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*How Luxury Brands modified their strategies for
Chinese market*

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Anno accademico 2017/2018

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Abstract:

The analysis made during the course of my thesis, *How Luxury Brands modified their strategies for Chinese market*, is composed by different phases, touched chapter by chapter for more detailed themes.

China, but especially Chinese are becoming more essential for the Luxury market, so it is not a surprise to see that Luxury Brand have started to modify their strategy, business and approach for this Asian county. During this path we will see how Luxury companies made their changes, arriving to be closer to this new kind of client and its needs for different aspects, modified through years.

In Chapter One, I have explained more the evolution of the Luxury market in China; from the prosperous period of Chinese Bulimia, passing through the crisis of 2015-2016, until arrive to 2017, defined as the New Normal. During each of these phases Luxury marketers had to adapt themselves and their way of do business in China, for not loosing revenues, profits and sales, but most of all, not losing the Chinese appeal.

Chapter Two looks China as Luxury market's buyer. Compared with the rest of the world, this country still represents just 8 percent. This means that the 8 percent of the revenues of Luxury market come from China; not so much basing on its numerous population and its geographical dimension. Going deeper, I have analyzed annual reports for the fiscal year 2017 of main Luxury Groups and Brands in order to understand more profits coming from mainland China, and investments started by those labels to stimulate the mainland market. Thus, after the crisis, 2017 had brought to great performances and revenues for Luxury companies in China.

Chapter Three, instead, it's the flip side. It is about Chinese shoppers of Luxury products. They represent 32 percent of the entire Luxury consumers. Key clients for

Luxury Western companies, Chinese, however, have changed their purchase behavior through years. Passing from be *omnivorous* to be *wannabe*; from aspiring to seem like Western people, nowadays they have their personal tastes and want that Luxury market itself become closer to their world. For this last point I looked for the customization realized especially for Chinese clients' traditions, heritage and desires.

Chapter Four started from modifications made for offline retail channels. After the closure of Luxury stores during the crisis, with the New Normal, Luxury labels had decided to implement the experience in store and focalize their attentions more on details than on quantity of stores' number. However, details and experience are key aspect also on online channels. E-commerce has become fundamental especially for a digital and young generation as Chinese millennials. Luxury marketers had to sell through new and unknown Chinese platforms, like Alibaba, JD.com and WeChat, in order to coddle and increase sales and profits.

Finally, Chapter Five is about the changes made for the communication part. Luxury labels have seen that their usual strategies did not operated well as before in China. Chinese, in fact, desiring to be more unique and special for Luxury market, expressed the desire to see more of their country also in this business phase. I have analyzed modifications happened as regard the people – celebrities and influencers – in which Luxury Brands rely on, the Chinese channels used for communicating and make marketing – WeChat, Weibo, Youku and short videos – and events for Luxury Chinese client in China and CSR exhibitions with Chinese celebrities that personalized Luxury products, sold for charity and based more on the experience.

Chapter One: From Chinese Bulimia to the New Normal

In this chapter I will analyse the Luxury market in China, touching meaningful issues about this topic like revenues, consumer's typology, growth rate and the communication, giving more attention to them and going deeper on details in the next chapters.

It is known that China has become a key country for the Luxury market, but now we will see why and when it happened. Why China has taken the “first world's position” for the Luxury Brands' strategies? Why, when the rest of the world decreased its purchasing money, Chinese started to buy? Which factors have influenced these new customers to spend their money for Luxury products? And last, are we in the same situation right now?

Through the analysis of Bain & Company on its Fondazione Altagamma report of 2017, in which 350 Luxury companies are interviewed every year, it is clear that the Luxury market is finally back to normal, reaching almost 1.2 trillion Euros revenues with an increase of +5% for Luxury goods' sales respect to the previous year.

2017 could be defined as the “healthier” year. New quite stable configurations, new platforms, and some nationalities start growing and building a new evolution, while others are back to grow and buy again. Starting from this year, improvement will be based on new generations, more volumes, and shifts in the kind of clients.

However, what is really important about this year is that after the stagnation of 2016, market is experiencing a strong growth with 6% CAGR: after a lot of fluctuations, the industry is coming back to a sort of stability.

Focusing on the personal Luxury goods, revenues are 262B Euros of which 8 percent are made in China.¹

Analysing each period, from 2009, I'll arrive to see the changes suffered by the Luxury market in China and the reason why the New Normal period is so important to those Luxury Brands.

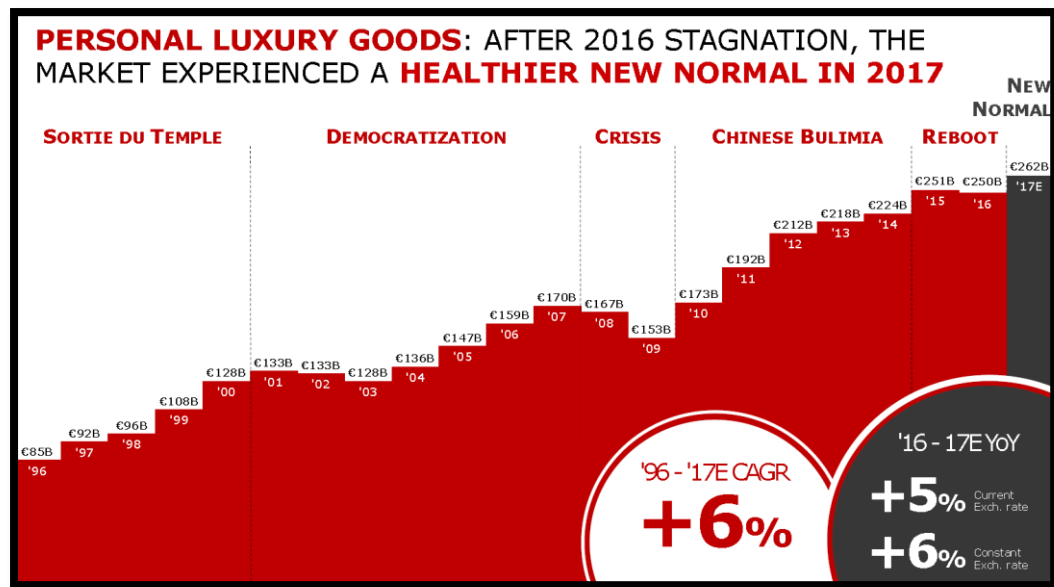


Fig.1. Altagamma 2017, Bain & Company, pag.8.

Starting from 2009, China represented a key country for the expansion of Luxury companies, fostered by the high demand from the Chinese consumers, with still immature tastes, but with the desire to obtain the same “Western life style” that they aspired for. This fact brought to the beginning of the Chinese Bulimia, from 2009 to 2014, in which resulted that almost 56 percent of Luxury firms had a CAGR greater than 10 percent.

¹ C. D'Arpizio, *Altagamma report 2017 worldwide Luxury market monitor*, Bain & Company, October 2017, Milan, p.4.

During this era, Luxury Brands have opened thousands of retail stores in the Asian market, finding the opportunity to increase their revenues thanks to this higher request coming from this new kind of customers.

Furthermore, they saw the Chinese market's competitiveness as a new opportunity for counterpoising the slow consumption of more mature Luxury consumers, as Europeans and Americans, especially during the 2012-2016 in which there was a contraction of the market.²

If the Western side of the world was suffering during those years especially due to the financial crisis of 2008 and, at the same time, Luxury companies had a decreasing demand rate for their goods; China, instead, reached an important role as a centre of interindustry trade, thanks to the growth of its GDP.

The Chinese economy's growth, already started with its government reform and opened policy in 1978 made by Deng Xiaoping 邓小平, leader of the Chinese communist party, which caused a great development of the Asian country, evolving into the faster flourishing country of the world, with a growth rate closed to 10 percent per year.

As a consequence, China's growing appetite for Luxury items offset the fall in sales in the United States and Europe, the areas worst affected by the recession, and Japan which was damaged by the dropping Yen. In fact, despite the economic crisis, 2009 ended better than it began for Luxury goods sector, thanks largely to China's growing taste for high-end products, that evolved into one of the main world's largest Luxury branded products purchasing country.

² Crivelli Giulia, *Luxury goods enter the age of "new normal"*, Ilsole24ore, September 2015, Milan.

Chinese consumers were ready to spend and could be able to drive the global economy out of recession: it is not surprising that Luxury Brands focused their attention to those new starving buyers.

Mainly for this reason, between 2010 and 2014, Luxury Brands opened several stores in crucial and strategic cities of the country, passing from 173 billion Euros revenues in 2010 to 251 billion Euros revenues in 2015, with a retail sales growth about +17%.³

Concurrently with the Chinese Boom, Luxury market growth rate was 14 percent with also a huge reinforce of the prices, due to the exchange rate and for the high demand of the Asian country.⁴ With increased prices but almost same volume, due to the “no regulation” of the Chinese market, there was also a “Westerners disaffection”, mainly because the rise was driven especially by prices gone incredibly up and not by volume: China was evolving in the most essential country for Luxury business.

The centre of the market was China, which sales of Luxury goods rose by 16 percent, obtaining about 64 billion RMB: a better performance respect to other major Luxury markets.

Looking with more attention to those years, the rapid increase of the mainland market and the consequent rise of revenues and sales conquered by Luxury corporations were due to rapidly increasing incomes, more availability of products, and informations, but especially the fact that more Chinese consumers were becoming more and more comfortable to buy these kind of goods. Those realities created opportunities and challenges for Brands who were usually used to serve more rich and mature markets with their already stable tastes about Luxury products.

³ Bloomgardern Kate, *Luxury Brands Look to China*, Harvard Business Review, September 2009.

⁴ In Luxury, higher demand brings higher prices.

During 2010, Chinese upper middle class, with an income between 100.000 and 200.000 RMB, was the new opportunity for Luxury market in order to obtain some additional gains into the Asian market. For their interest in jewellery, handbags and clothes, those rising class not only had the financial ability to afford Luxury products but also were willing to spend on them despite the high inflation. It is important to underline that during this period more than 50 percent of Luxury products were bought by *first time consumers* (CCP Luxury, 2009).⁵

Luxury Brands became the language of status, signalling that these individuals came from a wealthy family or have enough liquid assets to purchase expensive items.

“Luxury brands are a modern set of symbols that Asians are wearing to redefine their identity and social position”.

(Chadha and Husband 2006: 68)

Thus, thanks to the increasing exposure to the Luxury’s world, with new local stores and more informations – also thanks to the arrival of Internet –, the Chinese market was more discerning than ever.

At the same time, Chinese wanted more authentic goods and not counterfeit ones, raising their ability to recognize the differences between those and the different price – even though Luxury products in China were still selling with higher prices for the exchange rates than in Europe –. These elements increased the sales of Luxury Brands in China. Some companies like Prada, Burberry and Richemont started their Beijing’s anti-corruption campaign with the goal to take back Chinese

⁵ Rahul Jacob, *China consumers: still trading up*. Financial Times, October 2011, US.

consumers to spend on Luxury goods and not counterfeit ones, typical on China's territory.⁶

Meanwhile, during the Chinese era, a new worldwide phenomenon was rising: the experience. Luxury business in fact started to offer not only material goods with high craftsmanship, but also new ways to make customers feel unique through involvement in different activities. People, especially the youngest ones, moved into this new trend, preferring to spend their time and money on this rather than purchase a good.

Also, Chinese didn't hesitate to follow this new Luxury progression: *"20 percent of these consumers said they were spending more on experiences, only 13 percent on products"*.⁷

In fact, not only the onshore sales were increasing due to the Chinese, but also due to the number of Chinese tourists to Europe and US: according to Bain & Company from 2010 to 2016 the number of tourists increased by 11% CAGR, on which Chinese travellers occupied the bigger part.

With no regulation inside the Luxury market in China and especially with higher local prices, Chinese during those years bought more products when they travelled respect when they were at home. The biggest beneficiaries were Luxury stores located in Taiwan, Hong Kong and Macau reaching 33 percent of the money Chinese consumers spend on Luxury products; while other foreign countries recorded 25 percent.⁸

⁶ Ge Celine, *After a horrible year, luxury fashion brands pin hopes on the return of Chinese consumers in 2017*, South China Morning Post, January 2017, China

⁷ Yuval Atsmon, Vinay Dixit, and Cathy Wu. *Tapping China's luxury-goods market*, McKinsey.com, April 2011

⁸ Silverstein, Michael J., *Don't Underestimate China's Luxury Market*, Harvard Business Review, December 2012

Europe, yet a mature market for Luxury goods, with an economic slowdown and slow recovering out of retrocession remained an important region for sales to Chinese visitors, which saw the outside market as more convenient for purchasing expensive items compared to their home country prices for the same item.⁹

However, Chinese not only went to Europe to acquire more convenient Luxury goods, in fact a new phenomenon during those years was the dàigòu 代购, the Chinese term to indicate a sort of commercial channel in which a person outside the country buys a Luxury product for consumers situated in home country, with a price about 30 or 40 percent lower. With dàigòu, Chinese people at home could receive products without declare what there was inside the box, paying only the fee to the external country sender. Consumer and customer were not the same person.

Properly due to the huge import tariffs, consumption taxes and disproportionate pricing strategies, this grey market was used as a normal way to purchase Luxury goods by Chinese people. This practice grew so fast that, always based on Bain & Company data, in 2014 its value reached almost 20 billion RMB, arriving to 75 billion RMB – 12 billion US – during the course of the same year.

Chinese government decided to declare dàigòu illegal and started to increase its straight control on imports coming from Western or Japanese market, also because this circumstance was decreasing the tax revenues that China could collect: Chinese society in the last years had obtained a significant purchasing power from which government could not collect gains if they didn't purchase inside the country. There was a trade-off: how China's government could have profit without decreasing purchases made by its citizens?

⁹ Goldman Sachs, *The Chinese Tourist Boom* report, November 2015.

The apex was touched during 2015, when China's purchased goods decreased mainly because of the constant increase of the mainland Chinese consumers purchases abroad.

They still bought in China, but less than their overseas purchases. According to Bain & Company's 2015 China Luxury Market Study, the increased international tourism, and the growing comfort and trust in some business-to-consumer (B2C) overseas websites among China's shoppers, had stimulated the increase of their elsewhere purchases. Luxury spending of mainland Chinese in Hong Kong and Macau dropped by one-quarter, continuing to prefer to go shopping in other European countries or in the near Japan.

However, in 2015, dàigòu market fortunately decreased to 43 billion RMB - 6.5 billion dollars-.

With an estimated increase of Chinese travelling shoppers about 32 percent respect of 2014, China suffered a contraction of local buyers, also due to the more restrict controls for imports by the government and an increasing numbers of purchase channels.

All these factors brought to an overall Chinese Luxury market's slowdown of 2 percent – 113 billion RMB –, especially for watches, men's wear and leather goods. In order to stop it, Luxury Brands had to employ a more specialized and specific marketing strategy, adjusting their pricing to reduce the disparities across geographic areas; but changes had to be taken also by the Chinese government itself.¹⁰

If on one side, Internet was increasing the base for a global price transparency beneficial to all consumers located around the world and many Luxury companies

¹⁰ Lannes Bruno, *Mainland China's Luxury spending continued its decline in 2016*, Bain & Company, January 2016, Shanghai

were trying to address their prices uniformly¹¹; on the other side China's Ministry of Finance announced that it would lower import taxes especially on Luxury products, but still keeping VAT and consumption taxes for those goods coming from abroad, in order to always gain some profit from imports.¹²

"Our research found that the industry is quickly adapting to these challenges in an effort to drive more luxury consumption at home through strategies such as global pricing and a greater focus on fashion."

Bruno Lannes, a Bain partner based in Shanghai.

The drop of domestic sales between 2015-2016 reported the end of Chinese Bulimia era causing also the closure of a lot of stores; Luxury companies at that time forced themselves that it was better to focus their strategies on fewer, larger and better located stores, coming back to their exclusive image, typical of this sector, originated from the opportunity to share the rich cultural heritage associated with a Brand, with its craftsmanship and uniqueness.

This concept was rapidly catching on with Chinese Luxury consumers, which were becoming more and more comfortable with these Brands and wanted something that could represent themselves and could always be defined as Luxury: one-third of luxury consumers in China would prefer to buy products that were designed specifically for the country and incorporated Chinese imagery. This was the ingredient for amending the strategies and making sure that Chinese would buy Luxury products in China rather than abroad.

Luxury firms finally started watching their different kind of consumers with more attention; the goal was make sure that they were not competing with their same product sold in China and vice versa. These two markets would compensate

¹¹ Chanel was the first to raise its European prices by 20 percent while cutting them in China.

¹² Chitrakorn Kati, *Can China End the Illicit 'Daigou' Trade*, Business of Fashion, February 2016, Beijing

themselves and not go against each other. Asians were a huge part of Luxury demand, so companies must please them.

Thus, this new challenge for Luxury Brands made a shift from the adaptation of the Western Luxury method into the East world to the translation and new kind of approach specifically suited for Chinese consumers.

However, changes can't be made so easily: 2016 added up to one of the most difficult years on record for the Luxury goods industry. Exchange rate dollar appreciation killed Luxury market both in Europe and US, drop of oil price affected Russia and Middle East, a wave of terrorist attacks across Europe and the Brexit shock led to a new era of volatility.

The industry was on track for its worst operating profit result since the financial crisis in 2009.

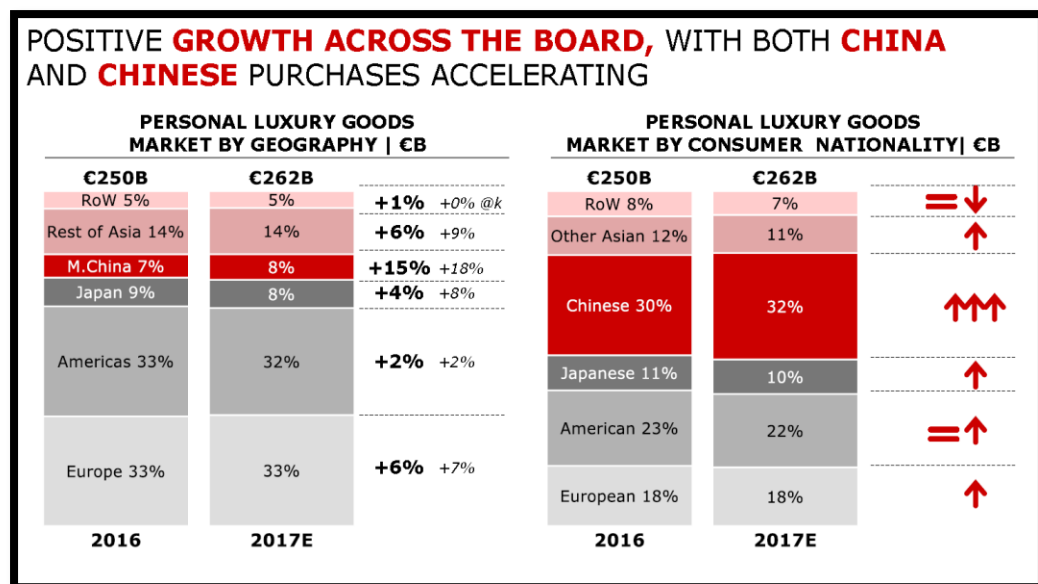


Fig.2 Altagamma 2017, Bain & Company, pag. 17

Despite this, 2017 is defined by Bain & Company as New Normal in which the Luxury market keeps growing at a constant rate of 5 percent CAGR. Going deeper

on the Luxury market in China, thanks to the research *“Cina e consumatori cinesi nel mercato globale del lusso”* always made by Bain & Company for Mei.com, an Alibaba’s sales flash store, Chinese’s purchases move back to its local area, including the online.

If the rest of the Asia has an increase of purchase goods abroad, Chinese tourists don’t buy as much as before, now they are starting to prefer buy Luxury products in their home country. If in 2016 the Luxury consumption in China was 7 percent and the Chinese consumption about 30 percent, during 2017, both these two factors had a significant increment: the first one about +1% and the second one of +2%, meaning not only that Chinese buy more but also that they are making more local purchase than ever.

Despite this, Europe and US remain the main purchasing Luxury items regions: there are no people going to China for purchasing Luxury, but yet it’s still growing at a significant pace, meaning that the work done by Brands in this area is achieving great results and Chinese are back to buy inside the country.

Making a comparison between Asia with Europe and US we can see that the first one has a much higher increase both in terms of market than consumers nationality respect the second ones.

The fact that the Chinese government is placing more controls on limitations on abroad shopping is contributing to this shift of purchases but, also the decreasing differentials on prices – even if they still cost +20/30% more in China – thanks to Luxury Brands’ motivation to have a global price for their products, contributed to the variation from the abroad into local spending for Chinese Luxury consumers. Indeed, the Chinese middle class didn’t travel outside the borders so much as before;

if in 2015 the consumption of Chinese overseas was risen by 16 percent and those at home fall by 2 percent, now the situation is reversed: -2% abroad and +4% in loco.

A burden thing that is reducing the tourism in Europe is the risk of terrorist attacks, causing also the decrease in spending in this continent.¹³ Milan-based fashion Brand, Prada, attributed its 24.8 percent drop in interim earnings this year to a slowdown in European travel. This confirm what we saw before: the new strategy for Luxury business must be move in the Asian country but not without changes and new strategies.

Mainly for this reason, having moved the consumption into the Chinese market, Luxury Brands keep pushing their new ways to communicate and offering customized collection, based on their essential and demanding Asian customers, taking into account their tastes and traditions: a merger of style, craftsmanship, heritage attributed to the Luxury sector linked to the China's culture and the symbols.

This was the booming and the re-emerge of the Chinese domestic consumption in 2017, a key element of any Luxury Brand.

Bain & Company defines consumers of 2017 as *universal*: local tourists, people experiencing the Brand as tourist but also in their home country. Local doesn't mean being the same, people wants to keep moving even in their daily routine.

As previously said, even if Chinese consumers now are spending more money at home, the other Asian countries are increasing as tourist consumers. Looking to figure 3, during 2017 Japan is becoming the main country that spends more money abroad.

¹³Anonimo, *Lusso, il mercato globale parla cinese*, Mymarketing.net September 2017, Milano.

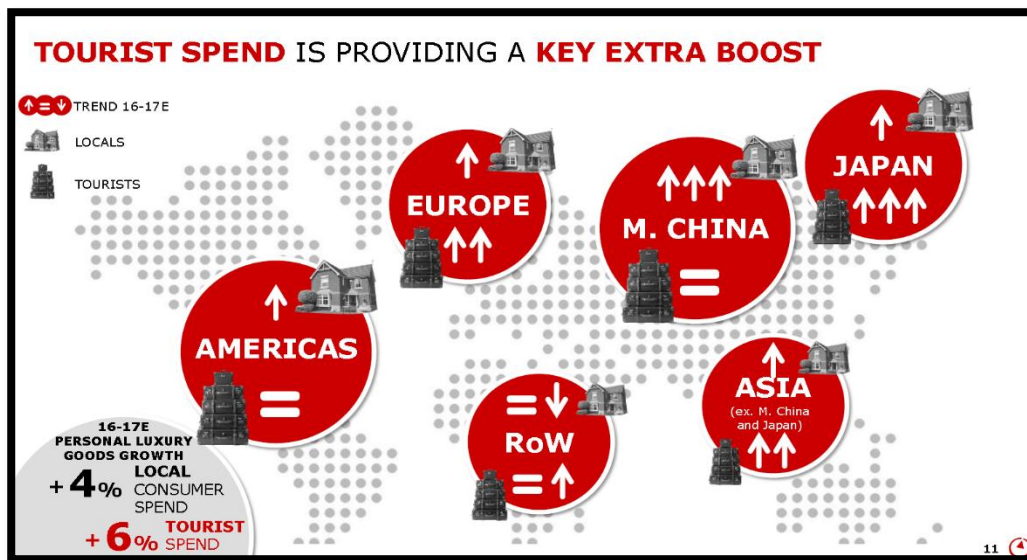


Fig.3 Altagamma 2017, Bain & Company, pag. 11

During the financial crisis of 2009, Japan has fallen into recession, weakening the Yen, and the world's third-largest economy fell into years of weak growth and deflation. Despite it, in 2015 Japan was the second-largest Luxury goods market in the world, worth 20 billion Euros, according to Bain & Company's data and the nation's Luxury goods market grew by 13 percent: while in the rest of the world Luxury Brands struggled to survive, the Nippon saes were exceeding.

In the year 2015, LVMH sales in Japan jumped by 13 percent, outperforming the transactions made in Europe and the US, as well as the rest of Asia, where sales fell by 5 percent. For the same period, Salvatore Ferragamo's revenues in Japan increased by 14 percent, while Hermès' additional gains were about 19 percent.¹⁴

This contradictory situation was caused by the huge number of tourists who came here to buy Luxury products, driven by the weak yen. The majority of those

¹⁴ McKinsey.com data for BOF, , *In Japan, Luxury Flourishes While Economy Flounders*, February 2016, London

was formed by Chinese people, that, due to the straight visa rules, had the higher mark-up for Luxury goods.¹⁵

Tourists represented up to 40 percent of total sales in Japan for most exposed labels, according to Bain's 2015 global Luxury goods report, but the domestic sales were still weak.

“Since the devaluation of the yen together with the appreciation of the Chinese yuan, it's very convenient and cheaper to buy luxury goods in Japan rather than in Mainland China,”

Federica Levato, senior consultant at Bain & Company, 2016.

However, in 2017 also Japanese consumers were back to spend in Luxury goods both as sightseers and as domestic buyers, according to Bain & Company and McKinsey's data. Thanks to the economic strategy “Abenomics” from the prime minister Shinzo Abe, who made it in 2013, the Japanese wages started to grow, and the unemployment fell overtime, causing an incredible boost of national consumers' spending power.¹⁶ Thus, reaching a better situation in terms of welfare, Japanese are able to buy more and travel more, spending money for Luxury goods also abroad. This explain the increased Nippon tourist expenditure during the first year of the New Normal era.

¹⁵ Abnett Kate, *In Japan, Luxury Flourishes While Economy Flounders*, Business of Fashion, February 2016, London.

¹⁶ Chitrakorn Kati, *Japan's Luxury Market Enters a New Era*, Business of Fashion in collaboration with McKinsey, November 2017, Tokyo.

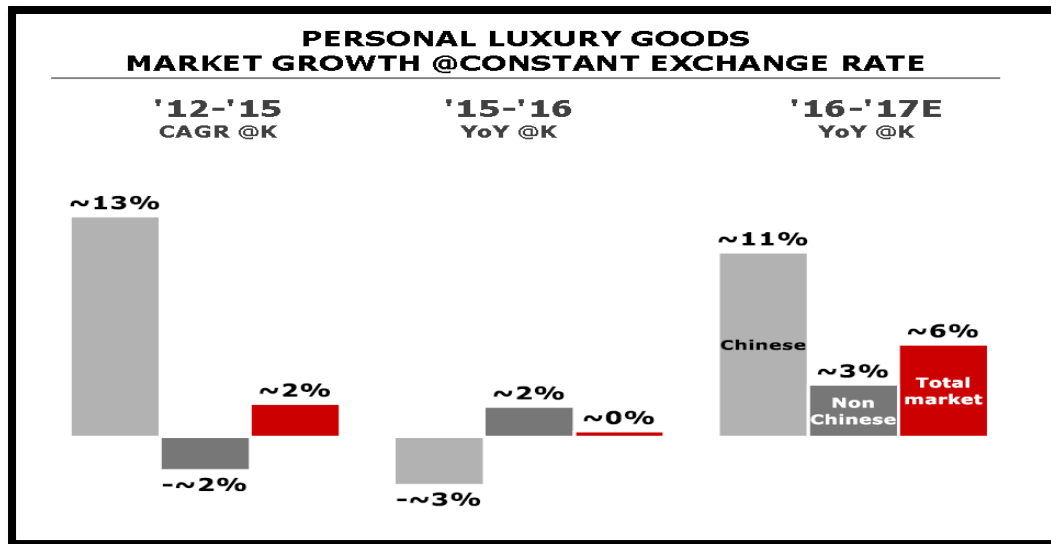


Fig.4. Altagamma 2017, Bain & Company, pag. 18

Closing this little bracket on Japanese's evolution market, according always with Bain & Company, the booming Chinese consumption this year was simultaneously with a healthy growth of other "non-Chinese" nationalities. As said before, during the Chinese Bulimia, China was the outperforming country, outcompeting the rest of the world. However, between 2015 and 2016, market collapsed and just the other Asian countries started their small enhancement, founding a reversed situation between 2015 and 2016 in which China was the worst performer and the Luxury market suffered huge losses, not being prepared to this event.

With the beginning of 2017, China incredibly rise-up, turning back to its role of top performer. However, what is really significant to this figure is that, even if China had an astonishing market growth, it has not caused a decrease in the others Asian market and the total market still keeps growing with a growth rate about +6%: a positive sign for Luxury marketers.



Fig. 5. Altagamma 2017, Bain & Company, pag. 15

Concluding this chapter with a focus about the main Asian participants and their consumptions on personal Luxury goods, we can see, once again, that China has the most significant growth, of +15%, between 2016 and 2017, always thanks to its continuing reforms on sales across the country, a lower exchange rate, lower prices for Luxury goods and more participation of the middle class and Millennials, who want to experience a better standard of living as much more than ever before, increasing their trust in Luxury companies and into their craftsmanship and heritage. Mainly for these reasons China recorded 20 billion Euros for Luxury market during 2017.

The rest of Asia is still positive: Macau and Hong Kong are back to grow, South Korea has a positive consumption, especially due to its local sales than for tourists, caused by the Chinese travel ban imposed, trying to stop abroad purchases of its citizens.

Japan, always been a fundamental country for Luxury sales, had an incredible local consumption during this years, thanks to the millennials, who enter into the market with their new and enthusiastic tastes, reaching 22 billion Euros with a growth of +4% respect the previous year.

Comparing the East side with the West side of the world, although the second one still remains a key element for Luxury market, the epicentre is moving in the direction of Asian countries, confirming what we saw previously: Luxury companies must keep focus on strategies more suitable for Asian taste and with more customized products, in order to make feel unique and different from West side of the world.

Chapter Two: Regional Revenues of main Luxury Companies

With the beginning of 2017, China has started to represent the 8 percent of the total market for Luxury Brands' global sales. This great success specifically began during the third quarter of 2016, showing a more incredible growth the next year, known as New Normal.

It was with the end of 2016, in fact, that European Luxury companies from Richemont to LVMH restarted to achieve an improvement of their revenues from China.

After a period of deceleration lasted three years, within a turbulent 2015 that has brought to an even more tempestuous 2016, New Normal is considered as the first year of a return to growth of Luxury market, in which Chinese restarted spending on personal Luxury goods at home.

Chinese rebound and the increasing customer confidence are pushing the growth of global personal Luxury goods market by 2-4 percent, attaining to 259 billion Euros.¹⁷

In this chapter, I will focalise my attention to this 8 percent of sales made in China and, in the next one, we can see more on details about the 32 percent of Chinese consumers around the world and their influence in Luxury industry.

According to Bain & Company's Altagamma reports, during 2017 Luxury goods sales in China grew approximately by 20 percent over the previous year, reaching almost 142 billion RMB - 18 billion Euros -. It represented the highest growth rate since 2011, when the market began to slow down due to the decreasing domestic economy's growth.

¹⁷ Suvir Varma, Kiki Yang, *Asia-Pacific Private Equity Report 2017*, Bain & Company, March 2017.

Thanks to China government policies made by the president Xi Jinping 习近平 for encouraging domestic consumption and a more restricted control against dàigòu, Chinese came back to spend their money at home, limiting, but fortunately not stopping, their purchases abroad. Indeed, the upturn started at the end of 2016, helped by an inversion in China's exchange rate, along with gains in real-estate and equities, improved the increase in local's spending power.¹⁸

At the same time, also new strategies of Luxury companies in order to monitor different prices around the world and to adopt the business through the taste of the Asian consumers, have incremented the local spending of those people.

Lowering prices and reducing customs duties have played a decisive role, arriving at a global revival of this sector.

De facto, since previous years Luxury clothing and footwear in China were almost 50 percent more expensive, but starting from 2017 they became closer to almost one-third of the European price. E-commerce, as a channel retail, made easier compare the different Luxury prices around the world, increasing the demand by Chinese for obtaining fair expenditure to purchase the same good.

The recovery made during 2016 in order to spend money at home brought to a decrease of purchase made overseas, typical of Chinese travellers. Hong Kong suffered this consequence seeing a decrease by 22 percent on sales especially for jewellery and watches. Paris, the main destination for Chinese tourists looking for Luxury goods, also recorded a fall of visits and sells.¹⁹

¹⁸ Simson Colin, *Luxury Is Back in Vogue in China*, Bloomberg.com, September 2017.

¹⁹ Hancock Tom, *Chinese shoppers begin to buy luxury brands again — at home*, Financial Times, January 2017, Shanghai.

However, if nowadays Chinese expenditure is 32 percent of the worldwide Luxury market, China's domestic Luxury market still accounts for only 8 percent of global Luxury sales.

Chinese shoppers are still making three-quarters of their Luxury purchases abroad, crucial for industry giants' performance like LVMH, Kering and Burberry. Even though Chinese are increasing their purchases of Luxury products at home, the mainland China market still isn't reaching relevant revenues, compared with the great number of its citizens.²⁰

Anyway, the consistent change happened in China's market underlines the importance to keep making investments into the Mainland. The main goal is still the same: make sure that Chinese purchase in their home country, increasing China's Luxury market transactions. A process already began.

There still is a trade-off in which Luxury Brands wanted to make sure that Chinese keep spending more in China but, also, not offsetting high purchases in Europe or Japan. Continuing to keep a strong appeal and not decreasing the purchases made by those people abroad.²¹

However, how to make it possible? Western people don't go to China in order to purchase Luxury items, so Luxury companies have to make sure that locals buy different things in their home country respect what they can acquire when they are outside.

²⁰ *Luxury goods sales in China grew 20% in 2017 – growth also expected in 2018*, CCP-Luxury.com, January 2018.

²¹ Hancock Tom, *Chinese luxury goods prices start to close gap with Europe*, Financial Times in collaboration with Deloitte, September 2017, Shanghai.

“But this is nothing compared to the past big waves of demographics entering [the market]. This new normality will mean mainly trying to grow organically in the same consumer base, being more innovative with products, more innovative with communication.”

Claudia D’Arpizio, a Bain partner and lead luxury analyst, 2017.

Since the end of Chinese Bulimia, Chinese customer had started to want to feel unique and Luxury Brands, consequently, initiated to make him feel special. Due to this new paradigm, Luxury goods in China became the seventh fastest-spending category in the short term during 2017 and it is expected to grow more. It was not just to open more stores or to diminish the difference of prices, Chinese wanted, and still want, to appear different from the others. They passed from imitation of the Western world to a substantial self-confidence and Luxury market must fill this need, capitalizing on improving demand.²²

However, in mainland China local purchases at home are rebounding, expecting to prompt the growth by 6-8 percent. The new situation in which Chinese went back, increasing their power spending at home, of course had brought to new consequences at global level.

Not only Europe and US are suffering a reduction of tourists inside their countries, but also the rest of Asia and Japan have seen an important drop of Chinese visitors.

During 2017 in Japan, locals are back to consume Luxury products, holding up the market where tourism has declined.

The same fortune didn’t go to the other rest of Asia. As reported by Bain & Company Altagamma’s report, Hong Kong, Macau and Singapore are painstakingly

²² Fflur Roberts, *China’s Luxury Market Set for Steady Performance Amid Unfavourable Market Environment*, Euromonitor International, March 2017.

trying to recover themselves from Chinese ban and tourism's fall. Taiwan is suffering, and South Korea is facing both a drop in Luxury sales made by travellers than a significant domestic political turmoil.

Unfortunately, we cannot see how many money Chinese travellers keep spend during their holidays, but it is possible to analyse China's market, how it influences the revenues of the Brands and the categories most required from people who purchase in this area.

Now my idea is to look to the main Luxury groups, analyse their reports, and identify the most performing Brand of each group in this geographic region and its reason why; if there are strategies for the mainland market's sales and the approach to these new ways to do.

Inside LVMH:

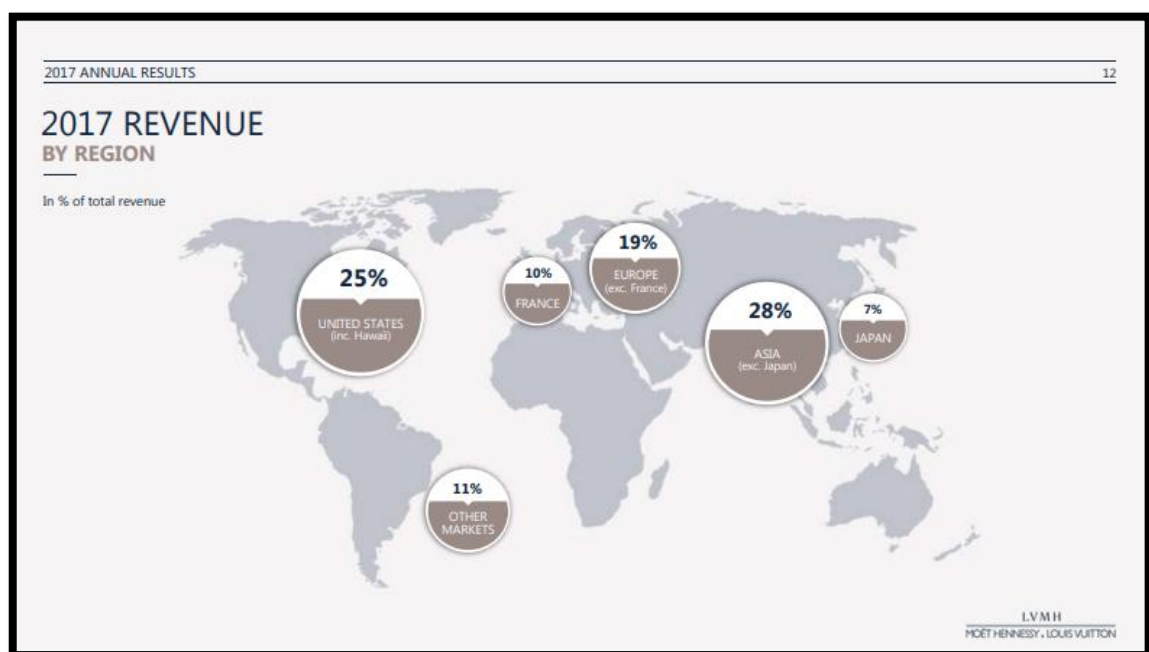


Fig.6. LVMH 2017 Annual Results, pag.12.

With 70 labels divided into five different categories, the world biggest Luxury goods maker, posted record revenues and an incredible operating income for 2017: consolidated revenue for the fiscal year is about 42.6 million Euros, increased by 13 percent over the preceding one and with 18 percent rise in operating income, reaching 8.28 billion Euros. Those facts are especially due to a strong recovery of Chinese demand, in which the French group has seen enhanced sales, hoping that 2018 starts even better.²³

As stated in the financial earnings report of the Luxury conglomerate LVMH, the end of 2017 recorded an extraordinary growth in which almost 21 percent revenues are obtained. Of this significant performance, China market jumped up more than 30 percent, especially due to the depreciation of Chinese currency, as Jean-Jacques Guiony, chief financial officer of the group had declared.²⁴

The world's largest Luxury group by revenues has been an incredible year also thanks to its ongoing investments on its labels. Thus, with a global slowdown in demand in China and for travels in Europe, also in 2016 LVMH performance benefited, trying to extend its leadership in this decreasing sector, and outstanding during 2017.

In addition to investments in owned labels, the conglomerate also has expanded by the integration with the couture part of French brand, Christian Dior, which it still didn't control.²⁵

Therefore, this was a positive year for the fashion and leather goods division of the Luxury Company that published revenues of 15.5 billion Euros, increased by 13

²³ LVMH 2017 Annual Result.

²⁴ Zheng Ruonan, *Rising Number of Domestic Luxury Consumers in China Benefits LVMH*, Jing Daily, October 2017.

²⁵ White Sarah, Denis Pascale, *LVMH Posts Record Revenues Amid China Comeback*, Business of Fashion, January 2018, Paris.

percent from the previous year, especially due to the high request from Chinese needs. However, also for other sectors Moët Hennessy Louis Vuitton SE has noted a robust upward for wines and spirits, also thanks to sales of Hennessy Cognac for Chinese New Year celebrations.

Even if, 60 percent of LVMH's Chinese customers still buy Luxury goods overseas, Guiony believes that the movement of locals coming back to spend at home will become more significant in the near future, increasing the investments made for this region's business. Currently, Chinese are coming back to buy at home and Asia, excluding Japan, represents the 28 percent – rose by 2 points respect 2016 - of revenues made by the society, in which China occupies the major part.

The astonishing growth in organic sales in Asia shows the strongest regional performance of this area, followed by Europe, US and Japan.

So, Asia is the best performing region for the French-based group, within Louis Vuitton fashions and Hennessy cognac stick out.²⁶

As said before, the main record during 2017 was caught by fashion and leather goods division, with revenues of 15.5 billion Euros, up 13 percent like-for-like. Even if the French group said it still had to improve the performance of some of its smaller brands, Louis Vuitton alone accounts for more than half of the whole group's profits. The Brand could be defined as the biggest earning driver of the entire society.²⁷

After a slowdown in 2016, the Asian market – most of all driven by China – has been an increase in sales of the Brand. Michael Burke, Louis Vuitton's CEO and dynamic chairman, affirmed that *"Today China is great again"*. The Brand has made a lot of investments for this area, taking the risk to fail, in order to reach more

²⁶ Williams Robert, *LVMH Rises to Record High as Sales Point to Industry Rebound*, Bloomberg.com, April 2017.

²⁷ White Sarah, Pascale Denis, *Louis Vuitton-owner LVMH upbeat as Chinese shoppers lift sales*, Reuters.com, January 2018, Paris.

consumers, double its sales and improve its margins, trying to create a better customer experience, become fundamental for those kind of shoppers.

The idea was to stock each store with all merchandise lines, since always according to Burke “*Chinese are now the global number one for buying Louis Vuitton ready-to-wear*”. Indeed, not just a full access to the entire collection, the French Brand had taken another risk for its autumn/winter 2017 menswear collection, in which Kim Jones had a collaboration with Supreme, a New York street fashion label. This one became viral in Asia and sales skyrocketed, increasing revenues both for Louis Vuitton than LVMH.²⁸

Therefore, 2017 for LVMH could be considered as the year of Louis Vuitton, which continues to make substantial progress thanks to its creativity and the balance between boosting its iconic image and innovation, according to required strategies for China’s market.

²⁸ Jing Zhang, ‘*Explosive*’ sales make China ‘great again’ for Louis Vuitton after consolidation to stem downturn, says CEO, South China Morning Post, August 2017.

Inside Kering:

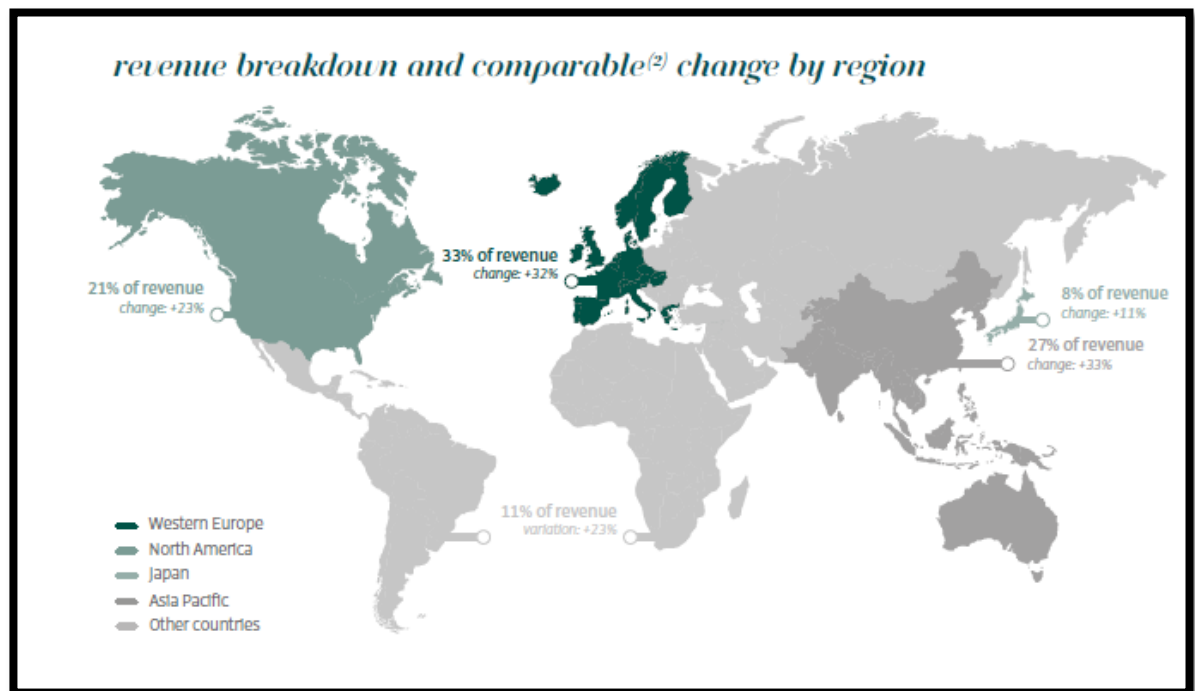


Fig. 7. Kering 2017 Annual Results, pag.8

Also, for the other French giant Luxury group, Kering, the first year of New Normal has ended with great results. At the end of 2017, overall revenues for the French colossus rose up to 4.26 billion Euros, increased by 27.4 percent from 2016. Kering in addition posted an operating income of 2.95 billion Euros increased by 56.3 percent, beating forecasts.

Basing on its annual report, during 2017 it reached a consolidated revenue of 15,478 million Euros, increased by 25 percent from the previous year – 12,4 million Euros – and according to *Inquiry Financial* for Reuters the company has obtained a growth for comparable sales of 20 percent.

Although not specifically pointed out, it is clear that the recovery occurred in China helped the company's performance this year. In fact, of these revenues, 27

percent come from Asia, excluding Japan, increased respect 2016 and by 4,185 million Euros.

This is the second most profitable area after Europe with 5,077 million of profit.

The incredible growth, also in this case, has been attributed by the group to Chinese consumers and China's rising middle class. China market keeps growing and Kering's Brands want to take advantage increasing their sales there. With an overcome in demand from Chinese consumers at home and overseas last year, Kering has benefited from its profits.²⁹

Looking on the Luxury activities of the group, those had 10,796 million Euros revenues – raised by +27% from 2016 – and an operating income of 2,911 million Euros. Again, China market is a fundamental key, holding 31 percent of the sales of the group, always second to West Europe with 33 percent of the market's sales.

Dividing total revenues by categories, leather goods dominated the rest with 52%, followed by shoes with 17%, ready-to-wear with 16%, watches and jewellery 8% and others 7%.³⁰

As Louis Vuitton in LVMH, Gucci for Kering provided during 2017 the most of sales and revenues, occupying 57 percent of the pie. Second to it, Saint Laurent 14 percent, and third Bottega Veneta 11 percent.

Other Brands shared the remaining 18 percent. Therefore, Gucci has been the main profit driver of the company.

However, it was not the only label which caught significant profits, also Yves Saint Laurent and Puma had a formidable growth, but the Italian fashion has been the

²⁹ Zhang Peng, *Gucci-fever boosts Kering's fourth-quarter sales growth*, CNBC.com, February 2018.

³⁰ Kering Annual Result 2017.

biggest result for the group this year. Starting from the second half of the year it made up almost fifty percent of Kering's profit.

As for Kering in general, Gucci has been subjected to the back of healthy demand for Luxury by mainland China and Western Europe. The Italian label recorded high revenues from the Chinese market but also in Europe with Chinese tourists: this could be considered an achievement because it has success selling both to Chinese travellers and locals, also thanks to the opening of a new e-commerce portal of the Brand in China.³¹

Due to the inventiveness of the creative director, Alessandro Michele, Gucci attracted millennials, especially Chinese ones, accounting for more than half of the Brand's clients, becoming the most performing distinctive label for the group outstanding performances across all categories and regions with 6,211 million Euros revenues. Sales in Asia Pacific are counted for 34 percent, the greater market for the Italian Brand, followed by Europe with 30 percent, already known as a holiday destination for Chinese travellers.³²

³¹ Rapp Jessica, *Kering Posts Record First-Half as Gucci Woos Chinese Millennials*, Jing Daily.com, July 2017.

³² White Sarah, Denis Pascale, *Sales Boom at Kering, Gucci up 49 Percent*, Business of Fashion, October 2017.

Inside Richemont:

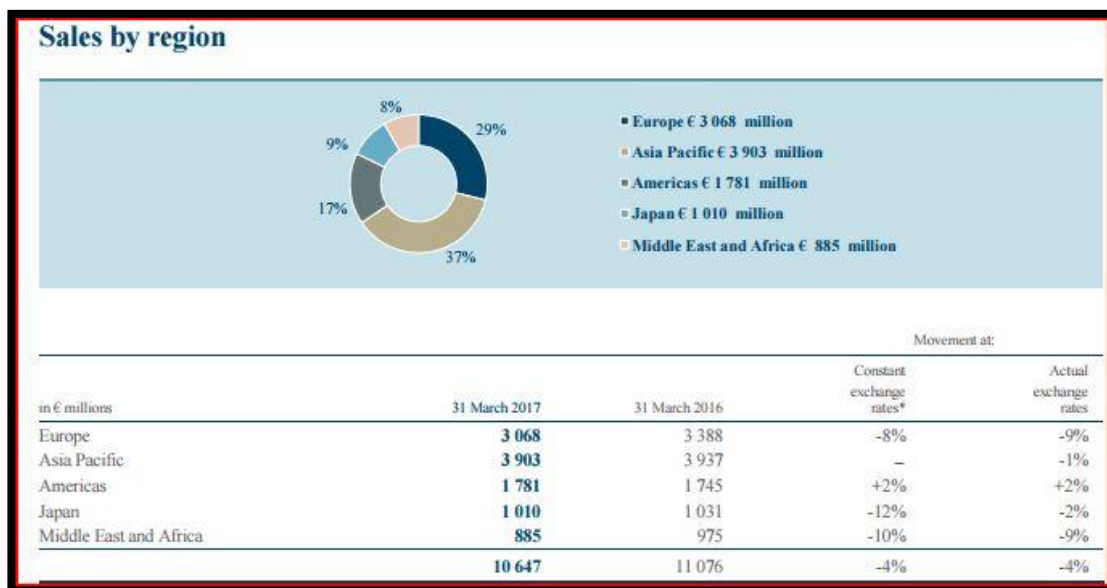


Fig. 8 Richemont regional revenues. 2017 annual report

Compagnie Financière Richemont SA, owner of major Brands for jewelry and watch like Cartier, Piaget, Van Cleef, IWC, Vacheron Costantin has released on March 31st, 2017 its consolidated result for the financial year 2016. From that it was evident that the industry was experiencing falling sales, lower profits, and an overall contraction of size.

The revenues obtained from this year, ended with March 2017, showed a fall by 46 percent; gross profit lost by 4 percent and operating profit by 14 percent. All these facts, with the additional 14 percent decline in wholesale sale into the market, brought to a loss of income for the group, as much as it closed thirty-eight boutiques during the year.

Due to the drastic change in consumer consumption for Luxury watches, Richemont has seen a breakdown of sales in each region: as Europe was down by 8 percent, Asia Pacific 1 percent, Japan 2 percent, and the Middle East and Africa 9 percent. The

only one who ended the year in positive was Americas which have recorded a 2 percent gain, driven by good sales in jewelry.³³

After this negative year, the Swiss group, started to make investments in order to achieve again positive results for each of its company and to stop counterfeiting phenomenon, typical especially for watches in Asia.

“The past year posed challenges for Richemont. The Group responded to changes in demand, which particularly affected our watch businesses, and shifting patterns of consumption. The Group has addressed those challenges by taking significant measures which, while having weighed on short-term financial performance, will ensure Richemont is well positioned for the future.”

Chairman Johann Rupert, May 2017.

Those significant measures included 72 million Euros inventory buy-back and reevaluating strategies for marketing and product development.³⁴

With the end of summer 2017, Luxury conglomerate announced a rise of 12 percent in sales in just five months, thanks to the boost in sales in China. The region, from Chinese Bulimia, occupies a fundamental position for Luxury companies, and is also a good buyer for jewels. Therefore, Asia Pacific region for the Swiss giant has always been the main geographic area to sell Luxury product. Despite the negative outcome of 2016, from April 2017 Asia Pacific region sales grew up again by 23 percent.³⁵

Indeed, as announced with the fiscal year 2017 report, launched at March 31st 2018, Asia Pacific represents the main profitable region for sales revenues, with

³³ Richemont Annual Report, March 31st 2017.

³⁴ Bredan, David, *Richemont SA reports annual 4 percent drop in sales, 46 percent drop in profit, shares drop 5 percent, dividends up 6 percent*, Ablogtwatch.com, May 2017.

³⁵ Atkins Ralph, *China and Hong Kong demand boosts Richemont jewellery sales*, Financial Times, September 2017.

3,903 million Euros of revenues and 4,352 million sales, enhanced by 17 percent from the previous year.³⁶ However, those profits are quite broadly in line with the last year's ones, but they accounting for 37 percent of the Group's total sales. A great significance for the giant.

China has turned into the largest market for Richemont, followed by Korea and Macau, as strong sales in Asia. There are no surprises that the Group since years has made the decision to invest on this region and on this kind of people, both for becoming more profitable than to go against the illegal market channels, which were decreasing its profits there.

For Chinese men, in fact, watches have always symbolized power and for Richemont is a great opportunity to implement this fact and gain profits, having most of its Brands specialized in watches and jewelry. However, those categories are two of the most counterfeit products sold in China.

Moreover, to fight against its direct competitors, Kering and LVMH, Richemont started its "*big growth surges*" in Asia Pacific region. In fact, while LVMH and Kering had started to invest in products for new Chinese tastes, Richemont's first object was clearing out an oversupplied market for Swiss timepieces, trying to guarantee for itself a secure market against the grey ones.³⁷

With buy-back excess inventory, unsold from two/three years, the conglomerate keeps trying to clean up its grey market business in Asia, as already said, typical for watches and jewelry, especially in Hong Kong – the largest export

³⁶ Richemont annual report 2017, March 31st 2018.

³⁷ Gretler Corinne, *Richemont Buys Back More Unsold Watches, Holding Back Profit*, Business of Fashion, May 18th 2018.

market for Swiss watches –, selling by unauthorized channels with a between 10 and 65 percent lower price.³⁸

With these efforts made to adjust the compromised watch sales, but also the jewelry and fashion Brands, Richemont has begun to see the benefits: Chinese restarted to buy original products and to purchase them at home, avoiding to look for illegal channels.

Modifying their strategies in order to match with new needs of Chinese consumers, Richemont Luxury Brands evolved and went on digital, an atypical way to sell jewels and watches, but optimal for those kinds of customers and to make a more secure method of sales, not illegal.

Indeed, in 2017, Asia sales already almost to 40 percent, had an additional gain of 11 percent, in which revenues jumped up by 16 percent, reaching 3.36 billion Euros. This confirms once again the great importance of investments in this area for Luxury Brands' sales.

“We have to remember that corruption in China was so rife. Obviously, they had to fight this and started a rigid anti-corruption campaign. None of us can imagine how rife the corruption was. They also started with stronger import border control by taxation. China has normalized today. They decided they want to lift domestic consumption, and now we see growth across all luxury goods.”

Richemont executive chairman Johann Rupert.³⁹

³⁸ Gretler Corinne, Williams Robert, *Richemont's Wholesale Revenue Drops on Sales Network Cleanup*, *Bloomberg.com*, January 2018.

³⁹ Milnes, Hilary, *Richemont's long road to sales growth strategy in Asia*, *DigidayUK.com*, November 2017.

Inside Hermès International:

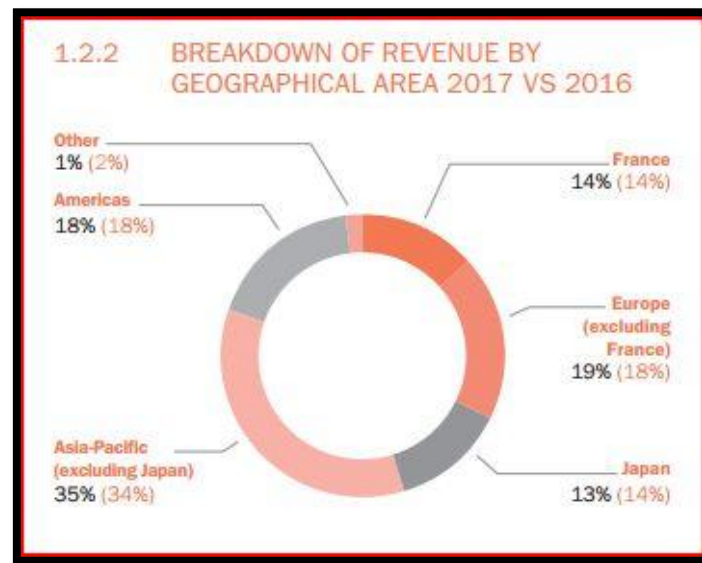


Fig. 9 Hermes regional revenues 2017, 2017 annual report

The leader in leather goods into Luxury world, Hermès, posted on February 2018 the financial report about revenues until December 2017. Reaching 5.549 billion Euros consolidated revenues, increased by 9 percent from the previous year, Hermès had a well-balanced contribution across the business lines and all geographical areas.

As regard Asia, excluding Japan, sales attained to 1.946 billion Euros – the most performing area for the Brand – increased by 11 percent. Most of the contributions came from China, however also new open stores like, Sogo Fuxing store in Taiwan, Kowloon Elements in Hong Kong and the Kuala Lumpur store in Malaysia, added significance and profits to it.

Japan, recorded a sustained increase thanks to its selective distribution network reaching 716.6 million Euros.⁴⁰

⁴⁰ Hermes annual report, February 2018

After a slowdown period, characterized a lower Chinese demand, during 2017 the French Luxury Brand has seen a sales growth acceleration already in its first quarter, beating expectations, as more Asian restarted to buy, signaling a strong recovery in the Luxury goods industry, thanks to the incredible demand in mainland China. At the same time, travelers are back to Europe, doubling the demand for those goods, especially the leather ones which account for the half of the total profit, both from locals in China than from tourists in Europe.⁴¹

This is more evident in the financial report of the 2017 fiscal year, published March 28th 2018, in which the company reported an increase in profits in Asia, reaching 1.946 billion Euros, a 35 percent of the total pie, increased by 1 percent respect the previous year.

This can be considered a great result, considering that Asia and Europe were the only two regions for the label that increased their performance from 2016 to 2017.

China has always been considered a fundamental key for the company's revenues as much as it has created Shang Xia 上下, the Chinese label of Hermès.

⁴¹ Vidalon, Dominique, *Record profits at Hermes underscore luxury sector's upturn*, Reuters.com, March 2017.

Inside Tiffany & Co:

Higher sales of fine jewelry, accessories, watches and new home collections for Tiffany & Co during 2017, achieving for its third quarter of 2017 a profit of 1.002 billion Dollars, rose by 5.3 percent from the previous year.

This healthy performance is due from Europe and, once again, Asia Pacific regions, in which sales raised by a double-digit percentage. In this second one, during the third quarter of the fiscal year, total sales rose by 15 percent, arriving at 283 million Dollars and increased by 775 million Dollars in the year-to-date.⁴²

Opening new stores, local consumers went back to spend more especially in China. The increased total sales growth came from the enlarged wholesale and retail sales in mainland China, which contrasted the decline of other Asian countries, due to the lower Chinese tourist spending.

For Japan instead, the situation has been not so positive. The company obtained total sales of 407 million Dollars in 2017, but comparable store sales declined by 8 percent during the third quarter, reflecting the weaker yen against the dollar.⁴³

⁴² Thomas Lauren, *Tiffany's holiday sales jump 8 percent, boosted by growth in China and Europe*, CNBC.com, January 2018.

⁴³ Tiffany & Co, financial report third quarter result, December 2017.

Inside Burberry:

With 2.8 billion Pounds of revenues in 2017, the British Luxury company jumped up by 5 percent from the previous year. According with financial reports of fiscal year 2017, China is become the crucial market as ever for the British Brand, accounting for 39 percent of total sale revenues, and more than doubled respect to 2016.⁴⁴

After a slowdown of sales for Luxury market, in which also Burberry was affected, the Brand availed of benefits from the “*Chinese comeback to spend again*”. Even if Hong Kong still proved challenging for significant results, China was strongest than ever.

Not only Chinese bought in their native country, but also in UK. The company published the notice that there was a fifty-fifty between tourists and domestic customers, and the travelers were especially Asian, taking advantage from the weaker pound.

However, what the Luxury British Company really cough was the “Chinese mid-teens” class. With a detailed strategy to attract Chinese social-media obsessed consumers, the Brand launched a collaboration with the pop singer Kris Wu, member of the Chinese-South Korean group, Exo. With his campaign on We Chat – which has more than 938 million users -, Burberry enlarged its sales. Also, thanks to its launch of the website in Chinese in November, mobile transactions represents 40 percent of global sales.⁴⁵

⁴⁴ Burberry financial report annual fiscal year 2017.

⁴⁵ Armstrong Ashley, *Burberry boosted by sales recovery in Asia and tourist shoppers*, theTelegraph.com, January 2018.

Ongoing of the first Quarter 2018:

After a quite positive 2017 fiscal year, Luxury groups started their new operation for 2018. In this section we will see results for the first quarter 2018 for main Luxury conglomerates.

Starting with LVMH, the French giant posted its Q1 result's report for 2018, in which announced a 13 percent growth in sales, spread for all its sections. The main driver of this incredible result still remains Louis Vuitton, but also Kenzo, Fendi and Berluti are following the leader's performance.

As Louis Vuitton dominated the rest of labels, China still represent for the group the most significant driver for this results, becoming the LVMH's largest market. Today Asia occupies 38 percent of the company's revenues and the major parts come from China, which caused an increment for all the categories of the group.

The augmented demand from Chinese shoppers for Luxury goods had driven the profit for the first quarter of 2018, in which LVMH keeps to make investments, increasing its presence and profits into mainland China in a successful way.⁴⁶ Therefore, the Group is constantly rebounding the Chinese appetite for Luxury items, especially as regard the millennials generation, become the major motor for the entire industry.

Also, the other French competitor, Kering, the first quarter of 2018 has been signed from great increased revenues of 3.108 billion Euros, enhanced by 27.1 percent.

⁴⁶ Jing Travel, *Thanks to China, LVMH First Quarter Sales Grew 13 Percent*, JingDaily.com, April 11st 2018.

The recovery started from the past 18 months happened for China that made Chinese shoppers come back to buy at home, brought to an incredible increase of revenues for the conglomerate.

Gucci has remained the dominant Brand of the group, keeps accelerating its profits also for the new fiscal year, become very appealing for Chinese shoppers. With a turnover of 1.866 billion Euros, the Italian label drives the revenues of the company.

Moreover, also Saint Laurent has been a healthy quarter, increasing its revenues by 12 percent, arriving to 408 million Euros, due to a rapid growth in Asia Pacific sales, rose by 32 percent.⁴⁷

For Hermès, Chinese demand boosted its sales in the first quarter of this year. This fact helps the tourist spending slowdown in Europe. The French House, in fact, enhanced its revenues by 11 percent compared to the same quarter of the previous year, more than it was expected.

A great start for Hermès, hold by its sales in China that rose by 16 percent, also due to the e-commerce store opened last year.⁴⁸

At the end, even if the mainland China's economic growth was expected to slow down to 6.5 percent this years, compared with 6.9 of 2017, there still is a strong demand for Luxury products coming from those starving shoppers. This incentives all Western marketers to implement their investments and actions for the China's market, becoming more attractive and closer according to Chinese uses and traditions, indulging their changed behaviour as never before.

⁴⁷ White Sarah and Denise Pascal, *Gucci fuels booming sales at luxury firm Kering*, Reuters.com, April 24th 2018.

⁴⁸ White Sarah and Denise Pascal, *Chinese demand helps Hermes to a strong first quarter*, May 3rd 2018.

Chapter Three: Changes in Consumer's Behaviour in China – from Omnivorous to Wannabe

As I announced in the previous chapter, if China market for Luxury Brands represents today the 8 percent of the global sales, Chinese consumers instead embody the 32 percent of the Luxury global consumption.

The evolution of this kind of clients passed through years of progression of the mainland China country. They obtained more confidence, assurance in themselves and trust for the Luxury world and now we will see each step that they made from Chinese Bulimia until New Normal.

Since 2006, China's GDP flourished, duplicating its size in 2010 – 40,120 billion RMB – and within it, the Luxury consumption by citizens grew up impressively fast.

Sales made by these oriental people started to raise across each category by 20 percent year-per-year; consequently those facts brought to challenges for Luxury Brands, which had to change their approach in order to appeal these new discerning, hungry and demanding Chinese clients.⁴⁹

During the Chinese Bulimia's years, two main segments arose: super rich and the affluent and emerging rising middle class.

The rising middle class, who was considered as the new rich category, in those years was the section in which Luxury marketers focalised more their attention. Four essential aspects of consumption in China came with this new typology of shoppers: social status, face, collectivism and guānxì 关系.

- *Social status*, was the mere ostentation for tangible products, symbolizing the assets that people owned.

⁴⁹ Magni Max, Atsmon Yuval, *China's Luxury Consumers Grow Up*, Harvard Business School, April 2011.

- The *face* was more linked to the achievement reached and how others perceive your person; by acquiring Luxury products, face stated for a confirmation of the status.
- *Collectivism*, derived from Confucianism, meant being part of a community and, during Chinese Bulimia, Luxury consumption had become set into the Chinese society's norms, creating an effect to purchase goods of these labels to be accepted and not be shamed.
- *Guānxì*, relationship in English, with the predominance of the Luxury world represented gifts. *Guānxì* brings honour to the gift giver and generates face for both the giver and recipient.

However, what did really matter was the fact that Chinese Luxury shoppers initially wanted to imitate the Western lifestyle, appealing and expensive, for satisfying their psychological desires:⁵⁰ a new operation for Western Brands, which had a completely different cultural background. They must communicate themselves to a “stranger” part, trying to please Chinese tastes, more focused on seems like Western people, than having well-formed personal inclinations.

Still into an immature market, Chinese shoppers needed to be deeper educated by Luxury culture, being just on their “*show-off*”⁵¹ Luxury stage theory and very far from the understanding Luxury as a “*way of life*”, like more mature markets as Europe and Japan. Chinese, starving for Luxury items, purchased as more as they can and Luxury companies opened stores in the mainland China as much as possible, trying to plug this hole for Luxury ostentation.

⁵⁰ Walley Keith, Chen Li, *The market for luxury brands in China: Insight based on a study of consumer's perceptions in Beijing*, Harper Adams University, July 2013, pp. 249-251.

⁵¹ People start to have money and they want to show-off in order to get face and to be part of the group.

What Chinese especially, in the initial Chinese Bulimia period, tended to pursue were “*commodity-driven consumption*” goods, the latest and most popular Luxury items around the market. Craftsmanship and quality became the top two factors in their purchase decisions and Luxury companies, in order to give this, initiated to educate the new shoppers about their heritage, incrementing also the value of services into the new number of stores that Brands opened in this flourishing period. Chinese shoppers initiated to implement the Luxury culture.

Indeed, emerging middle class got fed up with fake kinds of stuff, typical in mainland China. This was connected to the “face characteristic”, if someone had noticed a person was carrying a fake product, it had caused shame on him. By contrast, if someone were carrying a real Luxury product, he would feel satisfied and part of the community.

Therefore, Luxury Brands built their empire in China during the prosperous time of Chinese Bulimia, selling for a twice-price of the same European product. Chinese people, more attracted by Brand’s name, country of origin and manufacturer, preferred to spend their money in high public awareness labels, like Louis Vuitton, Fendi or Hermès, with an obvious logo to show-off. Luxury goods were associated with wealth, power and richness.

This worked well, Chinese were starving for branded stuff that afforded as much as they can, developing sales and profits of Western labels as never before in the history of this sector.

Nevertheless, as each flourish period, it did not last forever. Due to the constant development of the country, the Internet penetration and Chinese people, who initiated to travel in Europe and US; they found cheaper prices for identical Luxury items that they used to buy in China. Even in near Japan was more convenient to

purchase Luxury products, although Nippon country is as far as China from the West. Therefore, they left their local sales in favour of cheaper ones, starting to spend their money abroad, turning more price sensitive. They considered more prestigious to have a Luxury product bought in the original country, than at home. This was the first step of the Chinese customers' behaviour change.

As already known, this brought to the end of Chinese Bulimia. 2015 symbolized the initial period, lasted two years, of crisis for Luxury companies, during which Chinese bought more Luxury goods abroad than in their own country, signalling a decreasing performance for China.

During this year, China's economic performance decreased. The total GDP accounted for 676,708 billion RMB, with an annual growth rate of 6.9 percent, the slowest growth of the country since 1990.⁵²

Chinese shoppers still were the biggest Luxury buyers, but they were taking the major part of their sales overseas, both as travellers than as locals with illegal channels. They were becoming more sophisticated, disillusioned from the previous concept in which they believed and aspired for. This dropped to new challenges for Luxury Brands. Chinese in fact, starting from this period did not want to appear like Western people anymore.

Unlike just five years before, now they were initiating to stabilize personal tastes and new ways to represents themselves with Luxury items: a great revolution for the sector, which had to fight against losses and had to change its strategies to bring back Chinese shoppers at home.

⁵² National Bureau of Statistic of China, stas.gov.cn.

“The main reason used to just be that Chinese buyers felt the China price was much higher than abroad, but now, Chinese people are also increasingly seeing that they can have access to the latest designs and more choices abroad, and they also get better service overseas,”

Mr. Zhou Ting, author of 2015 China Luxury Report.

Going deeper, in the course of 2015, 78 percent of Chinese purchases for Luxury products took place outside the home country. Moreover, according to the data from the State Administration of Foreign Exchange, Chinese travellers spent 74.9 billion Dollars in the third quarter of the year, increased by 61 percent from the previous one and by 27 percent from the quarter earlier.⁵³ Their importance begun to be meaningful, but no more China’s market.

In the meanwhile, Luxury shops in China closed, companies’ net profits incredibly felt, and prices had cut, trying to fulfil the gap between West and East sales.

Japan and South Korea, helped to the favourable exchange rate, gained from China’s unfavourable situation; it still was more convenient to Chinese go to the near countries to buy expensive products with more affordable prices.

However, not only Chinese incremented their travels and their purchases abroad, at the same time, new illegal channels, most known as *dàigòu*, caught the attention of those compulsive shoppers. As we already saw in Chapter one, they were able to obtain a Luxury item, with lower price and more varieties of choice, arrived directly from Europe without moving from their houses, just with a simple order.

⁵³ Chiun Wei, *China Has a Yuan for Luxury, But Not at Home*, The Wall Street Journal, November 2015, Hong Kong.

After this, during 2016, due to terrorist attacks in Europe, Chinese did not feel safe to travel in this region. Their contribution, as domestic shoppers than overseas shoppers, to the global Luxury consumption ratio, decreased from 31 percent in 2015 to 30 percent in the course of 2016.

Despite this, the total Chinese consumer expenditure rose by 7 percent, an incredible result compared with the global average levels of 2.3 percent for the same year. Over that year, 7.6 million Chinese households purchased Luxury goods, spending on average 71,000 RMB per year. Those ones thus accounted for over 500 billion RMB in annual spending, still embodying almost a third of the global Luxury market.⁵⁴

With the dropping of Luxury companies' profits of 2016, the lowest level since the financial crisis of 2009, Luxury marketers initiated to focus much more their attention to Chinese consumption's force: a lifeline for their consistent global losses; drivers of growth in the Luxury sector for a profitable future.

It is already known that those companies translated their approach in order to obtain gains from both Chinese travellers and locals. They wanted to become an integrated part of Chinese itinerary outside, and; they desired to catch the attention and increase sales inside the mainland country with other products.

⁵⁴ Bu, Lambert, *2017 China Luxury Report*, McKinseyChina.com, May 2017, p. 6.

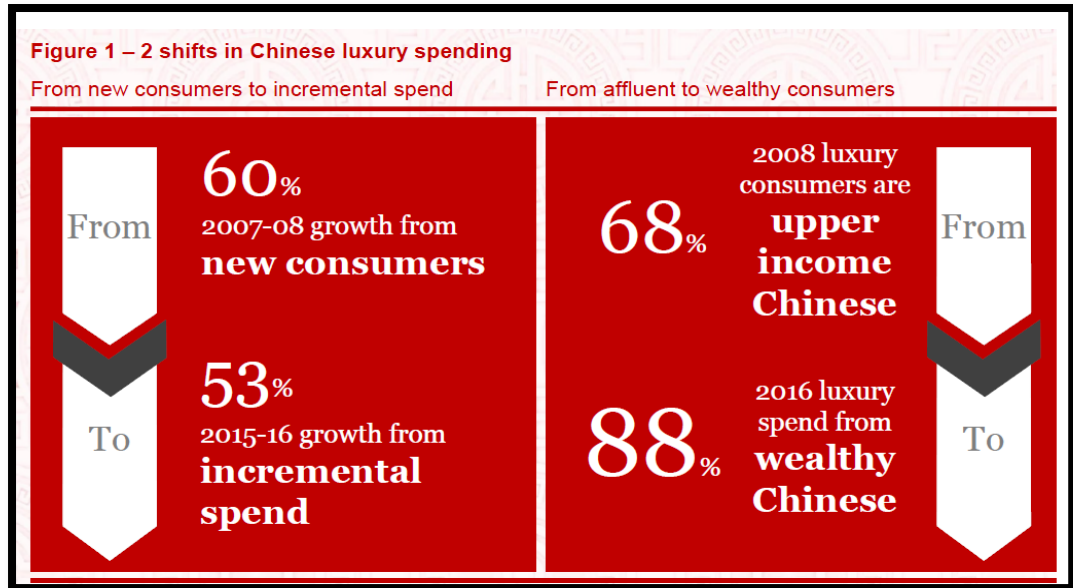


Fig. 10 2017 China Luxury Report, p 2.

Even if from 2008 to 2014, Chinese consumption had an exorbitant growth, passing through 12 percent to 75 percent of total Luxury spending, starting from 2015 the primary driver for the Luxury spending growth had moved from *first-time consumer* to *incremental spending*. Therefore, the objective for Luxury marketers during this declining period composed by 2015-2016 was more focalised to *consumer retention* rather than *customer recruitment*: Chinese had to go back to China.

In the meanwhile, Chinese consumers who have changed in those years their behaviour were becoming more selective. Less satisfied with product assortment, the in-store experience, and the quality of customer service they received when purchasing Luxury goods at home, they passed through a bulimic period to a selective one, from social status to self-confidence and timeless style. They were more sophisticated but always price sensitive to the gap between local and overseas price, so strategies of Luxury Brands initiated to work on these points.

Chinese wanted to feel unique and Luxury companies started to treat them in a unique way, rethinking their mainland China business model. This was the beginning of Wannabe Chinese consumers' period.

With the government efforts made by Deng Xiaoping, implementing tighter customs controls, and with Luxury Brands' adjustments of global price, Chinese people were able to return back to buy at home.

2017 could be considered a success for the Luxury sector, which saw gains after two years of stagnation of the market. Chinese went back, transforming themselves into real Wannabe, conscious consumers of Luxury goods, with finally clear tastes and ideas.

Those people are now the new part of the “maturing” group; they exactly know what they want from the Luxury world, turning into a more selected purchasing process. Being more mature than before, Chinese Wannabe shoppers are changing, become more rational, with own preferences as regards design and style, maybe coming from the higher education that they have. With higher education, in fact, people initiate to create their personal opinion, not following the others.

The fact that Luxury companies were and are changing themselves, evolving into experience and customization, is also associated with this reason: people started to want something new. Even people that were hungry for Luxury items' shopping, like Chinese ones, now are requiring something that was not already tailored for them.⁵⁵

Therefore, Chinese transformed themselves. The time in which they were “*omnivore*” – a people new to the scene – spending their own money with

⁵⁵ Rapp, Jessica, *China's 'Wannabe Consumers' Will Grow the Fastest by 2020*, Says Bain Report, Jingdaily.com, September 2017, China.

compulsive purchases, not caring about the price, it is definitely gone. Chinese Bulimia is definitely over.

This Chinese customer's behaviour has cleared out the space for the Chinese Wannabe. Led by China's middle class, this new category is looking for more uniqueness, aiming to enjoy to the wealthy class of the society.

The majority of this new group is and will be composed by millennials, followed by the next generation Z, but also working-class women and the growing urban middle class.

Going deeper with Chinese millennials, the largest portion of the Wannabe crowd, they are now considered as the key demographic for the Luxury market. With a huge willingness to buy and appear, Luxury companies must rethink their strategies to adapt to a millennial state of mind, which will be a key driver to push the market to €290 billion in sales by 2020.⁵⁶

Indeed, their current high appetite for Luxury products have already pushed the Chinese market up to 142 billion RMB (22.07 billion Dollars) in sales in 2017, approximately 20 percent higher than the year before. According to Bain, it is "*the steepest jump in over half a decade of sluggish growth*".⁵⁷

Thanks to China's family-oriented culture, those big shoppers have less problem on spend in Luxury products compared to their own ages, Western millennials, which faced the global financial crisis and supports student's debts. Being part of the one-child generation, Chinese Wannabe millennials are more spoiled by parents for a more comfortable life.⁵⁸

⁵⁶ Jourdan Adam, *China's young shoppers breathe new life into luxury market*, Reuters.com, January 2018, Shanghai.

⁵⁷ Worley Nicholas, *After a three-year deceleration, domestic China luxury market started to rebound in 2016 and achieved 20% growth in 2017*, Bain.com, January 2018, Shanghai.

⁵⁸ 2017 Global Wealth Reports, Credit Suisse Group.

There has been a rollover: parents, the rising middle class, who once aspired for having the same West lifestyle, now have the possibility to give a healthy and pleasant life to their child. Chinese millennials are enjoying a greater financial freedom and have a disposable income to spend for a Luxury life. However, what has changed from the previous generation is the attitude: the status seeking of their predecessors it is turned into uniqueness and self-confidence.⁵⁹



Fig.11 2017 China Luxury Report pag.7

Looking forward, combining data from the Economist Intelligence Unit and McKinsey & Company's 2017 China Luxury report, this segment is expected to grow with a percentage of 5.5 percent per year, bringing the already Chinese importance for the Luxury market at another level. They will be fundamental customers as never before.⁶⁰

⁵⁹ Rounan Zheng, *What Drives the Heavy Consumption of Chinese Millennials?*, Jingdaily.com, November 2017, China.

⁶⁰ The Economist Intelligence Unit, *The Chinese consumer in 2030*, EIU.com, September 2017.

By 2025, Chinese consumers will account for 44 percent of the total market, reaching in 2030 a share of the entire global economy to almost 50 percent. Chinese shoppers will make half of the global Luxury consumption.

Wealthy Chinese millennials of today, with the generation of the future, generation Z, will be the major drivers for this incredible increase for Luxury items' spending, going to represent 1 trillion RMB for Luxury sales in the world, a number that is comparable to US, UK, Italian, French and Japanese totally markets of 2016.⁶¹

Therefore, it is not surprising that Luxury market initiated to focalise on them, continuously giving more attention to those significant segments. Today Millennials - generation Y- added to generation Z are already important in terms of business, but even more in terms of numbers, keep growing and penetrating the market, requiring new products from Luxury Brands.

Chinese Customisation:

"A new China is emerging with new consumers that were not there five years ago that have different profiles, different expectations and different tastes"

Bruno Lannes, Shanghai-based partner at Bain & Company.

As generation matures so Luxury marketers' strategy too. Luxury companies that operate in China have acknowledged that they need to alter their offers specifically for this market and population's tastes.

The different cultural context, symbols and prices that once are defined at global level all over the sector, are now more focus on the identification of

⁶¹ Bu Lambert, *Chinese luxury consumers: The 1 trillion renminbi opportunity, China Luxury report 2017*, McKinsey&Company, May 2017.

customers, which are now bringing to adjustments to suit better Chinese culture and preferences.

Personal identities are enlarging the definition of a new Luxury. We are passing through *belonging* to *being*.

As previously said, the Luxury world emerged in those years of “revolution” has been headed by millennials and the emerging generation Z.

Like the counterparts of Western millennials, Chinese Wannabe give more attention to the experience in store.

Always similar with millennials of the other side of the world, young Chinese are stimulating the rise of new areas such as Luxury “streetwear” and sporting attire, with an incredibly fast growth during 2017.

Based on Altagamma report 2017 made by Bain & Company, what we always defined “not Luxury products” are now becoming Luxury in order to please the younger generations (Y and Z), especially Asian ones.

Luxury streetwear is the term to identify these new types of goods to attract Millennials. All the new categories had an exponential performance. Sneakers gained 3.5 billion Euros during the first year of New Normal - +10% compared to 2016-; denim 3.2 billion Euros - +15% -; T-shirts 2.5 billion Euros - +25% -; down jackets 2.3 billion Euros - +15% -; parka 1.1 billion Euros - +8% - and rubber slides, a new trend of 2017, gained 0.5 billion Euros but had an outstanding increase of sales of +50%.

This reconfirmed how those generations are influencing the product development of the Luxury companies’ majority and all these data are significant in

terms of business. The market is evolving trying to match expectations of these new shoppers.⁶²

However, what differentiate Chinese millennials from Western ones is the fact that Wannabe millennials are having a transformation of requests and behaviour totally reformed from the previous generation and from their Western owned-ages. They are asking for products especially realized for them, which were not included into the Luxury world before. In addition, they want all of this now. They are definitely the first generation that is always looking for instant gratification, attributing less importance to long-term prosperity as their parents did.⁶³

Indeed, the need for unique purchases is a mere expression of their individuality that came from the one-child fact, to which they belong. It is a reminder of the centre of the attention usually received from the family and, at the same time, symbolizes a differentiation from their peers, especially the Western ones.

They are officially global citizens, but they still put a lot of attention to honour their heritage. Linking the past with future is the new way to personize and see Luxury for Chinese millennials, searching for and requiring to Brands that do not only focus on today but also that allow them to pass through yesterday and tomorrow without distinctions. Already exposed to the most traditional Luxury and their iconic products for years, now they are looking for more novel, new symbols, unique labels, and even new product categories more affiliated with their world. This is the main challenge for the Luxury market and it is already begun.

⁶² D'Arpizzo, Claudia, *Altgamma report 2017*, Bain & Company, p.28.

⁶³ Bina Jasmine, *How Self-Actualization Became the New Luxury for Chinese Millennials*, Jingdaily.com, July 2017, China.

Since it is not possible for Luxury marketers to apply a “*one size fits all*” method, they already started to focus more on Wannabe’s requirements, especially because they are representing the young and wealthy part of the world.

They are defined as Wannabe *fuerdai* – in English, “second generation rich” – which have inherited prosperity from their parents and now are symbolizing a great deal of purchasing power and are spending that money in Luxury items for being recognized as part of the elitist class of the world. They would prefer to buy products designed specifically for their home country and that incorporated Chinese imagery and tradition. Only like that, they could feel unique but always respecting their past and heritage.

With these new needs, Luxury labels evolving themselves. Using traditional Luxury products and the new ones, suitably created for pleasing those requests, they launched special lines of customized goods for Chinese.

“They are seeking more customized products. They want more individuality.”

Zhou Ting, the author of 2015 China Luxury Report.

Customization symbolizes the creation of a unique item and at the same time allows Chinese buyers to express themselves. Those ones give huge importance to these tailored goods – or experience – purposely realized for them. Luxury Brands, instead, use customization with the purpose to stay relevant into the Wannabe shoppers’ mind.

What renders customisation unique is the fact that it is *scarcity distributed*. Not anyone could have your same piece or could have identical personalization over the Luxury item. Luxury companies, in fact, usually create limited editions for their Chinese capsule collection.

There is *collaboration*. Luxury Brands and clients achieve the same satisfaction, with two different ways to achieve the purpose.

However, it is also an *experience*. The involvement and the realization of this limited product bring to a 360-degree experience to satisfy the most insatiable consumers.

As previously said, Luxury conglomerates and Luxury single Brands, initiated to rethink their business strategies for Chinese customers.

Here we are analysing the customization of Luxury products, then we will see the modification introduced for sales and retail and for the communication. Also for those business parts, Luxury companies had to improve changes and to customize their method to approach.

“We’ve changed the way we conduct our business in China and the way we address Chinese clients when they’re abroad, Chinese customers have become sophisticated and highly demanding and we need to adapt.”

Jean-François Palus, Kering managing director.⁶⁴

For their Asian business, Luxury companies started to utilize Chinese symbols. Initially, those had put for draping or for decorating Luxury products; a new pattern connected with the most representative and significant figures of China’s tradition.

The most indicative example of customization is the collection for the Chinese Lunar New Year, which happens in February. Luxury Brands, initiated to create a collection with the Chinese zodiac sign of that year. If 2017 was the year of the rooster and all the Luxury labels put a rooster over their shoes, bags or watches, 2018 is the year of the dog. For Luxury market, this is not just a holiday; it is a real sales opportunity.

⁶⁴ Agnew Hanniet, *Gucci owner adapts to sophisticated Chinese shopper*, Financial Times, May 7th 2017.

The celebration lasts until the Lantern Festival, which is two weeks later the Lunar New Year beginning. This period of festivity is a way to capitalize on the Chinese's appetite for Luxury goods realized for them and build solid relationships, offering limited-edition collections of popular and required international Brands.

Going deeper with this year, Luxury strategies are characterized by the dog. The major part of Luxury labels have incorporated different types of canines in their collection in many different ways with each other.

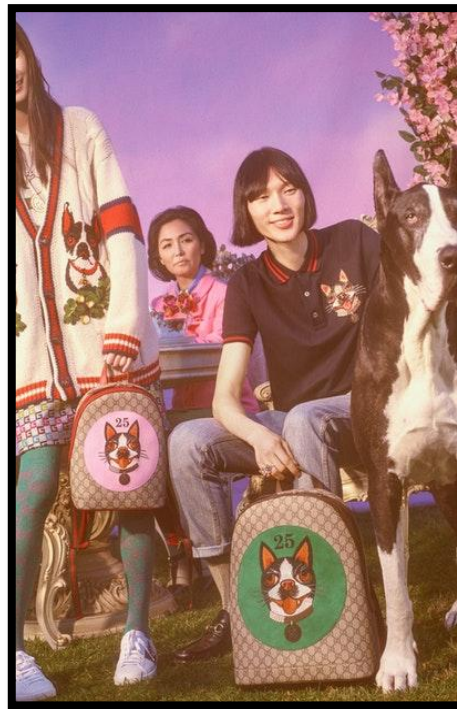


Fig. 12 Gucci Chinese Dog Year collection 2018

February 16th 2018 was the beginning of Chinese New Year celebration, the year of the dog. Gucci is one of several examples, from Louis Vuitton to Bottega Veneta until Fendi, which realized a capsule collection completely dedicated to this animal.

Made of 63 items, from the sweater to the bag, Gucci's designer, Alessandro Michele, has always had an inclination for animals' prints in his collections.

However, this year he created an entire collection dedicated to the man's best friend inspired by his two Boston terriers - Bosco and Orso -.

Collaborating with Unskilled Worker, this capsule includes ready-to-wear both for women than for men, shoes, handbag, accessories, leather goods and luggage always decorated by dog motif in order to appeal Chinese consumers, but also Western people, more and more attracted by these new Asian trends.



Fig. 13 Gucci Chinese Dionysus SS16

Anyway, Gucci had already designed a special purse for celebrating Chinese traditions: Dionysus, the limited edition for Chinese New Year, sold for 3,290 Dollars. This shoulder bag was designed with a hibiscus red leather with gold flowers and closes with a tiger head clasp. All lucky symbols in China, in particular, the red color.



Fig. 14 Vacheron Constantin's watches for Chinese Dog Year 2018

Like every year, the Swiss watchmaker company, Vacheron Constantin, designs a new watch for Lunar New Year's animal. In honour of the dog, the Brand created just twelve pieces for each of the two different models that it offers. In both types, a chiselled canine surrounding 40-millimetre timepiece, that can be in platinum or in rose gold.

The platinum model has a blue dial with a white gold dog at the centre. The rose gold model instead has a pink gold dog on a bronze dial. Both sold for 125,000 Dollars each.

In addition, as regards Luxury watches, also the competitor Chopard made its special edition watch for the year of the dog. The Swiss company used a typical Asian breed, "Akita", on the dial. The 18-karat rose gold watch goes for 24,500 Dollars.



Fig. 15 Chopard's watches for Chinese Dog Year 2018

Chinese Lunar Year became one of the most celebrated holidays all over the world, literally turning into a booming season for Luxury Brands' profits. From apparel to accessories, from alcoholic to house decorations, all these staffs are created with the purpose of satisfying Chinese customers, especially millennials ones, developed into the most crucial people for Luxury consumption at global level. Luxury companies had modified their strategies and their business models, seizing even one of the most significant Chinese tradition, with very deep roots in mainland, as the Lunar New Year, trying to increase customer loyalty and Brands' advocacy there.

But not only with the animals of Lunar Year, Luxury companies had started to put other Chinese symbols, colors and words for their products with the same objective: attracting more customers and being more closed to their tastes and traditions.

Other labels, like Gucci's Dionysus, made for fulfilling Chinese demands, had created Luxury products with the same purpose, utilizing Asia symbols.

One example is Balenciaga, which realized the Balenciaga Bazar, a made in Italy bag with a special animation realized especially for the Chinese New Year celebration. With the same size of the normal Bazar shopper bag, the Chinese edition

of 2016 was characterized by its color: red or black, typical lucky colors in China and for the big knot attached to the bag.



Fig. 16 Balenciaga Bazar bag for Chinese New Year 2016

In China, knots are one of the most used and traditional decorative handcrafts. Since Tang and then Song Dynasties (960-1279 AD), those decorations had the sign of vigor, harmony, and unification, meaningful for the Chinese tradition. Receiving or giving a knot for gift embodies best wishes and Balenciaga has reinterpreted this symbol for its Bazar bag in a strategic way. Purchasing or donating a special edition of the Bazar bag could give to the Chinese consumers a different perspective: have a Luxury product with an own country representation, different from the zodiac animal's image.

However, Balenciaga was not the only one to have created a version of its bag for Asian people using a typical icon for its products. Dior, in fact, launched a limited edition line of bags inspired by Japanese traditions, where there is also, in this case, the knot.



Fig. 17 Dior Samurai bag for Japan, 2007

With a great success, this collection was inspired by Japanese culture, in which the knot means “connection”, used especially during the marriage celebration. John Galliano designed the 1947 Samurai Dior bag already during 2007 for the 60th anniversary of the company. It was put on the market for its Japanese clients, acclaiming a lot of success also by the other countries, not only from Asian ones.

So, here the connection is with the quality of the Western label and customs and tradition of the Nippon country.

The same situation created for Balenciaga Bazar bag happened: Japanese shoppers, more desiring for Luxury products connected with their uses, obtained their personalized goods. In this case, the knot was not hang up to the bag, but it was the bag itself to be composed by the knot for its structure. The lucky and ancient symbol surrounded all over the bag.

For the Chinese New Year of 2018, instead, Dior realized a jewelers collection, named Rose des Vents, another significant symbol both for East than West populations.



Fig. 18 Dior Rose des Vent collection for Chinese New Year 2018

In this case, the French House create another connection, however without the knot. It unites what Mr. Christian Dior loved, with again the Chinese culture. Launched on February 16th 2018, the luxurious and beautiful collection of timepieces and jewels all of which composed of 18K pink gold, diamond and red ceramic bracelet.

Linked with Christian Dior's lucky charm and reinterpreted by the artistic director for jewels of the Brand, Victoire de Castellane, the collection is a perfect match between two different worlds like the Asian and the French.

Not only Mr. Dior loved those figures, they have a lot of importance for Chinese. Red –China's auspicious color -, the star and number eight are both lucky symbols and remembered the Chinese flag.

In addition, in this case, the introduction into the market at the same time with the beginning of Chinese Lunar Year and near to Valentine's Day is a strategical choice. The fact that all these images wish luck, give the possibility to the acquirer, especially a woman, to purchase the product for herself or, if we refer to a man, to make a good gift, consequently increasing the "face value", still important in China.

Those last examples represent that it is important to try to find different strategies for their Chinese consumers' products. In order to do not lack in

originality, using always the same approach with the animal of the year or the same symbols, Luxury marketers must look forward, constantly renew themselves, trying to not lose their appealing for those people again.

However, even if Armani this year has utilized the same typical colors and symbols for its Chinese New Year collection, it tried to amplify its range of products offered to Chinese consumers.

The Italian label celebrated the Year of the Dog across all its Giorgio Armani's range. The color red and the dog's image are predominant in the capsule; from clothes to accessories, Armani put those figures everywhere. Therefore, what is characterizing in its work is the products' extension.

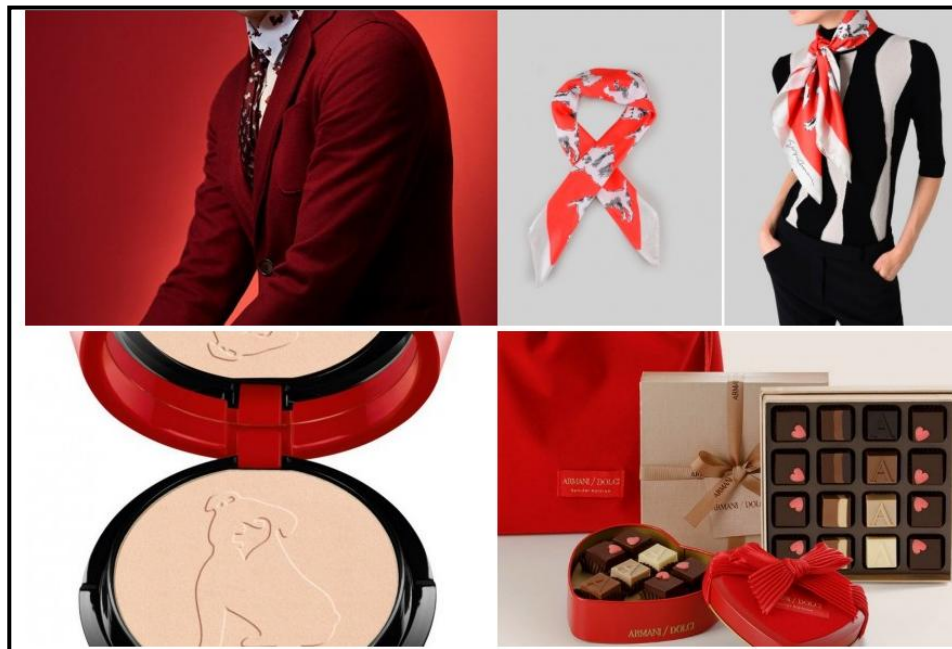


Fig. 19 Giorgio Armani Chinese New Year collection 2018.

The Brand's Chinese New Year for Men, for example, includes a red cashmere jacket sold at 3.000 Euros, a shirt with dog prints sold at 620 Euros, the tie at 140 Euros. Instead, Giorgio Armani for Women is composed by a pea-coat sold at 4.050 Euros, bag at 1.700 Euros and wallet at 690 Euros.

The red neck scarf with the sale price of 420 Euros is in pure silk, the typical Asian texture, always to connect the collection to the country's origins.

For the Beauty part, Armani launched the Chinese New Year highlighter powder palette. Inside the dog is printed over the product and outside, for the red packaging, there is the character *fú* 福 “luck” in English.

Therefore, also Giorgio Armani's Chinese Dog collection was not such innovative for the concept, but more for the great customization for very unusual product. In fact, for 2018, the Italian Fashion House created the Armani Dolci's boxes, offering its limited edition with earl grey chocolate hearts for both Chinese New Year than Valentine's Day. Here there is not the dog or other Chinese traditional symbols, excluding red. However, the message is always the same: create the perfect occasion to celebrate two of the most important holidays in China with a different product, still Luxury.

As already said, Chinese want to experience the Luxury world in each single parts of the day, feeling coddled by those Brands even with other products. Armani caught this occasion, giving the possibility to them to have a chocolate Luxury experience, marked Armani

Therefore, Luxury Brands are trying to create more value for Chinese consumers, by engaging them to what they want and to what they identify themselves. This purpose could bring to more consumption, associated with the oriental culture. In order words, there is a mere intention to create real Brand advocates, which of course should be Chinese ones. These are a kind of group that each company is seeking to develop both for their domestic country that travelers.

This customization for China could be easily defined as a storytelling. Chinese shoppers are asking more and more from Luxury market, they want a story and they

want to attach themselves into, feeling part of it. Luxury Brands, with the capsule collection inspired by the Chinese culture, allow these clients to be related to their favorite products and an additional motivation for purchasing pieces strictly related to their own identity.

Chapter Four: New way to sell. From Luxury Stores to Chinese E-commerce Platforms

“Chinese millennials helped accelerate luxury spending here, particularly in the last year (...) In response, we are seeing luxury brands repositioning themselves to better reach this influential demographic group, particularly through digital media that we know plays an influential role in shaping younger consumers’ opinions about luxury and fashion.”

Bruno Lannes, a Bain partner. Shanghai 2017.

If during the Chinese Bulimia, Chinese middle class had the desire to own Luxury products, craved for showing their wealth to the rest of the world, obsessed with appearing like Western people; consequently, Luxury companies had increased their presence, and their prices, in mainland China, opening an incredible number of stores, trying to take advantage from this phenomenon.

However, with the end of the most prosperous period for the Luxury market, and with the transformation of the Chinese purchasing power class, which preferred to spend their money abroad, Luxury stores started to close all over the country.

New approaches had to come out in order to grow back sales made by Chinese population in their own country. Travellers and grey markets were decreasing the Luxury Brands’ profits obtained since few years before due to the Chinese desires for Luxury goods.

Between 2016 and 2017, China was the country with the major number of shop closures. According to the “*Store wars*” 2017 report published by Proprietary Bernstein Store Count database, about thirty-six Luxury Brands have closed more

than seven thousand stores in the world. For the first time in the Luxury market's history there was a negative net: closures exceeded openings. This is still remembered as "The Great Retail Apocalypse".⁶⁵

China was the area that has counted for the most store closures' number. The invasion of the retail in the mainland started during the Chinese Bulimia had brought to an extreme overexposure, compared to the sales performance that the country actually saw. All of this caused the net closure of 62 Luxury mono-brand stores between 2015 and 2016, a great number for Luxury companies that usually have less than 300 stores around the world, each.

From this situation, Brands with few shops and exposure tried to take advantage, the others instead, like Burberry, have seen the constant cessation of their Chinese activities. A serious blow to the Chinese business of Luxury marketers.⁶⁶

After this turbulent period, 2017 was back to the Normal. Today, based on Bain & Company's 2017 data, Chinese consumers are back to buy also in their home country, increasing the local sales for Luxury Brands in China. As already mentioned, strategies for those companies that operated in China for many years had to change.

In fact, always Bain & Co reported that Chinese shoppers made up 32 percent of the worldwide Luxury market in 2017. Chinese shoppers are more than any other nationality, making China a crucial market for Fashion and Luxury Brands.

The new emergent generation, composed by Wannabe Chinese, brought to a new way to interpret the sales approach. Not only Luxury labels introduced new products for satisfying the millennials' appealing, they initiated to modify their retail

⁶⁵ Twigg Melissa, *Why China led the 'Great Retail Apocalypse of 2017' and how fashion labels are reinventing themselves*, scmp.com, November 2017.

⁶⁶ Blake Morgan, *The Upside Of A Retail Apocalypse*, Forbes.com, February 2018.

operations, trying both to give more attention to the offline experience and to be closer to the new digital approach, become indispensable for that kind of clients.

From the offline to the online experience:

The fight against the unauthorised channels, dàigòu, definitely ended.

Started over the past years, Luxury companies activated themselves for a concentrated effort in order to clean up the grey market business, developed in the entire mainland China. They arrived at the hard decision to buy back the unsold inventory from distributors in order to impede the rise of other unofficial distribution partners, which sold Luxury products with an unbelievable discount from 10 to 65 percent.

Nowadays, Luxury retailers that operate in mainland China, after the end of the crisis between 2015 and 2016, are becoming much more efficient and selective with their Chinese stores.

After the over-expansion, common several years before, Luxury companies had decided to refrain this typical method to approach and, instead, they started to focus their attention on specified “core areas” in order to target those selected consumers. There, Luxury Brands wanted to put or expand their flagship stores, preferring these ones in order to give more emphasis to the experience in store.

Nevertheless, Luxury companies had to deal with millennials’ lifestyle. Wannabe Chinese have emerged as a fundamental key for the Luxury market’s welfare, and all companies have the ambition to amuse every kind of requests started from them. Therefore, based this research always on Bain & Company’s analysis, during 2017 sales of Luxury goods in China jumped by 21.4 percent reaching 142

billion RMB (22 billion Dollars) especially due to Chinese Wannabe's aggressive purchases of those kinds of products.

Due to the rapid pace of change into China's retail environment, European labels needed to stay informed on the latest trends that were emerging inside the country in order to keep up with them. Starting from the offline, the most known and utilised method for Luxury Brands, the main goal of each one was to enhance the in-store retail offering.

So, main keys had emerged from this purpose: emotions, space and design, but also the digital, because nowadays it is important to monitor and operate both with the in-store sales process than through the support of the digitalisation, using the e-commerce. The two worlds must collaborate among themselves.⁶⁷

Anyway, what traditionally has always distinguished the Luxury purchase from other markets was the experience. Younger Chinese were starting to demand more attention during their shopping time. The "unique" sensation required for products, in fact, started to be asked also for the purchasing process: they wanted to be coddled when they were spending their money. Therefore, for this reason Luxury shops in China started to become more selective and targeted. They could not be across the entire country; they had to be in most popular cities of the country like Shanghai, Beijing and Guangzhou, requiring to the population to move in those cities for having a real Luxury experience in store.

Indeed, despite the fact that they are a digital generation, the value of the offline shopping still remains quite important. The introduction of the customized experience during the in-store shopping, made Chinese millennials' necessities filled.

⁶⁷ Woetzel Jonathan, *China's digital economy: A leading global force*, Mckinsey.com, August 2017.

Adding loyal programs or an invitation for an in-store event exceeded their expectations, feeling unique and special.

It is a crucial strategy for Luxury Brands; it is all about creating a connection directly with the citizens, focalising on their details, traditions, and staying in touch. Those are essential key factors for them.

Furthermore, the accurate selection of the interior design and attention given to the potential shoppers in the flagship, became essential firstly to establish a strong presence and be physically around the Chinese country. Used for exclusive events, activation of campaigns and for launching and developing new products, Luxury flagship stores give the possibility to answer to Chinese clients' expectations. They are the "first stone" for building trust and confidence with Chinese population in mainland China.

Anyway, what really matters today are which kind of treatments clients receive during their shopping time in physical stores, more than the design itself. And that is when experience rises.

Experience in-store is becoming very meaningful to potential shoppers.

Beyond the ownership, customers' knowledge and sophistication have increased, so Luxury Brands had to move toward these new trends. If just few years ago Luxury companies could sell in a methodical and homogeneous way all over the world, today shoppers themselves have changed. Luxury companies cannot use anymore the same approach across different countries, they must personalise each one, according to the different need that each country and each person has. There is no more a single market with a single sales method.⁶⁸

⁶⁸ Dalton Matthew, *New wave of Chinese Shoppers Spurges on Luxury Goods*, The Wall Street Journal, 26 January 2018.

More fussy and educated, customers are more demanding for Brand values and care.

According to Boston Consulting Group, the Luxury industry is expanding at 7 percent per year, but China has an annual spending growth in Luxury by around 15 percent. This confirms how important has become satisfy their exigencies. They are giving more significance to the experiencing Luxury part, demonstrating their tastes as much as never before.⁶⁹

To reply to this requirement, the Luxury market is trying to put the experience inside the offering. With the Brand extension or with a more dedicated sales approach in store, customers can live the Brand's vision at 360 degrees.

It is what Bain & Company in its Altagamma 2017 report calls "Be Tourist at Home". The store evolved into a place, in which clients can feel transported into another reality. Another world, the Brand's world, that takes care of its shoppers, offering to them relax and no pain points. And this philosophy is right for that kind of clients, which used to travel a lot. The store represents for them no more a temple but a home, that gives them the possibility to immerse themselves into the most desired world: the Luxury ones. Shop is turning into the epicentre for a complete Luxury experience, in which clients can feel coddled and unique.

Consequently, the purpose for Luxury marketers is to find a way to get a connection with the client at a deeper level. Rather than just selling their products, Luxury Brands want to engage the consumer also in the post-purchase phase, which hopefully could turn into a Brand's advocate.

⁶⁹ *How Consumer Understanding of Luxury Retail is Changing*, Translatemedia.com, February 7th 2017.

The problem is, once again, the same, all sales measures have not to be too available. Exclusivity is still a keyword in the Luxury world, opening this to all type of clients could cheapen the image of the Brand.



Fig. 20 Louis Vuitton Store in Plaza 66, Shanghai

Louis Vuitton got an example to answer to this kind of problem. After its bags turned into a must-have good for the Chinese female population, the French label started to appear like less prestigious and luxurious.

The Brand strategy against it was to send an invitation-only-flood to just the super wealthy part of its clients inside its Shanghai flagship store.⁷⁰ Once arrived there, Chinese purchasers had the possibility to get their hair styled and personalize those “usual” bags according to their own tastes. Thanks to this strategy business, Louis Vuitton rose again its Brand’s value, especially basing it to the exclusivity.

However, despite the more detailed care given for flagship store, newly opened shopping malls are putting less emphasis on “single-shop” experience.

⁷⁰ Lee Melanie, *Louis Vuitton lures China’s super rich with custom leather “art”*, Reuters.com, July 18th 2017.

“Retailtainment” is the new Chinese trend started in 2017, which includes the traditional forms activities done during the shopping time, but, in addition, it has artistic and educational spaces, food and fun.



Fig. 21 Shanghai Luxury Mall

Chinese millennials are spending their days inside them, they can decide through entering a fitness studio, take a coffee, visit a gallery or do shopping, having many multi-brand stores at their disposal. We already know how Chinese people like to travel abroad and this is a way to create a “tourism centres” without moving from the home country.

It is expected that almost seven thousands of new mall will be built across Chinese territory by 2025, creating a new retail method about how consumers can shop Luxury goods.

In fact, Luxury Brands are already using this new formula for their retail sales, being where their core shoppers are used to spend their day.⁷¹

Anyway, as said before, Chinese Wannabe are a digital generation. They want a more technological approach even during their shopping time. To demonstrate this Altagamma 2017 report showed the increase of online retail of the last year about 24 percent. This growth is carried especially by Asia that represents the 28 percent of the entire online retail world users and which had the most implement during 2017, exceeding Europe.⁷²

On the same report, the company announced that the online has become a support platform for physical channels. However, even if in-store retail still has its importance and role, the rise of the online part is starting to be felt. Today physical stores occupy the 91 percent of the entire pie, but by the end of 2025 online retail could grow and reach 25 percent, a fourth of the entire sales method.⁷³

Always much more Luxury labels, such as Gucci and Louis Vuitton, are opening their individual online store in China with a B2C sales process. However, it is not simple to build a complete and appropriate website in China. Luxury Brands must forget their pre-existing site format and create a new page especially for their Chinese shoppers. They cannot simply make their Western site in Mandarin language, they had to have a local server with the .cn domain, so have to build the site locally. Indeed, with Baidu 百度 – China's Google – each site must be interpreted as "vehicle of visibility", optimised by Mandarin keyword searches. Visibility is obtained through Pay per Click and SEO, which increase the sales conversion of people.

⁷¹ Rapp Jessica, *Luxury Brands Continue to Rein In China Expansion as Malls Shift to 'Retailtainment'*, JingDaily.com, February 2017.

⁷² D'arpizzo Claudia, Altagamma 2017 report, Bain & Company, October 2017, p. 22.

⁷³ Ibidem p. 24.

Language, products and contents are re-adapted for Chinese market in order to become qualified and visible during researches.

Indeed, Chinese shoppers, differently from the Western ones, use to purchase their Luxury product more and more by online channels. Those purchasers are starving for this kind of Luxury products and are already searching for them, but for obtaining a great share and increasing traffic and sales, European marketers initially prefer to join to local e-commerce platforms. In order to fill those new necessities, they initiated to embrace the e-commerce way and launched or reorganized their retail strategies making a partnership with the giant players in this sector.

Therefore, Alibaba 阿里巴巴, JD.com 京东 and WeChat 微信 became appealing partners, representing a popular trend for Chinese consumption.

Alibaba 阿里巴巴:

“Luxury brands increasingly want to use new retail technology and consumer insights to connect with younger consumers, as well as drive business-model innovation,” Liu Xiuyun, Tmall fashion unit leader.

This new digital shopping era has started when Alibaba Group in 2015 launched its “New Retail” business model, with the intention to create a new shopping experience for Chinese customers by the connection between the online and offline sales. This new method has given to Luxury department stores the opportunity to revolutionize themselves, promoted by the online shopping site, like Taobao and Tmall, owned by Alibaba Group itself. Evidence of this, according to the Fun Business Intelligence’s annual report, 2017 China has characterised by an incredible performance of the department store sector.

A great number of Luxury Brands have chosen to open their store inside those shopping malls. Determining which department store has major profitability and popularity chances for them, Luxury marketers modified their sales method. The shopping mall, in fact, gives more possibility to attract many people into their personal corner. Using fashion bloggers to promote the shop through their social media channels, Luxury companies are learning how to speak with their Chinese clients, increasing their appeal, image and shoppers' confidence.

With the connection between the offline shopping, though shopping mall, and online shopping, there is the possibility to create an additional shopping experience.

Alibaba Group succeeded in shaking up the traditional way of work in the retail sector. Its "New Retail" model has been created to bring changes inside the retail sector of the country. This represents a great opportunity for Luxury Brands, because they obtained the possibility to increase their customer experience in-store through a Chinese society's initiative.⁷⁴

That is exactly the combination of Alibaba's e-commerce platform with the physical store that goes forward and creates a completely new shopping experience, which uses latest technologies and big data. This is the same expected and required experience emerged through Chinese millennials.

After the period of crisis, in which also big giants like Chanel, Gucci and Dior had to close their physical stores around the mainland China, this new way to sell seems profitable for them. The importance of a tangible experience is still significant for both shoppers than marketers.

⁷⁴ Pan Yiling, *8 High-End Shopping Malls Sought Out by Luxury Brands in China*, JingDaily.com, August 2017.

Based on a study made by Boston Consulting Group in 2017, brick and mortar department stores are delivering for Wannabe shoppers a better omnichannel retail experience, compared with few years ago.

This new way to make retail could be considered far from the ancient definition of Luxury. Luxury, in fact, was more selective, not for all. In this way, especially with the digitalisation, Luxury could be seen as more accessible. This is a significant trade-off for Luxury marketers. They want to stay elitist, but they also must sell to those people that are hungrier for Luxury products.

Despite it, Alibaba Group had the ambition to create a new method to do this business: becoming digital and close as possible with new generations.

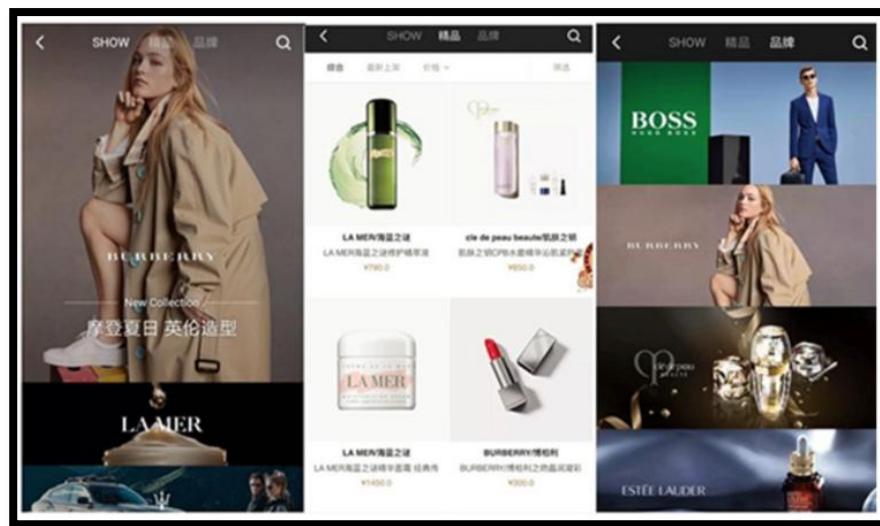


Fig. 22 Alibaba Luxury Pavilion

With the end of July 2017, the Chinese Group has launched, with its B2C site Tmall, the Luxury Pavilion for Luxury and Premium Brands, in which the Chinese Group invested more than 100 million Dollars. It has the purpose of giving to the Luxury market in China a totally dedicated space of its “New Retail” model in order to catch super wealthy shoppers of the country with an exclusive online support.

“Our partnership is not to strengthen the existing retailing pattern that people are familiar with. We hope to see chemical reactions. If we can incubate a type of business model that others have never seen, then we are on the right track”

Daniel Zhang, Alibaba’s chief executive officer.

From the apparel part to beauty, passing through the automotive sectors, the platform created appositely for the Luxury Pavilion comprehends labels such as Burberry, Loewe, and Louis Vuitton but also Guerlain and Maserati; the Group declared that its Pavilion has already taken the first step of multi-phase launch that sees also a complete suite offer of marketing and omni-channel products.

However, all Luxury members already have a flagship store inside Tmall, making easier for Alibaba make a deal with those Luxury private marketers.

Despite usual Alibaba’s sale platforms, Luxury Pavilion is the only one that has just one Brand at a time and the products’ sale is possible only with the platform.⁷⁵

In just one year, it reached an incredible notoriety through Chinese population, especially younger ones. According to Bain & Co. during the fiscal year 2017, Tmall recorded 547 billion Dollars in transactions and 488 million users and a great part of those revenues come from the Pavilion’s clients. Those numbers overcome eBay and Amazon revenues combined. Indeed, it is expected that Alibaba Group will reach 6 trillion RMB – 870 billion dollar – the next year.⁷⁶

Recalling to the trade-off question that influences the way Luxury companies are approaching the new retail method; become “too much accessible” has brought Alibaba to the choice of returning to the “exclusivity” a fundamental element for

⁷⁵ Di Martino Chiara, *Crescono i marchi italiani nel Luxury Pavilion di Tmall*, Preziosamagazine.com, January 2018.

⁷⁶ Bottini Chiara, *Alibaba investe sul lusso*, MF Fashion, May 5th 2018.

Luxury market but also for Chinese Luxury spenders. Therefore, the Chinese giant has created its Pavilion as an invite-only platform.

By invitation-only, the Luxury platform offers the same Brand exclusivity and tailored buying experience that shoppers would have inside a physical store.

The target people, between the over 500 million registered users on Tmall, are the ultra-rich. Defines as APASS, members club of Tmall, which contribute to major part of the annual purchasing record for their shopping online, these are the only ones who can see and enter into the Pavilion.

“Exclusivity is key to this project, hence the invitation-only business scheme to on-board luxury brands on the platform.”

Patrick Nordey, Luxury Pavilion’s chief executive officer of digital inception.

However, the key aspect of this “New Retail” experience is the customized shopping journey. Luxury Pavilion is not mass facing. Using big data from Tmall’s server, it can get personal information about each of its ultra-rich clients and create a customized homepage based on them. In addition, it can personalize Brands’ pages and give an individual post-purchase customer service. This is a clear link with the Chinese expectations and what Luxury Brands usually offer in store. This has the objective to imitate the real offline shopping process, but rendering it more interactive due to the advanced technology and virtual reality that the big Chinese company has at its disposal. A real tailor-made shopping experience that combines the typical store process with the emergent digitalisation, become essential in those last years.⁷⁷

It is part of the larger “New Retail” project, which leverages elements of online and offline sales. It passes through consumer engagement arriving at smart logistics

⁷⁷ Big Brands supportino Luxury Pavilion, Inside retail Asia, August 8th 2017.

and delivering a complete shopping experience in order to capture the attention of China's most desired purchasers segment: millennials.

It is not surprising that more and more Luxury labels want to enter into such new and innovative retail business in order to become closer to their younger purchasers.

Adding to all these comforts, Alibaba provides for its Western Luxury partners essential marketing and branding tools, which allow these ones to obtain a more secure engagement with locals, still hanged to their usages and traditions. Once Luxury Brands have obtained the engage, they have the possibility to connect their online sales with the offline business, still relevant for the ancient Luxury concept.⁷⁸

To capitalize on this trend, Luxury Brands started to put their flagship store into this exclusive channel made for Chinese VIP shoppers in order to sell their Luxury products directly in China.

For example, the Spanish Luxury label, Loewe, just after a week from the Luxury Pavilion's opening, initiated to sell through the platform its limited-edition handbag. Those bags were tailor-made appositely for Chinese clients for celebrating Valentine's Day that in China in 2017 happened on August 28th.

⁷⁸ Yiling Pan, *Alibaba Unveils Exclusive Luxury Pavilion Courting Super-Wealthy Chinese Shoppers*, JingDaily.com, August 2nd 2017.

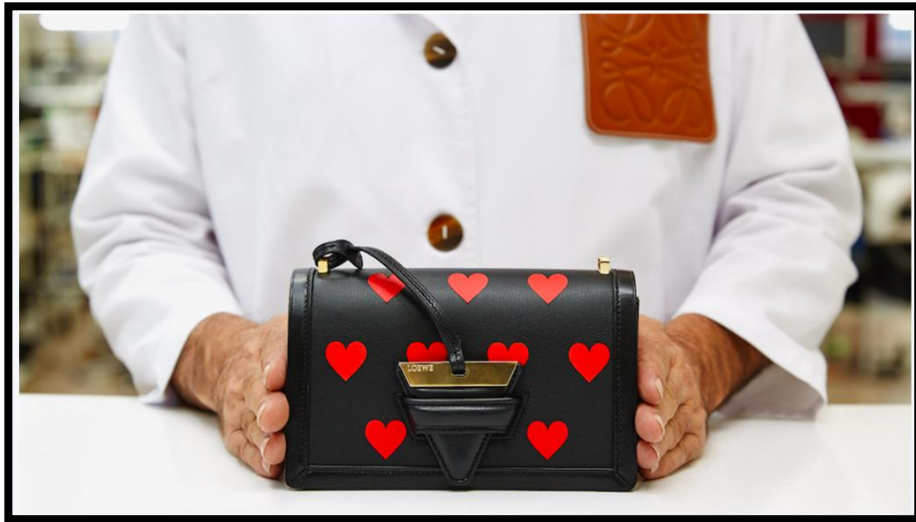


Fig. 23 Loewe Barcelona Bag, Limited edition for Valentine's Day

The creative directors Jonathan Anderson decorated Barcelona bags with red hearts, with the purpose to push the Chinese lovers to buy and make a great gift for celebrating love. However, as previously said, exclusivity is a fundamental key for the Luxury idea and for Luxury Pavilion, so the LVMH's member let just ninety-nine bags available, each one sold for 15,900 RMB – 2,380 Dollars – .⁷⁹

Indeed, Loewe's arrival on the Alibaba's Luxury platform symbolizes the first time for an LVMH's venture to sell on China's e-commerce market. Moreover, Loewe became the first Luxury Brand that has offered 24-hour flash sales in its space, called "Tspace". Those sales, opened to just super rich shoppers, could purchase the proposed items a day before the other members.

The exclusive sale has lasted a week and it was a success. This is another confirmation of how Alibaba's "New Retail" model can work with ancient West Luxury companies and attract young and hungry Chinese clients.

⁷⁹ Yiling Pan, *Tmall's New Luxury Pavilion Taps Spanish Luxury Brand Loewe for Special Sale*, JingDaily.com, August 9th 2017.

JD.com 京东:

“Working with Toplife, luxury brands are able to directly provide customers throughout China with a true luxury shopping experience previously only associated with high-end offline stores. (...) [Toplife] is a luxury e-commerce ecosystem that provides a truly premium shopping experience, and helps [our] partners tell their brand story to local consumers”

Richard Liu, chairman and chief executive officer of JD.com.

The Alibaba’s main competitor is JD.com, also known as Jingdong, another Chinese e-commerce company. With Alibaba, JD.com is one of the two major B2C online retailer players that work in China. Expanded all over the world, the company offers an e-commerce platform and a delivery service.

From October 2017, Jingdong has launched Toplife, a Luxury online platform that allows obtaining a customized shopping experience even not in a brick and mortar store but through the e-commerce. This special platform for Luxury shoppers offers same-day delivery, premium services, like the extra clean of the bought product, and zero tolerance toward counterfeit items.

Indeed, to become more appealing, in April 2018, the Chinese company made a pitch in order to attract more European Luxury labels proposing to them a faster delivery and a better protection against fake staffs. Two factors that still worry Western companies. Moreover, JD.com promises to do these better than its rival, thanks to its own logistics that allow it to ship sold original products by the delivery offer in one/two hours.⁸⁰

According to the company’s announcement, Toplife has already signed a partnership with 20 Luxury Brands, in particular from Kering Group, which during

⁸⁰ Thomasson Emma, *China’s JD.com makes push to lure European Luxury Brands*, Reuters.com, April 2018.

2017 accused Alibaba to sell counterfeit products. Therefore Yves Saint Laurent and Alexander McQueen are part of the JD.com roster of Brands, but also Trussardi, La Perla and Giorgio Armani, attracted by its purpose.⁸¹

Indeed, for some of them was the very first online presence in China. JD.com has the object to make easier and faster the “last mile” process for selling and creating a good experience in a far country like China.

With Toplife, European companies not only have control and can personalize their entire store’s aspects; they have the access to Jingdong’s local logistics network, essential for the customer care service.⁸²

However, what ensures this action is a white-gloved employee in suit that sends the delivered product. Dressed in a black suit, dark grey tie and white gloves, those couriers act as expert consultants that suggest the customers going directly into their own house. Arriving by electric cars, this delivery method differentiates Toplife from the rest, guaranteeing a faster and safer Luxury emotional experience directly at home, making shopper feel privileged.

The service is currently available in major cities like Beijing, Shanghai, Chengdu, Guangzhou and Shenzhen. For the first two the estimated time is less than 90 minutes starting from the moment of payment until the delivery.

Saint Laurent has been attracted from these factors and starting from January 2018 initiates to sell in China through JD.com online portal, trying to fulfil the strong demand from Chinese Luxury shoppers.

Already selling its product through Farfetch, the Western e-commerce company associated with JD.com in order to bring Luxury product in China, it aims

⁸¹ Bottini Chiara, *Contraffazione, dopo Kors anche Gucci lascia lacc per protesta contro Alibaba*, MF Fashion, May 10th 2016.

⁸² Chitrakorn Katy, *JD. Com Launches Luxury Platform*, Business of Fashion, October 10th 2017.

to offer the entire line selection, including women and menswear collections through JD.com portal.

The scope of the French label, according to Francesca Bellettini, president and chief executive of the Brand, is to woo Chinese buyers and implement the omnichannel development in mainland China, always with a top-level Luxury process.⁸³

Added to the sale process, Brand's videos, shooting campaigns and news are available on the Chinese platform. This is not just a way to sell, but also to communicate and engage.

The online shopping proposal encourages Luxury companies to enter into this world, attracted by profitable earnings, even if in this way they could be distributed too widely or lose control of their image. Therefore, Toplife, but also Luxury Pavilion, create the right compromise, remaining exclusive for some part of the entire Chinese population, but utilizing a well know partner as sales platform.⁸⁴

⁸³ White Sarah, *Saint Laurent launches on JD.com Luxury Platform, Toplife*, Business of Fashion, January 2018.

⁸⁴ Diderich Joelle, *Saint Laurent joins JD.com's Luxury Online Channel Toplife*, WWD.com, January 8th 2018.

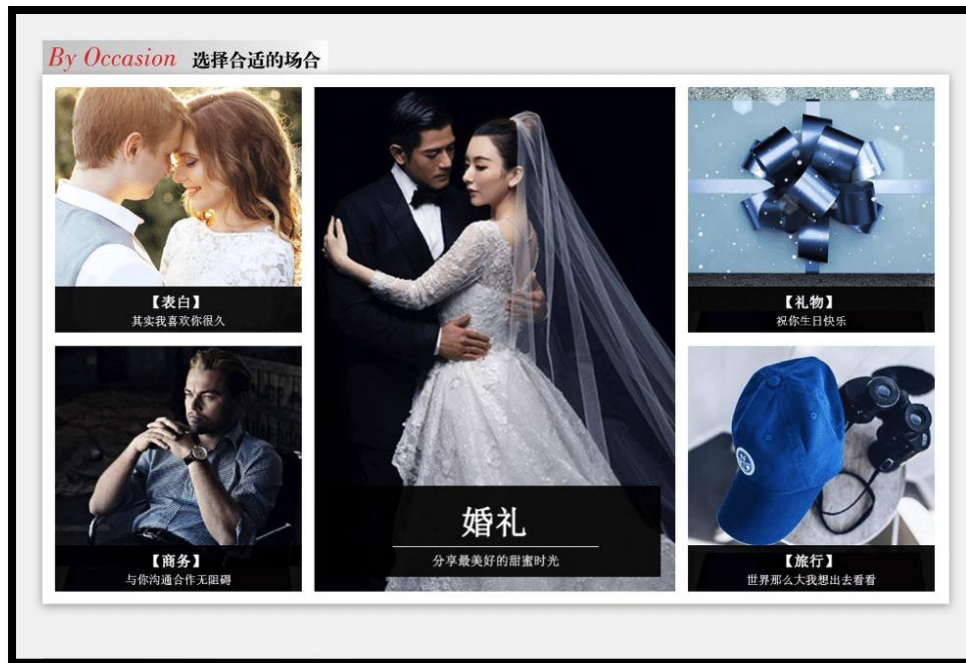


Fig. 25 TopLife's Gift section.

Moreover, China is known as a gift-giving culture, so the platform offers a dedicated page by which Chinese purchasers can browse and select gifts based on occasion, gender, age, price, categories and even by their shipping location.

Therefore, the end goal for Luxury is to open stores on Tmall or JD.com in order to increase their image in China and get more engagement from its population, since these are the most well-known cross-border platforms, which dominated the mainland market. Nowadays, Luxury companies are profiting from those platforms for both physical store and digital methods of retail. Those are completely different respect to the West approach, in which the Brand itself is the main manager of the e-commerce platforms.

Based on KPMG research, Chinese will make the major part of their shopping through online sites by 2020. The change in consumer behaviour and the dàigòu's stop have aroused the two big Chinese e-tailers to add the Luxury market into their business. Already reached notoriety and popularity among China's people with mass-market Brands, Luxury companies also for them represent a significant opportunity to become more attractive.

If since the beginning of 2017, 100 percent of mass labels were present on Tmall and 98 percent on JD.com, however just 24 percent of Luxury Brands have an official presence on Tmall and only 10 percent on JD.com.

Indeed, Alibaba's Tmall and JD.com, since years are fighting against counterfeiting. This help to convince Luxury market to enter into Chinese e-commerce business. From the other side, the online reputation is fundamental for selling through an e-commerce platform in China. Chinese people have to trust in the Brand, so they give a lot of importance to the online reputation before buying an item. They will not purchase a staff if the website has a bad "e-reputation". So, it is not surprising that most of Luxury Brands, before starting to use other sale methods, make a partnership with those Chinese e-commerce companies. Those ones, not only are a good springboard for their online sales into mainland China, but also allow Luxury companies to get credibility and trust of the Chinese digital population.

Therefore, collaborating with Chinese influencers and celebrities, Alibaba and JD.com increase these meaningful aspects for the Chinese Luxury market's business. Once obtained trust and validity, Luxury companies can dive themselves into the Chinese e-commerce world by using other ways, for example creating an independent e-commerce site managed by themselves. In this case, Luxury online flagship stores inside Tmall and JD.com will be more appropriate to serve as a channel for marketing scopes than for a way for selling Luxury products.

Anyway, it is already known how important is for Chinese millennials have a new way to approach the Luxury world and so Luxury market is constantly moving into their direction. However, besides Alibaba's Tmall and JD.com's Toplife take up

the major part of China's online Luxury retail pie, starting from past few years other e-commerce sites arose.⁸⁵

In addition to the most used B2C method there is the O2O: online to offline and vice versa.

To explain the O2O business of Luxury Brands in China, there is 5lux.com, another main Luxury e-commerce site in China. Through its partners there are names like Gucci and Cartier. 5lux.com offers to Chinese potential shoppers the possibility to orders online what they like and then go in store to buy and take the selected product. Opposite, there is also the possibility to buy in the store but have the item delivered directly at home. This reflects the necessity to have different and differentiated options, moved by Chinese shoppers and helpful for improving the interaction with consumers but also for enhancing client preferences' comprehension.

Ranging from clothing to electronics, the Chinese platform collaborates with its Western partners, supporting their O2O model. Even if many Luxury companies are still conservative to offer promotional sales through an online channel, 5lux.com gives the possibility to its Chinese shoppers to have a year-round discount from 20 percent to 80 percent. It incentives clients to repeat purchases.

In the end, it could be right to say that, in just few years, China has seen a great transformation.

If previously Luxury Brands were scared to enter into these online sales in China, now they are taking advantage from it. Many Luxury companies are in those

⁸⁵ Yiling Pan, *Alibaba's New Retail Model: a Better Omni-Channel Experience for Luxury Consumers?*, JingDaily.com, March 1st 2017.

last years entering into the mainland e-retail market, valued 5 trillion RMB – 751 billion US – which offers always new and innovative ways to sell.

According to CBRE's 2017 Asia Pacific Real Estate Market Outlook report, thanks to the e-commerce wave, by 2020 the sales obtained from this new trend are expected to rise from 15 percent to 24 percent on the entire retail Asian market share.⁸⁶

The e-commerce escalation, in fact, had changed significantly the way Luxury companies do their business in this country. Today the web has become the best way to be relevant in the Chinese Luxury market, through digital strategies and always-new tools. In fact, the e-commerce is carrying a strong influence over Chinese purchasers and for a Luxury company's sales business model, but the web is no more the only method available.

“Brands are going where the consumer is. The promise of China's market is too big for luxury brands to ignore. They also can't ignore the fact that online, especially via mobile devices, is increasingly how China's Wannabe are shopping for luxury goods”.

Andria Cheng, analyst at eMarketer, August 2017.

⁸⁶ 2017 Asia Pacific Real Estate Market Outlook report, CBRE, 2017.

WeChat 微信:

Nowadays, more than 92 percent of global Luxury Brands already have a WeChat account. WeChat is the most popular mobile messaging application in China. It is the Asian fusion of our Facebook, Twitter, WhatsApp and Instagram, that also allows users to buy products online and manage their life with a simple click.

Once the Luxury Brand has an official account, it can take advantage from all the features that are inside on this app, like geolocation, push notifications, e-commerce and even customer service capabilities. In this way a company not only can sell its products but also increase its CRM part in China.

The owner of the app, Tencent Holdings Ltd. is trying to increase its range of partners for its app with the purpose to open a completely new frontier for the online retail. During 2017 a lot of European Luxury labels from Burberry to Givenchy have entered into this new way to sell, testing their potential demand through flash sales on the app.

This a real challenge for the Chinese society, which wants to overcome the competitor, Alibaba Group Holding Ltd. that still is the dominant player for the e-commerce. However, what makes a distinction between WeChat and the rest is the fact that this one is a social media, in which Brands can directly sell through their page.⁸⁷

Also in this case Wannabe Chinese act differently from the Western counterpart. If a Luxury label tries to sell on social media or chat apps would not reach the same appeal as in China. Tencent, in fact, since years is creating a virtual world inside its app. Inside this online ecosystem users can book movie tickets, order laundry pickup, receive delivered food, take appointments with doctors or

⁸⁷ Chi Kathy, *Luxury Fashion Brands start to sell on China's WeChat messaging App*, theWallstreetjournal.com, May 28th 2017.

hairdressers and pay for every kind of utilities without leaving the app. It is not surprising that a digital population like the Chinese one has been attracted by this comfortable and simplified method, reaching more than 900 million subscribers.

Luxury Brands became very fascinated from this and started to consider it as a new practice, encouraged from the fact that starting from 2017 the platform allows to launch multimedia advertising and set up shops right into the app. This 360 degrees offer results incredibly appealing for Luxury companies with the objective to create an engagement with the fruitful customers.

Indeed, thanks to the secure payment method, WeChat Pay, a mobile wallet that can be only used for Tencent's platform transactions, Chinese and Western companies are both encouraged for utilising this chat app in order to purchase and merchandise Luxury products. The same secure method is available for Tmall and Toplife's payments. However the distinguishing characteristic that WeChat has is the possibility to not lose the management of their sales as could appear when a Luxury Brand makes a partnership with an e-commerce. In fact, with WeChat each label has its personal profile that can administer, always with the help of a Chinese society.

In order to buy a product, the user must follow the Brand's page or scan the QR code for being taken into the Brand's site. From social media, they are quickly passing into sales. There are not "one-time sales", but real stores inside the app. Burberry and Cartier are just two examples of many stores that have already opened their full shops on WeChat, in order to adapt themselves to the most digitalised market in the entire world of today. This is a practice to increase the engagement level of the Brand, and seems that it is working well, despite the fact the risk to lose completely the physical approach.

Due to the incredible notoriety level reached through Chinese and Luxury market, for 2018 Tencent decided to apply new features for its WeChat platform.

Allen Zhang, the creator of WeChat, announced at the end of 2017 four new strategies for helping Luxury Brands with their sales during the year of the dog.⁸⁸

- Official Accounts used by Brands. This section will allow those marketers to obtain more control of their sales and give to users more contents without subscriptions as it is on the normal app. Users will decide which kind of content want to see, searching directly the Brand they want to buy. In this way, Western labels have to enhance the quality of their contents, a key driver for their sales.
- Mini-programs. Starting from the offline, Luxury Brands usually create an emotional connection with shoppers in store. With the beginning of the Year of the Dog WeChat wants to link itself with its Mini Programs, building a unique omni-channel that will help European labels to be closely connected with Chinese online consumers. It is not just a sales method, it involves the experience thanks to the exclusive access, convenience and customization. The French Brand, Longchamp, for example, with its Mini Program allows its buyers to customize tote bags directly on the app. The automotive firm Tesla, instead gives information regarding charging stations. This is a targeted approach for enhancing the customer care level of each label that utilizes the Chinese app.
- Detailing integration of official websites and mobile payments within the app. Chinese customers are not confidential to input their personal credit card data on websites, unless they are Alibaba or JD.com. So, for

⁸⁸ Rounan Zheng, *5 Chinese New Year Resolutions for Luxury Brands on WeChat*, Jing Daily, February 18th 2018.

fear they always had preferred a more secure way to make their online purchases. WeChat already as a secure method of payment, but it did not comprehend the sales through official Luxury website. However, according to a survey conducted by Bain & Company in 2017, seventy percent of Chinese shoppers would prefer to buy directly on Brands' websites, a guarantee of authenticity and exclusivity. So, the WeChat's CEO decided to give the possibility to its subscribers to pass from the trusted app directly to the official website, without the risk to buy in a fake one. Once decided which products they want to purchase, they can use the same credit card registered on WeChat, without the necessity to insert their personal information again. This method aims to increase the trust towards Luxury purchases but also towards the app itself.

- Using WeChat as its Customer Relation Manager. Each Brand has the possibility to create a personalized communication with every single shopper who is looking for Luxury goods on the platform and maybe needs some help and informations.

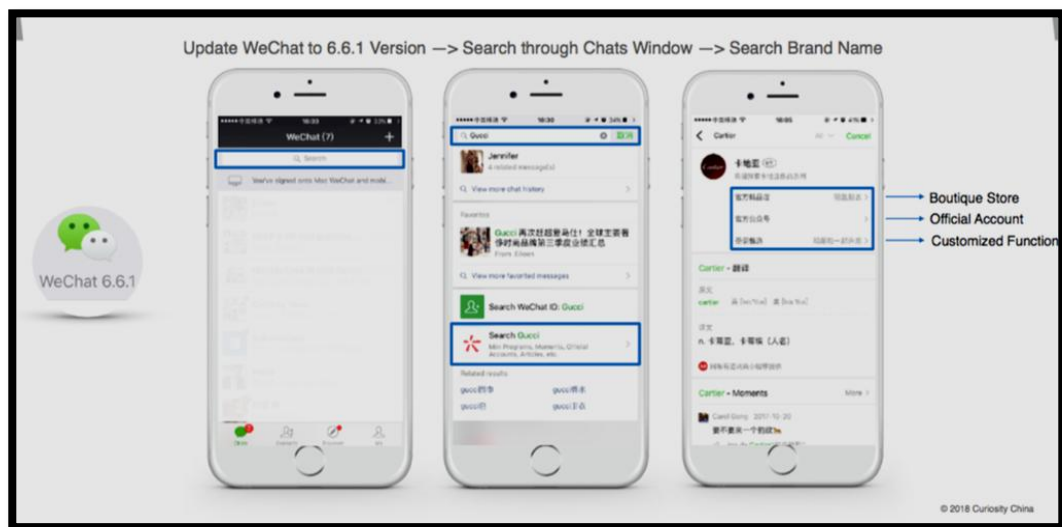


Fig. 26 WeChat Brand Zone, launched in 2017.

All those news have created the “Brand zone”. With the 6.6.1 version of December 2017, the most popular app in China is allowing its Luxury partners to display their official WeChat accounts, boutique stores and customized contents to users even if they were not subscribed to those contents⁸⁹. All Brand’s informations appear when a person searches for the Brand.

In this way, added a lot a new measures, Tencent had the ambition to build its app as an all-encompassing digital platform. Marketing, e-commerce and payments happen in a unique area: the Brand zone. The app in this case helps to assist sales, supporting Luxury labels to pass from acquisitions to retention, a key aspect for European companies.

Therefore, WeChat will continue to evolve within Chinese dynamic digital ecosystem and also European Luxury marketers keep follow this movement in order to convert more Wannabe into loyal clients as much as they can.

During 2016, while the entire Luxury market was focalized to survive and find a way to increase their profit in China, Dior and Bulgari already had started to sell

⁸⁹ Williams Gemma, *WeChat stores are China’s latest Luxury craze*, Business of Fashion, June 5th 2017.

through WeChat for the Qixi Festival holiday, Valentine's Day, happened on August 9th.

Both European labels became the first Luxury companies to sell their products and receive payments by WeChat's payment system. In order to please Chinese shoppers during one of the most important days in China, they offered a limited-time sales of the special-edition collection, announced just one day before the opening.

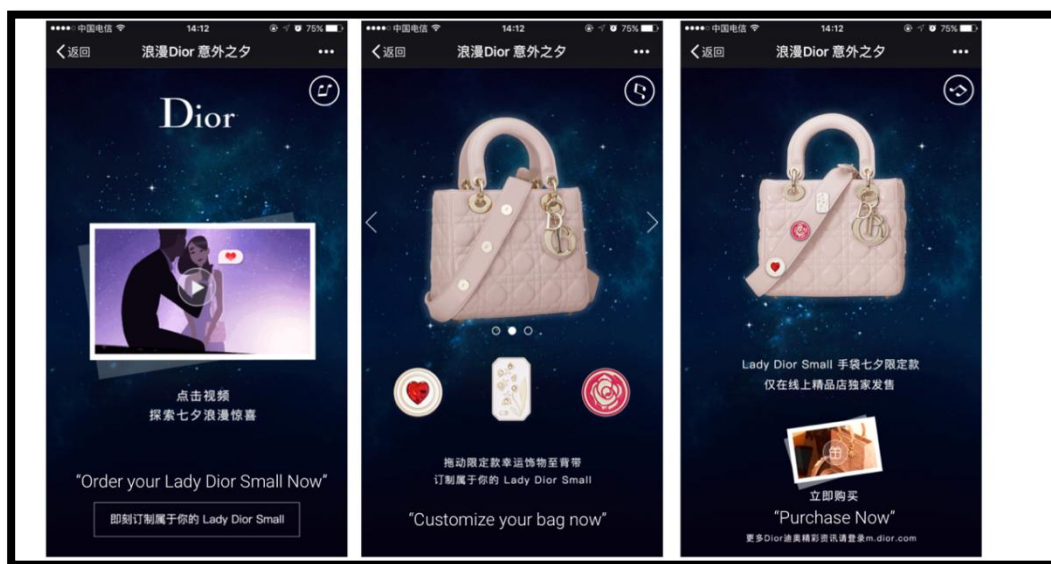


Fig. 27 Dior Lady Dior Small Handbag special edition for WeChat.

The French house, Dior, launched a special pink version of its Lady Dior Small handbag which could be purchased for 28,000 RMB – 4,210 Dollars – with the possibility to personalize the online picture and tailor-make based on their needs before order and pay it. Dior made available just 200 pieces for a limited time of four days; however the Brand reported that all bags were sold the second day of the promotion.⁹⁰

⁹⁰ Arnault Sylvain, *Dior pionnier de la vente de produits de luxe sur la messagerie chinoise WeChat*, L'usineDigital.fr, August 16th 2016.

Indeed, if now the entire Luxury market relies on WeChat to sell and communicate with Chinese population, the French companies had already initiated this process by itself. Chinese superstars, like Chen Yifei and Li Bingbing pose for Dior's campaign, increasing the audience and the credibility of the Brand in China.

The scope was taking advantage more in terms of marketing than in terms of actual sales. In fact, even if the French LVMH label has sold the entire bags available in just two days, it also had put the same special edition in its stores, announcing always on WeChat to customers to go into the physical store and purchase.

Dior case had an incredible success that other Luxury Brands has decided to follow the same strategy and communicate and sell through the most used and famous Chinese app.

This last example confirms how Luxury market is keeping to move into the digital world, creating always new methods to sell its products. In the WeChat case, Tencent, unlike Alibaba and JD.com, doesn't sell any Luxury product by itself, but Luxury Brands are who decide to open a shop inside it and sell directly to Chinese clients. This is a more direct and interactive approach than the other e-commerce sites.

Anyway, thanks to the digitalization, in any of its formats, Chinese have obtained goods, which could not be found in brick and mortar stores before. Reaching more people and offering Western Luxury products without the necessity to exit from the country. Luxury labels are deeply entered in the usages of mainland China, without losing the experience part, still important both for Luxury market and for Chinese.

Chapter Five: Changes in Communication for Chinese Consumers

With the raise of digital era and social media, the entire Luxury market faced a new challenge. Each label had to change its communication and marketing approach in order to keep up modern times and methods.

These new technologies brought to a big trade-off for Luxury sector: open their vision and their world, always been exclusive for the elitist part, to the mass or keep stay more close and not be so involved to the new digitalization?

The major part of Luxury Brands decided to take the challenge and open themselves to a new massive and digital approach, always trying to differentiate themselves from the rest, but, at the same time, aiming to reach more engagement with the young and healthy generation: their future buyers. Therefore, Luxury companies moved through the social media's world and became as closer as ever to its consumers.

However, West and East have completely different platforms in which Luxury Brands can communicate. Even if they had started to face new technologies in the part of the world in which they used to work, now, with their “adaptation” to Asian tradition and uses, those companies had to learn and practice their tools, in order to be able to communicate with their main clients.

Thus, as new collections of Luxury products arose for Chinese and new sales method born for the mainland China market, also a new way of communication has started. Communicating with Chinese, for Luxury companies, has never been easy; however, with the emergence of personal tastes, this population have obtained the privilege to make their own choices and influence the marketing strategy business of Western Luxury labels.

Marketing strategy for a Luxury Brand is a key aspect, its image is based on the representation spread through possible future clients, so the advertisement has the goal to increase the engagement and the connection between the Brand and its consumers in order to make those last ones loyal clients.

However communicate with another culture is not easy. Few years ago, many companies believed that they can use the same campaign for different markets, just translating it into a new language. Today it is no more so easy. Thus, even if, since few years ago, Chinese purchased Luxury products just to increase their *face* value and seem like Western people, over time they had become essential clients for the market, enough to modify the entire business strategies for fulfilling their needs and become closer to their usages.

Nowadays Chinese tastes and preferences are different from Western culture, so Luxury companies had to start a new way to transmit for them.

China represents one of the most challenging market as regards communication. In mainland China, Luxury marketers faced an incredible selection of platforms' options, that are eroding more and more traditional media's dominance for the advertising. Each one gives a new approach for engaging with Chinese shoppers, but it is different from the usual method used by Western labels. The main challenge in this case is evaluate and choice the most useful for their marketing strategy and the effectiveness of it, with the main purpose of generating higher returns and conversions.⁹¹

Modifying themselves also in communication, Luxury Western companies must needed to understand how to appeal Chinese consumers through different

⁹¹ Zhang Lucy, *Advertising in a New Age of Media*, China Business review, January 1st 2011.

channels in order to adapt themselves and their story to Chinese traditions, reducing the gap between these worlds.

Since years, most of shoppers around the world are fascinating with the narrative that surrounding products and Luxury societies know how to create a story around their goods. Clients want to find something unique, something that enhance the Brand from the rest and increase its meaning and the value of the person whose wear this things. Being emotionally connected with customers is a fundamental aspect for each Luxury marketers and so a constructed narrative has become as important as ever. For this reason storytelling arose. Products started to be associated with a great story that can, consequently, elevate the Brand itself.

Moreover, what Chinese had always wanted was to be part of the Brand. Uniqueness turned into their way of life. Nowadays, they don't want to just buy a Luxury product for their appearance or to be closer to the West, they want to be different from the rest, be a special client for the Brand, feel unique and part of it.

Adaptation to Chinese traditions passed through different channels. Luxury marketers had already used some of these, but never seen before others. They initiated to collaborate with Chinese people, to utilize their channels and to organize events in mainland China.

Advertising Campaign – the People:



Fig. 28 Fan Bingbing for Louis Vuitton SS17 campaign

A revolutionary approach for the advertising campaign happened. If previously Luxury company could use the same picture at global level, changing just the description over the photo into the language of the country in which it would appear, today this is not possible anymore.

Nowadays, for a shooting campaign to sponsor in China, Luxury labels have to be extremely careful about their choices.

Before the enhance of their personalities and the definition of their personal tastes, Luxury labels' strategy was more about the utilization of famous and beautiful Western people, which attracted Asia shoppers to purchase more and more Luxury

staffs, giving the idea that they could be the same people of the other side of the world, increasing exponentially sales made.⁹²

However, Chinese shoppers' behavior has changed across the years, becoming more conscious and self-confident about its purchases. Chinese want to see part of their culture also inside the Brand itself and through its communication and image: they become integral part of the Brand in each its aspects.

Thus, Luxury market started to change its approach also for advertising campaigns.

Conscious about those changes, Louis Vuitton launched its collection in China using not only Chinese words to explain products to the customers in their language, in addition the most performing label of LVMH was one of the firsts to elect as Brand Ambassador a Chinese celebrity.

Fan Bingbing 范冰冰, in fact, is a China's actress, model, television producer and pop singer, and in 2014, Fan was listed in first place on Forbes' list of the Top 100 Most Influential Chinese Stars. Thus, Louis Vuitton chose her in order to bridge the gap between East and West Luxury-Fashion world. This decision let the label to relieve its image and, most of all, its credibility to the Asian society, seeing efforts made by the Brand to approach a new culture and be closer to it. Any surprises that the French label became one of the favorite Luxury Brand for Chinese shoppers.

The other companies, attracted by the influence obtained by electing a Chinese celebrity as Brand Ambassador, followed this example and chose KOLs – *Key Opinion Leader* - to enhance their credibility and their sales into mainland China.

⁹² Checchinato Francesca, Calapinto Claudia, Giusto Alice, *Advertising in the luxury sector in China: standardisation or adaptation? A comparison between China and Italy*, A Globalization of Chinese Business, 2014, pp 241-250.

Adding to Chinese capsule collections created especially for their main occasions, adapting to their new sales channels' methods, Chinese people, especially celebrities ones, had turned into characters of the offline sales advertising campaigns, increasing the starvation of Chinese shoppers for Luxury goods as never before.

We already analyzed the realization of limited Chinese capsule collections and the sales methodologies utilized by Luxury Brands, but now we will see the people used in order to increase the presence through marketing offline channels. Starting from recent years, Luxury labels are making secure partnerships with China's celebrities, with the purpose to reach clients, especially millennials ones. The Brand Ambassador's figure had become incredibly important for establishing, but also enhancing and maintaining the company's image.⁹³

Decide which Western start use for a campaign is more easy than decide an Asia ones; a wrong choice could bring to a damaging consequence for the reputation of the marketer. There is an accurate analysis based on this decision, as a great work for the communication of the Brand in China is entrusted to the Brand Ambassador chosen by the company.

From Zhou Dongy, named Burberry's first Chinese female Brand Ambassador to Yang Yang for Montblanc, celebrities are icons for Luxury communication with the Chinese next generation, which going to increase Luxury consumes that already accounts for one-third of the global Luxury spending.

Those people are having the major impact during this recent time. They communicate for the Brand across the society, they represent the Brand inside the country. Though participation on events and fashion shows, plus being part of

⁹³ Lotus Ruan, *10 Rising Female Brand Ambassadors in China You Should Know*, JingDaily.com, July 28th 2017.

shooting campaigns, the level of attendance of Luxury Brands has increased in China.

However, as already said, Chinese are a digital society. There are more than 700 millions of internet users and mobile owners. Internet has become the main priority of a good marketing program.

The problem arose with the digitalization for using Chinese celebrities as Brand Ambassadors is that if the label makes a wrong decision the negative result will virally spread.

An example of this was Dior, which named Angelababy 杨颖, a very young Chinese model and actress, as its 2017 Brand Ambassador in China, the first one for the French House. She had to communicate the Brand's image through one of the main social media platform in China: Weibo. The reaction of Chinese users was extremely negative; many of them judged her not authentic, reducing the mature representation of Dior in China. Thus, Dior's KOL strategy did not go as the French label has expected and the Brand was accused of a bad image alignment with the star.⁹⁴

However, Dior was just one of few cases of bad results come from the "celebrities utilization" for promoting and enhancing the Brand's image in China. The majority of the other companies had benefited from this method, amplifying their influence in mainland China and increasing credibility and, of course, sales and profits, as Chinese once again feel themselves part of the Luxury label, privileged inside this world.

⁹⁴ Yiling Pan, *Does Dior Have an Identity Crisis in China?*, JingDaily.com, October 5th 2017.

Indeed, The raise of social medias have brought to make harder decisions for Luxury Brands' marketing strategies; the efforts spent to create an optimal digital advertising campaign are high and expensive, with unpredictable results.

Moreover, with social medias also another a new figure arose: the influencer. He or she has turned into a crucial element because Chinese consumers are eight times more inclined to follow and respond to an influencer's post; this fact has brought Luxury market to embrace Chinese social platforms.⁹⁵

Thus, Brands like Burberry, Givenchy and Gucci has followed this new trend, connecting themselves with those influential Chinese people with the purpose to engage the great number of Chinese millennials.

Inviting them to fashion shows, making them wearing their branded Luxury products and being posted on their personal social media's pages, showed an incredible overexposure to the Chinese market and an enlargement of the Brand's influence and appealing over its population, especially through younger ones. In fact, it was not surprising that Gucci for its catwalk of its 2018 Cruise Collection at Palazzo Pitti, in Florence, had Mr. Bags and Miss Shopping Li, two of the most well-known influencers in China, as its guests. The curiosity here was the fact that at the show there was just one Chinese celebrity and many influencers. This confirm the constantly increased importance obtained by this new type of fashion figure, which are exceeding the typical figure of stars.⁹⁶

Not only those people attended to shows and events, the offline channels for those Brands, but also, and especially, through the online channels Chinese

⁹⁵ L2's Digital IQ Index China: *Luxury 2017 report*.

⁹⁶ Yiling Pan, *Gucci's Pitti Palace Show Sees More Chinese Fashion Bloggers Than Celebrities*, JingDaily.com, May 30th 2017.

influencers has become more essential than ever for Luxury digital market communication in China.

Since communication means also business and sales, the way Luxury labels act in China turned into a fundamental issue, and the people in which they will rely are now acquiring more attentions from those companies.

Givenchy gave a great examples of this in 2017 collaborating with Mr. Bags. The most important influencer in China announced the French label's promotion on his WeChat account, for selling an exclusive limited edition composed by eighty pink handbags, in honor of Valentine's Day, one of the main celebrations of China.

GIVENCHY MINI HORIZON		GIVENCHY MINI HORIZON	
GIVENCHY MINI HORIZON 零售价: 14900RMB 您需支付14900元以获取"取货验证码"		GIVENCHY MINI HORIZON 零售价: 14900RMB 您需支付14900元以获取"取货验证码"	
- 姓名:		- 姓名:	
- 手机号:		- 手机号:	
- 身份证号:		- 身份证号:	
- 取货城市: 北京		- 取货城市: 北京	
- 取货门店: 北京三里屯精品店		- 取货门店: 北京三里屯精品店	
- 取货时间: 2月10日 11:00-13:00		- 取货时间: 2月10日 11:00-13:00	
<input type="button" value="修改信息"/>		订单金额: 14900RMB	
<input type="button" value="提交订单"/>		<input type="button" value="修改订单"/>	
		<input type="button" value="取消订单"/>	
		<input type="button" value="支付订单"/>	

Fig. 29 Givenchy 2017 promotion through Mr. Bags' WeChat account

Each of these was sold at 14,900 RMB – 2,170 Dollars – but the most incredible fact was that all the collection was sold in just twelve minutes, reaching 1.192 million RMB – 173,652 Dollars - .

However, this success has been obtained thanks to great choices taken by Givenchy. Mr. Bags, in fact, is the typical example of Chinese KOL and people trust on him and follow his informations and suggestions, more than other countries do with their influencers.

Adding to this, the limited collection, that stimulated Chinese appetite for Luxury products, and limited time on their disposal to purchase the handbags on promotion, let to an amazing success for the French company.⁹⁷

Encouraged by this lucky wave, other Brands started to rely on this character for increasing their presence and having more audience for their special capsule collections.

For example, Fendi during the 2017 summer collaborated with Mr. Bags to promote the “Kan I” bags image and to obtain more sale profits.

⁹⁷ Brennan Mathew, *1.2 MILLION SOLD ON WECHAT IN JUST 12 MINUTES!*, Chinachannel.com, February 7th 2017.



Fig. 30 Mr Bags for Kan I Fendi bag promotion on WeChat, 2017

With a similar Asian aesthetic, the Kan I shoulder bag was properly promoted in China through a Mr. Bags announcement always on his WeChat account that reached over than 100,000 views. The Italian label's promotion, in partnership with the Chinese blogger, consisted in a exclusive capsule of 30 limited edition bags in a pink floral style, available only for Mr. Bags' followers.

The collaboration, in fact, shows how Luxury companies are taking advantage from influencers, their fans and channels to spread their message to a farer audience.

Indeed, the entire collection was sold and Fendi enhanced its audience in China, confirming that even if these new methods for selling are not so typical for an ancient and restricted world like the Luxury market always been, but they work well and Luxury Brand must adapted in order to engage who are becoming the most essential clients for the Luxury market.⁹⁸

⁹⁸ Zheng Rachel, *Fendi, the 'Incremental Innovator,' to Focus Digital Marketing Efforts on China*, JingDaily.com, August 11st 2017.

Of course there are always different ways to approach to this new trend. If Gucci, with Alessandro Michele, mutated itself in order to be more closer to this new generation, Fendi uses it to bring millennials more close to its world. However, at the end, each Luxury label relies on the most fashion bloggers and influencers, through Weibo or WeChat, in order to play its Chinese product campaigns safe.

“Online and social media marketing becomes the center of promotion, especially in China (more so than other regions). This is the quickest and best way to reach bigger brand awareness. If you have done it right, I believe you can communicate your branding to millions of fans via one influencer (not just as judged by the fan base but the fan type), Fendi will only invest more in digital marketing.”

Pietro Beccarri, Fendi CEO, to BOF China.

Marketing Communication – the Channels:

Added to new people to rely on for representing the Brand’s image in China, there are also many new platforms in which Western companies can communicate for themselves to the Chinese clients. Completely different from our usual social media channels, due to the Chinese government regulation, those platforms are especially WeChat, Weibo and Youku.

WeChat 微信:

As seen in the previous Chapter, in the Luxury context, WeChat is a platform used by Chinese population for ordering Luxury products with a simple click through their smartphones. However, WeChat is also a social media, in which Luxury Brands can have their personal profile and not only sell their goods but also share their image and their works directly by themselves.

It could be easy to say that Luxury Brands use WeChat for their marketing campaigns in China, recognizing the fundamental importance for their business in mainland. Therefore, the app allows to push out and share a great variety of contents in order to fulfil different marketing needs. The main purpose of Luxury companies stays the same also in this case: convert their online followers into real shoppers and this can be done in different ways.⁹⁹

- To connect online and offline, as for the sales process viewed in Chapter Four. Western companies, with their personal page, usually launch a WeChat campaign, in which they invite followers to experience a real treatment in some of their Chinese physical stores, with the hope to increase their sales in brick and mortar shops.
- WeChat is also utilized for increase CRM. Many Luxury Brands offer extra points, to obtain a coupon on products, if a person invite a friend to follow the Brand's profile. With this method, the company tries to influence its actual followers in order to attract new ones, in a funny way.

WeChat, in fact, has become one of the most essential social network for Luxury labels' communication with Chinese people. Relying on it, Luxury companies try every year to find new ways to innovate their communication on this platform, like Moments advertising, banner advertising and KOL advertising.

- *WeChat Moments adv*: it is the most familiar method used by Western companies. Equivalent to our Facebook advertising, those ones appear on the timeline. The process is quite simple. Once registered with the personal name and profile picture, the Brand can describe itself, attach the HTML5 web page, and then until six pictures or fifteen seconds of short videos. After

⁹⁹ Yiling Pan, *6 Ways Luxury Brands Use WeChat for Marketing Campaigns in China*, JingDaily.com, March 29th 2017.

that the Brand can decide which kind of users it wants to target, based on location, age, interest, gender and so on and those ones selected will see the Luxury Brand's profile and communication. However to make this sponsorship through WeChat a company has to pay 50,000 RMB just for enter in this special section of the platform.

- *WeChat Banner adv*: like the banner on our Google, WeChat Banner of Brand appears on another WeChat official account, and if the users clicks on it he will be brought to the official page of the Brand that was on the banner. This is considered a fast way to connect and engage Chinese users and also in this case the cost for entering is 50,000 RMB.

- *Key Opinion Leader*: as seen before, this method consist to pay an influencer or a celebrity and be sponsored by those ones on their personal profile pages, in order to catch a great part of his/her followers. It is the easier way because a company does not have to be registered on an Official Accounts on WeChat, and it is also the cheapest way because the compensation for those people is variable. However, even if easier and cheaper, it brings the most unpredictable results respect the other two methods.¹⁰⁰

With those always new innovations made on the social media platforms, Luxury Brands have a great number of possibilities to realized a successful adverting campaign promotion through WeChat in a very different ways.

Therefore, with more than 900 million users, WeChat has become more essential than ever for the digital strategy for every Luxury Brands, and also for their profits in China.

¹⁰⁰ TingYi Chen, *Advertising on WeChat: a Step by Step Guide*, Walkthechat.com, April 10th 2017.

They not only obtained the possibility to share their own products with photos and videos, or to make special sales and sell Chinese capsule collections, indeed they can realize many other things through the app, always in order to increase their image and engagement with the audience.

An example was given by Gucci, that allowed to customize and make gift card for friends with a simple click inside WeChat. The Italian label made the platform and its Brand more sharable.



Fig. 31 Gucci's WeChat communication with mini-programs

Thanks to the mini-programs, Gucci had combined two involving functions: the first is allowing users to customize their photos with especially Gucci stickers; the second one is the e-gift card – a virtual gift card – for perfumes, wallets and cups, that can be sent, once purchased, directly to the receiver of the gift always via WeChat message and then the gift could be picked up in a Gucci's stores.

This enhanced the O2O method approach and, with creativity, create the User Generated Content, with the result of increased revenues and number of engaged followers. CRM part, in fact, has increased with the utilization of WeChat as source of communication, building “mini-applications” for the user experience inside the WeChat ecosystem.¹⁰¹

Weibo 微博:

The other Chinese social network used by Luxury Brands for sharing contents and having a closer relationship with customers is Weibo. Differently from WeChat, Weibo has a more transparent ecosystem for its users; it could be considered as the Chinese version of our Twitter.

Its characteristics help to the UGC increasing, thanks to the enormous virality that the social has. Nowadays, customers don't want be treated as simple shoppers, they have voice and so they want to say what they think and like or dislike about a Brand, and Weibo gives more freedom in doing this.

In order to exceed its rival, Weibo has become more versatile and is giving more importance, especially in this period, to Luxury digital marketing campaigns on its platform. With its 230 million users, it is a great tools for those Luxury communication strategies. However what really differentiate Weibo from WeChat is that this one gives more attention to interactions and a better understand about the interests of Chinese shoppers. Therefore, Weibo is the best channel for Western companies that want to collect their consumers' feedback and boots their sales, trying to fulfill those needs.

¹⁰¹ Anonymous, *WeChat report, the Year in Luxury: the keys of succeed in 2018*, Curiosity China, February 2018.

It is an information-shared platform of China, perfect to raise public awareness also for short period, but it is also a promotion platform, with the highest interaction rates.

According to KPMG statistics, this social media shares about 53.5 percent of Luxury labels' content, creating an incredible engagement rate between companies and population.¹⁰²

Gucci was one of the first West Luxury labels that started in 2013 to use Weibo as a channel for its digital communication. According to Bain & Company, its campaign made an outstanding increase of the Brand's awareness across the mainland country, consequently with a raise in sales. Following the impulse, younger generations X and Z are attracted by those kind of new technologies and consequently are more willing to pay extra money for their purchases.

Especially for the post '95s generation, Weibo has become the most influential social media platform used by them for sharing, commenting and be connected with Luxury market. Less sensitive about the price, Gen Z looks more about post-sale comments or feedbacks about the Brand's products and CRM, which can easily seen on Weibo, seeking opinions by people friends or influencers inside the network.¹⁰³

Dior has become the first Luxury marketer to use Weibo Story with the purpose to not only sell through social media platforms, but also release contents and enhance engagements. Already familiar with the Instagram utilization, in 2016 the French label has named, with Louis Vuitton, Dolce & Gabbana and Christian

¹⁰² M., *Weibo's Comeback Lures Luxury Brands and their Fans*, Newdigitalnoise.com, March 5th 2018.

¹⁰³ Yiling Pan, *Weibo Has More Influence Over China's Gen Z Consumers than WeChat*, JingDaily.com, August 30th 2017.

Louboutin, one of the top four Luxury Fashion Brands in terms of user engagement through its Instagram Stories.

Starting from this achievements, September 9th 2017 Dior has initiated its campaign advertising on Weibo for its Rouge 999 lipstick. The purpose was to replicate in China the same success obtained in West.

Already few months before, in April, the French House has launched a beta version for testing users reactions, sending the campaign to a limited number of targeted subscribers of the app. Passing the test, Dior spread its Chinese digital approach, which, as on Instagram, is composed by short narratives with photos and few seconds of videos, visible for just 24 hours before disappear.

The creation of Weibo Story depends on the interest come from Chinese younger people in short online video content. Other technological giants in fact are starting to invest on this short-videos sector, which is bringing to a great increase of consumers' engagement.

As for Instagram Stories, adopted by Luxury labels on their personal profile in West, Weibo Story in China is an effective tool for connecting with customers in a very creative way. If appropriated managed, this app can give the possibility to Luxury Brands to boots Chinese audience, as happened for the pioneer Dior.¹⁰⁴

Youku 优酷 and Short Videos:

Known as the Chinese version of YouTube, Youku is the video platform for video hosting service. Luxury Brands have started to utilize it to promote and

¹⁰⁴ Yiling Pan, *Dior Debuts Weibo Story, Stays in Lead With Chinese Millennials*, JingDaily.com, September 22nd 2017.

advertise themselves. Addicted to online videos and streaming, Youku gives the possibility to those Brands to share their contents, events, video campaigns and runways through it. With more than 400 million users Youku became indispensable for being closer to Chinese videos trend and passion.

The pioneer in this occasion was Louis Vuitton that, already in 2009, published its first video on Youku and the year after created its personal channels on it. After it other Luxury companies launched their own channels and started to share their own contents through Youku, reaching million of views, like Burberry with its streaming Milan Fashion shows exclusively transmitted on this platform.¹⁰⁵

Due to its new tools and letting people to be closer with West world, Youku reached an incredible success in past years and the entire Luxury sector relied on it for communicating with Chinese population.

However, China has become more and more digital; new platforms and apps arose, with new technological tools there was also a increment of always new trends and Youku in the last period is becoming more and more obsolete. Due to the highest utilization of smartphones, China has seen a rapid technological development inside its country. Most of Chinese giant, from Alibaba to Tencent, are investing billions RMB for implement their platform toward this new trend, though especially for younger generations' expectations. In fact, regularly watching video users grow by 58.2 percent between 2016 and 2017, passing from 153 million to 242 million users.¹⁰⁶

¹⁰⁵ Anonymous, *More Luxury Brands See Youku As China Marketing Tool*, JingDaily.com, June 20th 2011.

¹⁰⁶ Anonymous, *How Brands Use Short Videos for Marketing in China*, JingDaily.com, May 21st 2018.

Thus, social media and their short videos are replacing Youku, taking up the Chinese younger and digital's attention, so Luxury Brands are shifting their online advertising video investments away from the pioneer toward always new formats.

According to L2's Digital IQ Index for 2017, the utilization by Luxury Brands of WeChat and Weibo stay quite the same in last years, while the number of label active on Youku now is lower than in was in 2014.

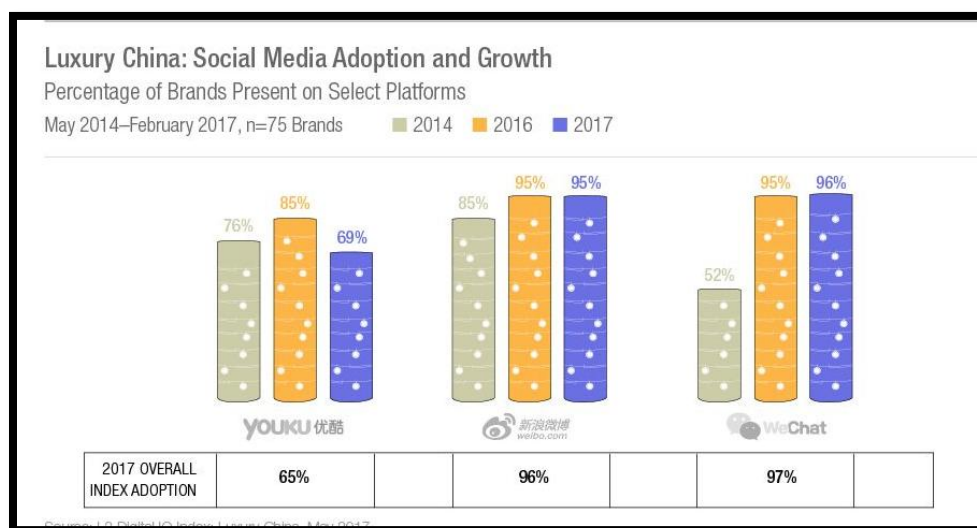


Fig. 32 L2's Digital IQ Index for 2017

Declined from 85 percent of 2016 to 69 percent in 2017 Youku is the only platform which is seeing a constant decrease on its Luxury users. Weibo and WeChat in fact are maintaining their 95 percent of adoption rates, even higher than the previous year.

However, while the video is still a key aspect for the online marketing strategy, especially for Luxury labels, new formats and new trends are booming in mainland China as always shorter videos. Those last ones, in fact, are becoming favorite marketing tools for the Luxury sector's communication.

Each label can use short videos in order to promote the Brand itself, its culture and image, a collection or a specific product, with interesting contents to be delivered to a target audience. In addition, short video can avoid the annoyance caused by longer videos and can bring to an interaction with the viewers, understanding better their preferences, tastes and consequently, improving the customer experience in order to reach more engagement and loyalty from them.

Miaopai 秒拍 is a new short video app, which has been an incredible success in this period in China. On average it is attracting 73,700 more views than Youku as regard Luxury Brands in Watches and Jewelry sector, and ever larger for Luxury Fashion labels, obtaining more than 140,412 more views on their Miaopai account than on Youku's.¹⁰⁷

Not reinvented itself, like Weibo did with Weibo Story, Youku will be replaced in few years. These new video formats had brought to a wider variety of marketing strategies for Luxury Brands, as always more platforms are adapting themselves to this new trend, trying to create innovative methods to engage and fulfill the younger Chinese's needs, but Youku is not moving into the same direction.

With a great options to chose for their short video campaigns, Luxury Brands have started to approach this new “phenomenon” for every kind of communications. From the image to the announcement of a new product, the most used event in which those videos are used is the Lunar Year celebration.

Become essential for their profits into mainland China, Luxury companies put a lot of efforts not only for the realization of capsule collection dedicated to the animal of the year, but also for the promotion and the communication of it. Capitalize on this festivity is a key issue for Luxury strategies; it is the time of the

¹⁰⁷ Liz Flora, *Luxury Brands Leave Youku in Favor of China's Younger Video Platforms*, L2inc.com, May 30th 2017.

year in which Chinese purchase more gift, so it is essential for those Brands launched tailor digital campaigns with the zodiac animal in order to promote themselves, sell more products, increase their image and enhance the engagement. Communication during this time of the year is necessary and Luxury Brands are putting a lot of them time and money to realize a great and impacting campaign especially through short videos.

2018 is the Year of the Dog, so Luxury labels made short videos focused on this animal in order to wish a good year to the entire population and be closer to their traditions.

Armani, Fendi, Dior and Louis Vuitton are just few Luxury names that made a short video campaign based on this event.

- Armani launched its collection through a 17 second video on both its WeChat and Weibo official accounts, in which the Italian label not only showed the printed dog in all created products, indeed it put two Chinese models and a red background. Giorgio Armani also created two hashtags – #ArmaniExchange and #AXCNYCollection (#AX中国新年系列#) – for a better share of the campaign and collaborated with Yuyu Zhangzhou, an online influencer, to increment its awareness.
- Fendi utilized traditional Chinese elements, as fireworks, Beijing Opera and red background for its animated short video. The Italian House decided to show its “Kan I” and “POMPOM” handbags for the campaign, cause they are seen as closer with the China’s tradition and format.

- Louis Vuitton created a video in which the main character is a cartoon dog, based on the Japanese Shiba Inu. The short video represents the dog who passes through the capsule collection, having fun. It can be found both on the Brand's online store, than on Weibo and WeChat. In this last one the French giant decided to include digital stickers that users can download and utilize for their conversations and videos.¹⁰⁸

Experiential Communication – Events and CSR:

At the end, Luxury Brands are experimenting from these last years the experiential marketing in China. Seeing the great success they obtained through the share of events and fashion shows with the streaming, they have realized the importance of this for their Chinese consumers.

From Dior, Hermès to Chanel, Fendi and Gucci, the majority of Luxury giants players have started to invest in creative events located into main Chinese cities. Due to it, Chinese clients and followers of those Brands can live immersive and unique experiences, which contain elements, like art, culture and traditions, of their home country.

Those events are very useful for Luxury Brands that present themselves and their culture and philosophy, with a special edition collection, in order to nurture a deeper connection with participants. Not open for the entire population, events give a sense of status, uniqueness and exclusivity, still important both for Luxury sector and for Chinese Luxury shoppers.

¹⁰⁸ Yiling Pan, *Top 10 luxury brands' heart-warming Lunar New Year online campaigns*, JingDaily.com, February 12th 2018.

However, for the economic part, those events are easy occasion for making more profits. Obsessed by Luxury staffs and, even more, by exclusivity, Chinese willingness to pay incredibly raise during those well-planned events. Added to this, thanks to the help of social media, Luxury marketers have more possibility to connect and engage their digital followers.¹⁰⁹

A great example of it was given last year by Hermès. Named “*Party at Hermès Club*” the French House attended it in June 16th at Long Museum of Shanghai. Realized thanks Bali Barret, Hermès’ silk scarf designer, and Jean-Paul Goude, adv film director, which have worked for six months for this incredible event. Dividing the Museum, they created ten different spaces with differentiated artistic themes, in which were exposing the entire collection 2017 of the label, from ready-to-wear until the most icon and famous bags and accessories. Attending just one night and for only one thousand people, the event focused about the “modern woman” theme.



Fig. 33 Hermès Club, June 16th 2017, Shanghai

¹⁰⁹ Yiling Pan, *4 Times Luxury Brands Wowed Chinese Consumers with Over-the-Top Experiential Events*, JingDaily.com, June 21st 2017.

However, Hermès did not promoted its events only with offline channels; helped by WeChat announcement, the French Luxury company allowed also its followers to be “participants” of this one-night-only event though its official accounts that shared live videos and images of the show. Added to it, Hermès offered an HTML-5 interactive page, with the direct link inside its WeChat account. Once followers have clicked on it, they can browse and see the composition of the Club.¹¹⁰

Therefore, those events can become also methods for enhancing the credibility of the Brand.

This is the case of *Peekaboo Project* realized by Fendi with its iconic handbag, in which China has been the last stop after the incredible success obtained as in London, Tokyo and Seoul.



Fig. 33 Chinese Peekaboo by Angelababy and Liang Yuanwei.

Peekaboo Project is a charity auction in which celebrities create their bag’s version and sold after the exhibition.

¹¹⁰ Pithers Ellie, *Inside Shanghai’s Hermes Club*, Vogue.co.uk, June 20th 2017.

For the Chinese version, the Italian House has chosen different kind of KOLs: from supermodels like Liu Wen to sport champions like Guo Jingjing, passing through art directors, journalists, artist and celebrities. Everybody collaborated with Silvia Venturini and the last CEO, Pietro Beccari, to realized an amaizing limited edition of Chinese Peekaboo bags, each one sold at the exhibition starting from a price around 11,700 US Dollars. The proceeds has been devolved by the company to Chinese charities societies for children, education and research.¹¹¹

This was the first time for the Brand to include Chinese celebrities into its event. The exhibition attended in the “Red” gallery inside Beijing’s Taikoo Li of Sanlitun for almost twenty days. Therefore, with an outstanding audience, thanks to the sharing of informations and announcements, the Chinese Peekaboo Project was an achievement that brought to a substantial donation, to an enlarged engagement and to the underlying of the CSR part of the Brand, which has reach significance for Chinese people especially in those last years.

Thus, events and CSR aspects are another confirmation to how important is nowadays for Luxury Brands try to involve Chinese into their world. Modifying their every single business approach, Luxury Brands are making Chinese clients special, unique, but, most of all, part of their Luxury world.

¹¹¹ Turra Alessandra, *Fendi Launches China Peekab oo Project*, WWD.com, June 9th 2017.

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Summary:

How Luxury Brands modified their strategies for Chinese market.

During the path of my thesis, *How Luxury Brands modified their strategies for Chinese market*, I have taken the analysis of two analogous but also different aspects: China as market and Chinese as customers for the Luxury sector. Despite those two elements are complementary, their influence on the Luxury market and Brands is not so similar and we will see why.

Thus, Chapter One starts with the overview of the Luxury market in China. From the beginning of the Chinese Bulimia until nowadays with the New Normal reached in 2017, after two years of crisis between 2015 and 2016.

The evolution of the China during the 2010s as economic powerhouse has brought to an improved welfare all over the country. The increased GDP had brought to started the Chinese Bulimia period, lasted from 2010 to 2014, in which Chinese population were starving of Luxury products, with the purpose to seem like Western people, used to buy those products. This phase brought to the result that almost 56 percent of Luxury firms had a CAGR greater than 10 percent.

With the Western contraction of the market, caused by the financial crisis of 2008, Luxury labels saw China as a great opportunity for their business. They started to open numerous retail stores, clouded by the desire to increase their revenues more and to satiate the Chinese desires. In this period, China has evolved into one of the main world's largest Luxury branded products purchasing country and Luxury Brands took the opportunity for rising their prices there, due to the exchange rate and to the high demand received.

Who carried this phenomenon was the *first time consumers*, more known as Chinese rising middle class, which had started to have the willingness to pay for those kind of goods, not caring about the high inflation.

With higher possibility to afford Luxury products, those people have also the chance to travel around the world; according to Bain & Company from 2010 to 2016 the number of tourists has increased by 11% CAGR, on which Chinese travelers occupied the bigger part. However, realizing that there were discrepancies between prices for the same kind of good, they started to prefer to buy outside their country. Europe, but also the nearer Macau, Hong Kong and Japan benefited from this.

Indeed, not only though travel, China has seen a decreasing purchases at home. A new phenomenon arose: dàigòu 代购. An illegal commercial channel, in which a person outside the country buys a Luxury product and sends it to the real acquirer in China that has paid a price 30/40 percent lower. This practice grew so fast that, always based on Bain & Company data, in 2014 its value reached almost 75 billion RMB – 12 billion US.

Thus, Chinese as clients still were considered by the Luxury market as important, but China as seller market of Luxury products was decreasing its appeal. For this reason, Chinese government decided to declare dàigòu illegal and started to increase its straight control on imports coming from Western or Japanese market. This circumstance was decreasing the tax revenues that China could collect, and government could not gain if its population didn't purchase inside the country.

2015 signed a slowdown of the Luxury market in China by 2 percent. In order to stop it, Luxury Brands had to employ a more specialized and specific marketing strategy, adjusting their pricing to reduce the disparities across geographic areas and

also the Chinese government collaborated to obtain the same goal for its personal profits.

The drop of domestic sales between 2015-2016 reported the end of Chinese Bulimia era causing also the closure of a lot of stores. Luxury Brands realized the necessity to come back to their exclusive image. This concept was rapidly catching on to Chinese Luxury consumers, which were becoming more and more comfortable with these labels and wanted something that could represents themselves and could always be defined as Luxury.

This was the ingredient for amending the strategies and making sure that Chinese would buy Luxury products in China rather than abroad. Finally, 2017 is defined by Bain & Company as New Normal in which the Luxury market keeps growing at a constant rate of 5 percent CAGR, in which Chinese are moving back to purchase in their local area.

The consumption of Luxury products in China passed through 7 percent to 8 percent and it is expected to grow year by year. This means that nowadays Chinese are purchases at home as never before. This is an incredible results for Luxury marketers in China. With a growth of 15 percent between 2016 and 2017, China recorded about 20 million Euros for the Luxury market. This is due always thanks to continuing reforms on sales across the country, a lower exchange rate, lower prices for Luxury goods and more participation of the middle class and Millennials, who want to experience a better standard of living as much more than ever before, increasing their trust in Luxury companies and into their craftsmanship and heritage.

Going deeper ,Chapter Two talks about China as market, which, as said before, during 2017 symbolizing the 8 percent of the global revenues for the Luxury market. This number is not so big, compared with size's population and the density of its

land, but it is in growing and it is expected to increase year by year, reaching more significance. So, this chapter is more focalized about the revenues obtained by the main Luxury companies and labels in China. I analyzed their report in order to understand which Luxury department has more success into the mainland country and more appeal for Chinese buyers.

Unfortunately, we cannot see the revenues coming from the Chinese travelers, but only the profit coming from the different geographical area. However, the important aspect for those Luxury society is that after a period of deceleration lasted three years, within a turbulent 2015 that has brought to an even more tempestuous 2016, New Normal is the first year of a return to growth of Luxury market, in which Chinese restarted spending on personal Luxury goods at home, increasing the significance for their country as Luxury market placement.

According to Bain & Company's Altagamma reports, during 2017 Luxury goods sales in China grew approximately by 20 percent over the previous year, reaching almost 142 billion RMB - 18 billion Euros -. It represented the highest growth rate since 2011, especially because after Chinese Bulimia the market began to slow down due to the decreasing domestic economy's growth.

Thanks to China government policies made by the president Xi Jinping 习近平 for encouraging domestic consumption and a more restricted control against dàigòu, Chinese came back to spend their money at home, limiting, but fortunately not stopping, their purchases abroad. Indeed, the upturn started at the end of 2016, helped by an inversion in China's exchange rate, along with gains in real-estate and equities, improved the increase in local's spending power.

At the same time, also new strategies of Luxury companies in order to monitor different prices around the world and to adopt the business through the taste of the

Asian consumers, have incremented the local spending of those people. Lowering prices, closer to Europeans', and reducing customs duties have played a decisive role, arriving at a global revival of this sector.

The consistent change happened in China's market underlines the importance to keep making investments into the Mainland. The main goal is still the same: make sure that Chinese purchase in their home country, increasing China's Luxury market transactions, trying to not decrease their spending overseas.

However, how to make it possible? Western people don't go to China in order to purchase Luxury items, so Luxury companies have to make sure that locals buy different things in their home country respect what they can acquire when they are outside.

From LVMH to Kering, passing through Hermes, Burberry and Richemont, I looked on their annual reports for 2017. The emerged evidence for the majority of them is that China for this year has been a great market for results obtained with Luxury products' sales, so Luxury companies are trying, with success, to capitalize on improving demand.

LVMH posted record revenues and an incredible operating income for 2017. Those facts are especially due to a strong recovery of Chinese demand, in which the French group has seen enhanced sales during the entire year. Of this significant performance, China market jumped up more than 30 percent, especially due to the depreciation of Chinese currency, as Jean-Jacques Guiony, chief financial officer of the group had declared. Chinese are coming back to buy at home and Asia, excluding Japan, represents the 28 percent – rose by 2 points respect 2016 - of revenues made by the society, in which China occupies the major part. They are great buyers for the fashion and leather goods divisions but also for wine and spirits sector.

Also, for the other French giant Luxury group, Kering, the first year of New Normal has ended with great results. At the end of 2017, overall revenues for the French colossus rose up to 4.26 billion Euros, increased by 27.4 percent from 2016. Although not specifically pointed out, it is clear that the recovery occurred in China helped the company's performance this year. In fact, of these revenues, 27 percent come from Asia, excluding Japan, increased respect 2016 and by 4,185 million Euros. This is the second most profitable area after Europe with 5,077 million of profit.

With an overcome in demand from Chinese consumers at home and overseas, China market is a fundamental key, holding 31 percent of the sales of the group, always second to West Europe with 33 percent of the market's sales.

After a negative 2016 for Richemont, the company obtained significant results already during the summer 2017. As reported by fiscal year 2017 report, launched at March 31st 2018, Asia Pacific represents the main profitable region for sales revenues, with 3,903 million Euros of revenues and 4,352 million sales, enhanced by 17 percent from the previous year.

Similar results have been obtained by the other Luxury Brands, like Hermes, Tiffany & Co. and Burberry. This incentives all Western marketers to implement their investments and actions for the China's market, becoming more attractive and closer according to Chinese uses and traditions, indulging their changed behaviour as never before.

Thus, this is the object of Chapter Three, in which I analysed Chinese as Luxury shoppers that account to one-third of global Luxury buyers: 32 percent of Luxury consumption.

Starting from 2006 China's GDP duplicated itself and also sales made by these oriental people started to raise across each category by 20 percent year-per-year. During Chinese Bulimia the rising middle class, the new rich category arose, which wanted to seem like Western people. They did not have their personal Luxury inclinations yet; it was just imitation of the Western rich life style. They were in the *show-off* phase, more than understand Luxury as a *way of life*. Thus, they tended to pursue "*commodity-driven consumption*" goods, the latest and most popular Luxury items around the market.

Therefore, Luxury Brands built their empire in China selling for a twice-price and opening numerous stores. Chinese people, attracted by Brand's name, preferred to spend their money in high public awareness labels with an obvious logo to show-off. Luxury goods were associated with wealth, power and richness. This worked well, Chinese were starving for branded stuff that afforded as much as they can, developing sales and profits of Western labels as never before in the history of this sector.

Nevertheless, as each flourish period, it did not last forever. Due to the constant development of the country, the Internet penetration and travels, they found cheaper prices for identical Luxury items outside the country, becoming more price sensitive. This was the first step of the Chinese customers' behaviour change.

With the end of Chinese Bulimia, Chinese shoppers still were the biggest Luxury buyers, but they were taking the major part of their sales overseas, both as travelers than as locals with illegal channels. However the main fact was that, unlike just five years before, they did not want to appear like Western people anymore.

Going deeper, in 2015, 78 percent of Chinese purchases for Luxury products took place outside the home country; Chinese travelers spent 74.9 billion Dollars in

the third quarter of the year, increased by 61 percent from the previous one and by 27 percent from the quarter earlier. Their importance begun to be meaningful, but no more China's market. Thus, with the dropping of Luxury companies' profits of 2016, the lowest level since the financial crisis of 2009, Luxury marketers initiated to focus much more their attention to Chinese consumption's force.

In the meanwhile, Chinese consumers who have changed in those years their behaviour were becoming more selective. Less satisfied with product assortment, the in-store experience, and the quality of customer service, they passed through a bulimic period to a selective one, from social status to self-confidence and timeless style. Chinese wanted to feel unique and Luxury companies started to treat them in a unique way, rethinking their mainland China business model.

This was the beginning of Wannabe Chinese consumers' period; conscious consumers of Luxury goods, with finally clear tastes and ideas. Those people are now the new part of the "maturing" group; they exactly know what they want from the Luxury world, turning into a more selected purchasing process, requiring something that was not already tailored for them.

These Wannabe are for the majority composed by millennials and with a huge willingness to buy and appear. Indeed, their current high appetite for Luxury products have already pushed the Chinese market up to 142 billion RMB (22.07 billion Dollars) in sales in 2017, approximately 20 percent higher than the year before.

By 2025, Chinese consumers will account for 44 percent of the total market, reaching in 2030 a share of the entire global economy to almost 50 percent. Chinese shoppers will make half of the global Luxury consumption.

Wealthy Chinese millennials of today, with the generation of the future, generation Z, will go to represent 1 trillion RMB for Luxury sales in the world, a number that is comparable to US, UK, Italian, French and Japanese total markets of 2016.

Passing through *belonging to being*, “not Luxury products”, as streetwear, are now becoming Luxury in order to please the younger generations (Y and Z), especially Asian ones. The market is evolving trying to match expectations of these new shoppers. However, what really differentiates Chinese millennials from Western ones is the fact that Wannabe millennials are having a transformation of requests and behaviour totally reformed from the previous generation and from their Western owned-ages. They are asking for products especially realized for them, which were not included into the Luxury world before. In addition, they want all of this now. They are definitely the first generation that is always looking for instant gratification, attributing less importance to long-term prosperity as their parents did.

Already exposed to the most traditional Luxury and their iconic products for years, now they are looking for more novel, new symbols, unique labels, and even new product categories more affiliated with their world. Using traditional Luxury products and the new ones, suitably created for pleasing those requests, Luxury labels started to launch limited special lines of customized goods for Chinese.

The most indicative example of customization is the collection for the Chinese Lunar New Year, which happens in February. Luxury Brands, initiated to create a collection with the Chinese zodiac sign of that year. This is not just a holiday; it is a real sales opportunity. This period of festivity is a way to capitalize on the Chinese's appetite for Luxury goods realized for them and build solid relationships, offering limited-edition collections of popular and required international Brands.

Thus, Luxury Brands, with the capsule collection inspired by the Chinese culture, allow these clients to be related to their favorite products and an additional motivation for purchasing pieces strictly related to their own identity.

However, Luxury labels not only had modified their strategies for Chinese in their production, they also revisited their way to sell in China and their communication.

Chapter Four looks to the changes happened in sales channels in China, from the offline to the online.

After the Chinese Bulimia, Luxury stores in China started to close; this is remembered as “The Great Retail Apocalypse”. Nowadays, with the Wannabe generation and the New Normal of 2017, Luxury Brands are modifying their Chinese retail operations, giving more care to the experience in store and digitalizing themselves in order to be closer with those clients’ necessities. Due to the rapid pace of change into China’s retail environment, European labels needed to stay informed on the latest trends that were emerging inside the country in order to keep up with them.

Starting from the offline, the main goal of each one was to enhance the in-store retail offering. The “unique” sensation required for products, in fact, started to be asked also for the purchasing process: they wanted to be coddled when they were spending their money. Therefore, Luxury shops in China started to become more selective and targeted. The accurate selection of the interior design and attention given to the potential shoppers in the flagship, became essential firstly to establish a strong presence and be physically around the Chinese country. Used for exclusive events, activation of campaigns and for launching and developing new products,

those stores are the “first stone” for building trust and confidence with Chinese population in mainland China.

Anyway, as said before, Chinese Wannabe are a digital generation. They want a more technological approach even during their shopping time. The online retail growth is in fact carried especially by Asia that represents the 28 percent of the entire online retail world users and which had the most implement during 2017, exceeding Europe. However, even if today physical stores still occupy the 91 percent of the entire pie, with the end of 2025 online retail could grow and reach 25 percent, a fourth of the entire sales method.

Thus, Alibaba 阿里巴巴, JD.com 京东 and WeChat 微信 became appealing partners, representing a popular trend for Chinese consumption.

With the end of July 2017, Alibaba has launched, with its B2C site Tmall, the Luxury Pavilion for Luxury and Premium Brands. It has the purpose of giving to the Luxury market in China a totally dedicated space of its “New Retail” model in order to catch super wealthy shoppers of the country with an exclusive online support.

Alibaba lets to Luxury market the choice of returning to the “exclusivity”. Luxury Pavilion is in fact an invite-only platform, with a customized shopping journey; using big data from Tmall’s server, it can get personal information about each of its ultra-rich clients and create a customized homepage based on them.

From October 2017, Jingdong has launched Toplife, a Luxury online platform that allows to obtain a customized e-commerce shopping experience. This special platform offers same-day delivery, premium services, like the extra clean of the bought product, and zero tolerance toward counterfeit items. However, what ensures this action is a white-gloved employee in suit that sends the delivered product. Dressed in a black suit, dark grey tie and white gloves, those couriers act as expert

consultants that suggest the customers going directly into their own house, guaranteeing a faster and safer Luxury emotional experience directly at home, making shopper feel privileged.

Many Luxury companies are in those last years entering into the mainland e-retail market, valued 5 trillion RMB – 751 billion US – which offers always new and innovative ways to sell. The e-commerce escalation, in fact, had changed significantly the way Luxury companies do their business in this country, carrying a strong influence over Chinese purchasers. However, the web is no more the only method available.

WeChat is a mobile application in which Brands can directly sell through their page. Inside it each label has its personal profile that can administer, always with the help of a Chinese society, in which marketing business, sales method and payments happen in a unique area, reaching more people thanks to the incredible influence that it has.

Finally, Chapter Five talks about how Luxury Brands have also modified their marketing methods for Chinese digital buyers. Therefore, Luxury companies moved through the social media's world and became as closer as ever to its consumers. However, with their “adaptation” to Asian tradition and uses, those companies had to learn and practice their tools, to communicate with their main clients.

One of the most challenging market, China offers an incredible selection of platforms' options, that are eroding more and more traditional media's dominance for the advertising. Each one gives a new approach for engaging with Chinese shoppers, but it is different from the usual method used by Western labels. The main challenge in this case is evaluate and choice the most useful for their marketing strategy and the effectiveness of it, with the main purpose of generating higher

returns and conversions, adapting themselves and their story to Chinese traditions, reducing the gap between these worlds. thus, Luxury labels initiated to collaborate with Chinese people, to utilize their channels and to organize events in mainland China.

Before the enhance of their personalities and the definition of their personal tastes, Luxury labels' strategy was more about the utilization of famous and beautiful Western people, which attracted Asia shoppers to purchase more and more Luxury staffs, giving the idea that they could be the same people of the other side of the world, increasing exponentially sales made.

However, today Luxury Brands initiated to collaborate with Chinese celebrities, elected as Brand ambassador. This decision let each label to relieve its image and, most of all, its credibility to the Asian society, seeing efforts made by the Brand to approach a new culture and be closer to it, especially for the offline advertising.

Those people are having the major impact during this recent time. They communicate for the Brand across the society, they represent the Brand inside the country. Though participation on events and fashion shows, plus being part of shooting campaigns, the level of attendance of Luxury Brands has increased in China.

Moreover, with social medias also another a new figure arose: the influencer. He or she has turned into a crucial element because Chinese consumers are eight times more inclined to follow and respond to an influencer's post; this fact has brought Luxury market to embrace Chinese social platforms. Inviting them to fashion shows, making them wearing their branded Luxury products and being posted on their personal social media's pages, showed an incredible overexposure to

the Chinese market and an enlargement of the Brand's influence and appealing over its population, especially through younger ones.

Added to new people to rely on for representing the Brand's image in China, there are also many new platforms in which Western companies can communicate for themselves to the Chinese clients. Completely different from our usual social media channels, due to the Chinese government regulation, those platforms are especially WeChat, Weibo and Youku.

WeChat, with its 900 million users, has become one of the most essential social network for Luxury labels' communication with Chinese people. Relying on it, Luxury companies try every year to find new ways to innovate their communication on this platform, like Moments advertising, banner advertising and KOL advertising.

With 230 million users, Weibo is a great tools for those Luxury communi- cation strategies. However what really differentiate Weibo from WeChat is that this one gives more attention to interactions and a better understand about the interests of Chinese shoppers. Therefore, Weibo is the best channel for Western companies that want to collect their consumers' feedback and boots their sales, trying to fulfill those needs. It is an information-shared platform of China, perfect to raise public aware- ness also for short period, but it is also a promotion platform, with the highest inter- action rates.

Known as the Chinese version of YouTube, Youku is the video platform for video hosting service. Luxury Brands have started to utilize it to promote and advertise themselves. Addicted to online videos and streaming, Youku gives the pos- sibility to those Brands to share their contents, events, video campaigns and runways through it. With more than 400 million users Youku became indispensable for being

closer to Chinese videos trend and passion. However, China has become more and more digital; new platforms and apps arose, with new technological tools there was also a increment of always new trends and Youku in the last period is becoming more and more obsolete, replaced by shorter videos that give more engagement with the Chinese society.

At the end, Luxury Brands are experimenting from these last years the experiential marketing in China. Seeing the great success they obtained through the share of events and fashion shows with the streaming, they have realized the importance of this for their Chinese consumers.

Those events are very useful for Luxury Brands that present themselves and their culture and philosophy, with a special edition collection, in order to nurture a deeper connection with participants. Not open for the entire population, events give a sense of status, uniqueness and exclusivity, still important both for Luxury sector and for Chinese Luxury shoppers. However, for the economic part, those events are easy occasion for making more profits. Obsessed by Luxury staffs and, even more, by exclusivity, Chinese willingness to pay incredibly raise during those well-planned events. Added to this, thanks to the help of social media, Luxury marketers have more possibility to connect and engage also their digital followers.

Therefore, those events can become also methods for enhancing the credibility of the Brand, through charity events and CSR communication.

Thus, events and CSR aspects are another confirmation to how important is nowadays for Luxury Brands try to involve Chinese into their world. Modifying their every single business approach, Luxury Brands are making Chinese clients special, unique, but, most of all, part of their Luxury world.

