INSIGHT REPORT

Paths to success in China

VOGUE BUSINESS

Executive Summary

The vast majority of e-commerce sales happen through Tmall and JD. Having a store on these platforms should be table stakes. Brands with closer partnerships with these platforms benefit not only from rising e-commerce sales but also from media support from the platforms during tentpole events (including 'private traffic').

Large budgets and the use of celebrities are not the only way to grow in China. The use of trustworthy and authentic key opinion customers (KOCs) should be part of brands' marketing plans for China. Endorsement in TV shows can also generate strong consumer interest.

Chinese consumers don't mind being sold to. However, social trends and conscious buying are on the rise. Female empowerment is an increasing social phenomenon among women of all ages in China. Brands that appeal to this trend could gain outsized popularity with Chinese consumers.

Using exclusive WeChat data and *Vogue Business* analysis, this report sets out the clear winners in the Chinese digital space in terms of social media awareness.

Our analysis of exclusive data from the Tencent-owned app, a daily part of life for most Chinese, shows the most searched luxury brands are those adopting new digital platforms, tools like live streaming, new features on key digital stores like JD and Tmall, investing in new-era KOL and KOC relationships, embracing shifts towards feminism by the younger consumer and opening stores.

While China has long been the main driver of growth in the luxury market, its role is now becoming disproportionately more important as one of the few countries showing a recovery in spending from the global pandemic. Most brands are now doubling down on this trillion-dollar market in a bid to survive and grow and are ramping up their marketing efforts to gain outsized consumer attention — a fundamental starting point for success. This report will provide best practices from established and smaller, less reported-on brands that have achieved outsized results in China, as pockets of growth remain for brands with more limited budgets to make inroads.

The aim of this and future insight reports is to deep dive into the most pressing issues impacting the luxury fashion industry, drawing from quantitative and qualitative data. This report precedes our next *Vogue Business* Index update — to be published later this year — and provides a preview into newly added data to the Index.

Contributors

Gregorio Ossola
Insights and Advisory Lead

Yiling Pan
Managing Editor, *Vogue Business* in China

Yurika Takahashi
Insights and Advisory Associate

Emily Forkan
Chief Sub Editor

Louise Hunter
Senior Digital Designer

Endnotes

1. Q3 2020 Financial Results, Kering (October 2020)
2. Why luxury brands are betting on Bilibili, *Vogue Business* (June 2020)
3. China E-commerce 2020, eMarketer (May 2020)
4. Insight Report: The omnichannel playbook, *Vogue Business* (September 2020)
5. Leading B2C retailers' share of sales in total retail e-commerce sales in China in 2019, Statista (July 2020)

Biggest movers in the *Vogue Business* Index

Following the launch of the *Vogue Business* Index in May 2020, *Vogue Business* will publish the second update in the coming weeks.

The data covered in the next Index focuses on China and draws from WeChat datasets and adoption of brand flagship stores on Tmall and JD as e-commerce platforms. The following data provides a sense of the brands most affected by these changes.

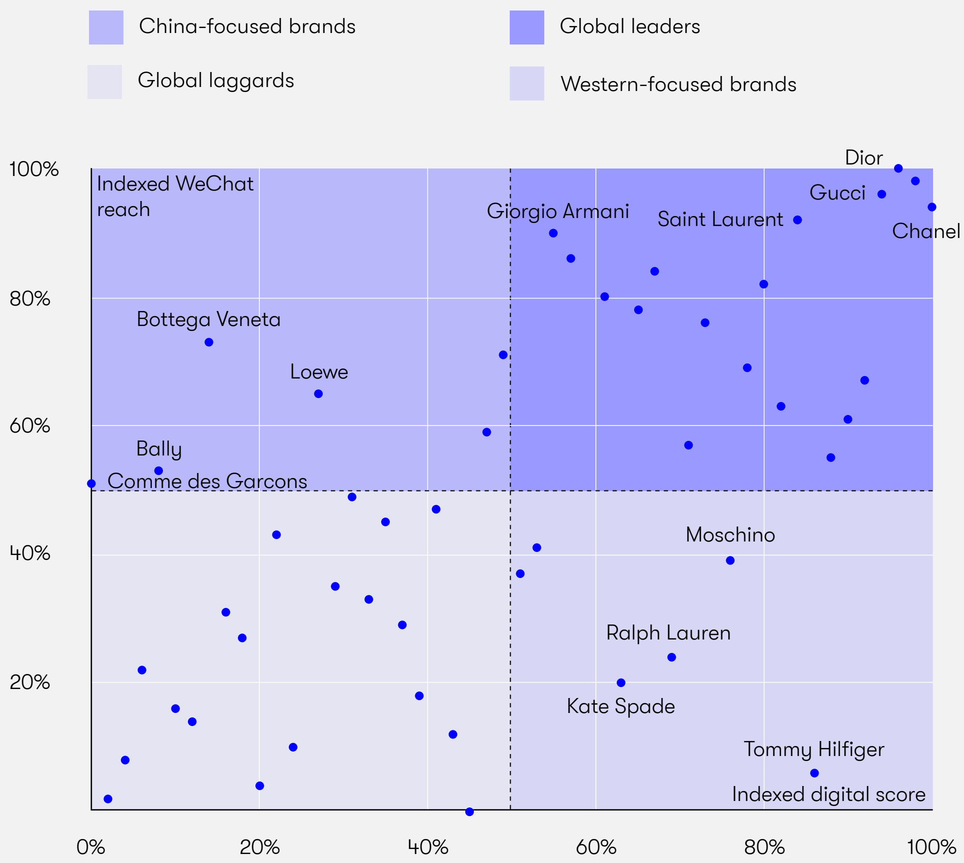
In China, larger budgets will go a long way to put brands ahead of the competition. Dior, Louis Vuitton, Chanel, Gucci and Saint Laurent — leaders in the West for digital metrics — capitalised on their extensive budgets and leveraged well-known tactics in China, such as the use of key opinion leaders (KOLs), in addition to their global popularity. The popularity generated as a result sets these brands, Dior in particular, apart from the competition for popularity with Chinese consumers.

Other brands with smaller budgets had to choose where to prioritise investment. Moschino, Ralph Lauren, Tommy Hilfiger and Kate Spade's performance and investment on Western digital platforms largely outweighs the investment placed in China. Tommy Hilfiger, in particular, showing the starkest difference between China and the West. As China's importance for growth in the luxury space continues to expand, these brands need to rapidly adapt their strategy to align with the rapid market changes taking example from brands with the fastest growth in the market.

Bottega Veneta, Loewe, Giorgio Armani, Bally and Comme des Garçons overindex in their performance in China and are best placed to make advancements in the *Vogue Business* Index. Armani, ranked in the 90th percentile in China (versus a middling performance in the West), has gained this success partly thanks to consistent partnerships with idols such as the latest eyewear launch with Yi Yangqianxi. Bottega Veneta uses similar celebrity endorsements, delivering strong awareness with the brand being top-of-mind with 33 per cent of Gen Z and millennials, according to the *Vogue Business* Index. Its latest efforts involved the use of actors Jing Boran and Song Zu'er to advertise the opening of its "Invisible" pop-up store in Shanghai, generating 38 times the average engagement on Weibo for the brand. Bottega Veneta's sharp rise in sales — up 12 per cent in store sales and triple-digit online[1] — was primarily driven by China and Asia-Pacific, showcasing how these efforts are translating to sales.

The top winners in digital in China and in the West

Percentile rank of the digital performance of brands in the West versus percentile rank of their performance on WeChat



February 2020 and October 2020, n = 60 luxury brands

DATA: VOGUE BUSINESS RESEARCH © VOGUE BUSINESS

Pioneering attitudes lead to success

According to data compiled by *Vogue Business*, French luxury powerhouse Dior carried the strongest consumer interest in China over the past six months, garnering approximately 1.6 times more than Louis Vuitton — ranked in second place — with Gucci and Chanel closely behind.

Search volumes relating to brand names on WeChat, China's most used social media platform, can be used as a proxy for brands' popularity with Chinese consumers.

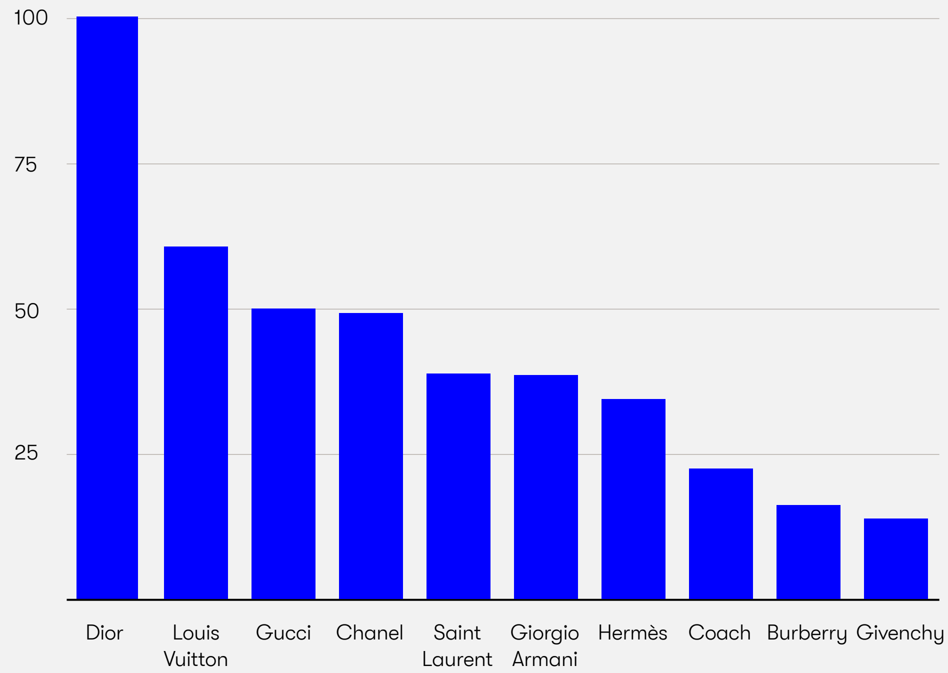
Dior's success is largely due to its savvy digital approach in the market: the brand was the first to launch an online pop-up boutique store on WeChat in 2016, the first luxury brand on short-form video platform Douyin in 2018, China's TikTok counterpart, and on Bilibili — a popular platform with Gen Z[2] — in 2020. This trailblazing attitude — contrary to the wider industry's notoriously slow adoption of digital — is what set the brand ahead of its competitors, establishing consumer interest more widely and with the country's sought-after Gen Z consumer.

E-commerce is far more popular in China than it is in any other country, with online shopping forecast to be responsible for 41 per cent of total retail sales by 2020 and 57 per cent by 2023[3] — a growth accelerated by Covid-19[4]. Among the 60 top luxury brands featured in the *Vogue Business* Index, only 52 per cent have stores on Tmall and 60 per cent on JD as of October 2020. Despite Tmall and JD accounting for nearly 77 per cent of all e-commerce sales in China[5], operating a store on these platforms continues to be a differentiating factor, setting those that don't behind the curve.

Large-scale cultural and promotional events, including "520", China's Valentine's Day, Singles Day and "618", a mid-year online shopping festival, are also key moments to generate consumer attention. Brands that have taken advantage of "618" have seen their search volumes rise by 245 per cent on average. Events like "618" underline the importance of a presence on JD and Tmall, as the platforms actively support the brands supporting their products on-site, generating traffic — including private traffic — and ultimately sales.

Dior manages to garner the strongest consumer interest in China

Top 10 brands' average WeChat Index rebased to 100



March – September 2020, n = 60 luxury brands

DATA: WECHAT INDEX © VOGUE BUSINESS

Growth is not just a matter of budget

Large budgets are not the only way to win in China. Successful brands like Dior, Louis Vuitton and Gucci leverage the power of influential celebrities and KOLs to help build brand awareness and popularity — both known to influence sales.

Established brands in China have spent years developing relationships with KOLs to reach their target audience — Dior started in 2017 by engaging Angelababy — and may not be within reach of brands with more limited budgets. The growing phenomenon of key opinion customers (KOCs) — similar to micro-influencers — offers opportunities for less established brands to form and nurture relationships with these KOCs from the onset. KOCs are less expensive to partner with and offer higher engagement despite their smaller reach — however, authenticity of KOCs should be a key selection requirement.

The idea of authenticity was successfully used by Loro Piana, which paired with the rising feminism trend in China created a powerful mix to grow the brand's popularity in China — moving up four positions in the data. The brand used a slew of celebrities and KOLs for brand building among younger audiences — away from its older primary consumers. Specifically, during Qixi, the Chinese traditional Valentine's Day, Loro Piana released a campaign featuring four female celebrities from different age groups dressed in its products, leading to the brand's strong growth.

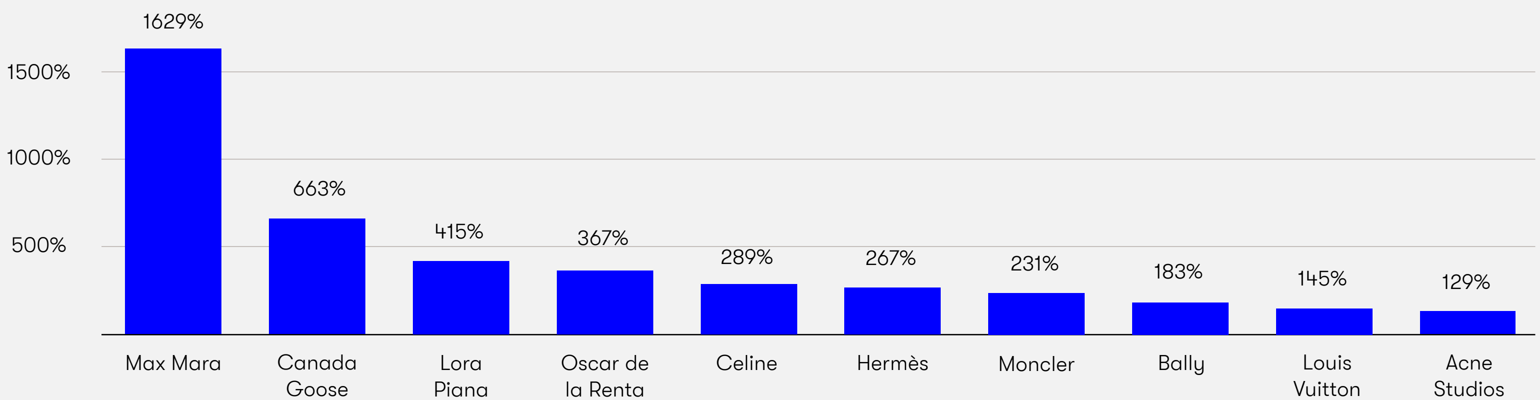
Brands that want to expand their presence in China can still find growth opportunities. Consumer interest for the Italian brand Max Mara experienced a surge in search queries on WeChat and Baidu in recent months — double that of Canada Goose, the second fastest-growing brand. The rise in Max Mara's popularity with Chinese consumers can be linked to its partnership with the hit TV drama, *Nothing but Thirty*, in which the main characters wore Max Mara products. To capitalise on this consumer interest, the brand set up pop-up installations in major Chinese cities over the past two months.

Brand endorsements of TV shows and films in China remains a more affordable tactic that can lead to outsized results with a relatively small investment.

Canada Goose also experienced a rise in searches as consumers unable to buy the brand's products abroad searched for stores in China. The pandemic accelerated the brand's store openings, with four of its six stores opened over the past few months. Brands that do not have an extensive store network should ensure a presence in established luxury cities like Beijing, Shanghai and Chengdu and monitor upcoming cities like Sanya and the Greater Bay Area.

Max Mara and Canada Goose significantly grew consumer attention in China

Top 10 brands' percentage growth in the WeChat Index value from March to September 2020



March – September 2020, n = 60 luxury brands

DATA: WECHAT INDEX

Make better business decisions

Address today's business challenges with *Vogue Business* Data and Insights (VBDI)

Global expertise & insights

Gain full access to *Vogue Business* reporting, insights and analysis on the global shifts impacting fashion and luxury businesses. Harnessing our network of 800 journalists in 31 markets, *Vogue Business* is uniquely placed to support brands in making better business decisions.

Bespoke advisory

Leverage our advisory capabilities to help shape your business strategy by accessing our unique consumer and industry data and insights, a global network of editors in over 30 markets and our team of *Vogue Business* experts in technology, sustainability, retail and business. Our services include: competitive benchmarking and category analysis; qualitative and quantitative global consumer research; new innovation, marketing and digital engagement opportunities.

***Vogue Business* summits**

Join our editors, member companies and fellow leaders from the biggest global fashion and luxury companies to discuss the most critical issues in business and build valuable connections — held in Europe, the US and Asia.

Discover how *Vogue Business* Data and Insights membership can help your business

BECOME A MEMBER