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US brands are looking to gain greater digital traction in China

November 21, 2017



Gucci is one of the luxury brands looking to Tmall to capture the Chinese audience

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Likely due to Chinese consumers' eagerness to adapt to digital, new data from the Global Ecommerce Leaders Forum shows that leading retailers are focusing on China as they modify their online strategies.

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While online retail platforms such as Tmall are highly influential on the Chinese shopper, brands are seeking more value and deeper relationships. Brands from the United States are using these platforms to gain a better stronghold on China.

"Profitably growing sales in China requires closer relationship with Alibaba and other top ecommerce platforms in China like JD.com and WeChat," said Kent Allen, co-founder, Global Ecommerce Leaders Forum (GELF).

"Therefore leading retail executives selling via Alibaba's Tmall are revisiting their strategic relationships with their technical partners in China (these ecommerce partners are often referred to as Tmall Partners or "TPs").

"As they shift their strategic focus from just growing sales to profitable ecommerce operations, retail brands want more 'hands-on control,'" he said. "This means working more closely with Alibaba instead of having TPs act as middlemen that own the direct relationship with Tmall.

"Global ecommerce leaders are also building strategic relationships with other Chinese ecommerce platforms like JD.com, Tencent's WeChat, Netease's Kaola and large distributors like Suning with vast retail holdings. Getting closer to more key partners in China (in part by growing the headcount of their own teams in mainland China) is an emerging strategy for diversifying their ecommerce growth in China."

Brands in China

While the United States is still relatively new in its look into capturing the Chinese audience, consumers are increasingly looking to digital to get what they want. Shoppers no longer think of themselves as constrained by international borders, but now come to expect to get whatever they want.

"[Catching the China Ecommerce Wave](#)" is a new report, showing that digital natives are embracing mobile more and more, especially in the Asia-Pacific region. The middle class in China is also becoming increasingly more

comfortable with shopping across borders.

WeChat continues to be extremely important, as consumers in China spend their entire day within the application. Even brands such as French atelier Cline, who is known for being slow to the draw, have embraced the mobile messaging app.

In China, brands are struggling with a few digital issues with driving sales and revenue through their own Web sites and a lack of control with third party retailers being the biggest. While brands wish they had more control and value with third party retailers, they have no choice as their own Web sites receive little to no attention.

However, now U.S. brands are looking to focus on scaling profitability and instead of just sales. These brands are realizing that bricks-and-mortar and digital together is extremely important instead of just putting all resources into online sales.

Experts are recommending to build a stronger partnership with Tmall, one in which brands have more control and added value.

Tmall helped U.S. labels make their entry into the Chinese market through a partnership with New York Fashion Week: The Shows.

This collaboration, in association with Sunchi, saw American designers chosen to participate in Alibaba's see-now, buy-now runway show during its 11.11 Global Shopping Festival. This partnership came as Alibaba worked to make more inroads in high-end ecommerce ([see more](#)).

Brands looked to acquire more customers in China need to also focus on putting more resources in China. The findings of the report show that brands need to put more "skin in the game."

Additional insight

The population of affluent consumers in China is continuing to grow at an impressive rate, with the collective wealth of the top 100 consumers in China growing 60 percent year-over-year.

This data comes from Hurun's annual "Richest People in China Index" which categorizes and ranks the ultra-wealthy in China as well as analyzing the state of affluent consumers in the country. This report shows that China is continuing to be a hub for newly affluent consumers who will be a valuable customer base for luxury brands ([see more](#)).

"WeChat's growing role in China's ecommerce," Mr. Allen said. "When we asked U.S. brands about digital commerce initiatives they planned to implement in the next two years, the top response was WeChat, cited by 64 percent of respondents.

"WeChat is the Chinese instant messaging, commerce and payment services application platform owned by Tencent (which also has a 15 percent ownership stake in JD.com). WeChat Pay is now a serious challenger to Alipay," he said. "WeChat is also the platform of choice for Key Opinion Leaders (KOLs), who are influencers that drive online sales in China.

"The impact of KOLs and influencers on ecommerce sales in China is huge. Many Chinese online shoppers don't trust marketing messages; instead they rely on word-of-mouth when deciding what to buy."