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## Luxury retailers lack brand awareness in China

May 24, 2013



By TRICIA CARR

High-profile luxury brands consider China a top market for sales potential, while high-end retailers are in the earlier stages of entry into the country.

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Retailers are slower to the game in mainland China, which should experience 7 percent growth in luxury goods revenues this year, according to a new report from Bain & Co. ([see story](#)). Though high-end department stores lack a physical presence in the country's major cities, Chinese tourism and custom ecommerce sites are helping retailers catch up to luxury brands' awareness levels in the market.

“The reason retailers take longer to catch on among Chinese consumers is that the vast majority of retailers are at an early stage of foreign brand awareness,” said Brian Buchwald, CEO of [Bomoda](#), New York.

“Companies such as Burberry, Gucci, Louis Vuitton, Tiffany and others benefit from being at top-of-mind in China due to advertising and marketing efforts, a comparatively long presence in top-tier cities and their obvious foreignness,” he said.

From west to east

Back in March 2012, Neiman Marcus announced that it was expanding to the Asian market

with a new online shopping and editorial site.

The retailer took a \$28 million stake in Glamour Sales Holding, a private ecommerce company that specializes in authorized online flash sales for consumers in China and Japan. The company hosts Neiman Marcus' only country-specific ecommerce site at <http://neimanmarcus.com.cn> (see story).

This week, the retailer said it is cutting down its China-based employees and getting rid of China warehouses.

Now, Neiman Marcus has a smaller team – reduced by more than half of what it previously was – that will be responsible for customer care, marketing and Web merchandising in China and is bringing much of the operational duties back to its Dallas headquarters, according to the retailer in a report from [Women's Wear Daily](#).

In addition, Neiman Marcus is shipping orders from the United States, but at the same time is increasing its investment in Glamour Sales Holding and keeping a team in Shanghai, signaling that it will continue to push for sales in the country.



### *Oscar de la Renta on neimanmarcus.com.cn*

Neiman Marcus is one of the most high-profile Western retailers to attempt China entry, per Mr. Buchwald. The company's recent decisions will likely give it greater control of inventory and a chance to wait it out for China's luxury ecommerce market to mature.

The key difference in awareness of Neiman Marcus and other Western retailers in China, compared to brands, is that they have no brick-and-mortar sites.

“[Neiman Marcus] only officially entered the market at the end of last year, so consumer awareness of the company and its heritage remains modest relative to more established China entrants,” Mr. Buchwald said.

### Popularity contest

Despite reports of a slowdown in luxury goods consumption in China, many brands' full-

year sales figures indicate that the country remains a revenue-driver.

Fashion giant Burberry reported a 20 percent revenue increase in China this week for the fiscal year ending March 31, during which it opened 11 new stores in the country, according to various reports.

The British label's full-year revenue rose 7.6 percent overall to \$3.14 billion.



*cn.burberry.com*

Also, Italy's Giorgio Armani said it experienced a revenue increase of 16 percent to \$2.7 billion in 2012, driven by China, Hong Kong and Japan, according to a report from [The Wall Street Journal](#).

Luxury brands continue to open stand-online stores in China as well.

This week, Kering-owned Stella McCartney opened its first brand-operated boutique in Beijing. The designer is on a short tour with stops in Tokyo, Beijing, Shanghai and Hong Kong to boost brand awareness among consumers who seem eager to spend.

Luxury brands seem more likely than retailers to experience revenue increases due to traction in China because they have been known longer in the country.

But there is hope for Western retailers if they work to understand how Chinese consumers shop.

"Retailers definitely have a set of obstacles they must overcome that brands do not," said James Dean, vice president and head of luxury practice at [WealthEngine](#), Bethesda, MD.

"Brands are designed with a specific audience in mind that is global in nature," he said. "Retailers' culture is set in their home country and they must learn to adjust their identity and acclimate to markets they enter."

"As the Chinese consumer matures, a more service-orientated approach, similar to what many American companies already offer, will resonate well in the Chinese market."

Already, there is interest in foreign retailers as signaled by Chinese tourists' gravitation to department stores during shopping trips while abroad.

For example, retailers' New York flagship stores are experiencing a rush of Chinese tourists as shoppers.

"The Western brands are becoming very prevalent to Chinese consumers while the

retailers have not established the same foothold in China," said Chris Olshan, chief marketing officer of [The Luxury Marketing Council](#), New York.

"The idea of going to Bergdorf Goodman or Neiman Marcus is high on their priority list, but in their own country, they are looking more at the brand and the label, such as Louis Vuitton and Burberry, more than where they're shopping."

The best is yet to come

Chinese consumers' understanding of luxury is transitioning between the first two stages of the four stages of luxury: Acquisitive, inquisitive, authoritative and meditative, per Mr. Olshan.

While it took the U.S. 40-50 years to get to the meditative stage, luxury marketers are expecting Chinese consumers to fly through the stages when in fact, they are moving from acquisitive to inquisitive.

Chinese consumers are at the point when they are learning which brands - or retailers - provide the best products and services.

"Chinese consumers are getting to the point of understanding luxury," Mr. Olshan said. "They are still lavishly reliant on brands, but are asking the questions of why something is luxury and why it is at this price point.

"Brands are finding this success, not only with service, but by giving the best education and information about their brand," he said.

For foreign retailers in China, success depends on their ability to reach affluent shoppers in the ways that they want to be reached.

"For retailers in China, success relies on a steady stream of high-profile events featuring major global brands and celebrity designers, a good simplified-Chinese Web site with a strong authoritative editorial aspect, and a mix of brands that range from beginner to advanced that can cater to local consumers as they progress from one to the other – often via diffusion lines – and lastly, flexibility to change strategy at the drop of a hat based on the country's always-changing luxury environment," Bomoda's Mr. Buchwald said.

Final Take

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