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## Why selling luxury in China is more challenging than ever

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*In China, where brands can be canceled in hours and trends can emerge overnight, real-time digital insights and hyper-precision in messaging are critical. Image credit: Gucci*

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China is facing a multitude of challenges.

Firstly, the trade war with the West over geopolitical power, intellectual property, tariffs and access to data has brought relations between China, United States and Europe to a low.

The supply chain disruptions during COVID-19 made businesses and the public more aware of the magnitude of global interdependencies, leading to a refocus on producing and sourcing domestically.

China's zero-COVID policies, and the series of lockdowns and travel restrictions that stemmed from them, also weakened its economy.

Furthermore, for the first time in 70 years, China's population is declining, reflecting not only the lasting impact of the previous one-child policy but also the **different expectations and lifestyle choices** of a younger and wealthier generation.

As a result, even with China reopening its borders, things are not just getting back to where they were before the pandemic. There is a fundamentally new situation to which brands need to adapt.

### **Top brands are expanding their lead while smaller brands fall behind**

The recent **Hurun Chinese Luxury Consumer 2023 survey** of 750 high-net-worth individuals (HNWIs) indicates that the top luxury picks by men and women for gifting are Hermès, Chanel, Gucci and Rolex, itself a clear sign that brands with a strong brand story and a close connection to younger clients are winning.

Brands that are unable to communicate their story clearly are losing significant market position and momentum.

Brand storytelling is not just a "nice to have" or "fluffy" marketing; it is the core foundation of **extreme value creation**.

I had the opportunity recently to showcase the difference that strong brand storytelling makes to the success of

companies in several keynotes and master classes. When managers see the data and the science behind, it is always like a wake-up call especially when markets turn more competitive and growth rates slow down, the power of the brand storytelling becomes the determining factor of success.

The average age of the surveyed HNWIs was 36, indicating that the Chinese luxury market is much younger than most others.

When asked about their aspirations, 56 percent of respondents expect to increase their spending on personal luxury. Only brands with a strong storytelling will profit while the rest will decline.

### **Local brands are moving in on the luxury space**

I spoke in many articles and interviews including for *Forbes* and *The New York Times* about "China chic" as a trend that has gained critical mass.

Younger luxury clients are increasingly aspiring to purchase from local brands, which understand local trends and consumer sentiments and can often offer a significantly better service experience compared to some global players.

In times where topics trend for two or three days at best or sometimes only for hours, short decision-making processes and a good understanding of clients become the keys to success.

Cultural capital in China cannot be built from a distance. A case in point is the rapid growth of Chinese car brands in China, not just at the entry level but increasingly in the premium and luxury space, indicating their edge in digital technologies and client closeness.

From fashion to jewelry, beauty to fine wines, sports apparel to digital platforms, Chinese brands are making huge advances across all categories, often under the radar of Western audiences.

Over the last few months I organized several workshops with luxury brands on creating cultural empathy for China and other markets. It is one of the biggest challenges even for the smartest and most cosmopolitan managers to put themselves in the shoes of local clients, understand their challenges and motivations, and emulate their lifestyles.

Global luxury brands need to tailor their offerings to the Chinese market. They must understand the unique tastes and preferences of Chinese consumers and adjust their products and marketing accordingly.

Brands need to go beyond superficial gestures such as using the color red, creating Lunar New Year capsules or incorporating traditional Chinese designs into their products. They must focus on creating products and messages that resonate specifically with Chinese consumers.

### **Social impact and sustainability initiatives become a critical success factor**

Luxury brands must align their business practices with social, environmental and cultural imperatives to remain competitive in China.

Dolce & Gabbana's advertising campaign that created an unprecedented backlash a few years ago shows how fast brand equity can vanish if the local audiences perceive a brand as going against their values, intended or not.

This means that brands must prioritize addressing sustainable materials, production processes and, importantly, social responsibility in their brand messaging.

Consumers in China are becoming more environmentally and socially conscious, and they will support brands that share their values.

### **Digital mastery is no longer optional**

The divide between successful and unsuccessful brands is also increasing when it comes to digital mastery.

In addition to crafting a differentiating and emotional story, brands also need to be able to communicate their narrative digitally and convert audiences into clients in the shortest and most inspiring digital funnel possible.

In many of our digital messaging optimization projects, we find that many brands still do not put enough emphasis on their digital client desirability creation. And with 95 percent of all luxury purchases being inspired digitally, losing in the digital and social-selling space means that brands will decline.

When I ask managers of luxury brands during keynotes and masterclasses how many of them know the social sentiment change around their brand over the last few hours, days, or even weeks, most have no idea.

Especially in the rapidly changing digital reality in China where brands can be canceled in hours and trends literally emerge overnight real-time digital insights and hyper-precision in messaging are critical.

Luxury brands must adopt inspiring and brand-specific digital strategies that unlock their brands' target emotions to engage with Chinese consumers, who are increasingly shopping online. This includes creating engaging content for social media platforms such as WeChat and [Douyin](#), investing in ecommerce platforms, and implementing virtual reality and augmented reality experiences to enhance the shopping experience and connect the digital with the physical.

In conclusion, luxury brands in China must adapt their strategies to dramatically increase their relevance in the market and not lose further to the leading names and emerging local players.

Brands that embrace localized storytelling, focus on their social and environmental impact, and use real-time data will be well-positioned to succeed in China's evolving economic landscape. There is no time to lose.

*This is an op-ed article that reflects the views of the author and does not necessarily represent the views of Jing Daily or this publication.*

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