



LUXURY IN THE EYES OF THE CHINESE CONSUMER

A MARKETER'S PLAYBOOK FOR CHINA

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寐亥励

**IN THIS PAPER, WE ARE CHARTING WHAT LUXURY
IS COMPOSED OF FOR THE CHINESE AUDIENCE,
AND WHAT THAT WILL MEAN FOR BRANDS.**

WE WILL ANSWER:



**WHAT MAKES A BRAND LUXURIOUS
FOR CHINESE AUDIENCES?**



**HOW ARE LUXURY BRANDS POSITIONED
IN THE CHINESE MARKET?**



**WHAT MUST BRANDS DO IN ORDER TO
SUCCESSFULLY POSITION AND STEER
THEIR BRANDS?**

A close-up photograph of a gold-colored, cylindrical cap, likely for a perfume bottle. The cap is positioned in the upper center of the frame. The word "GUCCI" is embossed in a classic, slightly arched font on the top surface of the cap. The background is a soft-focus image of traditional Chinese embroidery on a light-colored fabric. The embroidery features delicate floral and leaf patterns in shades of blue, green, and red. A vertical band of solid red color runs along the left edge of the image, partially overlapping the embroidery.

GUCCI

LUXURY IN CHINA IS MARKED NOT ONLY
BY PREMIUMNESS AND PRESTIGE,
BUT ALSO BY A UNIQUE UNDERSTANDING
OF INNOVATION.

INTRODUCTION

01

Simply stated - Fashion needs China. For brands with growth and brand longevity as a priority, the Chinese luxury fashion market is a force that is simply impossible to ignore on the global stage. China's Rapid GDP growth over the last decades has created a thriving consumer culture that is setting new elite standards.

No longer are Chinese consumers simply following the luxury trends of Paris or Milan, but rather they redefine the very concept and experience of luxury for the world to eagerly follow. While purchasing power of the Chinese market alone commands attention for fashion brands in the luxury space, the manifestation of this new global cohort demands innovative branding approaches to answer modern Chinese standards and expectations.

Setting Chinese luxury consumers apart is the unparalleled purchasing power of Gen Z, combined with the tech-enabled 'platform culture' underpinning their digital lifestyles including communication, shopping and beyond. Additionally, it is the rapid decentralization of luxury consumption from Tier 1 to Tier 2 and 3 cities that demands brands to speak to regional Chinese cultures authentically but in innovative ways.

In these ways, luxury in China is not only understood through premiums and prestige, but also through innovation. Using advanced market analytics tools including Share of Search and Digital Brand Equity, TD Reply is not only able to pinpoint those luxury brands that thrive at this intersection of brand perception, but can recommend strategic roadmaps for brands to flourish in the Chinese luxury market.

THE QUICK PRIMER:

The Fashion & Lifestyle Market in China

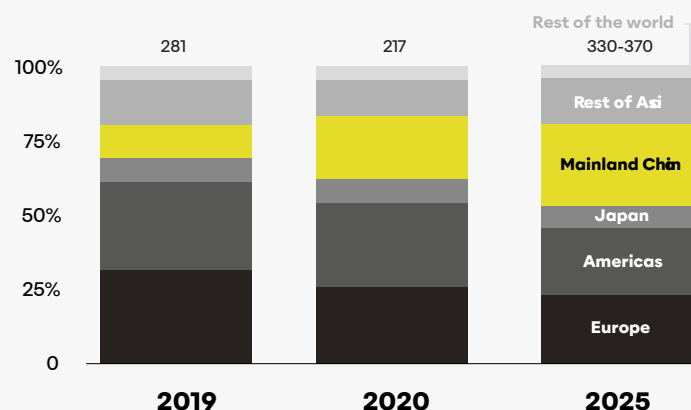
02



02.a The Chinese Consumer

Chinese consumer culture is often an enigma to Western brands. What is a dynamic consumer landscape that covets novelty and praises luxury, also maintains a youth purchasing power that is one of the strongest globally. It is therefore unsurprising that many brands have struggled to enter the Chinese market, let alone sustain lasting impact and loyalty among its consumers. Further, emphasis on influencer culture and a lack of journalistic history further differentiate them from their global counterparts particularly compared to the likes of South Korea and Japan.

Fig. 1
Regional share
of personal
luxury goods
market
(%, B Euro)

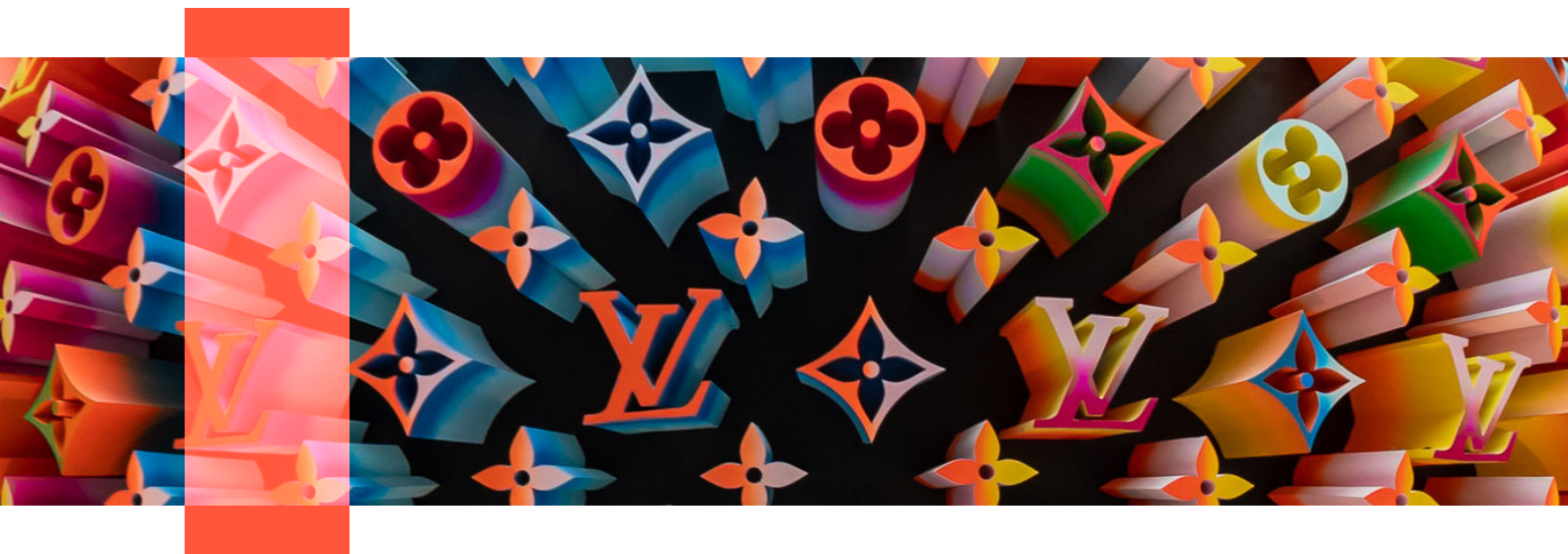


Notes:
Mainland China 2019-20
growth rate 45%
is in current exchange rate.

Sources:
Bain-Altagamma 2020 World
wide Luxury
Market Monitor,
Bain analysis

With forecasts continuing to project strong overall growth of the luxury market in China,¹ brands must understand the pivotal macro trends within Chinese society that are influencing the rapid rate of disruption. Harvard Business Review's "Lived Change Index"² illustrates that, to have lived in China since 1990, is to have lived in a country that is moving faster and changing more quickly than any other place on earth. According to a recent Bain report, Mainland China's share of the global luxury goods market nearly doubled in 2020, putting it on a path to become the biggest luxury market by 2025.³ Despite early 2020 COVID lockdown measures slowing down consumption patterns in China, the lack of global travel influenced a growth in domestic luxury shopping, which by current estimations is likely to continue for years to come.

The expression of status in China's rapidly changing society has put the spotlight on its distinctive nature of luxury consumption. Shopping has a higher influence on satisfaction in China compared to the Western world. According to research firm Millward Brown, 68% of Chinese respondents said they were "happy" with their everyday shopping experiences, a significant lead ahead of 48% of the American counterparts.⁴



¹ Importantly, amid the rapid growth trajectory, the Coronavirus pandemic has presented only a temporary hurdle. The Chinese Consumer Confidence Index (CCI) - a commonly used metric to track the degree of economic optimism - but was able to regain on losses since Q2 of 2020 and has since seen a steady upswing (<https://www.statista.com/statistics/271697/consumer-confidence-in-china/>) indicating only further the fortitude of this trend.

² <https://hbr.org/2021/05/chinas-new-innovation-advantage>

³ https://www.bain.com/globalassets/noindex/2020/bain_report_chinas_unstoppable_2020_luxury-market.pdf

⁴ <https://daxueconsulting.com/western-consumer-habits/>

02.b A New Generation: China's Gen Z

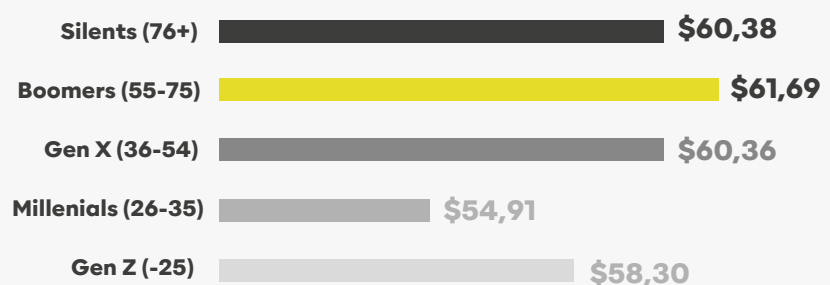
The social and spending power of Chinese Gen Z represents an unrivalled macro force that is steering the future of the entire Chinese economy. Evidence from Bain suggests that millennials and consumers under 25 will make up 65-70% of China's luxury goods market by 2025.⁵ Most interestingly for brands, Gen Z only accounts for 15% of China's total population but still makes up 25% of expenditure on new brands.⁶

A 2018 survey prepared by the UN, CEIC OC&C indicates China's Gen Z population outperforms other surveyed countries when it comes to their share of household spend. China's Gen Z represents a combined 13% share of spend generated by either buying directly or influencing the buying decisions in their household,⁷ the highest proportion of all markets (see Figure 3).

Compared to their parents' generation, Gen Z are generally more optimistic about their future. As beneficiaries of the Chinese inverted pyramid of wealth, inherited from the legacy of one-child households – the Gen Z population experience a lower societal pressure to save. This has earned the generation the nickname of 'moonlight clan,' a name describing their nature of carefree spending. Similarly, McKinsey has taken to referring to Chinese Gen Z as 'Young Free Spenders.'⁸

With the unparalleled rate of change and innovation in the Chinese consumer landscape, it is often joked that a generational gap appears every three years. In China 'Gen Zers' like to reinvent themselves frequently and at a quick pace, converging

Fig. 2
Average spend
per transaction,
by generation
(in US dollars)⁹



Data source: MarketingCharts.com; designed by Daxue Consulting; Average spend per transaction by generation, western consumer habits

⁵ https://www.bain.com/contentassets/213c04063adc4497b8f329cf17a7594/bain_report-chinas_market_for_luxury_goods_2019.pdf.pdf

⁶ <https://daxueconsulting.com/western-consumer-habits/>

⁷ <https://www.occstrategy.com/media/1806/a-generation-without-borders.pdf>

⁸ <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20consumer%20report%202020%20the%20many%20faces%20of%20the%20chinese%20consumer/china-consumer-report-2020-vf.pdf>

⁹ <https://hbr.org/2021/06/understanding-chinas-young-consumers>

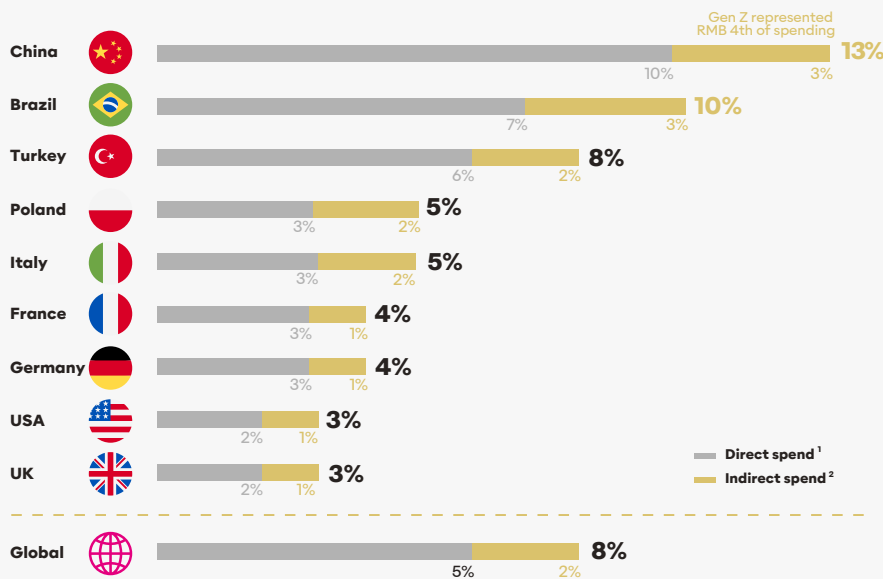


Fig. 3

Share of Spend by Generation, surveyed country (%)¹⁰

1. Direct spend: Gen z spending their own money (either earned or money received from parents/guardians/relatives, e.g. allowance/pocket money)

2. Influence spend: household spending where Gen Z influences either the amount spent or the items bought (i.e. can be items not bought specially for Gen Z)

Source: UN; World Bank; CEIC; National Bureau of Statistics of China; OC&C Gen Z Survey, August 2018

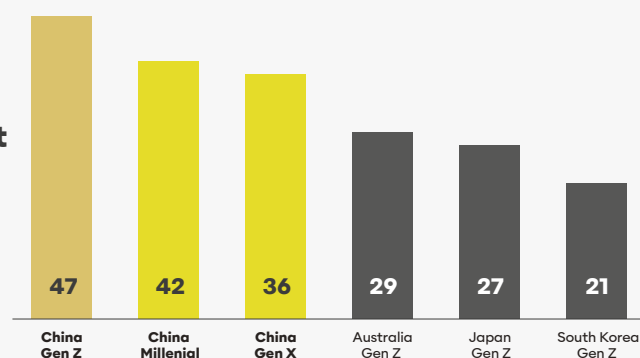
together and identifying in likeminded tribes. In this way, Chinese Gen Z are “less interested in showing an aspirational and manicured representation of their lifestyle, instead driven by fostering community around specific topics, niches, and aesthetics that interest them.”¹¹

Somewhat paradoxically, China’s Gen Z are actually more brand loyal and less likely to stray away from their favorites than other generations. As McKinsey reported 47% of surveyed Gen Z agreed that they consistently stick with brands they like, while a further 43% claimed to always choose a brand they know over something new.¹² Therefore, brands must aim to speak to Gen Z consumers authentically with the ambition of creating a community in order to receive pay off through shopper loyalty and dedication in the years to come.

Fig. 4

China’s Gen Z are most likely to buy products spontaneously¹³

% of respondents who strongly agree that they “buy products on the go”



Source: McKinsey & Company, 2019 Gen Z survey (N=2.947 in China, N=3.311 in Australia, N=2.966 in Japan, and N= 2.482 in South Korea)

¹⁰ <https://www.occstrategy.com/media/1806/a-generation-without-borders.pdf>

¹¹⁻¹² <https://www.highsnobiety.com/p/white-paper-long-live-china-cultural-opinion-leader-col-kol/>

¹³ <https://www.mckinsey.com/cn/our-insights/our-insights/chinas-gen-z-are-coming-of-age-heres-what-marketers-need-to-know>

02.c Emerging markets: Lower-Tier Cities Fueling Luxury Growth

The distribution of purchasing power in China is also witnessing important geographic shifts away from the core urban centers of the country. Spreading to Tier 2, 3, and “lower”-Tier cities, has further characterized the unique landscape of luxury consumer behaviour in the country. Research from Morgan Stanley shows that the spending power of consumers residing in China’s lower-tier cities is expected to grow from U.S.\$2.3 trillion in 2017 to US\$6.9 trillion in 2030.¹⁴ And when it comes to fashion, shoes, and cosmetics, a greater proportion of middle-class consumers in Chinese Tier 2 & 3 Cities are interested in purchasing luxury goods than in Tier 1 Cities (45% vs. 37% respectively).¹⁵ Furthermore, while there is incredible growth in the country overall, Tier 3 and 4 cities represent higher compound annual growth rates than Tier 1 & 2 (38% vs. 23% 2010-2018).¹⁶

It’s important to underscore the difference in luxury preferences across the city tiers when considering how to market a brand. An exclusivity-focused strategy may work in Chinese top-tier markets, but its less likely to succeed in lower-tier markets.¹⁷ For consumers in lower-tier cities, there appears to be a significant preference towards more subdued, functional luxury purchases than in higher-tier cities.

¹⁴ <https://www.morganstanley.com/ideas/china-lower-tier-cities>

¹⁵ <https://luxedigital.com/business/digital-luxury-reports/luxury-brands-review-strategy-china-tier-2-3-cities/#:~:text=The%20Opportunity,built%20in%20China%20by%202025>.

¹⁶ <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20consumer%20report%202020%20the%20many%20faces%20of%20the%20chinese%20consumer/china-consumer-report-2020-vf.pdf>

¹⁷ <https://jingdaily.com/china-lower-tier-cities-luxury-brands-covid-19/>

Fig. 5
Purchasing power of target groups in tier cities ¹⁸

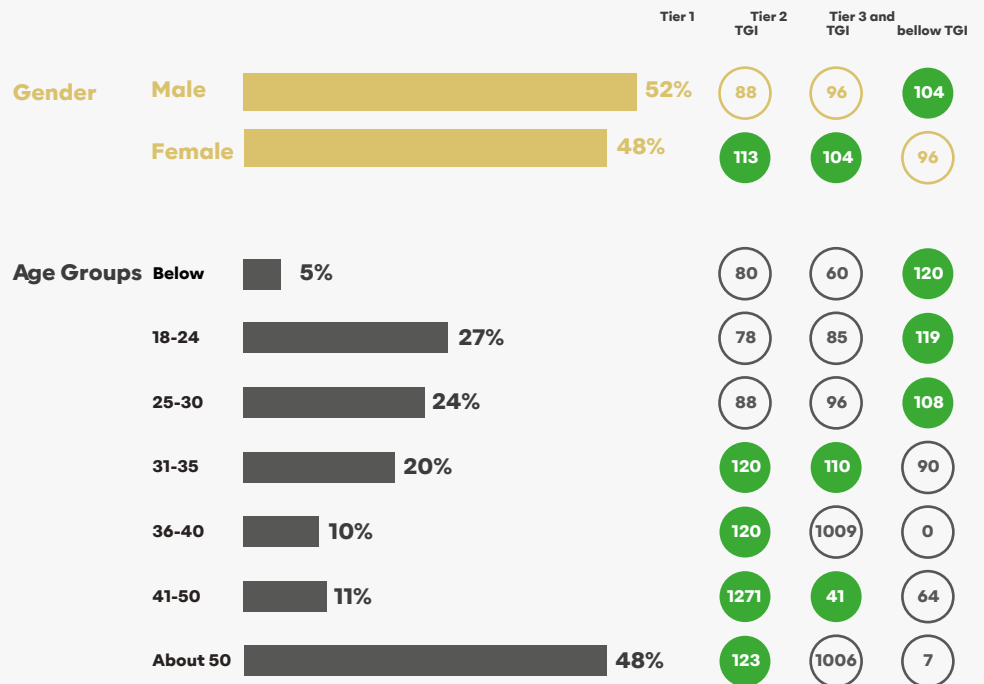
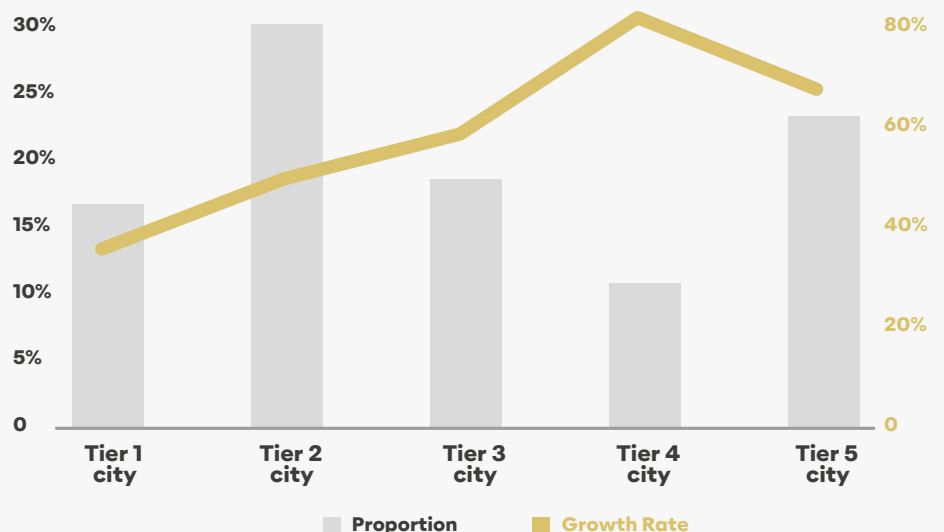


Fig. 6
Proportion of on-line luxury goods consumer and sales growth rates, by tier of cities ¹⁹



¹⁸ https://pic13.secooimg.com/files/2019%20Deloitte-SECOO%20CIE%20Blue%20Paper-China%20Luxury%20Goods%20Consumptionin%20lower-tier%20markets_EN.pdf

¹⁹ <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/consumer-business/deloitte-cn-consumer-china-luxury-goods-consumption-in-lower-tier-markets-en-191111.pdf>



02.d A Platform Economy

Chinese consumers (Gen Z in particular) enjoy congregating, socializing, and shopping in online communities dominated by influencer culture and branded experiences. In many cases, this is because the demand for shopping experiences in smaller cities is growing faster than classic brick and mortar boutiques are being built. Luxury brands that have been most successful in China understand that for the consumer, buying luxury products is more than obtaining the physical item itself. Consumers expect to buy into a lifestyle or community enriched by online social interactions, and trust digital platforms to deliver on these experiences. In 2019,²⁰ the total gross expenditure in China via mobile payment apps (347 trillion Yuan, or roughly \$54 trillion) was 551 times greater than the total expenditure generated in the United States (USD\$98 billion).

Platforms such as WeChat & AliPay are fully integrated into daily life, with the popularity of mobile payments driving cross-industry platform adoption by domestic retailers and merchants. However, it is not just payments that are extending the reach of brands to consumers, platforms like Douyin have capitalized on short-form video media formats, while Xiaohongshu has become China's answer to Pinterest, Instagram & Amazon combined, becoming a consumer favorite in the fashion and beauty space. Shanghai based video sharing app Bilibili, has incorporated interesting community features such as "official members" who must pass an exam in order to share and engage further within the community. Bilibili's membership growth rates highlight the willingness of consumers to pay to be a part of a tribe they believe they authentically belong to.


Furthermore, the popularity of platforms like Huya and DouYu reveal the importance of gaming culture among Chinese consumers. There is a strong interaction and engagement between broadcaster and viewers, visible through gifting. Huya generates 95% of its revenue from sales of virtual gifts and items that viewers purchase for their favorite broadcasters, who in turn, receive a cut of the revenue.²¹

**WE STRONGLY RECOMMEND READING HIGHSNOBIETY'S REPORT TITLED
THE NEW KEY OPINION LEADER IS HERE : LONG LIVE THE CULTURAL OPINION
LEADER AND MADE IN COOPERATION WITH TD REPLY.²²**

²⁰ <https://hbr.org/2021/05/chinas-new-innovation-advantage>

²¹ <https://digital.hbs.edu/platform-digit/submission/huya-the-amazons-twitch-of-china/>

²² <https://www.highsnobiety.com/p/white-paper-long-live-china-cultural-opinion-leader-col-kol/>

A person wearing a long white robe is pointing their right index finger towards a mural of green ferns. The mural is on a wall where the paint is peeling, revealing a lighter surface underneath. The scene is lit with warm, golden light, creating a dramatic and somewhat aged atmosphere. The text is centered within a decorative white border.

STEERING BRAND PERCEPTION IN THE
RIGHT DIRECTION IS KEY TO WIN OVER
GEN Z CHINESE CONSUMERS.

THE ROLE OF THE LUXURY BRAND IN CHINA:

03

Using New Data to Understand What Makes a Brand Strong

The Chinese luxury fashion market is in a galaxy of its own. Chinese consumers are setting new standards and practices that will determine luxury trends for the rest of the world.

In order to better understand how Chinese consumers perceive luxury brands, we used a data-driven approach combining two powerful brand measurement methods: Share of Search and Digital Brand Equity (DBE).

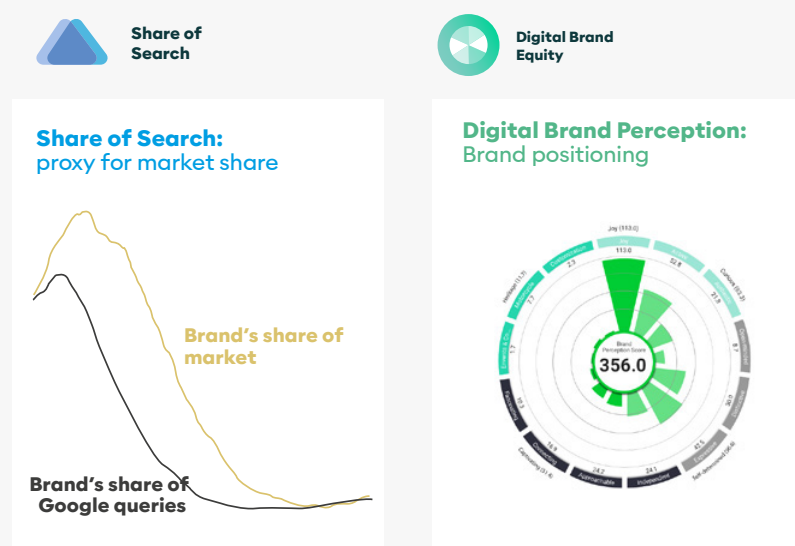
Share of Search is a powerful search data-based metric serving as an indicator and predictor of market share. In its simplest form, a brand's share of search is calculated by taking the total number of all organic searches for a brand and dividing it by the total number of all organic searches for all brands in the relevant category over a certain period of time. Digital Brand Equity (DBE) is a comprehensive approach developed by TD Reply that measures brand positioning and quantifies brand perception ("what makes a brand strong") through social listening and AI-assisted algorithms.

To understand the Chinese luxury market, we apply the most state-of-the-art measurements of brand perception.

Fig. 7

Share of Search and Digital Brand Equity

are the two data-driven approaches employed by TD Reply to measure brand strength and brand perception.



By measuring Share of Search as a proxy for market share and DBE as a proxy for brand positioning, we can explain a lot that is left inadequately explained by conventional brand measurement approaches that do not take digital data into account. Most importantly, the combination of these two metrics allows us to understand and reliably explain the luxury market dynamics in China, as shown in the following two sections. To be precise, the combined Share of Search and DBE analysis allows us to map out the relative brand strength of the relevant luxury players in China, and also to explain what drives their respective brand strength.



03.a Using Share of Search to Identify the Strongest Luxury Brands in China

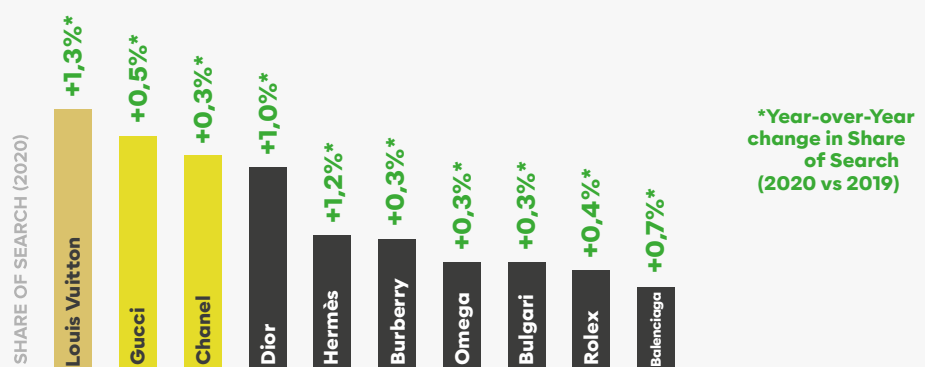


Share of
Search

We calculated the Share of Search for 61 selected international and Chinese luxury brands in the years 2019-2020, drawing on search data obtained from Baidu, the most popular search platform in China. The first COVID wave and the harsh lockdowns in China fall within this time period, making it interesting for the analysis. As a result, we gain a ranking of the strongest luxury brands in China, helping us to map out the Chinese luxury market dynamics. The results are shown in the chart below.

Louis Vuitton, Gucci, Chanel and Dior stand out as the strongest luxury brands in China, according to Share of Search. These and the other Top 10 brands by Share of Search not only dominate the market, but managed to grow in 2020, defying the COVID crisis.

Fig. 8
The top brands not only dominate the market, but managed to grow despite the Covid crisis



03.b Using DBE to Unearth the Important Luxury Brand Perception Drivers



Digital Brand
Equity

Having obtained a clear picture of the relative brand strength of relevant luxury players in China with the help of Share of Search, an analysis employing the DBE framework can help us explain what makes the standout brands stand out from the competition in their brand positioning. In other words, what are the drivers of their brand strength?

By applying the DBE framework to the Chinese luxury market, “Premium” and “Innovation” become evident as the key brand perception triggers within the market.

These primary brand drivers or “perception triggers” correlate neatly with the definition of luxury by Philippe Schaus, CEO of Moët Hennessy shown below. Those brands achieving the best balance between Premium and Innovation (in terms of the perceived brand associations from the Chinese consumer side)²³ through their brand positioning efforts are the most successful on the Chinese luxury market.

This creates a unique challenge for luxury brands to manage their brand image in order to balance the Premium and Innovation brand drivers.

PREMIUM

INNOVATION

“

“Luxury represents the ideal balance between tradition and modernity; a unique creation of artisanal tradition with modern production. A successful luxury brand must always strive to achieve such a balance: If at some point it becomes too modern and innovative, it becomes short-lived. If, on the other hand, it remains too traditional, too artisanal, then it will gather dust.”

Philippe Schaus, CEO Moët Hennessy²⁴

²³ The consumers’ brand associations can be measured using social listening data, which the DBE framework is based on.

²⁴ Translated by TD Reply

The chart below, based upon consumers' associations derived from social listening data, shows how different luxury brands (we are using the same dataset also used in the previously introduced Share of Search analysis) active on the Chinese luxury market balance the Premium and Innovation brand drivers.

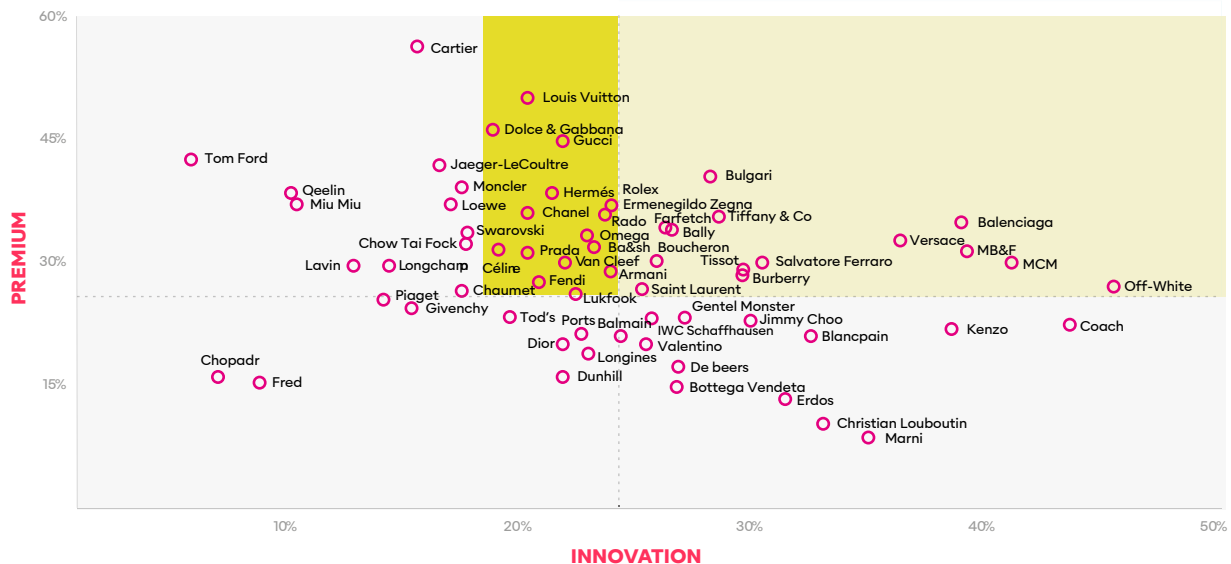


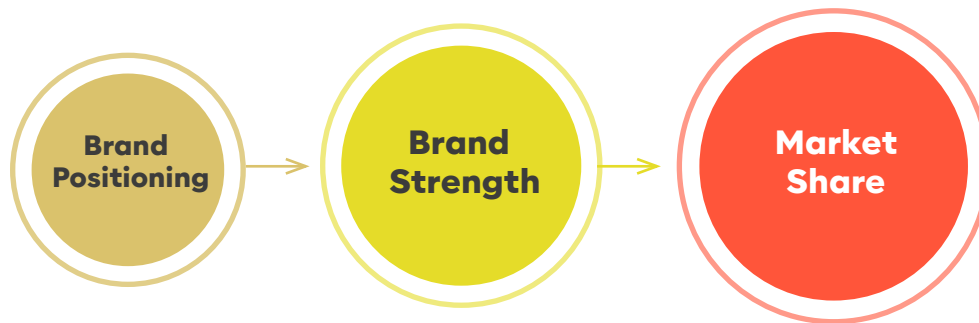
Fig. 9

Digital Brand Equity (DBE) along the “Premium” and “Innovation” dimensions of relevant luxury brands in China, based on a selection of 61 relevant brands.

Looking at this chart, it becomes apparent that many of the dominating²⁵ luxury brands in China also balance the Premium and Innovation drivers in a similar way, emphasizing Premium while also performing solidly in respect to Innovation. Brands overemphasizing one of these key drivers while neglecting the other fail to join the group of the most dominant brands in terms of brand strength.

These brands are advised to adjust their brand positioning to either bolster their weak drivers or further strengthen their strong drivers, depending on their current brand positioning as uncovered through DBE and also the leeway provided by their brand identity.

²⁵ As found in the Share of Search-based ranking in the previous section.

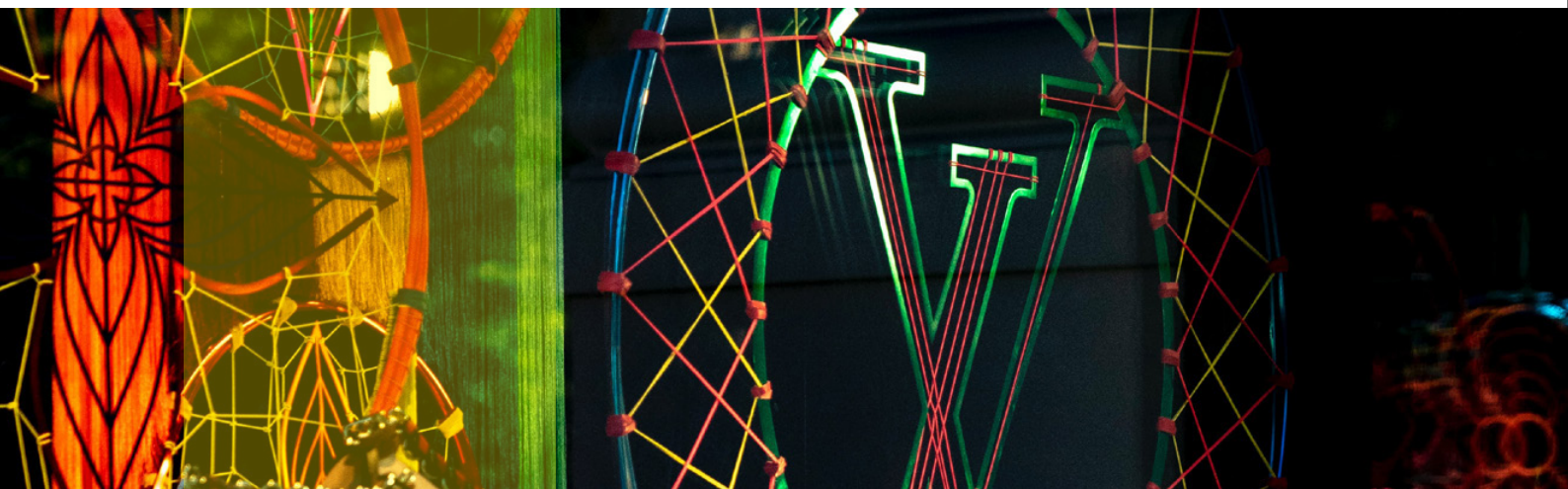
**Fig. 10**

Brand positioning drives brand strength (Share of Search), which in turn directly relates to market share

In the end, the DBE framework reveals a clear correlation between brand positioning and brand strength (Share of Search). Given that brand strength is also a proxy for market share, brand positioning can also be described as the principal pillar of success in the Chinese luxury market.

By unearthing and tracking brand drivers also in relation to the competition, the DBE framework can assist brands in adjusting their communication and branding strategies to strengthen the brand vis-a-vis the competition.

DBE REVEALS THE KEY CONSUMER PERCEPTION DRIVERS FOR SUCCESSFUL LUXURY BRANDS TO BE "INNOVATION" & "PREMIUM".





THERE ARE SEVERAL BRAND STEERING
LEVERS THAT CAN BE EFFECTIVELY USED
FOR A SUCCESSFUL BRAND POSITIONING
IN THE CHINESE LUXURY MARKET.

LUXURY BRAND POSITIONING DONE RIGHT

04

The Levers to Effectively Position a Luxury brand

To embody the concept of premium innovation for Chinese luxury consumers, brands are re-imagining tangible classics through novel and localized digital experiences and activations. Let's take a look at the most important levers a luxury brand must master to build brand success in China.



04.a Think Beyond the Fashion Box

The new world of the metaverse is on the horizon, and luxury brands that are savvy enough to make a strong foothold in the Chinese market are steps ahead. While western consumers are only just getting a taste of digital skins and the lifestyles idealized by Facebook's Meta release, Chinese brands and consumer alike, have already been making an impact in this space for years.

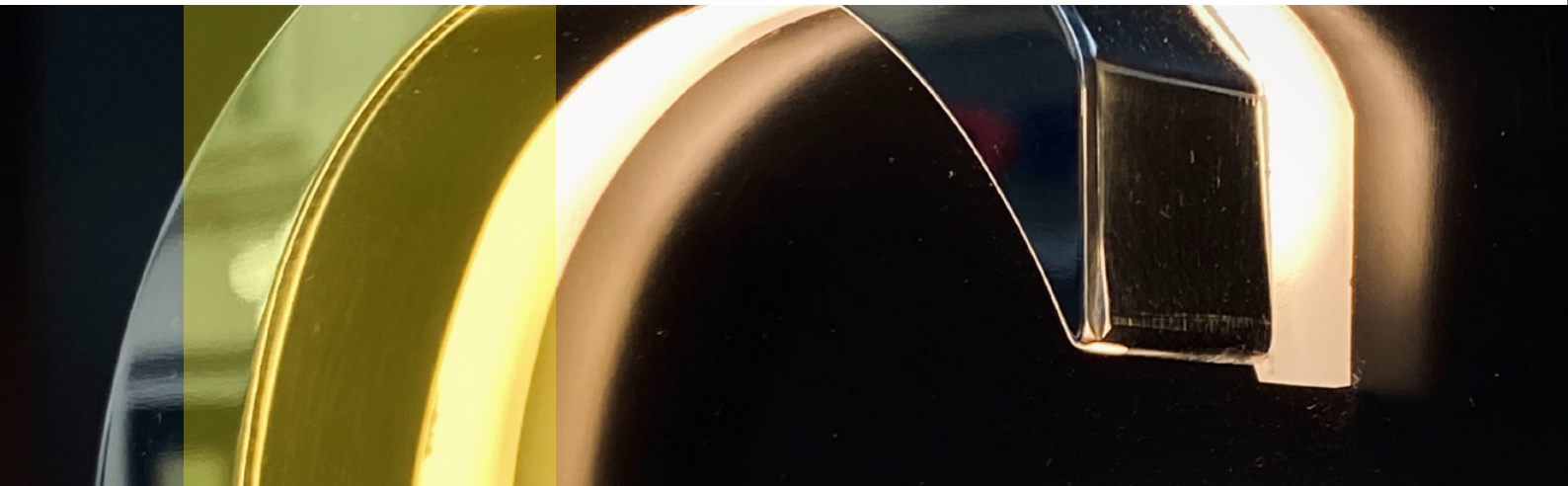


Fig. 11
Gucci's Garden
on Roblox



Fig. 12
Gucci bag sold
on Roblox

On **Roblox**, the virtual world in which users (typically youth) create games to play with other avatars, **GUCCI** created an immersive garden experience to act as a digital counterpart to its Gucci Garden Archetypes in Florence, Italy in early 2021. In the same initiative, it sold a digital version of its bag on the Roblox marketplace for a price higher than the physical version.²⁶

²⁶ <https://www.dazeddigital.com/fashion/article/52929/1/a-virtual-gucci-bag-has-sold-for-more-than-the-irl-bag-roblox>

Since understanding that Millennials (65%) and Gen Z (25%) account for 90% of its customer base, **CARTIER** has been eager to embrace new digital platforms popular with China's Gen Z. Starting with a total city takeover of Shanghai for 11.11, the brand awarded prizes to users who 'checked in' on Tmall Luxury Pavilion while visiting landmarks setup throughout the city.²⁷

Further notable virtual collaborations include **LOUIS VUITTON**'s bespoke skins for Qiyana from **League of Legends** (branded the 3rd largest 'sport' in China), "*League of Legends has huge global appeal and is particularly popular in strategically important markets for Louis Vuitton like mainland China and South Korea,*" remarks Darren Coleman, author of Building Brand Experiences, in an interview with Forbes Magazine.²⁸



Fig. 13

Louis Vuitton's Corresponding League of Legends Apparel



Fig. 14

Louis Vuitton's Bespoke Skins for League of Legends

²⁷ <https://www.alizila.com/how-cartier-kept-its-sparkle-in-china-amid-covid-19/>

²⁸ <https://www.forbes.com/sites/pamdanziger/2020/02/05/louis-vuitton-x-nba-good-play-or-a-step-out-of-bounds/?sh=841fe714e27f>

Chinese luxury buyer demographics overlap with hobbies normally associated with a younger audience of which gaming is a key part. Experts widely expect China to be the main driving force behind future growth in both the global luxury and gaming industries, further explaining why targeting Chinese consumers is at the core of these partnerships.

Online luxury retailer **FARFETCH** saw a highly successful expansion into the Chinese market by extending partnerships to local influencers, and inviting taste-makers to co-create new products. Expanding further into Tmall Luxury Pavillion, Farfetch was able to expand its footprint through new platforms, while debuting a multi-brand Mr. Bags campaign which featured bespoke spin-offs of classics for Dior, Burberry, and more.

Tapping into the Gen Z gaming culture, **GUCCI** announced a surprise partnership with e-gaming franchise '100 Thieves', creating 200 limited-edition backpacks, finished with a vivid red matching the 100 Thieves' logo.²⁹ In addition, Gucci released limited-edition watches in collaboration with eSports behemoth Fnatic.³⁰



Fig. 15
Farfetch Collaboration
campaign with Mr. Bags



Fig. 16
Gucci's 100 Thieves
Backpack

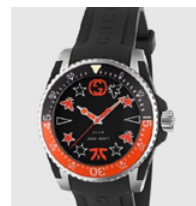


Fig. 17
Gucci's Fnatic Watch



²⁹ <https://www.highsnobiety.com/p/100-thieves-gucci-backpack-release-date/>

³⁰ <https://www.inputmag.com/style/gucci-enters-esports-fashion-realm-with-a-1600-fnatic-dive-watch>

Anime collaborations are a classic choice for luxury brands to connect to Chinese consumers, both the young and the nostalgic. **LOEWE** released its collaboration with Studio Ghibli dedicated to the beloved 1988 Japanese film, *My Neighbor Totoro*, which has been popularly embraced by Chinese consumers. **GUCCI**'s Doraemon collaboration was also first seen during Gucci's 12-hour live-stream that commemorated the adorable cat robot's 50th anniversary.

These collaborations prove that associating the brands with perception that targets sense of belonging and nostalgia carves out a special space for these brands in the minds of customers or potential customers in China.

Fig. 19

Lowe's Limited Edition My Neighbor Totoro Line

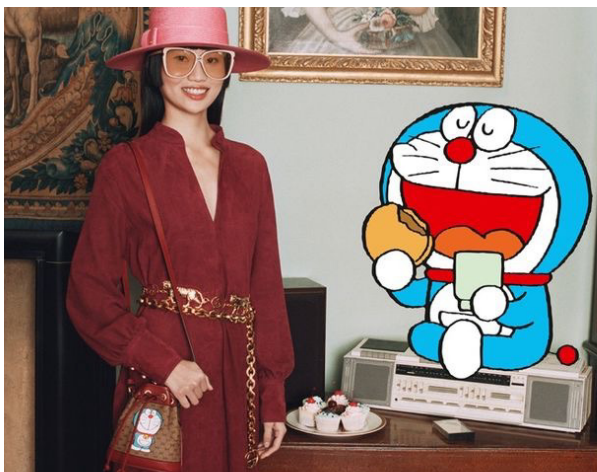


Fig. 18

Gucci's Doraemon Collaboration

04.b Cultural Credibility

Today brands regularly make a concerted effort to embed themselves within local rhetoric and tradition to enhance their authenticity and relatability. Participating in Chinese shopping holidays (such as Single's Day or Qixi (China's answer to Valentine's Day on 14 August) through promotions, campaigns, and capsule collections is a conscientious first step, but those that make a true impact go boldly further and insert themselves into local culture.

A popular effort in recent years has been to develop special campaigns for Qixi, to celebrate the festival of love. **PRADA now releases** an annual capsule collection, which has included matching couples' outfits and in 2021 the launch of a Douyin (Chinese TikTok) challenge in order to drive digital engagement. Similarly, **BURBERRY**, launched a special anime series creating 5 short animated videos interpreting 5 love-themed Chinese idioms used to describe romantic relationships. Burberry also provided limited edition couple outfits for Qixi and created a fantastic digital experience for lovebirds with interactive games and limited-edition matching couple gifts.

BALENCIAGA stands out here for its 2020 Qixi campaign that rocked headlines for what Westerners considered taboo, but was embraced by local Gen Zers. Leveraging the term 'tuku' (sounds like "Too cool") to describe the Qixi line, which literally translates to 'peasant chic', some consumers considered the move vulgar and backward-looking;

Fig. 20

Prada's Capsule collection for Qixi



Fig. 21

Balenciaga's "Controversial" Qixi Campaign



but others embraced it for tapping into an authentic sentiment of youth culture. It boldly embraces the style of how real people live in many parts of China today, and it doesn't care if 'others' can't appreciate it. In other words, *"Modern day Balenciaga celebrates the weird, the awkward and the surreal aspects of the everyday while never taking themselves too seriously."*³¹

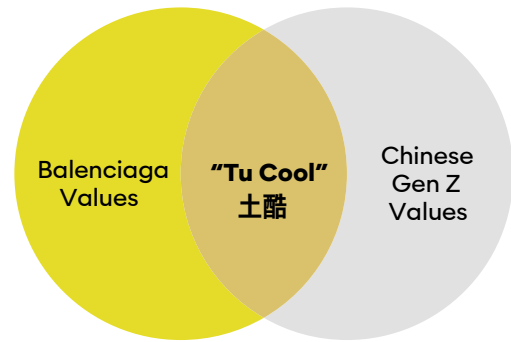


Fig. 22

Balenciaga's "Tu Cool" Resonance with Youth Culture³²

LOUIS VUITTON has made a compelling impression on Chinese audiences in launching its "See LV" exhibit in Wuhan. By exhibiting in Wuhan, the brand reinforced its commitment to China, despite the international stigmas placed upon the city in the wake of the COVID pandemic. The exhibit featured unique pieces from a variety of LV's celebrity designers, as well as digital interactive elements.

Emmanuelle Boutet, Vice President of Communications for Louis Vuitton China, said on the important occasion: "We have staged all of our events mainly in Beijing and Shanghai in the last 15 years. [...] The second phase of our China development is about regionalization and reaching out to different regional cultures."³³ Here, connecting with luxury consumers in lower-tier cities on their terms is brand imperative, and is paying off.



Fig. 23

Louis Vuitton's "See LV" Exhibition Wuhan, 2020

³¹ <http://www.yuzukyodai.com/2021/02/09/balenciaga-qixi-china/>

³² <http://www.yuzukyodai.com/2021/02/09/balenciaga-qixi-china/>

³³ <https://www.nssmag.com/en/fashion/24113/louis-vuitton-exhibition-wuhan/image:291763>

04.c Tech First-Mover Mindset

China is now one of the world's largest digital economies, with nearly one billion internet users. Consumers now expect easy to use, interactive digital tech experiences in all facets of their lives. Luxury brands realize that providing an immersive and inclusive digital experience to the consumer is no longer a fringe benefit but an absolute necessity.

In July 2020, **BURBERRY** announced luxury's first social retail store. Available via a dedicated WeChat mini program, the experience blends physical and social worlds in a digitally immersive retail experience. Each guest receives an animated digital companion, access to QR codes to learn more about pieces, and even a Burberry social currency that unlocks personalized experiences through engagement (similar to their 2019 digital game B Bounce).³⁴ The new social retail store reflects Burberry's history of ambition and desire to push boundaries through innovation and creativity.

In July 2019, **ARMANI** debuted the first luxury brand AR Mini Program on **WeChat** where consumers could virtually try on all 23 lipstick shades. The experience directly enabled the shopper to then add their preferred products to a shopping cart or place their order right away, and all within the WeChat Platform ecosystem.³⁵

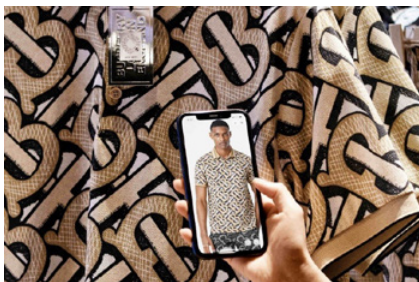


Fig. 24
**Burberry's Social
Retail store in
Shenzhen**

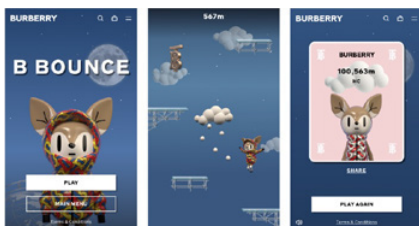


Fig. 25
**Burberry's B
Bounce Game**

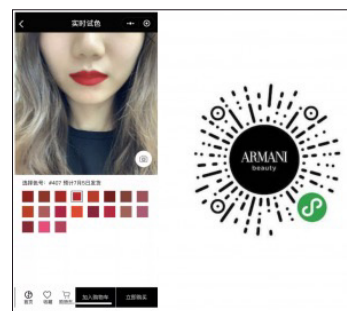


Fig. 26
**Armani's Lipstick
Shade AR Mini
Program on WeChat**

³⁴ <https://www.burberryplc.com/en/news/corporate/2019/race-to-the-moon-with-burberry-s-first-online-game-b-bounce.html>

³⁵ <https://jingdaily.com/armani-beauty-wechat-ar/>

CONCLUSION

05

Luxury brands determined to make an impact in the Chinese market can no longer solely rely on capturing the attention of the cosmopolitan elite based in Shanghai, Beijing, or Shenzhen, who follow the established trends of New York or Paris. Instead, focus on understanding the shift in distribution of purchase and cultural power towards the lower-tier cities. Brands must embrace that this cultural surge is redefining premium and luxury on the consumer's terms.

Measuring brand performance with respect to competition against the right criteria is also a key element towards building a long-term success strategy. Successful luxury brands that will carve out a loyal and lasting space in the minds of Chinese luxury consumers, find a balance between Premium and Innovation perception drivers. Pursuing the different levers discussed in this paper provides brands an opportunity to connect themselves more deeply to the Chinese consumer, and engage in areas of interest that shoppers are passionate about. Consumers in China have expectations that demand more – they need luxury that is cutting edge and present in what matters to them. Brands need to pre-empt this and build their imagery to carve out a space in the competitive luxury space.



CONTACT

Looking to strengthen your foothold in the Chinese luxury market?
We have been successfully helping international brands win over China since 2010.

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