

RETAIL

Will daigou help brands survive COVID-19?

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With mounting pressure to perform due to COVID-19, brands have slowly warmed up to working side by side with daigou. Image credit: Shutterstock

By [Ruonan Zheng](#)

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Beijing office worker Cheryl Chen works with at least five different daigou personal shoppers for Chinese consumers on her WeChat. Some are brand-specific like one who hunts for unique [Chanel](#) collections or niche brands like [By Far](#) and others are country-specific, meaning they specialize in combing the United States or Italy for better prices. They are all referrals from her friends in New York, where she studied for four years to get her undergraduate degree.

Lately, she has been eyeing Prada's Re-edition 2005 Nylon shoulder bag as a reward for surviving the COVID-19 lockdown, but it has been so well-received and consequently hard to get in Beijing, so she turned to her daigou for help.

But Ms. Chen is not the only customer relying on daigou to shop post-COVID-19.

"[Demand] in the market is still strong," said one of Chen's U.S.-based daigou anonymously.

The pandemic has made logistics more difficult, but it still only takes between two and three weeks to ship products to China.

Even with added tax and insurance, certain brands' prices are still lower than can be found domestically.

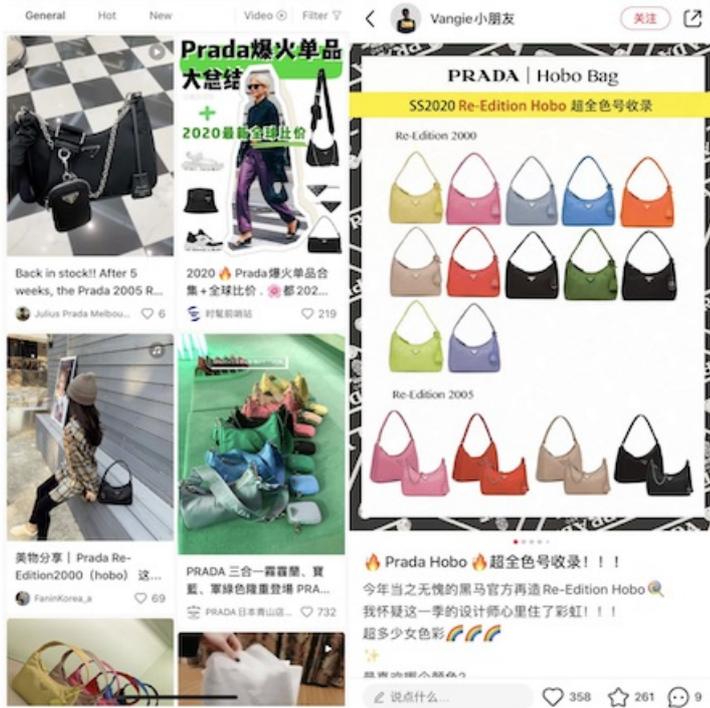
For example, [Tiffany](#) is one of her most popular brands in China at the moment, and with luxury brands increasing their prices globally, business has been particularly strong for the daigou.

Ms. Chen's American daigou has been working from the U.S. for more than 10 years now. She started her business as a way to supplement her living expenses, but it quickly became a full-time job.

By connecting with friends who worked at luxury stores, she was able to build a network of suppliers who allowed her to access goods with employee discounts.

Daigou excel at bringing in customer volume and sales associates make the purchases worthwhile because of their exclusive discounts. It is a win-win situation, and these relationships have become essential for both stores and

daigou as they try to weather the ongoing COVID-19 storm.



Prada's Re-Edition hobo bag is the "it" bag in China, netizens already are sharing pricing of it in other part of the world. Image credit: Little Red Book

However, not all brands appreciate this kind of rapport.

Brands' headquarters have avoided working directly with daigou for a long time because of legitimate long-term concerns.

One is sales accountability, as daigou tend to take sales from staff or local third parties, making it harder for a brand to track sales and formulate regional strategies.

Another is the brand image since the pictures and videos daigou send to their clients are not as professional and could hurt a brand's optics over the long-term.

But with mounting pressure to perform due to COVID-19, brands have slowly warmed up to working side by side with daigou.

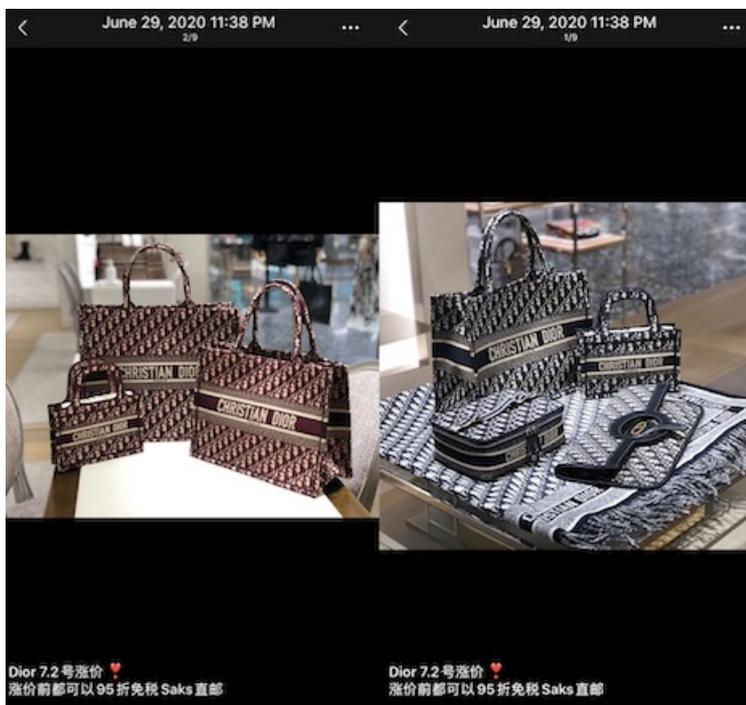
Tom Griffin, commercial director of Verb Brands a digital agency that helps luxury brands launch in China said that more of his clients have recently become interested in developing daigou strategies.

According to Mr. Griffin, daigou can be an effective way for smaller brands to test the market.

While it would take at least six months to see results after launching on Tmall, daigou know more precisely where they can place products.

"Daigou are very good at finding what products work for what region or market, even demographics," Mr. Griffin said.

Therefore, brands that are already in the market can use daigou to test products that have not received Chinese licensing yet, such as perfume or skincare product lines that refuse animal testing.



Daigou tell their clients that Dior will increase its prices July 2, and that they can still enjoy 15 percent with Saks discounts. Image credit: daigou WeChat

Daigou can also act as consultants, as they often have valuable information about popular products and price sensitivities.

Like Ms. Chen's daigou, they can usually spot which products sell well and why, and they tailor each sale to suit the client's needs.

Brands could surely use this information to prioritize sought-after, limited-edition products, or consider strategic offers that fall in line with daigou requests.

In some cases, if daigou scale up enough, they can become a brand's wholesale partner, which allows them to receive 30 percent off the retail price.

But regardless, brands should always expect to offer some type of discount to daigou.

Several experts we spoke with suggested that brands should treat daigou like VIPs, offering them exclusive discounts.

And for brands, building a global customer relationship management (CRM) system would be helpful in tracking and engaging with this powerful, global consumer group.

Mr. Griffin suggested that a brand should work with daigou who will maintain the brand's integrity as much as possible. That is particularly important for new brands, as their first impressions on consumers could come from daigou.

But employing too many daigou or only relying on them can be a slippery slope because brands can quickly lose pricing control and cannibalize their high-end branding. The key is to balance the right amount of daigou with other sales channels.

The Chinese government has been **cracking down on daigou since 2018** by enforcing them to obtain licenses and register as businesses. Though it did not end daigou activities, it did signal that the Chinese government is trying to regulate the practice.

While brands may still be deciding whether or not to work with daigou, this group will remain a vital part of the cross-border luxury business.

"As long as a price gap remains in and outside of China, a portion of Chinese consumers will continue to seek daigou, many of whom are still not declaring, despite the ecommerce law," said Greg Cole, director of digital agency CDLG Strategic Communications.

And most brands seem to be all right with that thus far.

"The legality aspect is not exactly a black-and-white scenario," said Renee Hartmann, cofounder of [China Luxury Advisors](#). "For a lot of brands, once you ship your product, it's out of your hands, especially with shipping and customs."

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