

MARKETING

How can Western luxury brands navigate China now?

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While it is still uncertain when the normalization of the luxury business in China will happen, luxury players have to plan for a long-term China strategy. Image credit: Shutterstock

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As the Covid-19 virus continues to spread with varying signs of slowing down or peaking the global luxury industry is urged to actively rethink their China strategy for 2020 and beyond.

To date, this sector has become reliant on China, from millions of mainland luxury shoppers who snap up luxury items to Chinese fashion tourists who cite retail as one of their outbound trips' goals.

So far, however, few experts can agree on when the epidemic might peak and begin to settle. This means that we are still unclear as to when, and if, luxury consumption can get back to pre-coronavirus times.

At the early stages of the outbreak, observers referenced the track of SARS-CoV in 2003 to anticipate the impacts of the Covid-19 virus.

Yet that prediction is outdated for today's luxury sector the size of the Chinese luxury market and the country's involvement in the global luxury industry now completely dwarfs 17 years ago.

With lasting effects on supply chains, bricks-and-mortar shops, ecommerce, campaigns, historic shopping destinations such as **Hong Kong**, Macau, Singapore, South Korea and Japan, as well as, the attitudes of millions of China's luxury shoppers, how can **Western luxury brands** best use this time to reconfigure their China plans for beyond 2020?

The most important strategy is to maintain effective communication with your Chinese customers.

As suggested in the *China Covid-19 Outbreak Situation Analysis and Recovery Planning* report by Reuter Communications, a leading integrated agency connecting luxury brands and Asian consumers, "While now is not the time for active promotion, it is a time for active involvement."

This need to be involved has increased given the virus is spiking outside China and spreading to Europe, America and beyond, indicating the impact could be more extensive.

However this is the ideal time for brands to re-humanize how they are perceived.

Community-building initiatives not only resonate with consumers but more importantly build a sense of connection.

We have seen strong examples of this from [Louis Vuitton](#), who shared videos from [Kris Wu](#), Zhu Yilong and Liu Haoran, or [Fenty Beauty's](#) Valentine's Day campaign featuring voice messages and hand-writing notes from the label's Greater China Ambassador Fan Chenchen and spokesperson Wang Ju.

Celebrities, of course, are not the only channel to reach luxury shoppers. Fashion houses are encouraged to develop more playful, gamified content featuring avatars, storytelling and rewards.

From Fendi's WeChat mobile game "Fendi Ways To Rome" to [Burberry's](#) Web game "B Bounce: The World of Ratberry," users were motivated to experience the houses' legacy and innovation through these interactive touch points.

Since Chinese consumers' demand for online entertainment has been spurred by limitations on outdoor activities, brands can leverage engaging digital strategies to maintain their relevance.

Clearly, whether or not to facilitate digital channels in China is not the concern, but how.

Interestingly, Weibo a platform packed with more than 446 million active users, 30,000 entertainment stars and 400,000 key opinion leaders ([KOLs](#)) has not been leveraged by Western fashion companies.

On Feb. 25's "Weibo Online Release Conference," the social media giant announced the "online release" project that will incorporate 5G livestreaming, multi-audio streaming, connecting social media with ecommerce, and KOLs' traffic on Weibo.

This integration will put an end to attendance limits and introduce immersive experiences to the audience, which is expected to facilitate millions of brands to make a breakthrough in marketing amid the virus.

Western players thus have to rethink the roles and functions of different platforms and how they can take advantage of Weibo, WeChat, [Little Red Book](#), Douyin, Bilibili and more.

Meanwhile, we all agree that Chinese residents are luxury's target audience. However, given the abundance of the country's luxury consumers all over the world, Chinese residents and expatriates deserve the same attention.

Those living abroad are one of the strongest engines driving luxury sales alongside domestic affluent and outbound travelers.

In particular, citizens who study or work in London, Paris, New York City and Los Angeles play the role of KOLs on both Instagram and Chinese social media platforms such as Weibo and Little Red Book.

As such, this community not only matters significantly to the markets that they are living in but also reflects back to domestic consumers.

Houses that can show respect and support for the expatriates during this period will earn extra credits among Chinese consumers.

THE BIGGEST CONCERN for luxury houses might be the Chinese consumers' narrowing appetite for luxury in the medium to long-term.

In an online vote on *Vogue Business in China* WeChat Mini Program, over 60 percent of participants expected they will not budget high after the pandemic.

Moreover, in [a recent Kantar survey](#) analyzing Chinese consumers' behavior and attitude during-and-after the virus, 21 percent of respondents said they will continue to reduce or cancel their spending in luxury after the outbreak.

There is every indication that the demand for luxury goods will shrink in China, yet brands should be prepared for the rejuvenation of this market by building strong bonds with consumers now.

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