

MARKETING

As luxury spending shifts to China, brands must adapt to reach shoppers

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Chinese actor Tang Wei wears Salvatore Ferragamo for T Magazine China. Image credit: Salvatore Ferragamo

By SARAH RAMIREZ

While the strong rebound of the Chinese market has been able to uplift the luxury industry, marketers are meeting a new type of affluent consumer in China as the recovery continues.

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During a panel at the FT Business of Luxury Summit on Nov. 24 moderated by *Financial Times* South China correspondent Primrose Riordan, speakers shared how Chinese luxury consumers have changed in recent months. After years of relying on purchases by Chinese affluents traveling internationally, Western luxury brands will have to adapt their strategies to successfully build consumer relationships in this new era.

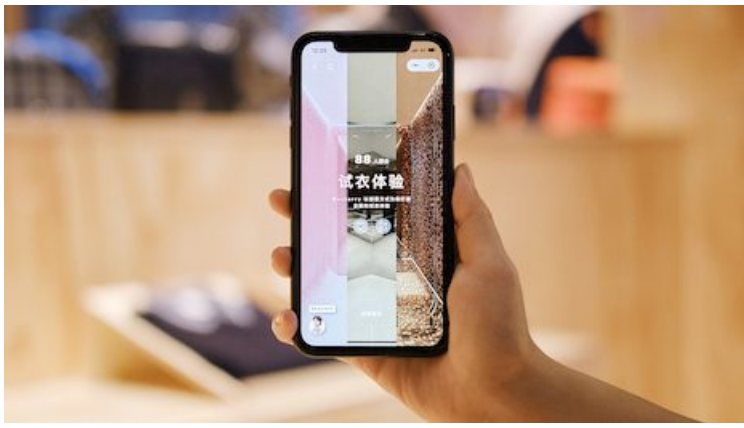
"In terms of habits and way of approaching the luxury business, the Chinese consumer has changed their approach," said Micaela le Divelec Lemmi, CEO at **Salvatore Ferragamo**. "Currently, we are facing a situation in which most of the consumption from Chinese consumer is concentrated in China.

"More and more, we observe that there is a search for something really special and unique from the brand," she said. "The concept of personalization has been further accelerated, as have all the aspects connected with omnichannel which are in a way changing the approach and the way the Chinese consumer are approaching luxury."

A new China

Traditionally, Chinese affluents would make the majority of their luxury goods purchases while traveling abroad up to 60 percent of their luxury spending took place overseas, per estimates from Boston Consulting Group. However, the pandemic and the dearth of international travel has changed this behavior.

As China continues to mitigate the spread of the coronavirus, daily life has relatively returned to normal and the economy has begun to recover quickly ([see story](#)). This has accelerated luxury brands' investments in the domestic market, whether by moving inventory, building presences on ecommerce marketplaces or reaching shoppers through WeChat and other Chinese social media.



Burbery WeChat mini program in Shenzhen, China social retail store. Image courtesy of Burberry

"The spending is shifting back to China, and that's a very strong driver for many of the luxury brands to grow their business in China," said Veronique Yang, partner and managing director at **BCG**. "[After COVID] consumers either go to the offline stores to buy for authenticity, or they will go cross border retailers, or duty free, if they want for more affordable or more value for their money."

As **C Ventures**' Clive Ng explained, this is a departure from Western luxury brands prioritizing markets in Europe and the United States.

"We need to change the business model, if we want to adapt to a situation in which the number of travelers will be lower despite the fact that we all hope that at the beginning of the new year, the situation will be normalized," Ms. le Divelec Lemmi said, encouraging brands to be flexible and adaptable.

Salvatore Ferragamo launched on Tmall's Luxury Pavilion in the fall, complementing the fashion label's presence on JD.com. Ferragamo is also accelerating development of its new ecommerce site, which is essential for reaching consumers in Tier 3 cities where the brand cannot invest in physical retail.

"We are looking at China as an example that we have to learn from, considering that the digital ecosystem in China is probably one of the most complex around the world," Ms. le Divelec Lemmi said.

Balancing digital with authenticity

Luxury brands have a range of tools at their disposal to reach consumers in China.

Livestreaming continues to grow in popularity ([see story](#)), going beyond Chinese ecommerce platforms such as Tmall.

According to Ms. Yang, stores in China turned to livestreaming during lockdown as a way to engage consumers and showcase products. Mr. Ng encourages brands to reshape campaigns for the Chinese community, rather than adapting campaigns for livestreams.

In-store experiences should also be revamped, both to promote safe shopping and to provide experiences that cannot be replicated in digital or online environments.

Finally, Chinese consumers desire authenticity, so Mr. Ng suggests luxury brands emphasize their legacies of craftsmanship. This also plays into the growing importance of sustainability and traceability of luxury goods.

Prior to the pandemic, a report from Reuter Communications showed that Chinese affluents are becoming more environmentally conscious consumers. Luxury brands that act responsibly and sustainably will appeal to consumers who are looking at how their individual actions can help the planet in positive ways ([see story](#)).

"Sustainability, in my view, is and will be at the core of the entire fashion industry," Ferragamo's Ms. le Divelec Lemmi said. "In respect for people, respect for the environment and respect for the processes."