

MARKETING

How luxury brands are leveraging the power of data in China

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Chinese consumers are changing fashion and retail, and modern technologies and analytics are helping brands develop smart models of buyer behaviors. Image credit: Shutterstock

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China's middle class is **forecasted to triple** between 2016 and 2030, according to a 2016 report by The Economist Intelligence Unit. But the largest consumer class in the world has boosted competition among retailers to a new level. Consumers now have access to superior products and services, so they are encouraged to demand more for their money.

With so many choices at their disposal, consumers have become disloyal, tougher to fool, and better informed, and now their behaviors are changing the fashion system and retail market.

Because of China's consumers, retailers have moved from a product-centric strategy to a consumer-centric approach. But the problem is that this new model, which puts the customer at the heart of the organization, requires a study of consumer purchase patterns.

Yet, unfortunately, understanding consumer attitudes, buying behavior, or purchasing habits is easier said than done.

Despite the challenges involved, modern technologies and advanced analytics are helping brands develop smart models of buyer behaviors.

Through the process of collecting, tracking, and analyzing consumer **data**, retailers can come up with personalized services and experiences for their customers, which improves customer service and enhances the customer journey.

How are retailers in China using big data and advanced analytics?

Murli Buluswar, head of analytics at U.S. consumer bank Citi, told **McKinsey** that "the biggest challenge of making the evolution from a knowing-culture to a learning-culture from a culture that largely depends on heuristics in decision making to a culture that is much more objective and data-driven and embraces the power of data and technology is not the cost. Initially, it largely ends up being imagination and inertia."

For years, the traditional Chinese education system was accused of "killing imagination" and creativity. But thanks to the booming tech startup scene and the rise of successful entrepreneurs, that trend has slowly been reversed.

The startup mentality encouraged the blending of creativity, knowledge, and deep observation, and it pushed China towards "the next wave of innovation."

In a data-driven world, ecommerce giants such as Alibaba and JD.com have invested heavily in their data and cloud capabilities. Global luxury brands have used behavior analytics to drive revenue. And despite their limited resources, even SMEs have entered the digital arena.

Today, smaller retailers create WeChat groups where they gather consumer feedback and information on their buyers while connecting with their fans.

But perhaps no other company has become more of a data intelligence powerhouse than Alibaba. Through the "Alibaba Business Operating System," the ecommerce giant offers a comprehensive list of services to its brand partners, allowing them to increase business productivity and improve business processes.

For instance, small enterprises can help their short-term and long-term growth by using data analytics to assess suppliers' past performances, identify changes in customer behavior, or even adjust digital marketing campaigns.

But SMEs are not the only ones to recognize the unstoppable appeal of Alibaba. Business Wire highlights how 38 percent of Fortune 500 companies have chosen to use Alibaba Cloud over the past fiscal year.

The world's largest consumer goods companies, such as Nestle SA, Procter & Gamble, PepsiCo, L'Oral, Unilever, and Mars, are now leveraging Alibaba's data-driven consumer analytics.

Eager to satisfy the needs of demanding Chinese consumers, luxury retailers are also yearning to form successful partnerships with this Chinese giant.

Now, through the Tmall Innovation Center (TMIC), Alibaba helps global brands with their assortment strategy by narrowing down underperforming products and offering them insight into conversion rate benchmarks. That again helps international brands come up with personalized offers, such as the chili-infused Snickers bar that was a big success in China.

Alibaba's rival, JD.com, is also offering data-driven retail strategies to its partners. According to a press release, "JD's Consumer-to-Manufacturer (C2M) model leverages JD's big data and customer analysis capabilities to optimize a brand's products specifically to meet unique demands of the Chinese market."

By providing data and consumer insights, JD has boosted the sales and market shares of both Huggies diapers and Head & Shoulders shampoo. In regards to Huggies, JD provided valuable insights into the needs of domestic consumers, such as having composite material rather than wood pulp for diapers.

Following the data, Huggies launched diapers that received a great local response, and the American brand crushed its competition from domestic manufacturers, which were already using composite material.

At the same time, Head & Shoulders used JD's data to launch a silicone-free custom collection of natural shampoos. In its first four months, sales of this collection exceeded 10 million RMB, according to JD's data.

The "Great Lockdown" and an economic downturn have created chaos and disruption, and retailers can no longer rely on traditional channels to engage with consumers.

Brands that want to survive and thrive must optimize traditional brand marketing, and adopting advanced analytics can help marketing teams perform better.

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