

Chinese ecommerce – Luxury memo special report

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With Chinese consumer growth booming, more luxury brands are investigating China's social commerce platforms. But what are the differences between them. Image credit: Shutterstock, Gucci

By LUXURY DAILY NEWS SERVICE

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Ecommerce in China's luxury space has expanded across numerous platforms, providing brands with the ability to engage with consumers in various manners as online and mobile continues to grow during the COVID-19 coronavirus pandemic.

The presence of luxury brands on Chinese ecommerce platforms has been catalyzed by the global pandemic, reaching a record number of consumers within the country. As ecommerce continues to expand, a presence in China's virtual space is not enough, luxury brands must present a unique experience to captivate Chinese consumers.

"The ecommerce opportunity in China, if anywhere, is the place to test & learn, develop and optimize, and hone in on your brand's digital acumen to better cater to the digital luxury consumer," said Iris Chan, partner & international client development director at **Digital Luxury Group**, New York. "When setting a digital marketing strategy and executing a plan, identify opportunities to leverage not only transactional but also behavioral data to continuously optimize."

Top 5 trends in China's ecommerce

- **Livestreaming**
Utilizing social media influencers has become more than having a celebrity wear a product. Brands must now find influencers to actively sell products in innovative ways on live events.
- **Streamlining**
Livestreaming, ecommerce platforms, social media, Web sites and digital ads are just some of the ways in which a brand can be represented virtually. Ensuring all the platforms are creative, but uniform is imperative to brands looking to connect with the Chinese consumer.
- **Promotions**

Luxury brands do not often entertain sales or shopping events, however, with the immense impact of shopping sales days in China, luxury brands are becoming more present in shopping extravaganzas to appeal to all consumers.

- Abandon the old

Brands can no longer rely on marketing strategies that have enticed the European or American consumer for decades. Accepting and embracing the style and trends of Chinese brands can help brands appeal to consumers on ecommerce platforms.

- Youthful outlook

Embracing ecommerce platforms inherently brings brands an opportunity to connect with the next generation of consumers. Millennials and Gen Zers are accustomed to shopping online, without a presence the younger Chinese generations are less likely to engage.

Platform to platform

China has several major ecommerce platforms to choose from. Alibaba's Tmall, WeChat, Pinduoduo, JD.com, Kaola, Little Red Book, Douyin, Bilibili, and Taobao are among the options.

Tmall looks to appeal to the high-net-worth consumer with the Luxury Pavilion. More than 200 brands such as Prada, Cartier, Burberry, Chanel, and Bulgari have shops on the invite-only luxury ecommerce platform.



Mobile view of the Marc Jacobs flagship store on Tmall Luxury Pavilion. Image courtesy of Alibaba, Tmall Luxury Pavilion

The Luxury Pavilion allows for brands to have control over every aspect of their ecommerce presence. Luxury Soho is another Alibaba platform that is aimed at younger consumers as an entry into luxury items with online outlets.

Alibaba's Taobao focuses on the boutique shopping experience with real-time customer service teams that assist in streamlining the consumer's experience online.

Kaola was acquired by Alibaba Group in 2019. The platform specializes in international brands and recently is becoming Alibaba's first subscription-based platform with Kaola Global VIP which is \$40 annually and provides personalized shopping experiences.

WeChat offers consumers the ability to purchase items as they interact with the brand's page within the app. The mini programs provide consumers the ability to scan items within stores and checkout without waiting in line, interact

with the brand within the social media app and make purchases without exiting the app or being redirected to their Web site.



The latest WeChat Luxury Index report from DLG (Digital Luxury Group) and JINGdigital examines the performance of luxury brands on WeChat and the opportunities that come with livestreaming and social selling within this ecosystem.

JD.com provides omnichannel approach to ecommerce and is known for its fast shipping. Brands can integrate their offline bricks-and-mortar stores into their online flagships on JD.com allowing for a more cohesive brand image and increased movement of offline products.

Little Red Book, or Xiaohongshu, is a content sharing site in which users can post photos, reviews, tips, and comments. It is a peer-to-peer sharing site that focuses on key opinion leaders (KOL) and livestreaming to consumers. The platform is primarily utilized by beauty brands.

Pinduoduo presents a different style of ecommerce with social buying in which consumers can be part of purchasing groups that lower the cost of an item. The platform is accessible through WeChat.



Chinese online retailer Pinduoduo has found amazing success with its "collective buying" shopping model, but now it needs to innovate or suffer the consequences. Photo: Shutterstock

Douyin, or China's TikTok, was initially paired with Taobao and JD.com for ecommerce on its livestreaming channel. As of October 2020, however, the social media site has its own ecommerce shop, allowing consumers to make purchases from livestream events within the app.



China's fast-growing Bilibili video platform needs a commercialization angle for more brand buy-in. Image credit: Bilibili, Luxury Society

Bilibili is a video sharing platform that primarily aims toward Generation Z with anime, comics and gaming. However, big names such as Este Lauder, Chanel Beauty, and Gucci are already serving their ads on the opening screen.

Fendi also dropped a promotion campaign about its Peekaboo Bar across the personal and discovery feeds, as well as on the video page, with a redirect to the official Fendi site. Despite the seeming advertising limitation, there are still significant content opportunities for brands to explore on the platform ([see story](#)).

Streaming success

Livestreaming is not a new concept with retailers, and in some ways it was the first ecommerce via shopping television networks long before online shopping existed. However, livestreaming via social media platforms to appeal to thousands of followers, is a phenomenon the Chinese retailers have mastered, and the remainder of the world is attempting to recreate.

Through livestreaming, social media influencers are able to engage with millions of potential consumers daily. In 2018, Taobao Marketplace generated more than \$15.1 billion in gross merchandise volume through livestreaming, according to Alizila, Alibaba's news group.



Burberry livestreamed its spring/summer 2021 runway show during LFW in September. Image credit: Burberry

"Livestreaming will become standard practice as luxury brands test and learn, and gain more experience," Ms. Chan said. "Opportunities for livestreaming will not be limited to major occasions like Singles' Day, rather utilizing it as a tool to support and sustain brand interest and sales throughout the year and across the range of digital platforms.

"We'll see more variety in terms of approaches, as brands compete for time in front of viewers," she said.

Luxury brands have attempted live events via Instagram and Facebook, however streaming a live vlog or event is much different than the livestreaming phenomenon in China.

U.S. jeweler Tiffany & Co. debuted a new Instagram Live series with an upbeat tone as the U.S. jeweler sought to keep ties warm with its audience under COVID-19 lockdowns worldwide in April of 2020 ([see story](#)).



Tiffany T Time is the jeweler's weekly Instagram Live series with guests injecting a tone of optimism as consumers suffer COVID-19 lockdowns worldwide. Image courtesy of Tiffany & Co.

To adapt to the Chinese version of live advertising, the jeweler enlisted Amanda Xie, a Chinese influencer to host a livestream event to promote a \$3,500 diamond necklace. Ms. Xie sold 300 necklaces during the broadcast.

French fashion house Louis Vuitton hosted a similar livestream event with Chinese fashion blogger Yvonne Ching to

showcase the brand's LV summer collection.

Michael O'Grady, principal forecast analyst at **Forrester**, Cambridge, England, predicted in a previous *Luxury Daily* article, "In China, luxury retailers are experimenting with livestreaming commerce, with brands like Lanvin and Louis Vuitton launching livestreaming promotions.

"We expect livestreaming commerce to reach \$100 billion in China by 2023, up from \$34 billion in 2019, and other Asia-Pacific markets will follow," he said ([see story](#)).

"Prior to 2020 many luxury brands did not embrace livestreaming; they just didn't see it as luxury," said Lily Lu, digital director of **Gusto Luxe**, Shanghai. "However, due to the pandemic, and rising competition from many Chinese brands, they were forced to get in the game."

Synchronize platforms

Tying a livestream event into the overall ecommerce platform is extremely important for brands' online presence in China.

Brands have to first choose which platform serves their needs.

Prada, Cartier and Bulgari have all recently joined Tmall, a site that has already hosted several luxury brands on its Luxury Pavilion platform such as Burberry, Versace, Valentino, Guerlain and more.



There are several different platforms on China's largest online ecommerce site: Tmall. Image credit: Prada, Shutterstock. Composite: Haitong Zheng

Tmall provides its luxury brand partners the opportunity to bring stores to users at any location with a program indicative of the future of retail.

Luxury bricks-and-mortar stores were given the chance to enter into the digital realm by Tmall, as it partners with iStaging to recreate spaces in virtual reality. The program allows brands who sell on the ecommerce site, among whom are a number of luxury labels, to create their own VR stores that allow shoppers to take the in-store shopping experience with them anywhere ([see story](#)).



Alibaba Group has launched Luxury Soho, a new platform aimed at young, value-conscious luxury shoppers. Image credit: Alizila

Tmall also launched in 2020 Luxury Soho, an online outlet for luxury brands; out-of-season items. The Web site is aimed at younger luxury shoppers seeking cheaper options ([see story](#)).

To further engage Chinese consumers, Web sites must be intuitive and offer superior user experiences. Another overlooked area is product availability since Chinese shoppers tend to flock towards smaller sizes.

Creating a special experience with elevated packaging is crucial to make Chinese millennials and Gen Zers feel valued. Exclusive tokens of appreciation from luxury brands or an early product launch can also make a large impact on shoppers ([see story](#)).

"There will continue to be rapid acceleration of luxury brands' digitalization in the market, namely in the areas related to e-commerce activities both within and outside of marketplace environments, leveraging the integrated efforts of a full digital ecosystem rather than in piecemeal activities," Ms. Chan said.

Always the single one

Singles' Day in China has grown to become the largest shopping day in the world. The annual shopping event in 2019 surpassed the four-day shopping week from Black Friday to Cyber Monday by nearly \$40 billion.



Despite the pandemic, China is still spending. This year's Singles' Day Shopping Festival broke many records and featured roughly 200 luxury brands. Image credit: Alibaba

In 2020, the event started on Nov. 1, and Alibaba reported gross sales as \$75.8 billion.

"Singles Day used to be a time for providing discounts to customers - but today Singles' Day has expanded well beyond discounts," said Renee Hartmann, cofounder of [China Luxury Advisors](#) and [C2 Global](#), Los Angeles. "Now consumers are looking for Singles Day exclusive products, watching celebrity livestreamers and collaborations.

"C2 Global conducted a survey of more than 1,000 consumers this October and found that 48.4 percent of respondents cited Singles' Day exclusive products as a motivating factor in their Singles' Day purchase and 30.8 percent of respondents will purchase a product because they saw it on a livestream," she said.

According to C2 Global, consumers plan to spend more in 2020 than the previous year, and 36 percent of those surveyed planned to purchase luxury items.

"For many luxury brands, who often relied on offline sales from Chinese consumers purchasing outside of China, this year they will need to lean more heavily on online sales and shopping festivals such as Single's Day," Ms. Lu said. "The number of luxury brands on Tmall participating in Singles' Day is double that of 2019.

"The crux of the matter is, Single's Day is about discounts no luxury brand wants to devalue their image with something that could be seen as distasteful," she said. "So, brands must focus on a strong communications strategy and continue to provide a premium level experience to consumers even online."

Best practices for Chinese ecommerce

- Lily Lu, digital director of Gusto Luxe
 - "RED and Douyin are among the hottest and most effective platforms for many luxury beauty brands right now more than just platforms, but launchpads for reaching the right audience in the right way, developing communities of brand aficionados, and ultimately, driving sales. They are both continuing to improve their ecommerce offerings, further blurring the line between social and ecommerce."
- Iris Chan, partner & international client development director at Digital Luxury Group
 - "As China maintains to be more promising than other major global markets, we will see more brands catering to the market, and making China and Chinese consumers a key component when it comes to

global brand developments going forward."

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