

RETAIL

What is luxury's next DTC opportunity in China?

April 14, 2021



Italic broke new ground in premium DTC via a \$100 annual membership to access competitive prices. Image courtesy of Italic

By **Avery Booker**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

Though far from a new retail segment, the past year has represented a turning point for direct-to-consumer (DTC) brands, particularly in China.

In the first half of 2020, newly quarantined consumers throughout the country had no choice but to spend more on ecommerce platforms, leading digitally native brands to invest heavily in **content-commerce**-based marketing strategies, even as lockdowns eased later in the year.

For brands across the board, this largely manifested in collaborations with "Internet-famous" celebrities, designers and influencers, along with ecommerce livestreaming and strengthened efforts at integration with streaming video content.

But while international luxury brands and Chinese domestic giants leveraged the trends for at-home shopping and domestic consumption by boosting their digital marketing and retail efforts, it was China's nimble DTC brands that set the blueprint for consumer market success in 2020 and beyond.

Last year, the likes of C-beauty unicorn Perfect Diary and beverage brand **Genki Forest** burst into the mainstream and gained international attention by spending heavily on marketing efforts that included everything from the **appointment of international spokespersons** to sponsorships of television programs and partnerships with fashion-focused social networks.

Like most everything in the Chinese market, the DTC marketplace resembles that of the West but on steroids, with thousands of brands battling it out in sectors ranging from beauty to lingerie to tailoring.

Spending hand-over-fist on marketing to tap new consumers, China's DTC brands are even starting to have a global impact, with Nanjing-based faster-than-fast fashion player Shein rivalling the likes of Fashion Nova by blanket-promoting its ultra-cheap clothing to global Gen Z via marketing campaigns and affiliate programs that have given it a massive presence on YouTube, TikTok and Instagram.

But while DTC in China continues primarily on a path of affordability and convenience, the development of the sector overseas offers an indication of where it may be headed.

In Western markets, a growing number of DTC brands and platforms are looking to enter the luxury segment, using a digital-first roadmap that bypasses the typical time-intensive, bricks-and-mortar route to building a high-end brand.

From the Los Angeles-based Anine Bing to cashmere brand Naadam to Senreve, which boasts Italian-made handbags from the same factories used by [Celine](#) and Fendi, DTC luxury is quickly becoming a crowded space in markets such as North America.

In China, the luxury DTC market is somewhat less crowded, although brands such as Perfect Diary, which has a lower price-point that appeals to Gen Z consumers, are looking to take their products more upmarket and diversify via an omnichannel strategy that involves a bigger bricks-and-mortar footprint.

The difficult balance that must be struck with luxury DTC lies in reconciling wide-ranging marketing strategies with the aura of craftsmanship and relative scarcity. Otherwise, why would someone invest in a luxury DTC handbag brand when they could opt for an established heritage brand for, say, 30 percent more?

The membership-based luxury DTC model may ultimately have potential in China, with more affluent millennial consumers perhaps most interested in the convenience and relative scarcity that this option provides.

Used by Los Angeles-, Milan- and Shenzhen-based Italic, which charges a \$100 annual fee, memberships target consumers who are price conscious but willing to pay for perks and quality, and represent a development for the DTC model that maintains the convenience factor, while providing the consumer with a more high-end product.

As Italic CEO Jeremy Cai told Modern Retail last summer, in the early days of widespread DTC, brands promoted their competitive prices, achieved by cutting out the middleman.

Since then, DTC branding for premium labels has become less about saving money and more about providing consumers with a brand with whom they feel a connection. This has become particularly true as consumers have become spoiled for choice and luxury brands have become more accessible via resale sites such as The RealReal or Vestiaire Collective.

In China, the past year has only accelerated the pace with which many Chinese consumers have decided that shopping at home even for high-end items is good enough for now.

But there are also signs that this is here to stay, as more luxury-minded Chinese brands and designers invest in encouraging this consumer base to keep shopping close to home.

So here is the crux of the story: If an upstart such as Italic or Senreve could get Italian and Spanish factories to produce their goods, what is stopping many China-based startups from doing the same and tapping demand for luxury goods in their home market with a digital-forward omnichannel and content-commerce strategy and adopting an Italic-like membership model?

Published with permission from [Jing Daily](#). Adapted for clarity and style.