China “too big to ignore” for luxury brands

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Despite being battered by sluggish consumer spending and rising online shopping, luxury brands should look to China as for fresh strategies and solutions, according to Alibaba Group President Michael Evans.

“One only has to look at China today to glimpse the future,” Evans said at his keynote speech at the Financial Times Business of Luxury Summit in San Francisco on Tuesday. “The country is leapfrogging brick-and-mortar retail. Shopping is not only happening online, it’s happening principally on mobile.

“The brands that embrace the opportunities of the digital economy will be the winners,” Evans said.

On the face of it, Evans’ statement may seem strange as an economic slowdown and a government anti-corruption crackdown has taken a toll on sales of high-end products. China’s overall luxury market fell 2 per cent to 113 billion yuan ($17.2 billion) last year, driven by a decline in watches, men’s wear and leather goods, according to global management consultancy Bain & Co.

But Evans maintained that the Chinese market, representing one-third of the total global luxury market, is “too big to ignore”. And while offline luxury sales have stagnated in recent years, online sales grew more than 50 per cent globally last year.

According to a report by KPMG, 45 per cent of China’s online luxury shoppers now buy most of their high-end goods online. Half of China’s domestic luxury consumption will be generated online by 2020, KPMG predicts.

“The Chinese conception of luxury is Western luxury,” Evans said in a Q&A session following his speech. “The products they want to buy are big brand-name products, almost of which come from Western countries. Their focus today are the brands that they can see on the Internet.”

Luxury retailers can adapt to this changing landscape by integrating their offline and online sales channels and figuring how to best connect with consumers through digital technology, Evans said, noting that “brands have been cautious to embrace the benefits of the convergence of online and offline.”

“Today’s global consumers are making full use of social media, mobile search and payment apps for most of what they buy, both offline and online,” Evans said, adding that this reality not just to China but also to consumers in...
they buy, both offline and online,” Evans said, adding that this applies not just to China but also to consumers in Southeast Asia and India. No longer content to shop exclusively in physical stores, consumers want a seamless, digital-enabled, multi-channel experience which requires a different type of engagement by brands, he said.

Evans pitched Alibaba’s giant online shopping marketplaces as a direct route to the Chinese consumer and a key source of data on consumer behaviour that can inform brand strategies and help them connect with more customers.

Tmall.com, Alibaba’s B2C shopping website, hosts the virtual storefronts of scores of international brands including Apple, Burberry, and Estee Lauder, offering retailers control over pricing, branding and merchandising; delivery and returns; and data that supports all critical decision-making. “Brands maintain control over the entire consumer experience,” Evans said.

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