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Luxury brands have only scratched the surface of China's ecommerce

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China's e-commerce system thrived during China's coronavirus lockdown, showing that the luxury market has a promising future with many more possibilities. Image credit: Shutterstock

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The luxury industry was ravaged by the **COVID-19** pandemic this year, and former **LVMH** chair **Pauline Brown** called the public health crisis "a disaster for virtually every company in the sector."

Yet, Asia has seen a marked improvement in 2020, with a strong rebound in China, in particular.

Now, luxury retailers are looking to identify and understand the emerging patterns in China to help boost their businesses there.

The already-strong Chinese ecommerce system thrived amid the virus, showing how the market has a promising future with more possibilities.

In China, consumers resorted to ecommerce for essentials, groceries, luxuries, digital gadgets and entertainment during the country's lockdowns.

Livestream marketing also took off during this period due to its natural customer friendliness and social accessibility.

What is worth considering here is not only the e-tail progress of traditional luxury companies but also the digitalization of a broader range of lifestyle businesses thanks to COVID-19.

The financial numbers from top brands such as **Hermès**, **LVMH**, **Dior**, **Givenchy** and **Celine** already show the success of their localized ecommerce strategies.

But looking further, niche markets in China are taking advantage of ecommerce, as well.

For example, French luxury speaker brand **Devialet** is using digital tools to reach out to lower-tier markets across China. Its CEO said the company will continue to create a balance between physical and digital stores, as a large number of consumers now use smartphones to explore goods in China.

The brand saw a large number of customers pour into its online stores this year thanks to stay-at-home policies, which led to roughly 20 percent of Devialet's sales last quarter coming from Chinese ecommerce platforms such as Tmall and [JD.com](#).

As such, China has become its second-largest market globally, thanks to quality-conscious Chinese consumers with strong e-purchasing power.

But brands must also realize that issues around Chinese ecommerce services and management could discourage their future growth.

With the Chinese local ecommerce market maturing, purchasing conversions from online traffic are not as high as before, which is especially true for niche luxury e-sellers.

Figuring out how to stay calm and competitive in a data-driven space is crucial.

The first issue? Depending on giant e-platforms can keep brands from making progress.

Many brands started aggressive and innovative in the Chinese market, and their particular passion for local purchasers allowed them to do things differently there.

But, over time, brands tend to fall into becoming followers on e-tail platforms.

As profits grow, they play it safe and start to do what the selling data from the big platforms tell them to do. They stop channeling their enthusiasm to purchasers, which is the main thing consumers need from fashion brands.

Issue number two: group buying at discount prices is disrupting the market.

Lately, many major Chinese e-tail giants have been launching group-buying services. [Alibaba](#) boosts its GroupOn-like App, Juhuasuan, while [JD.com](#) launched a dedicated group-buying app called Jingxi last year. They have targeted the luxury market by leveraging their own livestream resources and pricing rights.

But customer excitement driven by discount prices always comes with high risk.

Many third-parties sell luxury goods without a brand's knowledge, and there is little a brand can do to stop them from offering unsold stock via group platforms.

Moreover, the discounts set by group buying platforms can seriously disrupt a luxury brand's regular pricing strategy, leading to messy refund policies and after-purchase services.

A recent example is when group buying Web site [Pinduoduo](#) offered subsidies to customers for buying [Tesla's](#) China-made Model 3 vehicles for 251,800 yuan (\$36,270) 40,000 yuan cheaper than the vehicle's usual retail price.

One anonymous China ecommerce development manager at [Amazon](#) said that brands have so much more yet to explore across China's ecommerce, stating, "I expect more surprises in China. Chinese customers are younger, digital-savvy and enthusiastic. They browse freely online to find lower-priced goods and can afford expensive ones. That is the current Chinese ecommerce ecosystem."

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