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MARKETING

TikTok ban could give European brands an edge over US labels

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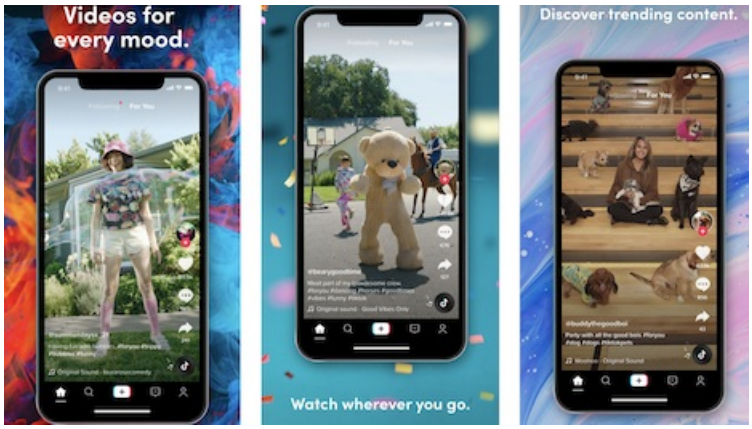

US companies are banned from doing business with TikTok beginning September 15th. Image credit: TikTok

By DIANNA DILWORTH

U.S. businesses have been banned from doing business with Chinese video-sharing social network TikTok beginning next month, and this could negatively impact how American luxury brands are able to reach affluent Chinese consumers, giving European labels an even bigger advantage in terms of marketing reach.

China is the fastest-growing region of consumption for the luxury business and its rebound from COVID-19 makes it an ideal market to promote goods as U.S. retail continues to reel from the aftermath of the pandemic lockdown. An inability to use TikTok could be a hurdle to brands in the social media-heavy region, while giving European brands the spotlight.

"Although the situation feels like a hit to U.S. luxury brands targeting at Chinese affluent and HNW consumers, I would look at it from another angle: would this ban create a competitive disadvantage to U.S. luxury brands versus European luxury brands?" said Meryam Schneider, Barcelona, Spain-based vice president of marketing and partnerships at market researcher Altiant.

"In essence, this could certainly limit their scope of communication and engagement directly via TikTok or via platforms integrating TikTok videos," she said. "London-, Milan- or Paris-established brands might then benefit the full extent of this video making and trendy tool to communicate with their key audience."

More than 50 percent of affluent consumers will remain loyal to brands they know post-pandemic, according to Altiant's latest report. Image courtesy of Altiant

Loyal consumers

Before U.S. luxury brands begin to fret, they should look at the data.

Chinese wealthy consumers showed strong loyalty to their brands during the recent confinement period, with 75 percent saying that they will be as loyal to their favorite luxury brand as they were before the pandemic.

However, these wealthy Chinese consumers were also exposed to new brands during the lockdown and 22 percent stated that they discovered new brands during that period.

"With this in mind, it is critical for brands, particularly during these unprecedented times to remain top of mind," Ms. Schneider said.

"Despite the fact that we don't have specific data on affluent and HNW individuals towards TikTok, we see a dramatic increase in social media interactions for the affluent and HNW population in Asia," she said. "TikTok for brands outside China presents as a very promising and strategic medium."

In the second quarter, 26.5 percent of wealthy Asians used social media platforms to purchase luxury goods or services, up 2.6 points from the first quarter, according to Altiant data.

This performance is much higher than affluent Europeans. Only 19 percent of this demographic used social media to make purchases in the second quarter.

The report also found that 53 percent of Asian wealthy consumers said that they have liked or recommended a brand via social media and 45 percent have followed a brand on social. Interestingly, 20 percent have sent a private message to a luxury brand.

As U.S. brands look for new channels to market to these affluent Chinese, the question remains if government tensions between the two nations will impact consumer behavior.

"It will be interesting to understand how Chinese wealthy consumers react to these recent repeated waves of tensions between the U.S.A. and China, and understand if it impacts their perceptions or sentiment towards luxury goods and services from the U.S., including travel to the U.S. once all borders reopen," Ms. Schneider said.

Meryam Schneider

Travel bans

Negative relations with China also come at a time when affluent Chinese consumers, many of whom travel to shop for luxury goods, are not allowed to enter the U.S.

The coronavirus has led to strict travel bans on people arriving from overseas, which could also affect U.S. brands' popularity among Chinese shoppers.

"This would be a real hit, as we do see a strong appetite for Chinese consumers to resume their travel starting with their duty-free shopping," Ms. Schneider said. "In the post-COVID sentiment research, we see that the wealthy Chinese are showing much greater intention than their French and American peers, with an intended increase of 44 percent more than before when the option will be available.

"Luxury brands originating outside of China have a strong resonance and we see that although Chinese consumers are committed to consume more sustainably, they are not as eager as French, U.S. and British wealthy to consume locally," she said.

In China, only 25 percent of affluent consumers said that will put more emphasis on locally produced goods after the COVID-19 crisis, lower than 40 percent of British consumers, 37 percent of U.S. consumers and 34 percent for consumers in France.

"So brands should continue to capitalize on this attachment, and Chinese HNW consumers in China are likely to prefer brands to remain in the glamorous spheres without being entangled in political battles," Ms. Schneider said.