

MARKETING

How do you know your China market research is working?

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China's luxury market is continually growing and evolving, so making sure your market research is timely and accurate is crucial

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The luxury market in China is not only distinctive but is continually evolving compared to other countries. Therefore, valid marketing research is vitally important for guiding the decisions of luxury executives.

We rely on consumer research to confirm what we know, dispel possible myths and uncover fresh insights. And when properly collected and appropriately analyzed, the data does not lie.

Yet, poorly done research can lead to unreliable and useless findings.

As we outline below, China is a prime example of how luxury researchers can fail to uncover the facts about critical consumer data. This list is not exhaustive, but it shows how luxury decision-makers need to be aware of the potential shortcomings and limitations when conducting and interpreting marketing research in China.

Geographical differences

There is no one homogenous China, but many different Chinas. This truth gets reflected in the country's array of regional cultural differences.

As such, surveys must consider a breakdown of China's vast geographical differences.

For example, different regions have different category preferences. An Ipsos Sephora study revealed that China's western and central regions are skincare-focused, while its north and south regions are passionate about makeup and fragrance, making them very different target markets. Results given to managers need to take this into account.

Sample size

A common surprising oversight within many research studies is the sample size, which is often too small to be statistically representative of the target population. You can often read the sample size hidden away in a footnote in small print.

The sample size must be appropriate to the region of China's luxury consumer population for a study to be accurate.

It seems so obvious, but we often accept small and even very small sample sizes as fact, even though they lack any statistical significance for our target markets.

Tier differences

Researchers generally differentiate between city sizes, which certainly holds some logic as consumers in Shanghai or Beijing are likely to have a different relationship with luxury than less developed urban areas.

However, marketers must also consider location-based clusters as an even more relevant factor. A consumer may live in a **Tier-3 city** but work and shop in a Tier-1 city.

Furthermore, there is also the potential to break down data at a district level. **Shanghai** has a population of more than 26 million close to the combined population of the Netherlands and Belgium put together which can be divided into 16 districts. The obvious question is if these districts are comparable and whether the market research took them into account.

Gender differences

Research can reveal gender similarities and differences. That matters because brands want to not only avoid gender stereotyping but also identify new marketing opportunities.

For instance, luxury brands are leveraging associations with **esports**. But this trend is not only about winning over young male consumers. **Female fans** accounted for roughly 30 percent of gamers in China in 2019 versus only 17 percent in the US.

Generation differences

Generational studies help to understand, for example, how Gen Zers perceive the world and act within it. Generational differences do matter, but researchers can take their analysis one step further by providing a micro-segmentation of a specific generation.

It is misleading to assume, for example, that all **millennials** share similar attitudes or behavioral traits. Not all young consumers are the same. High-quality market research seeks to sub-divide these broad categories.

Luxury experience

Surveys may use demographics such as income to differentiate the sophistication of luxury consumption.

However, income levels do not necessarily reflect luxury spending levels. A comparison of **first-time luxury buyers** versus more experienced luxury consumers can provide a more reliable reading of consumer profiles.

Yet, different luxury consumers are likely to be buying different levels of luxury. Michael Kors is not comparable to **Hermès**, and research needs to reflect how all luxury brands do not have the same level of aspiration.

Attitudes versus behavior

Objective attention must define what is studied and which analytic techniques are specifically applied. That may be one of the reasons different studies can lead to contradictory conclusions.

Look at the following untypical scenario as an example. A survey asks Chinese luxury consumers if they **care about sustainability**. Unsurprisingly, a vast majority do.

Yet, if consumers are asked if they are willing to pay more for sustainable luxury, the percentage of positive responses is significantly less enthusiastic.

As such, researchers must differentiate between consumer attitudes and behavior, and brand managers need to navigate the delicate consumer attitude-behavior divide.

Face value

Are respondents willing to "lose face" and go against what appears to be the group consensus? How reliable are actual consumer responses? Those are tough questions to answer.

Researchers need to consider alternative data collection techniques to help them accurately identify hard-to-get insights.

For example, a study published in *The Harvard Business Review* tracked names (unique names versus reused existing ones) and songs (use of singular pronouns) to chart China's rising individualism.

The takeaway from this study was that Chinese luxury consumers are not, in fact, homogeneous. Research must reflect that diversity to ensure generalizations do not generate false market readings.

"Dumbing down" data means losing information by combining groups or simplifying measures, a common factor in poorly done or underfunded marketing research.

Cultural factors are also in play, and we must eliminate generalizing biases.

Data is only gold if researchers can gain a realistic understanding of what truly drives **consumer behavior** in other words, the "how and whys." And clarity from creative research is often the only way to get inside the Chinese luxury consumer mind and wallet.

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