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How will China's new anti-monopoly law affect luxury?

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China's Anti-Monopoly Law underwent a major revision recently and will be implemented on August 1. How will the updates impact China's luxury landscape? Image credit: Shutterstock

By Zihao Liu

On June 24, the Standing Committee of China's National People's Congress [passed revisions](#) to its Anti-Monopoly Law, which will go into effect on Aug. 1.

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First drafted in 2008, the latest version [contains](#) 12 new clauses that focus on preventing the "lawless expansion of capital."

Specifically, the law stipulates that businesses, especially "those in a dominant market position," cannot use "data, algorithms, technological and capital advantages, and platform rules" to engage in monopolistic behavior.

Other notable additions include a "fair competition review" mechanism to prevent local anti-competition policies as well as granting prosecutors the right to file anti-monopoly civil cases.

The Jing Take: The updated law seeks to encourage innovation while tightening the leash on China's Internet giants, which have been the primary targets of China's platform economy [crackdown](#).

For luxury, the direct impact should be fairly limited as no luxury brands are currently "in a dominant market position" in China's fashion sector.

However, they will need to be more careful in expanding their online presence in China by [partnering](#) with local ecommerce platforms, such as Alibaba's [Tmall Luxury Pavilion](#) and JD.com. It is in the best interest of these ecommerce platforms to form exclusive partnerships with luxury houses to highlight their status and to build customer loyalty.

In this process, brands must be conscious of any platform policies that discourage consumers from browsing information or purchasing products through other venues.

Brands should also keep in mind that consumer data generated from online store visits and watching livestreams cannot be inappropriately used by platforms.

While, admittedly, companies have little control over how these platforms make their policies or gather consumer data, their HQs should be aware of such potential pitfalls.

Additionally, the law explicitly prohibits conditional transactions or tie-in sales (), whereby the buyer can only obtain the product they want if they also agree to purchase another item from the seller.

Luxury names must not leverage their exclusivity to coerce consumers to make extra purchases when they seek to buy much-coveted items.

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