

MARKETING

Top 4 marketing strategies for China in 2022

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In China, integrated online and offline channels create an unmatched level of user stickiness, helping brands build loyalty among future consumers. Image credit: Haitong Zheng

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Chinese consumer desire for luxury goods is expected to continue to grow in 2022 at an **estimated rate of 13 percent**, making this group the highest spending global consumers.

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By 2025, Generations Y and Z in China will account for more than two-thirds of the luxury market. Gen Z, China's youngest spending generation, are digital natives that have grown up with material abundance, and they are willing to pay a premium for fresh and niche experiences.

As such, luxury brands will continue to leverage digital opportunities over the coming years to provide consumers with unparalleled shopping experiences, using **innovative technology such as NFTs** and AR-powered digitalization. Yet, offline purchasing remains the most important sales channel, making up more than 50 percent of all consumption.

Online channels provide consumers with multidimensional avenues for communicating and resonating with luxury brands. Meanwhile, offline channels give consumers physical product and service experiences that online services cannot replace. But integrated online and offline channels create an unmatched level of user stickiness, helping brands build loyalty among future consumers.

Online tactics. So, both online and offline channels are crucial, but each needs different tactics to achieve its objective. Here are two online tactics and two offline tactics that brands have successfully used to achieve their goals:

Create innovative products and scarcity scenarios

Young people have undoubtedly become the focus of attention for luxury brands. The annual consumption of more than 300 million people born in the post-'90s **accounted for only 11 percent** of the total consumer population, yet accounted for 40 percent of sales.

Digitalization can establish better communications by providing consumers with refreshing, unique and personalized luxury service features.

Tmall Luxury Pavilion has created a 24-hour digital shopping channel called Cloud Luxury City (), containing more than 30 different luxury brands. On the platform, consumers can use AR try-ons, 3D interactions, mini-games and other exclusive online services provided by luxury brands.

Tmall Luxury Pavilion also released six virtual collections (NFTs) in collaboration with six luxury brands, allowing consumers to buy their favorite physical goods from these brands online while also receiving a unique digital item based on blockchain technology.

This digital collection was launched on Nov. 1 and sold out in the first hour. Clearly, providing limited-stock products, which are only available for a short time, will continue to be a crucial way for brands to attract consumers.

Manage private traffic to provide more customized services

Chinese luxury consumers are very diversified today. Young people want interactive and creative content that only brand digitalization can satisfy. Therefore, social media must become a high priority at the level of brand marketing as it is an important way to communicate with young people.

The WeChat ecosystem should also be part of a brand's marketing strategy, helping to enhance the overall brand experience and establishing an omnichannel ecosystem.

For loyal customers, social media can better provide them with customized services in a personalized manner.

Louis Vuitton establishes connections with different customer groups by creating small, specific WeChat Mini-Programs with unique tone and content. Brands would be wise to upgrade their social media, so they can offer consumers more customized and personalized digital services with luxury features.

At the same time, brand management and operation of private traffic will have a major impact on luxury repurchase rates and customer loyalty cultivation.

The Dior China Fashion Show was presented live through the brand's Tencent Video and WeChat video account. Afterward, show advertisements and the new collection were placed directly on its WeChat Moments. These advertisements were directly connected to the brand's homepage, boosting sales.

WeChat and other social media provide useful ways for luxury brands to interact with users, regardless of the time or place. Brands need to recognize how important that is and create reliable CRM ecosystems.

Offline tactics. As mentioned, offline experiences are irreplaceable. Here are two offline tactics that may contribute to the brand success in China:

Pay close attention to sustainability, but try out collaborations first

After the pandemic, consumers will prioritize the recyclability of products.

As such, younger shoppers today have a keen interest in purchasing vintage luxury products, which also help them express their personalities. This demand for vintage luxury is attracting more players, and the secondhand and vintage luxury markets are expected to reach **33 billion euros** by the end of 2021.

Chinese vintage luxury service and product providers have been dissatisfied with their online business performances in 2021, and luxury brands should pay attention to their deployment of offline stores.

Vintage luxury service and product provider Ponfu () recently reopened its offline flagship store in Beijing, displaying nearly 10,000 SKUs. And now, some limited editions of vintage luxury goods are beginning to meet young people's requirements for uniqueness and sustainability.

In 2022, luxury brands may collaborate with **secondhand luxury providers** to seize this market as it's still in the early stages in China. Outside China, the Kering group has already announced it will invest in luxury goods resale platform Vestiaire Collective. But, as of now, it is hard to say which industry giant will emerge in China's vintage market.

Optimize offline store layouts based on consumer distribution

Apart from the consumer perspective, factors such as regulations have had a significant impact on the development of the industry and marketing and product strategies.

China's promotion of the **common prosperity** policy will increase middle-class income while limiting luxuries and extravagant consumption to some extent. Brands should pay careful attention to the values of their marketing and

conform to the country's guidelines for related industries.

In addition to the market's continuously growing size, brands can now also see the contribution of specific groups of people to the luxury market, such as consumers in lower-tier cities.

With brands continuing to promote in lower-tier cities, the concept of luxury goods is increasingly expanding from Tier-1 to lower-tier cities.

Meanwhile, luxury consumption in Tier-2 and Tier-3 cities such as Qingdao and Dalian has grown to **top-five**.

An offline luxury store in these cities provides a close-up opportunity for consumers to feel and try a product. And the display and the decoration of offline stores allow luxury brands to show their uniqueness and brand culture. That is why the layout of luxury brand offline stores in cities should consider specific consumer preferences.

Consumers in Tier-2 and neighboring lower-tier cities are attracted to these experiences, which are not available through online stores.

China will still be the engine for luxury brand growth in 2022. And online consumption will continue its development as offline channels provide the majority of sales. And now, with the **anti-monopoly regulations** launching, brands can choose from more than one platform to sell.

In fact, many luxury brands performed great on different comprehensive platforms in 2021. The **recent Double Eleven** had more than 200 luxury brands launch more than 300,000 products on Tmall Luxury Pavilion, and JD.com reached an unprecedented new cooperation model with the LVMH group where consumers could directly access the brand's official Web site to purchase from the JD platform.

Brands should pay attention to the characteristics of different platforms and channels to take advantage of their unique policies.

At the same time, luxury brands should also carry out differentiated selections and listing strategies on both ecommerce platforms and offline stores to provide consumers with customized services and experiences that meet their preferences.

Additional research by Joanna Wang

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