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Luxury brands must think like gladiators to woo China's youngest consumers

August 3, 2020

Meeting Chinese shoppers where they are: Cartier's online boutique on Alibaba's Tmall Luxury Pavilion. Image courtesy of Tmall

By Zornitza Stefanova

Luxury brands are betting big on the Chinese consumer to trigger a recovery, counting on the youngest generation of luxury consumers for post-pandemic growth.

China was the brightest spot for brands in the second quarter, when the industry reported a record slump in sales.

Kering, owner of Gucci and Bottega Veneta, said sales in China rose 40 percent in the quarter compared with a year earlier, while sales at LVMH expanded 65 percent.

At Cartier parent Richemont, sales increased 49 percent.

But with almost half of all Chinese luxury consumers under 30, Western brands not only need to understand the Chinese consumer but also decode a demographic that never knew a world without mobile and who prize speed and constant novelty.

ABZs

Bain & Company in May forecast that Chinese consumers will account for nearly 50 percent of the global luxury market by 2025.

Some analysts now say this could happen as soon as this year.

Two decades younger than their European counterparts, Chinese luxury consumers are faster shoppers, tech savvy and not always interested in heritage. They have typically made luxury purchases during vacations in Europe or within Asia.

With those travel plans now on hold, brands must quickly navigate how to engage with consumers on the mainland.

The good news for brands is that Chinese luxury consumers also share a similar desire to their Western counterparts for excellent customer service.

Nine in 10 young Chinese customers say the human-touch experience in brand stores is the most impactful, according to McKinsey.

While they discover products via digital channels, "sales staff play a critical role in providing purchase advice and suggestions in the form of WeChat messages."

In other respects these two consumer groups Chinese and Western approach a purchase in different ways.

Tech chops

To understand the young Chinese mindset, look no further than a new generation of Chinese superstar tech companies emerging to serve them that are challenging the global dominance of Facebook and Google.

"Chinese consumer Internet companies are a key place many in Silicon Valley look to try to spot the future," according to tech and media analyst Benedict Evans.

TikTok, the platform for making and sharing short videos, was the most downloaded app in the world in the first quarter, and has now surpassed 2 billion mobile downloads, spawning copycats Shorts from YouTube and the failed Lasso from Facebook.

Instagram is racing to release Reels, its TikTok answer, and Snapchat is testing vertical swiping, a function made popular by TikTok.

Even streaming giant Netflix now rates TikTok as a serious competitor.

A slew of other Chinese platforms are right behind TikTok and also seeing explosive growth among Gen Z. They include Tencent's WeChat, China's largest social network with 1 billion users, which allows users to buy products, make payments, hire bikes and book taxis.

Weibo is China's answer to both Instagram and Twitter.

In addition to meteoric growth, China's big platforms share the following: they are social, built for mobile, and often started life as something else.

Cut and thrust

WeChat, for example, started out as a chat platform, quickly spinning into a "superapp," which does the job of hundreds of apps in one.

In his best-selling book "AI Superpowers," Kai-Fu Lee, former head of Google China, describes a new generation of gladiatorial entrepreneurs who cut their teeth in China's competitive coliseum.

These entrepreneurs are armed with a mentality that leads to "incredible flexibility in business models and execution, a perfect distillation of the lean startup model often praised by Silicon Valley."

Mr. Lee, now chairman and chief executive of Sinovation Ventures in Beijing, said, "Most Chinese entrepreneurs are just one generation from grinding poverty and a scarcity mentality."

The lightning speed of development heightened fears that "if you don't move fast, you will stay poor while all around you grow rich."

This goes some way to explain why Chinese entrepreneurs and consumers alike are not only embracing disruption, they expect all brands they engage with to be at the forefront of technology.

Shira Ovide, a *New York Times* tech columnist, said Netflix, YouTube and most other Internet video services grafted existing business behaviors onto new distribution models.

"TikTok blew up all of that," she said. "It wasn't made for cord cutters. It's for people who never watched TV at all."

For luxury brands, this means they must be seen to be early adopters in China.

Balmain recently livestreamed its Paris digital fashion show from the Seine on TikTok.

Celine has made 19-year-old TikTok influencer Noen Eubanks the face of its brand.

Gucci was quick to embrace WeChat, for example, and now 60 percent of fashion luxury brands have at least one WeChat store, double the previous year.

MAINLAND CHINA IS the biggest hope for luxury in the coming years. Its innovators are already spooking Silicon Valley.

As the flow of innovation reverses, and heads from East to West, luxury brands must think like gladiator entrepreneurs to crack the code of what drives China's youngest consumer.

The race is on to ensure they stay relevant in both hemispheres, to this generation and the next.

Zornitza Stefanova is founder/CEO of BSPK

Zornitza Stefanova is San Francisco-based founder/CEO of BSPK. Reach her at zornitza@bspk.com.