or pals of U.S. residents who are still in China, who follow deals and alert their American counterpart to buy it for them.



Dealmoon Web site

While these customers may have \$1,000 to \$3,000 to spend on a luxury handbag or a pair of shoes, they are savvy. Ms. Wang suggested that brands ensure their own prices match other distributors to prevent them from shopping elsewhere.

Luxury brands also need to ensure that their platforms are prepared for the mobile minded Chinese shopper. Ninety percent of Chinese consumers have made a purchase via a mobile device, so it is important to have an easy checkout for mobile, including payment options like WeChat Pay that will launch in the U.S. soon.

Dealmoon has seen its luxury brand conversion for mobile six times lower than desktop, showing potential customers' frustrations with difficult mobile commerce platforms.

Luxury brands also have to be mindful of the increasing global shopping habits of Chinese consumers. By 2020, a quarter of the country's population will buy goods outside of China.

Try and see

Some success stories of Dealmoon include Neiman Marcus and Ferragamo.

Neiman Marcus hosted an offer, in which consumers could get a \$150 gift card when they spent \$500. This generated \$1.5 million in sales in just 72 hours, helped along by the Dealmoon team spotlighting products it knew would resonate with the Chinese consumer.

Ferragamo's Vara and Varina styles alone have seen sales of \$1.3 million through Dealmoon since it first began featuring them three years ago. The site created editorial content at launch based on the team's own experiences, such as the comfort.

Dealmoon's own users continued the conversation, posting photos of their own flats. Even when the price rose \$100 last year, the styles' sales still rose 25 percent year-over-year.

The site expects to partner with hundreds of U.S. retailers for the upcoming Singles' Day shopping holiday in China.

Celebrated on Nov. 11 each year, Singles' Day has become the highest grossing ecommerce day globally, with more than \$14 billion in sales last year. For the fourth year, Dealmoon is making a connection between Chinese American consumers and U.S. retailers for Singles' Day, as brands look to benefit from heavy online traffic ([see story](#)).

Efforts to court Dealmoon's clientele also extends to their network still in China.

"This audience...they are kind of tired of shipping to their homes and carrying it back, so they often teach their family and friends how to shop on the site," Ms. Wang said. "And a lot of times when they share the purchases they have, they are creating a big influence on their family and friends in China."