



Photo credit: Chen Man, one of China's leading contemporary photographers, particularly in fashion

UM Knowledge Bank Q&A: How Chinese Luxury Consumers Make Decisions

This is the second part of a series that will be published related to China's luxury consumers, with questions crowd-sourced from the global UM community on Yammer and answered by members of the China Luxury Network, a leading provider of research on luxury consumers in China; in this edition of our Q&A, Renee Hartmann and Sage Brennan of China Luxury Advisors, part of the China Luxury Network panel of experts, sat down with UM to talk about the decision-making process today's Chinese consumers undergo when purchasing luxury goods and services.

Q: What are the different ways Chinese consumers make luxury purchases domestically versus overseas? How does the purchase path differ?

Locally, China's retail landscape is dominated by single-brand storefronts, so consumers are accustomed to shopping according to their brand preferences, and tend to shop in particular malls or shopping districts that feature their brands of choice.

Thrown into the international shopping environment while traveling overseas, Chinese may find themselves off-balance, as they do not know shopping areas as well as they do in China. Therefore, instead of shopping by location, they will tend to seek out the brands they already know and love.

Additionally, Chinese consumers are not accustomed to shopping in high-end department stores, which are dramatically different from their counterparts in China. As a result, overseas shopping is heavily concentrated on brands with existing presence on the streets of China's major cities. Because the majority of Chinese tourists still travel in groups, location choices are highly influenced by tour guides and tour operators, but also by advice from informal local guides such as children studying overseas or other friends and family living overseas.

Therefore, while brand awareness is a key driver of purchases, the great Chinese diaspora is also an important vector for brands to engage.

Q: To what extent are Chinese luxury consumers influencing each other?

Luxury purchases are made primarily to display social status, so peer opinion is crucial to a brand's value proposition. Brand and product choices speak volumes about a person, and decisions are often made in the context of perception from close circles of friends and business relationships. As a result, offline word of mouth is a key vector in China's luxury industry. Especially since Chinese luxury consumers tend to skew younger than their Western counterparts (the average age of a millionaire in China is 39, versus 55 in the West), social media engagement is vital.

Q: Through what means (devices/platforms) is consumer influence in the luxury category most common?

Although the popularity of platforms is dramatically more volatile in China than in the West, the current platform-of-choice in the luxury industry is Sina Corp's Weibo.com. Often called the "Twitter of China" – although it is a far more robust platform – Weibo has allowed personalities like Diane von Furstenberg to rapidly build brand awareness in China.

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We expect that brands will soon start turning to Tencent's mobile platform Weixin (or WeChat in English) – somewhat similar to WhatsApp, but with voice-messaging, geo-location and other capabilities – in order to roll out more collaborative campaigns and engage in closer conversations with consumers. Weixin has just launched “public accounts” to allow brands to communicate directly ... intimately, even, with fans.

Q: Compared with other consumers, how are luxury consumer influencers most interested in engaging with brands?

Influencers want to feel included in unique opportunities with brands, such as invitations to international fashion shows, behind-the-scenes tours and experiences that relate closely to brand heritage and personalities. Influencers want to feel like they are learning from the brand and gaining new insights and experiences that are not available to the average person who walks into the store. Showing off, or the concept of “shai” in Chinese, is somewhat important, but curiosity and passion are also key drivers.

Q: Traditionally, social media focuses on the interaction of followers with a brand to make the brand become more personable and friendly. Luxury brands also typically hold a “premium” status, so how can a luxury brand manage a social platform effectively?

This is tricky territory for luxury brands, especially within the global Chinese demographic, and a subject that needs to be addressed at the strategic level within every organization. Chinese consumers are extremely mobile and active online and enjoy interaction and participation. Brands need to innovate and experiment with ways to enhance their interaction with this dynamic customer base while still staying true to their brand image.

Sage Brennan and Renee Hartmann are co-founders of China Luxury Advisors and part of China Luxury Network's panel of experts.

