

RESEARCH

How luxury brands can revitalize WeChat growth in China

November 5, 2019



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By [Lydianne Yap](#)

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Last year, China accounted for **33 percent of the world's luxury goods consumption**, and this number is projected to hit 41 percent by 2025.

China's appetite for luxury is not waning, and brands need to keep pace with their preferences.

More than 60 percent of the touch points Chinese luxury consumers are exposed to during the research and discovery phase are now digital, making it more important than ever for brands to be able to reach their potential customers on relevant digital platforms.

Being the most ubiquitous all-in-one digital platform in China, brands have naturally been turning to WeChat to bridge communications with their potential clients.

However, with the app now in its eighth year of operation and its number of monthly active users having ballooned to 1.08 billion (reported at the end of 2018), growth is slowly plateauing.

Overall slowdown of WeChat community growth

According to the *WeChat Luxury Index Part II: Acquisition by DLG and JINGdigital*, the growth rate of luxury brands with big communities on WeChat (>100,000 followers) stood at 18 percent in the first half of this year a marked decrease from the 38 percent reported for the same period last year.

Brands with smaller accounts (<100,000 followers) saw an even steeper slide, from 2018's 31 percent to a mere 6 percent the first half of 2019.

This mirrors the trend observed in big social media and digital platforms globally. Upon reaching a certain size, growth naturally slows.

A recent Bank of America analysis showed that app downloads of the world's two other social media behemoths,

Facebook and Instagram, are down a combined 13 percent year-on-year.

"This tends to happen over time, and brands are aware of this," said Pablo Mauron, partner and managing director China of DLG (Digital Luxury Group) and one of the co-authors of the report.

"So while they naturally start out using media investment as a means to increase exposure and attract followers regardless of their potential for sales conversions, brands will shift gears once they've reached a certain size on the platform," he said.

"They will start looking towards acquiring higher quality followers organically, because they can and should start being selective."

This is consistent with the report's findings, which displays that media investments are now only accounting for 3.86 percent of a luxury brand's community growth on WeChat. Organic channels, on the other hand, contribute over 15.14 percent.

Moving towards organic growth

The study also displays how different channels measure up in terms of contribution to total fan recruitment in the first half of 2019.

Topping the chart at 36.1 percent are QR codes, followed by search at 25.6 percent. paid channels, such as Moments Ads and Post Ads contributed only 4.6 percent and 12.8 percent, respectively.

In addition, word-of-mouth channels are shown to carry very little weight in terms of community growth on WeChat.

"QR codes and search are the most effective channels in terms of follower recruitment," Mr. Mauron said. "But as search is related directly to brand equity and not something brands can easily impact, QR codes are really their best bet.

Mr. Mauron explained that the context in which QR codes tend to be presented in act as a natural filter of sorts in terms of follower quality as well.

"You tend to see QR codes in offline stores, for example, or at the end of WeChat articles," Mr. Mauron said. "The consumer would have had read the entire article or visited the store before being presented with the QR code meaning he or she probably has genuine interest in the brand."

That said, he is quick to caution that QR codes are not the magic bullet to boost WeChat fan recruitment.

To drive real growth, is imperative that brands identify the right marketing mix that makes use of both paid and organic channels efficiently.

"The most successful brands are effectively leveraging multiple online and offline channels to drive community growth," said Aaron Chang, founder/CEO of marketing automation platform JINGdigital and co-author of the report.

"Campaigns can supplement but not replace a strong organic acquisition strategy," he said.

Turning followers into clients

Currently, the lifespan of a luxury brand's WeChat follower stands at about 362 days approximately a year.

In other words, brands have a year, on average, to turn a fan into a customer, before losing them on this channel.

It is revealed that luxury brands with larger WeChat communities (>100,000) tend to see their followers staying with them for longer periods up to 448 days.

It should be noted that brands with larger communities tend to have more sophisticated WeChat setups, with built-in loyalty programs, WeChat stores or other customer service functions and these factors affect follower retention.

"WeChat users don't just see the platform as a brand communications tool, it should serve a practical purpose along the customer journey as well," Mr. Mauron said.

That is not to say that content no longer plays an important role.

Instead, as consumers grow increasingly discerning, they expect more from brands on all levels, including content dissemination.

"This has created a strong wave of brands trying to understand their followers to build segmented audiences with targeted messaging," said Kun Hsu, partner at JINGdigital.

Consumers of today expect to receive content that is tailored to their tastes and preferences, he explains.

With the deluge of content pushes that they receive every day on WeChat, brand accounts that do not offer relevant content will quickly be muted or un-followed altogether.

Setting the right KPIs

The study also notes that for a luxury brand to boost its WeChat community to grow at a sustainable rate and retain quality followers, it all starts from setting the right key performance indicators.

Instead of throwing out an arbitrary percentage or tagging expected growth on WeChat to that of other social platforms such as Facebook and Instagram, the report offers a clear formula and framework for brands to calculate realistic community growth.

BY COMBINING the potential number of followers gleaned across organic and paid channels, prospects and clients, brands would have a clearer picture when it comes to their community growth trajectory.

[Please click here to download the WeChat Luxury Index Part II: Acquisition by DLG and JINGdigital](#)

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