

RETAIL

Vip.com courts US labels as Chinese ecommerce market accelerates

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Vip.com is looking to help brands reach Chinese shoppers. Image credit: Vipshop

By SARAH JONES

NEW YORK Chinese ecommerce site Vip.com is making a push in the United States as it aims to almost triple its sales of U.S. brands by 2020.

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The third largest ecommerce platform in China after Alibaba's Tmall and JD.com, Vip.com's revenues for 2017 were \$11.2 billion, \$2.2 of which was from U.S. labels. At a forum on June 14, Vip.com explained its strategy for the United States, as it looks to leverage its backing from WeChat owner Tencent to propel its growth.

"Over the years we have accumulated over 300 million consumers, and right now, their consumption is also upgrading," said Hillary Wang, head of global buying for **Vip.com**.

"Apart from fashion, they are expanding into other categories," she said. "And with fashion, they are not only interested in Chinese brands or those international brands who are already in China. They also want to expand to some fashion brands not yet in China but also popular in local countries."

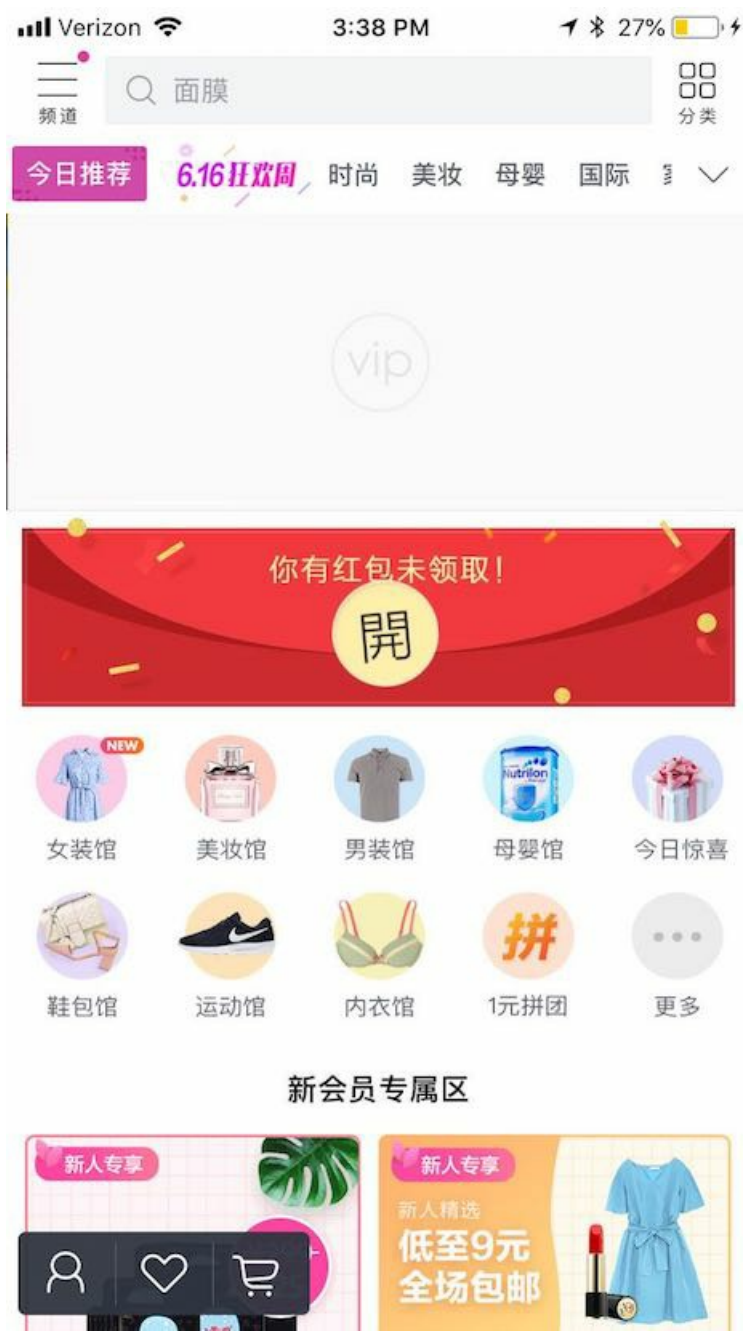
Ecommerce expansion

Much of China's luxury growth is being driven by its burgeoning middle class. While this population stands at 430 million now, it is projected to reach 780 million by the middle of the next decade.

Most of VIP's sales come from China's tier two and tier three cities. These less populous cities have residents that have growing wealth and disposable income, but they are often left with fewer bricks-and-mortar options than bigger locations such as Shanghai or Beijing, since international brands may not expand their physical footprints to these places.

Without the ability to shop in-store for Western brands, these consumers use ecommerce to buy items such as fashion and beauty.

Reflecting China's adoption of mobile channels, 90 percent of Vip.com's sales come through mobile.



Vip.com sees most of its sales come through mobile. Image courtesy of Vip.com

Vip.com has worked to build a bridge into China for brands including Burberry, Swarovski and Marc Jacobs ([see story](#)). Now it is pursuing more U.S. labels, looking to open up the lucrative Chinese market to them.

"Right now we can access a huge amount of merchandise sitting in China," Ms. Wang said. "That being said, we really want to get hold of good international merchandise. That's what consumers demand, and that's what differentiates us from other platforms in China."

Late last year, Tencent and JD entered into share subscription agreements with Vipshop.

JD and Tencent's combined equity investment by the close of the transaction will be about \$863 million in cash. Beyond their financial stake in the company, both investors are planning to aid Vipshop through platform placement, including on WeChat's Weixin Wallet ([see story](#)).

Compared to Vip.com's 300 million active users, WeChat has surpassed 1 billion users.

According to Todd Atkinson, director of [Australink](#), which works to help Australian brands enter Asia, WeChat is a key brand building tool in China.

Uniquely among social platforms, WeChat has evolved to encompass much of Chinese consumers' lives, with capabilities for payments and shopping as well as social sharing.



Dior used WeChat's shopping feature to retail in China. Image credit: Dior

Users have embraced WeChat's financial services. During Chinese New Year in February, 46 billion virtual red packets of money, or hongbao, were gifted.

Chinese consumers are increasingly moving towards cashless transactions, with WeChat Pay and Alipay representing 90 percent of the mobile payment market.

In addition to WeChat's potential in China, the large number of Chinese consumers living or visiting other nations makes having a presence on the app key for Western brands. Being on WeChat allows consumers to browse and pay with brands in the language and currency format they are most comfortable with.

Another opportunity on WeChat is the recently launched Mini Program format. This enables brands to create an app-like experience for consumers without forcing them to download a separate application.

Millennial momentum

China's spectacular growth in luxury consumption recently is primarily driven by Chinese women buying ready-to-wear fashion, jewelry and cosmetics, according to Bain & Company.

In China, millennials purchased an average of eight luxury goods per year while non-millennials purchased an average of only five. Additionally, 93 percent of Chinese millennials either agreed or strongly agreed that they would spend more on luxury and fashion goods in the next three years with only 7 percent disagreeing ([see story](#)).

During the forum, Jing Daily's associate editor Yiling Pan pointed out that although Chinese millennials are driving the luxury market, this generation is not homogenous.

Those born in the 1980s are established in careers and primarily interested in bigger luxury brands.

The cohort of Chinese consumers born between 1990 and 1994 are more independent and come from wealthier families. They are likely to have been educated overseas and have been exposed to international experiences.

This post-1990 crowd is more apt than their slightly older counterparts to opt for niche luxury labels over mega brands.

Born after 1995, Gen Z is the most digitally-native age group. Along with growing up with technology, these consumers were more likely to be educated about luxury from a young age, as they grew up with parents who owned high-end handbags or watches.

To reach the Chinese millennial, Ms. Pan suggests an approach that involves authenticity, newness, coolness and nowness, or the desire to share everything in the moment on social media. There is also a surge in national pride and an interest in traditional Chinese culture among younger consumers, which brands can tap into.

Younger consumers are also responsive to key opinion leaders, or KOLs. While influencers who create sponsored content, these individuals are even more focused on driving direct sales for brands.

China's key opinion leaders are causing influencer marketing to evolve from content publishing to drivers of ecommerce sales, according to findings from The Luxury Conversation.

KOLs such as Mr. Bags and Gogoboi have massive social media followings with global reach, and their

communities are responding to sponsored posts and brand collaborations through ecommerce. In China especially, the Luxury Conversation has noted in its "[KOLs in China – From Publishers to Ecommerce](#)" report that this trend is exploding with influencers helping brands to sell products directly rather than a simple branded content post ([see story](#)).

"In China, retail is all about storytelling," Vip.com's Ms. Wang said.

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