

RETAIL

## What is behind Farfetch's success in China?

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Consumption-wise, Farfetch saw an appetite for high-value luxury goods such as bags and hard luxury after COVID-19. Image courtesy of Farfetch

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For the global luxury e-tailer Farfetch, 2021 is a monumental year one that marks the platform finally breaking ground in China after achieving [strategic partnerships](#) with Chinese ecommerce giant Alibaba and luxury conglomerate Richemont.

From the platform's alliance with JD.com to its [new storefront on Tmall](#) unveiled March 1, Farfetch has disrupted the luxury ecommerce landscape by integrating itself into China's unique digital ecosystem to engage with local luxury shoppers.

The fifth edition of the [Luxury Symposium](#) was hosted April 21 by the French Chamber in Hong Kong and titled "New Retail Comes Alive." As such, *Jing Daily* caught up with one of its guest speakers, Alexis Bonhomme, Farfetch's vice president of commercial for Greater China and APAC, to discuss post-pandemic luxury ecommerce in China and the future outlook for Farfetch.

How have Chinese luxury shopping behaviors shifted in the past few years, especially post-COVID-19? Before the COVID situation, China's online luxury business was already significant, and COVID-19 further increased the weight of online channel sales by about 150 percent, now representing 23 percent of the luxury business in 2020, according to Bain.

China now counts for one-third of the total luxury consumption, and by 2025, this number is estimated to reach 46 to 48 percent.

After COVID, we did see strong performances in China, both in terms of recruitment and trade.

Consumption-wise, we saw an appetite for high-value luxury goods such as bags and hard luxury, and customers found increased comfort [buying high-value items](#) online, such as rare handbags and watches, including a \$500,000 watch.

The leather goods and jewelry categories are the ones progressing a lot.

In terms of behavior, much of our traffic and conversion is happening on our local mobile apps, which host specific features such as a live chat function, which is very popular in China. It is part of our massive localization effort we

started three years ago in China.

On top of that, we developed a specific merchandising and content strategy.

Farfetch is a marketplace, not a wholesaler, meaning we do have the largest amount of fashion luxury goods available online in the world for each touch point.

However, feeds on WeChat are different than either on our Chinese version app or our TikTok shop. Furthermore, online merchandising at our Tmall store differs from what we show our private clients [top-tier spenders on our sites].

What do the consumer profiles of China's online luxury consumers look like?

In China, millennials represent the core consumers of online luxury products, yet **Gen Z is an emerging force** and the fastest-growing consumer group.

At Farfetch, we did see significant growth in customer acquisition since the pandemic has started.

In China, our customers are very "unique," as they are not only among the youngest by age 25-30 years old, our biggest cohort but also the most sophisticated spenders we have worldwide.

The average age of Farfetch's regular customers went from 31 years old by the end of 2019 to 29 years old by the end of 2020, and our VIP customers are also younger than the industry average, the majority of whom are ranging from 20 to 40 years old.

We did build a comprehensive customer relationship management strategy around our "Access" program, offering different experiences and benefits based on different customer tiers.

An important part of our business in China is related to our "Private Clients," whom we offer exclusive and **premium experiences**, such as exclusive visits to the **Dior Shanghai exhibition**, Private Client dinners in Chengdu, Master Classes in Beijing, etc.

We also created an exclusive communication channel for these clients, including a dedicated WeChat official account, Mini Program and newsletter, as well as a personal Stylist.

How has the collaboration between international players and local ecommerce giants shaped the online luxury landscape in China?

The China digital ecosystem is shaped by two main companies: Tencent and Alibaba. We have been fortunate enough to get investment from both, which is very rare in the industry and even more so for a Western company.

We also have the trust of Tencent and JD.com and have benefited from their expertise on WeChat, WeChat Mini-Program and the type of customers JD.com could host.

On the Alibaba side, we recently launched our Farfetch Tmall store on March 1, and we can now leverage their combined 779 million customer base to expand our presence across various cities and customer profiles.

As an example, our Chinese customers are 29 years old, on average. But our customers on the Tmall store will be slightly older with an average age of 31 years old.

We hope to bring a new luxury shopping experience to these new customers on Tmall by offering the latest arrivals and niche designer products from over 900 boutique partners and over 3,000 brands worldwide, most of which were not available on the platform previously.

What challenges and opportunities have you noticed for global brands eyeing China's ever-growing luxury market? The weight of Chinese customers in the luxury business will be nearly 50 percent by 2025, according to Bain.

But the repatriation of Chinese luxury consumption is already there. Brands currently face challenges regarding the parallel **Daigou business** and operating costs. The cost of sales and marketing is significant in China and is often underestimated by newcomers to the market.

From Farfetch's side, we hope to keep communicating the brand, expanding its reach across **Tier-2 and Tier-3 cities in China**, and improving our customer experiences especially for VIPs without diluting our brand DNA and unique positioning.

Lastly, China is the fastest-growing luxury market and also where trends and changes happen the fastest. You need to permanently adapt yourselves, rely massively on your team in the market, and leverage each opportunity.

The day you stop innovating or stop being on an alert mode, you will go down.

As a leading player in the luxury ecommerce sector, how does Farfetch build its brand awareness in China and map out localization strategies? What's the platform's medium-long term outlook for the region?

We adapt ourselves to local behavior by creating a full set of local communication experiences to satisfy our Chinese customers.

From localized content rebranding campaigns with [Angelababy](#) and the newly launched Tmall store-opening campaign with young celebrities Lariena Song and Fei Qiming to the debut of the Chinese name for Farfetch Fa Fa Qi Farfetch China is probably one of the most localized global Western companies. We do what we can to adapt ourselves to our Chinese customers.

When it comes to engaging with Chinese luxury consumers, personal touch and offline activations are essential.

We launched Farfetch Community Gallery in Shanghai, Beijing and Chengdu for our current and future customers while also creating top VIP activations in those cities.

The most recent one took place two weeks ago in the Bulgari hotel in Shanghai.

Finally, the new initiatives with Alibaba Group and Richemont extend Farfetch's strategy to power the digital transformation occurring across the luxury industry, accelerated by the unprecedented challenges resulting from the COVID-19 pandemic.

Our Luxury New Retail initiative will explore ways to help the wider industry move forward and thrive in a post-COVID world. We are very excited about the years to come and the speed of change happening in China.

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