

APPAREL AND ACCESSORIES

Is Prada a dark horse in China's ecommerce race?

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Prada's most recent digital steps have been ahead of the curve. What is behind this change? Image credit: Prada

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When Alibaba's 800 million active shoppers landed on Tmall's homepage last month, it found a newcomer listed on the leading ecommerce site: Prada.

During Tmall's annual campaign to highlight spring fashion items called "New Fashion," the site's virtual model Aime endorsed Prada's spring 2020 collection with a series of popup posters that signaled the storied brand's arrival to China's online marketplace.

Launching a Tmall store has become a rite of passage for Western luxury brands wanting a full digital presence in China. Tmall flagships allow brands to tap into the platform's large pool of millennial and Gen-Z users all of whom want authentic items delivered to their doorstep.

Major luxury brands such as Prada have been experimenting with China's unique digital platforms over the last half-decade.

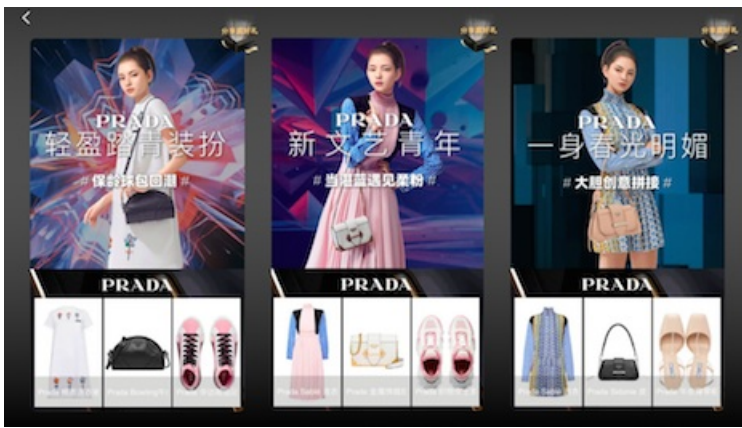
Burberry was the first luxury brand to join Tmall in 2014, while Dior was the first to experiment with selling on WeChat in 2016.

Shortly after, other luxury brands began partnering with ecommerce platforms such as [Tmall](#), [JD.com](#) and [Secoo](#), but Prada remained away from the fray.

The legacy brand did little in the market until 2017 when it launched an ecommerce feature on its Chinese Web site a less-than-ideal platform for mobile-minded Chinese shoppers.

Prada's new partnership with Tmall is supposed "to provide wider product choices and diverse online services for customers," said Lorenzo Bertelli, Prada Group's head of marketing and communications, to *Jing Daily*.

As a brand known for its slow embrace of digital marketing and commerce in China, Prada's recent moves to sign on with online retailers Secoo and JD.com last June and now, with Alibaba's Tmall are proof that the Italian luxury brand is unveiling a new strategy.



Tmall's virtual model Aime endorsed Prada's Spring 2020 collection in a series of popup posters. Image credits: Tmall, Prada

Prada has taken longer to go all-in on China's digital platforms than most top luxury sellers, but the brand's caution is justified.

From the onset of the online boom, luxury brands in Western markets faced a challenge: How should they balance brand exclusivity with the wider exposure that digital brings?

Many brands were resistant to give in to digital pressure, but one-by-one, they fell like dominos. Celine, which had even eschewed Instagram, even gave in to digital marketing in China by 2017.

But in China, the digital playbook has its own set of rules, and the standards of exclusivity and exposure are different than in the West.

If going digital in European and North American markets is an additional legup for brands, in China, it is one's livelihood.

A recent eMarketer report estimates that China represents 54.7 percent of the global ecommerce market a share that is close to twice the size of the United States, United Kingdom, Japanese, South Korean and German markets combined.

But the beginning of 2020 was an even greater moment for luxury ecommerce in China with consumers soon forced indoors to escape the COVID-19 outbreak leaving online shopping as the lone sales avenue in the country.

Prada, like all luxury brands, has been hit hard by this unexpected crisis.

In March, the Hong Kong-listed Prada Group's stock price hit a five-year low, which is less than half of its peak price over the last five years. Only a month earlier, speculation around a potential Prada sale to another luxury company was running rampant.

In many ways, COVID-19 has magnified the company's strengths and weaknesses.

Prada stayed on the side of traditional exclusivity much longer than other luxury brands in China. But as the power of digital marketing growing, will this long game hurt the brand, or is it a winning strategy that will ultimately set the brand apart?

Tracking Prada's digital timeline

In the years before launching its Chinese ecommerce site, Prada CEO Patrizio Bertelli told Bernstein analyst Luca Solca that the brand was focused on opening physical stores.

But after reporting its lowest profit since going public in 2011 during 2016, Mr. Bertelli announced on an earnings release that Prada would shift its retail strategy "from geographical expansion to digital integration."

That same year, he hired a new digital ecommerce director, Chiara Tosato, and charged his son, Lorenzo Bertelli, to head the group's marketing and communications department.

In December 2017, Prada's Chinese ecommerce feature was born.

Ms. Tosato said on multiple occasions that China is an important part of the group's digital strategy, and the brand has been trying to connect with China's young and affluent consumers in other ways besides optimizing the brand's online retail.

Unlike other brands, Prada has resisted collaborations with China's idols: young, male stars who attract legions of

female fans. But that changed recently.

Before the 22-year-old idol **Cai Xukun** (better known as "Kun") became the new face of Prada in China in June of 2019, Prada's only memorable collaboration with a celebrity who influenced China's market was with the Japanese-Taiwanese actor Takeshi Kaneshiro in 1998.

But last June, a week ahead of its fall/winter 2019 menswear show, Prada released its Code Human video campaign featuring Kun on social media, and it brought the brand what it desperately wanted: social traffic.

Thanks to Kun's zealous fans, Prada's official Weibo post was shared more than a million times in just a few hours. But when news broke about Kun's fans buying fake social followers for the star, netizens started to question Prada's choice of idols.



22-year-old idol Cai Xukun became the new face of Prada in China in June of 2019. Image courtesy of Prada

Having learned from these mixed reactions on social media, Prada started embracing a wider range of idols that now includes actor Wei Daxun and singer Cheng Xiao. The brand has successfully embedded both stars into its omnichannel marketing strategy that connects social content to physical experiences.

Take #PradaReNylon (#prada#), an upcycling initiative the brand launched, for example. In this global video campaign about Prada's sustainable supply chain, Wei Daxun took the audience to a manufacturer in Southern China and explained how the brand's nylon is sourced.

To complete the marketing loop, Prada Rong Zhai, a historic residence in Shanghai that the brand restored in 2017, hosted an exhibition and panel discussion for the series. Since it debuted, the relevant tag has been read more than 50 million times on Weibo.

Despite a glaring underperformance versus its peers over recent years, Prada's creative products have continued to receive high marks.

Prada's spring/summer 2020 show in Shanghai and its most recent runway in Milan were highly relevant to the Chinese market and **ranked atop *Jing Daily's Fashion Week scores*** with a 9.2 and 9.6, respectively.

In 2019, it started using WeChat's Mini Program to allow users to play its runway video, view the collections up close, and save the looks to their user profiles, as *Jing Daily* **previously noted**.

This February, Chinese netizens rallied around the news that **Raf Simons** would join Miuccia Prada as a co-creative director in April, and that it would debut their first joint collection in the spring/summer 2021 womenswear show.

Based on the social media excitement, Mr. Simons should attract more attention from Chinese fashion fans and more potential customers to Prada.

Most recently, the brand joined a lineup of Louis Vuitton and De Beers by launching its own Shipinhao account on Tencent.

"These emerging platforms help us present the campaign in short video format to reach a more diverse audience," Mr. Bertelli said.

China's exclusivity conundrum: a different set of rules

Mainland China requires a different set of digital strategies from luxury brands, partly because of the increasingly stringent Internet censorship that was put in place when current president Xi Jinping came to power.

As the Chinese government blocked products from Google and Facebook, three local tech giants Baidu, Tencent and Alibaba (together known as "BAT") started to dominate the information market.

Eventually, Tencent's WeChat, which plays a significant role in Chinese people's daily communications and news absorption, gave birth to the in-app, ecommerce feature called Mini Program.

Since then, Alibaba's Taobao and Tmall and in recent years, [JD.com](#) have become the go-to **ecommerce** platforms for the nation's rising middle class.

As Yaok Institute, a Shanghai-based market research firm, pointed out in its China Luxury Ecommerce Report last year: As opposed to Western consumers, Chinese are not used to shopping on a brand's own Web site. They have grown up with shopping platforms. This is a key point that brands such as Prada missed when launching in China.

When asked if its online and offline store experiences differ, a finance professional who has been considering buying a Prada canvas bag on Tmall said she prefers browsing online.

"The physical experience might not appeal to shoppers who are used to online shopping," she said, adding that she feels as if in-store shop assistants can be snobbish.

Buying luxury goods online as opposed to in-store goes against Western traditions, but this is an important difference when trying to understand the Chinese market.

According to market research firm Ipsos, the average luxury shopper in China is 15 to 20 years younger than their European or American counterpart. For this younger consumer, purchasing online is not necessarily less of a luxury experience than purchasing in-store.

In U.S. and European markets, digital avenues pose a threat to exclusivity. But these rules do not apply in China where millennials and Gen-Zers do not view digital exposure the same way.

However, embracing Chinese consumers' online shopping habits is not a one-step solution. Brands need to hit a wide range of digital entry points, most of which are controlled by China's tech giants, Alibaba and Tmall. And when brands finally do decide to partner with these giants, they are given little negotiating room.

"Brands love Tmall because the platform has an existing pool of traffic," said Yifan Gan, strategic design lead of BCG Digital Ventures' Shanghai Office, to *Jing Daily*. "They hate it because, as a large platform, Tmall is tough when negotiating the commission rate. So for a lot of brands, opening a Tmall store is even less profitable than a brick-and-mortar store."

Prada's decision to finally launch on Tmall is only one in a series of recent strategy shifts that mark its new efforts in China.

Elsewhere, the brand has cut back on wholesalers and halted markdowns, contributing to double-digit growth in full-price sales before the pandemic brought business to an abrupt stop.

But analysts still have confidence in the group's performance despite the bleak backdrop of COVID-19.

"I believe Prada is slowly but surely recovering in consumer traction, as its recent full-price sales trends testify," Bernstein's Mr. Solca said.

Since the beginning of 2019, the term "wholesale rationalization" has been constantly appearing in the group's financial reports. The jargon seems to indicate moves to cut wholesale partners including ecommerce platforms, but in fact, the brand said it aims to keep unauthorized online sellers in check while being selective with wholesale partners something that does not interfere with ecommerce partnerships in China, *Jing Daily* has learned.

Thus far, consumers are excited about Prada's Tmall presence.

After nearly a month, the online store has already gathered more than 54,000 followers, roughly one-fourth of the **Kering** brand **Bottega Veneta's** following, which launched on the site in late 2018.

However, the flagship has not impressed users in terms of its marketing and sales. Weibo users were collectively disappointed, and some said: "It looks just like any fast-fashion store."

Prada is late to finding an ecommerce omnipresence in China, but this slow adoption could be an unexpected path to success.

Whereas most luxury brands have exhausted their digital options in China, Prada is just getting started.

Because of the brand's legacy, consumers are excited to see the brand starting to make waves online, and they are eager for more.

With Prada's digital tools in place, the next year may even offer the group a new growth phase.

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