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SOFTWARE AND TECHNOLOGY

How hard could China's tech crackdown hit luxury in 2022?

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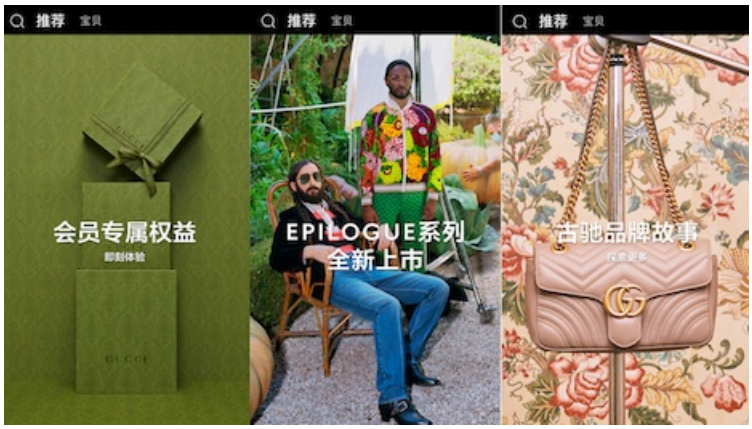

Dozens of luxury brands went all in on Tmall's Luxury Pavilion in recent years. Image credit: Alizila

By Avery Booker

In many ways, 2021 has been the year of the crackdown in China, with everyone from tech giants and the gaming industry to global fast-fashion brands, domestic celebrities, and even the fans of those celebrities in Beijing's regulatory crosshairs. And although luxury brands have so far been spared the kind of lifestyle clampdown they faced in China circa 2013, there are indications that two lingering concerns the celebrity and tech crackdowns could become even more complex in 2022.

Although not on the level of recent celebrity scandals such as Kris Wu's detainment or Zheng Shuang's massive tax bill, the recent arrest and public humiliation of "Piano Prince" Li Yundi indicates that Beijing is serious about its ramped-up regulation of the entertainment sector. But it also reiterates the role of the tech sector within the celebrity crackdown, as major Internet platforms such Weibo, Tencent Video and Douyin pledged this year to essentially blacklist stars deemed by the central government to be controversial.

This means any celebrity who has even the slightest whiff of scandal or controversy around them going into 2022 is unlikely to be rehabilitated any time soon, if ever. It is more important than ever for luxury brands to be extra careful in the spokespeople they hire as the face of their brand over the next year in China.

But perhaps the most concerning crackdown for luxury brands could very well be in China's tech industry, which was the first to fall afoul of Beijing regulators last November. Specifically, the concern for major brands should be the rising strength of massive government regulatory agencies in China in the run-up to next year's National Congress.

Digitally savvy brands have likely become very familiar with agencies such as the Cyberspace Administration of China (CAC), which over the past year has issued a series of policies designed to curb overt displays of extravagant lifestyles through measures such as blacklisting and content filtering.

Another powerful agency, the National Radio and Television Administration (NRTA), has worked closely with the CAC in 2021 to tighten their grip on what can be shown on television or streaming platforms and perhaps more

importantly who can be shown doing it.

But another agency that has become a powerful and influential force is the State Administration of Market Regulation (SAMR), which was formed three years ago as an amalgamation of existing agencies. Having made international headlines via its massive fines on tech giants such as Alibaba, SAMR is now very much on the warpath with a particular focus on antitrust regulation.

This month, Reuters noted that China may upgrade the SAMR's antitrust bureau to deputy-ministerial status under a new name, the National Antimonopoly Bureau, and give it a slew of new powers.

For example, the Bureau would theoretically be able to obtain significantly more resources to investigate mergers and acquisitions, potentially causing issues with international companies looking to invest in domestic Chinese brands, designers or retailers.

But, most importantly, the activities of the SAMR and the beefed-up antimonopoly regulators will impact brands' strategic approach to social media, social selling and ecommerce in China. Where just a year or two ago an ecommerce strategy for China was relatively simple often boiled down to choosing a platform such as Tmall Luxury Pavilion or JD.com the SAMR's trust-busting activities have already changed the game.

The SAMR started off 2021 by sticking Alibaba and Meituan with huge fines for their established "choose one from two (er xuan yi,)" practices, which essentially forced merchants to exclusively opt for their platform. Since, other bureaucratic juggernauts such as the Ministry of Industry and Information Technology (MIIT) also laid down the law, ordering domestic tech giants to demolish their "walled gardens," which notoriously banned in-app links to competitive platforms.

What all of this means is that 2022 is likely to be a complex year for luxury in China, as regulatory pressures compound and agencies flex their muscles.

While, at the moment, there is no indication that the government will specifically target international brands or "luxury lifestyles," beyond the current vague crackdown on "wealth-flaunting," the platforms that brands have come to rely on for marketing and ecommerce are under possibly greater-than-ever pressure.

As such, it is critical to avoid putting all of one's eggs in one tech basket and developing a thought-out contingency plan well in advance in the event antitrust regulators intensify the crackdown on ecommerce, streaming video or social platforms in 2022.

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