

RETAIL

## 2 things Western luxury brands must have to compete with Taobao

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*Unfortunately for niche brands, many of China's luxury consumers turned to Taobao for their non-essential fashion needs after the COVID-19 virus hit. Image credit: Peng Tai*

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When Connie Liu, a 25-year-old fashionista based in Chengdu, looks to buy her latest Instagram dress crush, her first instinct is to go to China's biggest business-to-consumer **ecommerce** platform, Taobao, which is owned by Alibaba.

"For every cool trend I find on Instagram, I can get something very similar on Taobao at a much lower price and arguably with better quality," Ms. Liu said. "Many Taobao stores even offer Asian body tailoring."

Ms. Liu is not your typical budget shopper. In fact, she owns a room full of designer bags, having bought three **Chanel** bags this year alone. But for fashion, she finds herself going back to Taobao again and again.

"The pandemic has taught me to spend more carefully and allocate my budget differently," she said. "Chanel bags have a high resale value, and they have raised retail prices this year. But for trendy brands like Reformation or Realisation Par, I prefer to get something similar on Taobao."

Like her, an increasing number of China's luxury consumers have turned to Taobao for their non-essential fashion needs in the months after the **COVID-19** virus hit.

Almost every **niche brand** in fashion and luxury has a local alternative on Taobao that delivers the same aesthetic but cheaper and delivered faster.

Thanks to China's highly responsive supply chain, unique social media mechanisms and agile logistics infrastructure, a growing cohort of direct-to-consumer brands native to Taobao soared in popularity during the pandemic, taking more retail space away from global brands.

Even before the pandemic, high street brands were already having a hard time surviving in the ultra-competitive Chinese market.

The British fast-fashion groups Topshop and New Look announced in 2018 that they were exiting China, and Forever 21 left in April of 2019. In 2020, Gap's Old Navy and Esprit each closed their retail operations in Mainland China.

Taobao's diverse and affordable fashions have played a crucial role in taking business away from these global brands, even though they are highly competitive in the West.

Post-pandemic, comparison shopping has only intensified among China's budget-smart and trend-savvy consumers.

As such, brands must adapt to a new reality where even China's most upscale customers are turning to Taobao to mix high and low fashion purchases.

It is also time for these brands to discover their true competition. But to compete with Taobao-native fashions in China, brands have to develop their cult and culture.

Become a cult, not just a niche

Despite the media reports about Chinese millennials' growing infatuation with "niche brands," niche is not enough for young, middle-class Chinese consumers since they can find a more local and affordable competitor on Taobao for almost every one of these niche brands.

For every Lululemon fan out there, there is a **Maia Active** or Particle Fever that can deliver the same athleisure styles but with an Asian body fit. For every Savage Fenty fan seeking modern and comfortable lingerie, there is **Neiwai** and **Ubras**. And for every Goop fan who is into self-care, they can go to **The Beast** for the same Instagram-famous candles but with a Chinese-heritage-inspired scent.

But "cultish" brands are different. Having a cult image means a brand can engage consumers beyond practical terms and reason with them at an emotional level.

Take Lululemon, for example. Many Taobao-native domestic labels produce equally performative, cute athleisure wear to Lululemon. But few can reproduce the international yogi community the brand owns or the sense of belonging to a tribe of global elites its customers feel. Or consider Aesop.

Even though there are multiple emerging D2C fragrance brands on Taobao, none of them have yet to succeed at building an Aesop-worthy brand that fuses organic and minimalist living with a jet-set lifestyle.

In Taobao, where interesting products, free returns, and free shipping are all taken for granted, only cultish brands can stand out and survive.

Earn cultural capital

A "Designed in Paris" label no longer guarantees success in China because brands often have a hard time understanding the scale of speed and quality Taobao offers when it comes to creating trendy items.

Instagram's latest "it" bag, the Swipe Bag (\$535) by the Parisian label **Coperni**, is a good example. Even though it is still an emerging trend, there are already three pages of swipe bags available on Taobao with free shipping, at prices that range from \$50 to \$70. Not only do they come in similar leather materials, but some offer customizable colors.

Or consider the small artisanal Parisian atelier Pengtai, which is a critics' favorite for its ethereal, feminine dresses. Although it is an ultra-niche label known mostly by a small group of savvy fashionistas, consumers can find over 200 results on Taobao featuring this couture aesthetic that offer 1-day-shipping and sell for an average of \$50.

As a paradise for "dupes" and replicas, Taobao now offers a wide range of niche trends, often at just a fraction of their original prices. Even customers outside of China are eyeing Taobao's agility in regards to affordable trends. On **YouTube**, "**Taobao Shopping Haul**" has become many global fashionistas' favorite content genre.

China's widely accessible and responsive **supply chain** has made an ultra-fast fashion speed possible for Taobao sellers.

According to Taobao's head of apparel department, Qiao Qiao, who said during a **September press conference** that there are currently more than 30,000 businesses enrolled in the platform's iFashion program, which is equivalent to an ASOS-style, fast-fashion brand consortium.

Every year, there are more than 600,000 new styles added to the platform. In comparison, **Zara** the global fast fashion superpower adds only around 12,000 new styles a year.

"Unlike the fast-fashion model's outside of China led by conglomerates like Zara or **H&M**, the Chinese fast-fashion industry is made up of tens of thousands of small and medium-sized Taobao merchants, who are often trend-savvy **Gen Zers** themselves," Qiao Qiao said at the conference.

What Taobao-native brands often fail to offer, however, is cultural capital.

For Connie Liu, the Chengdu fashionista who divides her budget into Chanel and everything else, Chanel bags are worthy of investment because the logo carries culture and prestige.

While she is happy to tag Chanel on her social media, she might not do so for the straight-from-Taobao dress she is wearing in the same post.

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