

How luxury brands in China are navigating the pandemic, and why other countries should take note

Article

For years, luxury brands around the world have been slow to adopt digital. But the pandemic has sped up the process, forcing many to pivot and innovate during a time when a large number of transactions are happening digitally. While some luxury brands are still dipping their toes into ecommerce, a good case study is what's happening in China—a country that's further along than others in the digitalization of the luxury sector.

We recently spoke with Iris Chan, partner and head of international client development at Digital Luxury Group (DLG), about what the luxury brands worldwide can learn from China's digital transformation.

How has the pandemic impacted the luxury goods industry in China?

Luxury goods spending in China has gone domestic. More brands are focused on increasing their footprint and activities at places like domestic travel hubs and duty-free spaces. And we're seeing more products brought to market with that specific market in mind, as opposed to being add-ons.

It's important that marketers be ready and agile, not only with their digital infrastructure and ecosystem, but also with the sales force and workforce that go with them. Right now in China, the younger generation is really showing its purchasing power, and we know that those consumers will continue to contribute to the luxury market there, and worldwide. As such, it's important to understand how they shop, and the best way to reach and communicate with it. Brands should be more creative and find new platforms or formats to bolster that engagement.

As major ecommerce platforms, including Alibaba's Tmall and JD.com, sign up more luxury brands, have online luxury goods sales reached an inflection point in China?

You're seeing more brands, like Cartier or Vacheron Constantin, jump on board. Cartier joined Tmall just a year ago. Of course, Cartier had been doing WeChat Mini Programs, so it's not new to the ecommerce space. But Tmall is obviously a different kind of step that a lot of luxury brands wouldn't have thought to [take].

We're still in the early stages of this, and there's actually more space for luxury goods to continue to develop in terms of what they're going to do in larger marketplaces like JD.com and Tmall. What we're seeing now is that brands are doing things to enhance the overall experience. For instance, there are enhanced experiences through Tmall's "second floor," a feature that offers extended experiences and branded relationships specifically for members.

You can get experiences online that go beyond just a product page or a storefront, and they're starting to evolve even more. Over the past year, we've seen a number of brands in the beauty space adopt more digital experiences like augmented reality (AR) technology, as well as 3D spaces, to reach people who couldn't really go into a brick-and-mortar location. But not every brand is there yet, and many are still testing and learning.

Omnichannel retail has grown a lot in the past few months. How are luxury brand marketers in China approaching it?

The acceleration of omnichannel retail is something we're seeing globally, but in China, it's a bit more sophisticated. Consumers are more adept at using and adopting technologies that enable one-on-one consultations with brands, that they wouldn't have otherwise gotten from an in-store experience.

Take WeChat, for instance. A lot of beauty advisors, as well as luxury brands, have been able to sell through the platform within either a one-on-one setting or a private group chat. And on WeChat, you're speaking to a group of consumers that have actively followed your brand and sought you out, so you're really talking more intimately. The dynamic of that platform allows you to have more of that one-to-one connection, and yet still be brand-oriented. It's different from the style that you might have from a Tmall livestream, which reaches a wider audience.

It all comes down to convenience. Take something as simple as booking an appointment online. When booking an appointment with Burberry, you can select a themed fitting room that is tailored to your taste. And Burberry offers buy online, pick up in-store options, which many brands are beginning to do. Brands need to be mindful of why people want to be inside their stores—be it for convenience, so they can pick up something quickly, or for a more personalized experience.

What digital platforms are luxury marketers in China currently leaning on?

For commerce, JD.com, Tmall, and WeChat's Mini Programs come to mind. In terms of social, it's Weibo and WeChat, as well as Little Red Book (also known as Red or Xiaohongshu) and Douyin, which is TikTok in the US. Bilibili is a video platform that's making headway and garnering more traffic, and more appeal.

When we look back at the luxury goods industry post-pandemic, what fundamental changes will we see in China—and, more broadly, around the world?

What has been interesting to see in the past year was the marketing calendar going through a bit of a shake-up. For example, Singles' Day is no longer one day, but a few weeks. It also means that for some brands, especially in the luxury space, the event isn't one of those opportunities that only makes sense if they're going to offer discounts or a gift with purchase. Instead, it's an opportunity for new product launches and a true branding exercise, because there's so much attention drawn to the event. In the same vein, Lunar New Year is not necessarily just a brand-messaging holiday, but it potentially has more of a commercial objective to it. Overall, there's going to be more of a shake-up with regard to what opportunities brands have when it comes to marketing in China.

From an omnichannel standpoint, China was definitely much more prepared when it came to shutting down brick-and-mortar and moving everything online. Brands are looking to China, where digital transformation has already been advanced further than what we see in the West. And they can really think about how their retail experiences are going to be different. Being truly omnichannel is something that has been talked about but never fully realized. Perhaps China is the one that has come the closest. But we'll start to see more things innovate on that front.

And luxury brands are going to catch up in terms of the digital transformation of their businesses. Those capabilities are going to become more important and sought after.