

MARKETING

How luxury brands can succeed in China post-COVID-19

September 30, 2021



COVID-19 has created societal challenges, but it has also been a golden opportunity for some. We look at five changes shaping luxury post-pandemic. Image credit: Shutterstock

By [Adina-Laura Achim](#)

The global pandemic has created political and societal challenges while reshaping entire industries.

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

In the luxury world, businesses are now in a challenging reality with limited access to capital, talent and new markets. But in some developed economies such as China, where the emphasis is on "self-reliance," the pandemic bounceback has been faster than in other areas.

In fact, COVID-19 has been a golden opportunity for some countries, industries and businesses.

It is worth noting that China's first-quarter GDP this year grew at an 18.3 percent record pace compared to the same quarter in 2020, which was China's largest GDP jump since it started keeping quarterly records in 1992, according to the [BBC](#).

For the second quarter of 2021, China's GDP grew by **7.9** percent more than the same quarter last year.

Undeniably, the luxury world has become even more reliant on China. Therefore, some brands have aggressively expanded their footprint in the Middle Kingdom, while others have **deserted the country, moving their manufacturing elsewhere**.

Several foreign companies that left China have failed to address its new consumer demands and fully understand the market.

Think of it this way: The pandemic has brought rapid shifts, even in China, pushing forward new consumer behavior such as increased demand for comfortable loungewear and **trendy active apparel**. But the unprecedented speed of these changes surprised some global brands.

Understandably, businesses that did not meet consumer demand lacked inventory for high-demand items. Hence, they could not take advantage of the strong uptick in purchases.

Now, let us look at five key long-term changes in the industry and see how luxury brands can better tackle COVID-19

disruptions.

Localized production

Let us face it: If your brand is eyeing China and its affluent consumers, moving operations abroad is not the smartest idea.

Despite rising production costs and pressures from home, manufacturing in China could keep local, patriotic consumers happy. Plus, it could minimize **supply chain disruptions**, ensuring that high-demand items reach the Chinese consumer fast and at a reasonable price.

In fact, brands that move production from China should expect backlash. Considering the rise in Chinese nationalism, these brands may lose customers at unprecedented rates.

An increasing reliance on the Asia-Pacific

It is not just China that is winning the pandemic fight, but the entire Asia-Pacific region.

Patrick Winter, an EY Asia-Pacific area managing partner, **told *Nikkei Asia*** that "the COVID-19 pandemic has fundamentally changed the shape of our global economy."

In Mr. Winter's perspective, "there is a very unique opportunity for the Asia-Pacific economies to build a foundation for a sustainable future."

Mr. Winter rightfully points out how the Asia-Pacific region has been considered the top global economic growth engine over the last two to three years.

"It already represents about 67 percent of the world's economic growth," Mr. Winter said. "And the Asia-Pacific will soon represent 50 percent of the world's gross domestic product. A lot of that is because we have two of the three biggest economies in the world in China and Japan."

And the region will continue to maintain a central role in luxury consumption by propelling growth in the industry and boosting technological innovation.

The rise of the local consumer culture

Nationalism has killed the global mindset.

From the Americas to the Asia-Pacific, consumers now profess their love for their own countries while reacting negatively toward foreign products.

For instance, "Made in China" labels might have a special appeal in the Middle Kingdom, but that is not necessarily the case in India and North America.

Many consumers from these countries are reluctant to buy Chinese products, associating them with poor quality and **even forced labor**.

The embrace of new fashion categories

New consumption trends have shaped the industry, forcing brands to embrace the "casualization" of luxury.

Streetwear, loungewear and athleisure are boosting sales and increasing profits and customer loyalty.

In a saturated market where the pandemic has exacerbated economic challenges, these fashion categories have reshaped the industry, bringing new opportunities for revenue growth.

Some other categories that have gained momentum are **luxury pet wear**, organic cosmetics, **natural beauty products** and luxury wellness.

Adopting innovative technologies and expanding digital channels

The move towards online brings incredible opportunities to experiment with **AR/VR**, AI & machine learning, 3D tech and real-time streaming.

Consumers refuse to return to traditional sales channels, demanding personalized content and unique shopping experiences. And currently, technology-enabled retail experiences are successful in immersing consumers in the brand and creating long-lasting relationships.

On the whole, the global pandemic is a disruptor that brings unique opportunities. But not all brands will change

direction and embrace innovation and new product categories. As such, those brands are sure to lag behind their competitors.

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

© 2021 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.