

RETAIL

Be flexible, build trust for successful Asian market expansion

January 18, 2017



Affluent consumer

By SARAH JONES

NEW YORK When entering a new market, the biggest mistake brands can make is failing to alter their marketing strategy for any cultural differences, according to an executive from Export Now.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 [Save \\$246 ▶](#)

During a panel at the National Retail Federation's Retail's Big Show 2017 on Jan. 17, speakers noted that brands need to do their homework before entering Asia, as preferences and consumer behavior can vary greatly from country to country and even within one market. While a brand's core branding should remain intact, as it is what will attract consumers, brands should not be afraid to reposition products or services to better appeal to Asian shoppers.

"Get out there. Visit the markets," said Daniel Armstrong, business manager, U.K. and international growth at Waitrose. "You cannot expand into Asia with a desktop exercise. And I know that sounds like a really obvious thing to say, but a lot of retailers do it and they fail."

"So I think it's key that you go out there, you understand the markets, you meet people and understand the consumer and the different types of retail out there."

Market to market

Panelists agreed that entering China's offline retail market is far more difficult than launching online in the massive market. China's ecommerce market is growing by the size of the United Kingdom's ecommerce market each year, and it is projected to see a growth over the next five years that equals the GDP of Japan today.

Even with an emerging affluent class, the general purchasing power in China is lower than in a developed nation such as the United States, giving it a much lower penetration rate. Still, the size of the market makes even a 10 percent penetration worthwhile.

Whereas brand-owned sites are prevalent in the United States, Chinese consumers prefer marketplaces.



Tmall app

Giving an example of a failed foray into China, Mr. Lavin noted Home Depot, which did not edit its message of DIY home improvement for a Chinese audience. While U.S. consumers may take a weekend to tackle a project, the newly affluent Chinese were not swayed by the idea of doing the work themselves.

A success story is Starbucks, which focused on the social aspect of its coffee shops to appeal to Chinese students, giving them a safe place to go with friends aside from home and school.

Premium grocer Waitrose operates in Asia solely through wholesale partnerships. This allows the company to benefit from the retail partner's knowledge of the local market, giving up some control of how the brand is presented.

From Waitrose's experience, what appeals to Asian buyers is quality and provenance. For instance, the grocer's royal warrant is front and center in retail displays in South Korea's Shinsegae, while its U.K. stores are less focused on the palace connection.

Aside from differences in bricks-and-mortar retail, the Chinese consumer is looking for a different online shopping experience. While a product page in the U.K. might have a single shot of the product and a brief description, Chinese shoppers want multiple images and more detailed information.

If a company is debating where to go, Waitrose's Mr. Armstrong noted that a market's size is not always the best indicator of its potential.



Image courtesy of Value Retail

Fossil, which owns the timepiece licenses for brands including Michael Kors and Burberry, operates in 11 countries throughout the Asia Pacific region.

Agreeing with his fellow panelists on the need for localized marketing, Fossil's vice president of IT enterprise systems Andrew Hess also noted the necessity for a market-specific operation strategy. For instance, a fulfillment system that works in the European Union will not translate to Asia, as the geography is very different.

From country to country, consumer behavior can also differ, with expectations of bartering and discounts varying from market to market. Retail models are also varied, with concessions popular in South Korea and China favoring online channels.

According to Mr. Hess, a company may want to pick out a market that is the most similar to its home for the easiest expansion.

He also pointed out that the investment needed to enter a country for the first time is far greater than opening another store in a country where a brand already has a presence. A retailer, therefore, may wish to expand in one country until they reach the footprint they want before moving on.

Catering to China

When looking to crack the Chinese market, many brands find that partnerships are better than going it alone.

Sotheby's International Realty Affiliates has signed an agreement with a local Chinese real estate Web site to generate stronger interest in its property listings among affluent buyers from China.

The realty firm announced its newly inked alliance with Juwai.com on Sept. 7. Juwai.com is a popular real estate Web site with more than 2 million monthly visitors, which will help Sotheby's ensure visibility for its high-end properties in 65 countries and territories ([see story](#)).

While Chinese consumers are buying online, the uppermost part of the market still has to assuage concerns about shopping via ecommerce.



Cartier Chinese ecommerce site

A number of luxury brands have launched ecommerce sites in China within the past year, but online shopping still feels like risky business to many of the country's consumers, according to a new report by FDKG.

FDKG's "Luxury Insights China 4th Quarter" report explains that with less regulation of online sales in China, consumers may have to endure a drawn out dispute if items are not delivered as promised, making each purchase a

consideration of not only spending budget, but a weighing of how much can comfortably be lost. While some may still opt for an in-store purchase, a growing interest in online shopping within China is evident in the \$14 billion in transactions during Single's Day Nov. 11 ([see story](#)).

"Build confidence in your products," Fossil's Mr. Hess said. "American companies frequently talk about features, but in Asia it's about trust and confidence in your brand and your products."

© 2020 Napean LLC. All rights reserved.

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