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What brands should have learned about China in 2019

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Perhaps the biggest takeaway from 2019 is that many luxury brands are not adapting quickly enough to the shifting market. Image credits: BY FAR, Diptyque, Nike, Shushu Tong, Shutterstock, Xander Zhou. Illustration: Haitong Zheng/Jing Daily

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In 2019, despite [economic slowdown](#), [Hong Kong protests](#) and the [heated U.S.-China trade war](#), consumption in China continued to thrive.

As [reported by](#) management consultancy firm Bain & [Company](#), fashion, beauty and luxury spending in China currently accounts for [33 percent of the global market](#).

But as the Chinese market matures, major luxury brands can no longer win merely by holding a presence in the market.

New players, including Chinese homegrown brands and niche Western brands have added to the competitive landscape.

Chinese consumers themselves, meanwhile, have reached a new level of sophistication, holding brands to higher expectations.

A rising middle class has brought attention toward China's formerly neglected lower-tier cities, as they become fashion and luxury contenders in their own right.

A growing number of brand witch-hunts, meanwhile, called for a new era of brand accountability in the market.

In the digital space, the strength of major tech players, notably Tencent and Alibaba, has resulted in brand dependency, as more brands take their offering to online shopping platforms such as Alibaba's Tmall.

This new digital environment, coupled with price changes that favor domestic spending, are pointing Chinese to purchase inward.

As reported by Bain, while in 2018 Chinese consumers made only 25 percent of their purchases in China, this share is projected to increase to 50 percent by 2025.

Perhaps the biggest takeaway from 2019 is that many luxury brands are not adapting quickly enough to the shifting market. Their strategies are no longer cutting it and require a newly tuned China playbook.

Ahead of 2020, *Jing Daily* highlights the most important luxury trends in the Chinese market this past year:

Domestic purchase challenged the value of overseas shopping

This year's **U.S.-China tariff battle and the country's economic slowdown** dampened Chinese consumers' desire for overseas luxury shopping.

China's government also cut import tariffs to encourage domestic consumption, which enabled luxury brands such as Chanel, Louis Vuitton and Hermès to adjust sales prices in China. As a result, the pricing advantage abroad is less appealing to Chinese travelers.

Meanwhile, as more **luxury fashion brands and fashion retailers have launched digital channels on Tmall**, consumers have easy access to a wide range of brands and styles without taking a trip overseas.

Luxury brands offended the market and hoped China exclusive offerings would be enough to make good

A series of brand missteps over cultural insensitivity in the Chinese market happened this year, and consumers have called for greater respect.

One way many luxury brands have tried to make good on this is by launching exclusive product offerings in China.

While designing China-exclusive products for Chinese New Year or Chinese Valentine's Qixi have become a common practice, this is a rather new approach for Western luxury brands, and some of their efforts may have exceeded the level of Chinese consumer education.

For example, at the end of 2018, LV **hosted** "The Art of Travel" exhibition in China, showcasing collaboration works with Chinese artists, introducing brands' tie with China dated back to early 1990s, and partnering with local tech companies.

Fosun acquired Lanvin and debuted its first exhibition, introducing the 130-year-old brand to its Chinese consumers.

Valentino also chose Beijing to **open** a haute couture show ahead of the global market.

While Prada's soft power approach was to host various art events at Shanghai's cultural institution, Rong Zhai, to court art lovers.

Luxury players cozied up to local tech giants

This year marks a milestone for the relationship between luxury houses and Chinese tech giants.

Heavily relying on high-spending Chinese consumers, brands have had to work out their mainland China strategies to make up for the devastated retail situation in Hong Kong, which used to be many Western luxury brands' gateway to China's market.

Burberry was among the luxury houses that swung into action. In November, the British heritage brand announced a partnership with Tencent to develop its social media retail presence in the mainland.

The alliance will kick off with Burberry's first "social retail store," which is expected open in the first half of 2020, in Shenzhen, Tencent's headquarters.

Elsewhere, the much hyped luxury eyewear label **Gentle Monster teamed up with Huawei** to tap into the wearable tech market in August, doubling down on drawing the digital-savvy Chinese consumers.

Meanwhile, online fashion retailers and foreign brands swarmed into **Alibaba's Tmall** to reach their China's luxury-hungry shoppers.

Chinese homegrown companies took the international stage

In 2019, Chinese ecommerce giants such as Alibaba and JD.com were two of many Chinese brands to enter the global stage.

Another noteworthy example is the Chinese sportswear company Li Ning's debut at NYFW.

With the help of Alibaba, the sportswear giant **transitioned into** a fashion and trendy brand. However, critics voiced that most are marketing techniques adopted by Chinese brands to impress local consumers, with little meaning to the recognition in the greater Western-dominated fashion world.

This year Icicle opened a flagship store on the famed high-end shopping street in Paris, Avenue George V, while Mo&Co. [headed to London](#), though it is common for many Chinese brands to hide their origin when going West.

The main question is: How deep they can penetrate in local Western markets? Perhaps their success will hang on how their local and Western teams can reconcile the cultural differences.

China enforced initiatives in sustainability

In October, the luxury group Kering co-hosted the first "[K Generation Talk & Award Ceremony](#)" during Shanghai Fashion Week, recognizing three Chinese startups that were creatively addressing sustainability challenges in the textile value chain.

Aside from suppliers of raw material, there were homegrown fashion brands such as [Kleeklee](#), Erdos Group, and JNBY that lead China's sustainability movement.

Also, China's government this year has implemented [the first new waste-sorting law](#) in Shanghai since July.

As a result, Chinese consumers, especially younger generations, are more aware of environmental issues sprouted from consumerism and are choosing to embrace a more sustainable lifestyle.

Chinese consumers embraced brand collaborations and streetwear

In 2019, the fashion industry's collaboration frenzy carried on, and Chinese consumers were in a feeding frenzy.

From Prada x Adidas to Dior x Air Jordan, the crossover between luxury and [streetwear has become a focal point of the Gen Z and millennial Chinese consumers](#). [Collaborations between brands and influencers](#), meanwhile, continued to drive traffic on social media and maximize loyal followers' engagement.

But some leading players were challenging the paradigm and reaching out to partners outside the fashion industry.

In September, Louis Vuitton announced a partnership with the world-famous online multiplayer game, League of Legends, creating the World Championship trophy case, designing unique champion skins, and dropping a capsule collection. The huge and growing group of [young, female Chinese players](#) had a big payoff for the collaboration.

Niche brands displayed a leg up over established legacy brands

This year, Chinese young consumers' demand of ["niche" brands boomed](#).

According to the McKinsey & Company's China Luxury Report 2019, "the concept of a niche brand has multiple meanings across luxury segments," indicating unique designs and brands that are rarely seen or simply not available in mainland China.

The power of niche has been consistently shaping consumers' behavior and nourishing a batch of less-known western fashion labels, skincare lines, and fragrance brands, such as [Ganni](#), [By Far](#), [Erno Lazo](#), and [Diptyque](#).

Also, more [Chinese independent designers](#) earned increased exposure and recognition thanks to domestic independent fashion boutiques' support and consumers' willingness to share niche brands on social media.

Luxury consumption grew in lower-tier cities

Facing more a saturated retail environment and greater competition in China's most developed cities like Shanghai and Beijing, marketers have begun to [eye lower-tier cities as new growth points](#).

Distinct from sophisticated shoppers in first-tier cities, consumers in the lower-tier cities are often categorized as logo hungry, shelf-clearers, and holding more disposable income due to lower living costs.

In 2019, major international brands targeted [third- and fourth-tier cities](#), while the local brands want to enter first- and second-tier cities.

Beauty brands become early adopters of AR/AI technology

For 2019 Singles' Day, Alibaba launched its "[Tmall Flagship Store 2.0](#)," which offered new tools that allowed brands to further engage with their customers through interactive content and an omnichannel experience.

AR-powered virtual makeup tools, as well as 3D Taobao avatars, function as important updates that help beauty brands provide individualized services with customers.

With Chinese customers looking for superior experiences through virtual makeup and individualized services, AR/AI technology is increasingly making its presence in the Chinese beauty market.

Ecommerce adopted live-streaming selling

While **ecommerce live-streaming** has existed in China for several years, 2019 was the year that it really took off and became a widely accepted means of promoting and selling products. This is largely due to live-streaming's strong appeal among consumers in **lower-tier cities** in China.

Alibaba's Taobao live-streaming platform was both an early adopter and leader in the ecommerce live-streaming space, which have cultivated top live-streamer Viya and "lipstick brother," **Austin Li**.

With popular Chinese social media platforms, Xiaohongshu (RED or Little Red Book) announced to launch live-streaming feature early next year, nearly all of China's major social media apps (including Douyin, Kuaishou, and even WeChat) have been incorporating ecommerce live-streaming into their platforms this year.

New influencers were introduced: KOC's and virtual influencers

Key opinion leaders, better known as KOLs, have long been used by luxury brands in China to promote products and influence sales.

However, in an ever-changing consumer climate, various new types of influencers have emerged.

This year, we saw the rise of KOC, **China's key opinion consumers**, as well as **virtual influencers** powered by modern technology.

These influencers injected new opportunities into the retail world, but also brought up questions about the existing influencer economy.

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