

MARKETING

Tap into China gold mine by getting to know culture: Catalyst S+F

November 3, 2016



Affluent consumer

By BRIELLE JAEKEL

NEW YORK A Catalyst S+F executive at ad:tech New York 2016 Nov. 2 stressed the importance of using time and resources to develop a new strategy when diving into the Chinese market.

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

During the session, "Effectively Connect Your Brands With Chinese Consumers," the executive explained that it is imperative for brands who are looking to move into China to research the local culture, history and mindset of the consumer or risk failing. Many companies hope to just replicate their Western-born business model in the Eastern markets and almost certainly fail.

"I think that people are often too quick to try and take the business model that they have in their own country and transplant it into China and expect success," said Robert Ferguson, vice president of strategy at Catalyst S+F. "Those are always the case with failures and I think that Dominos and Home Depot are a perfect example.

"They don't take the time and the resources to fully understand the common Chinese history, the culture as well as the mindset of the people there," he said.

Cultural differences

Luxury brands that can provide Chinese consumers with a method to outsource any type of work can see significant success. For instance, Home Depot failed overseas after six years because Chinese consumers are not interested in do-it-yourself.

These consumers want a luxury experience in which services are carried out for them. Luxury brands can thrive in this area.

China has significant potential for brands to break into, with almost 30 percent of all global purchases coming just from this market. The country also just surpassed the United States in terms of mobile ad revenue.



Chinese tourists in Louis Vuitton

Brands should consider how to establish resources and presence in China that are not just for profit. For instance, Apple has a research center in the Asian country that focuses on staying close to the consumer to determine what exactly he or she wants.

The Chinese consumer is very fine-tuned to his or her wants and needs, which means that brands that do the work can see significant success by mining consumer data.

Social messaging application WeChat is still a big driver for retailers and brands in the Chinese market, but mobile and social channels in general are substantial drivers in connecting to the consumer. Social influencers make an even bigger impact in China than it does in the U.S.



Chinese consumer shopping at Peninsula Academy

Consumers in China are not keen on impulse buys, but instead heavily research and look for validation on products of interest. Brands that leverage and team up with social influencers who are popular in China can see significant lift and results.

Brands in China

A few brands have been able to make their mark in China by following these ideas.

For instance, British footwear and accessories maker Jimmy Choo reported 9.2 percent revenue growth at current exchange rate for the first half of 2016, despite the difficulties currently faced by the luxury market.

For the first half of 2016, Jimmy Choo saw gross margin expansion and cost control that drove its adjusted EBITDA growth of 12.8 percent, and adjusted EBIT growth of 13.7 percent. Momentum in the Asian market, "impressive growth" in China combined with an 8 percent revenue increase from its menswear category helped Jimmy Choo to achieve these first half results ([see more](#)).

Also, Scotch whisky-maker Johnnie Walker enticed travelers to stop in for a libation at its latest Johnnie Walker Houses, found in the departures lounge of two of Asia's busiest airports.

Johnnie Walker House is a network of tasting and experiential centers found in duty free zones within busy airports and popular city destinations. The newest Johnnie Walker Houses, launched by Diageo Global Travel, Johnnie Walker's distributor, have been opened at the Beijing Capital International Airport in China and South Korea's Incheon International Airport ([see more](#)).

"That is something that we always advise: to take out the time and resources," Mr. Ferguson said. "That is the model to set you up for success and I think that if you look at any of the winners and losers it all comes down to those that took that time.

"As we used to always say, you have to do good to do well there," he said. "You can't just go in there and expect to reap profits.

"You have to work with the government, work with the local administration and the local bodies."

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.