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3 reasons why Western brands are vanishing from the Chinese market

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Cutting-edge competitors and rapid shifts in consumer behavior have diluted interest in global names. The result? Brands are pulling out of China in droves. Image credit: Too Faced

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Apology letters and vanished websites have been two rather common occurrences on the Chinese Internet of late. These are not the result of scandals. Rather, it is the mark of international brands suddenly pulling out of the market in droves, surrendering to COVID-19 clampdowns and competition from their homegrown counterparts.

In the past, failure to succeed in China was put down to a lack of localization and social media presence. But this time, cutting-edge competitors and rapid shifts in consumer behavior have diluted interest in global names, leaving companies to reconsider their investments.

Forever 21, making its comeback for the third time after previous closures, opted for a shopping mall in Taizhou a third-tier city in Jiangsu in hopes of capturing the rising spending power of the local population. Now, the former American fast-fashion flagship on Nanjing Road East of Shanghai has been **replaced by Chinese consumer electronics and smartphone maker Huawei**.

Even smaller beauty ventures such as Too Faced and Glamglow under large umbrella corporations such as **Estee Lauder** and **Maybelline** could not survive against native heroes including Perfect Diary and Florasis. Here, *Jing Daily* analyzes why so many businesses are in retreat.

China does it better

There was a time when foreign establishments were highly prized by the Chinese consumer, perceived to be better in quality and status. But many domestic outfits are now better at similar consumer offerings and engagement often at a fraction of the price and with agile turnaround speeds. Partly spurred on by a nationalistic shopping trend, it is these for which many shoppers are opting.

The fact is that the skill and innovation of several domestic lines have now overtaken their international competition.

Chinese label Bosideng triumphed over rich-kid staple Canada Goose in **down jacket sales** globally and Anta Sports

has **surpassed adidas' market share** in China for sports shoes and apparel at 16.2 percent. These examples are just a few of the many players that have nailed the niche and won over the population.

Research by Global Times revealed that **more than 50 percent of** citizens are reaching for local goods over foreign peers for their innovative development, quality and low prices.

Alongside this, investment into building a sense of character and developing interpersonal relationships with consumers is evident.

For instance, famed D2C intimates brand Neiwai communicates its values by **loudly expressing its core message and beliefs** regarding body positivity and diversity a radical stance against traditional Chinese beauty standards.

Consumers increasingly prioritize education and impact during consumption, so are opting for companies that show personality beneath the surface over those simply pushing promotions or selling glitzy products.

Changing tastes and localized diversity

In China, many internationals are making the mistake of merely replicating their success abroad with the same personnel, strategies and high-level executives. This has not always worked in their favor.

Consumer groups here are extremely fragmented not to be divided just by age and gender, but by city tiers, lifestyle and even dialect.

In fact, nearly half of the mainland's luxury growth has been **contributed by tier 2 and 3 cities**. Failing to localize means a lack of awareness about the country's many different audiences, not to mention neglecting the threat of local rivals.

Whereas those in the West relied on memes and Tiktok to try to stay relevant, Chinese marketers were quick on their feet, exploring new avenues from WeChat's **private traffic channels to countryside KOLs**, tapping into each localized segment and staying on top of current cultural happenings to remain innovative.

Currently, many of the youth steer away from typically branded items as part of a minimalist **lifestyle and ideology**, and are more likely to **embrace national goods** and cultures.

A lack of cultural understanding has always been a challenge for global firms: entering a relatively new, complex market such as China requires much more than just direct translations and Chinese faces in campaigns.

Top-tier cities and their consumers especially those who once splurged in Europe on guilt-free and tax-free luxury goods are now **opting for the niche and the unknown**, evidenced by the popularity of By Far which has led the "armpit bag" trend, with a strew of copycats following suit.

Big game, big money

Big luxury houses have always been able to stay resilient against headwinds despite catching a cultural appropriation scandal or two, as their scale offered them access to big budgets, the right ambassador and resources to create exclusive products for the Chinese.

The blueprint for luxury campaigns has meant a reliance on celebrity endorsement, but China increasingly recognizes the importance of using key opinion leaders (KOLs,) both big and niche and are even experimenting with virtual avatars and e-sports to tap into new consumer pockets and their rising purchasing power.

In the past, large multinationals have often overspent on investment in prime flagship locations rather than engaging with the consumer.

The high-profile exits of British high street stalwarts **Marks & Spencers which shuttered 10 of the country's bricks and mortar stores in 2016** and New Look, **which shut 120 Chinese stores in 2018**, are just some examples.

Online shopping sets a standard in China, but there is still focus being placed on building the grandest flagship in the most expensive locales.

Yet some of these big box stores lack the connection required to captivate the consumer whether that is the right product assortment or competitive and innovative retail experiences. But where some fail, others succeed.

Taking a leaf out of Nike's hyper-local Rise concept stores, Li-Ning has begun debuting **urban stores customized to cities**, highlighting the unique cultural charm of each district around the country.

Tiered cities compete for their unique flagship door to become a destination location, enticing consumers' interest and engagement with both brand and building.

Looking beyond the low-hanging fruit

Though some top-tier shoppers may no longer find appeal in obvious big-name logos, there is still the potential to target those outside of that bracket.

Across 155 cities, 23 provinces, 56 ethnic groups and seven major dialects, the market opportunities are endless.

More than **half of the population** has entered the middle-class segment, further indicating a strong growth to come in some sectors. The disposable income in China's urban populace is **expected to reach \$2 trillion** (13.3 trillion RMB) by 2025.

Maisons can focus on serving alternative consumer groups with a matrix of product offerings to diversify their value propositions, be it digital clothing, **tea collaborations** or **male beauty**. These are completely new segments, different from those of the west.

While investment in time and money may temporarily dwindle in the market, China will undeniably continue to be a core focus as business resumes.

Instead of using the usual cookie-cutter strategies, brands should keep a foot in the door by diversifying investments into different geographical regions, keeping abreast of the evolving lifestyle of emerging consumer sets, and continuing to build a strong online presence. Most importantly, they should keep listening to the people, and what it is they want.

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