

RETAIL

How do Italian luxury retailers connect with China in 2022?

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With COVID ongoing and no plans for China to reopen its borders, how can luxury Italian retailers connect with affluent Chinese shoppers in 2022? Image credit: Shutterstock

By [Lisa Nan](#)

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Italy's cultural and artistic heritage has made the country one of the world's most popular tourist destinations, attracting millions of visitors every year.

Whether it is touring the country's historic jewels such as the Colosseum, or taking a traditional Venetian gondola ride through the city's canals, tourists love it.

Prior to the pandemic, tourists' number was at an all-time high: In 2019, inbound travelers to Italy had set a historical record reaching **436.7 million visitors**. Given this, Italy's economy heavily relied on these travelers as, besides hotels and restaurants, tourists who contributed a significant income to Italian luxury retailers.

Rinascente, the only luxury department store in Italy, recorded tourism spend in 2019 that accounted for 35 percent of its revenue. With a footprint covering nine major cities of Italy, the high-end retailer is emblematic of the issue, as, in the following year, those numbers sharply declined amid the COVID-19 outbreak and international travel bans. Because of the shortage of foreign tourists, Rinascente saw its revenue drop by **40 percent**.

These idyllic holidays are now a thing of the past. So, too, is China's spend in the country. Not great, considering the nation had ranked among the top five in terms of incoming tourists.

"The lack of Chinese visitors has been a hard hit for the Italian high-end sector," said Nicola Giuggioli, founder and chairman at Eco Age. "Companies there had to quickly adapt their business to the new scenarios. Yet, the sales decline has been inevitable."

Without tourists, retailers have had to double down on local spend. But residents' budgets and appetite for luxury have turned out to be visibly lower than **Chinese globe-trotting shoppers**.

As international borders reopen, Italy is slowly regaining visitors from all parts of the world. But, even in 2022, China's continuing zero-COVID policy and lengthy quarantines mean local tourists are unable to travel abroad. Given this, *Jing Daily* poses the question: how can luxury Italian retailers connect with affluent Chinese shoppers in

2022?

Daigou and virtual personal shoppers

When walking through Rinascente's designer brands' stands in Milan or strolling around the discounted luxury destination The Mall, you might easily spot Chinese daigou shoppers. They will be the ones holding a phone stick, standing close to clothing racks and talking to people on the other side of the phone. These daigous, who are buying on behalf of luxury shoppers back home, are actively tapping the growing livestreaming trend by shooting content in-store that is broadcast back in China.

The pandemic certainly has not killed the daigou business. Rather, these surrogate shoppers have upgraded. And luxury needs them now more than ever.

"Although some of these buyers operate in a gray area and do not work directly with brands and retailers, they continue to be a great vehicle for them to connect with local consumers," Mr. Giuggioli said.

The daigou are favored by domestic shoppers as they offer niche brands that are not yet present in the market and have better deals compared to the mainland's price tags. **Bernstein's** findings suggest the average median price of luxury goods in China is 60 percent to 75 percent higher than in Europe.

Luxury retailers are slowly moving towards this space as well.

Rinascente, for one, has recently introduced an On Demand feature, which gives the opportunity for clients to talk to personal shoppers and purchase through WhatsApp or email without leaving the house. Sadly, the service does not cover China due to government restrictions.

The integration of this could help high-end retailers connect with their own in-house legal "daigou," who may use WeChat to "humanly" connect with mainland consumers despite being almost five thousand miles apart.

Online sales channels

The pandemic has, without a doubt, accelerated the digital shift.

During the lockdown, Chinese tourists who once populated Italian luxury department stores and boutiques turned to **cross-border channels** for luxury products. But this was already a growing trend: over the last decade, China had seen the demand for online shopping increase exponentially. As of 2021, more than **842 million** people had made digital purchases.

"I believe online is now the best opportunity for Italian luxury retailers to connect with Chinese consumers," said Thomas Sassatelli, senior buyer at luxury multi-brand store Al Duca D'Aosta, which owns seven stores in Northern Italy. Even before the pandemic, we had experienced exponential growth online."

Thanks to the high-quality services and fast shipping offered, domestic consumers have shown increasing openness to buying expensive items online.

The Florence-based luxury multi-brand store, **LuisaViaRoma**, was one of the earliest to launch an ecommerce site globally and has an online business that accounts for more than 90 percent of its revenues. It has built an extensive presence in the mainland market through a local app and Web site, dressing homegrown celebrities and marketing on domestic social media platforms. In 2020 it saw online sales increase by **30 percent**.

"By providing familiar payment methods and Chinese-language marketing, global retailers can establish solid relationships with domestic shoppers," said Sennait Ghebreab, program leader of the BA business course at Marangoni and buyer consultant. "Knowing the Chinese market is like knowing the future of cross-border ecommerce because China is leading the way in digitalization and cross-border ecommerce."

Additionally, keeping up with the country's fast-paced digital environment presents many advantages to retailers.

From mega shopping bonanza marketing promotions to selling goods through livestreaming not to mention the next-level customer service the mainland clearly has an edge over West-based retailers trying to access the market from outside.

Chinese consumers living in Italy

Finally, there are many Chinese expats living in Italy: whether newcomers that have settled to find a home and job, overseas students, or families that have lived there for generations.

As Federica Montelli, head of fashion at Rinascente, revealed, this pool of shoppers has great interest in luxury. And large budgets to spend.

However, Ms. Montelli said these affluent Chinese residents are also highly demanding consumers who heavily rely on word-of-mouth (WOM). Their dual identity means they are influenced by both domestic and Italian media and celebrities.

"They demand a different product offering and they are particularly active through our WhatsApp On Demand channel, rather than purchasing through our online Web site," Ms. Montelli said.

Additionally, they treasure their culture and traditions and require a targeted service to win their loyalty.

In 2020, Rinascente collaborated with Shenzhen-based designer and artist, M.Y Chen Zuer, to decorate its shop windows to celebrate the Year of Rat. This year it curated a selection of brands that proposed exclusive items for the Year of Tiger.

"These initiatives definitely brought us closer to the local Chinese community," Ms. Montelli said.

More gatherings and exclusive events for this demographic may foster a long-term relationship and create positive WOM.

The pandemic has certainly disrupted Italian retailers' business model and has pushed them to reinvent their merchandise offering, communication strategy and turn online. But they need Chinese consumers as well, and that resilience adopted during COVID-19 will be required to target those shoppers.

Reconnecting with repatriated citizens will take its time. Indeed, there is a famous saying about the Italian capital that should be appropriate to China's appreciation of the long game. If done properly, this is a relationship that will last well beyond the pandemic.

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