

Rising Above the Crowd

Chinese buyers of luxury goods looking for individual exclusivity

Chinese consumers are purchasing more luxury goods than ever before including cars, handbags, cosmetics and consumer electronics. In 2015, they purchased nearly half of the goods in this category sold worldwide. What company would not want to be part of this success story and earn the esteem of affluent Chinese consumers? Ever since China opened up, the country has offered lucrative opportunities and significant potential. However, marketing and market development in the country are anything but easy. The line which separates high expectations from early disappointment is a very fine one.

The policy of reform and opening, introduced by Deng Xiaoping in 1978, ushered in an era of profound change and exposure to Western influence. China, at the time one of the world's poorest countries, is now the world's second largest economy. Average disposable per capita income in the country has increased by a substantial margin, and the urban middle class is relatively affluent. With money to spend, this segment of the population wants products that are highly popular and lead the market elsewhere in the world. Consumers have greater confidence in articles that are more expensive, especially luxury and import brands which are seen as trend-setters. Prestige value, status and influence are factors which affect purchase decisions. Success and affluence generate a desire to be noticed.

However if luxury goods are ubiquitous, they no longer set people apart. People with high-incomes do not just want others to know they are rich. They want a product to create an aura of individual exclusivity which augments their own personal style and singles them out from the millions around them as being dynamic, modern, international and different. In many ways, this is reminiscent of the golden age of the 1920s and 1930s in Shanghai. The slogan used by Nivea at the time to attract the target group claimed that everyone admires beautiful, healthy skin (肌肤健美人人羡慕).

Turning the brand into an experience

Foreign producers of luxury and premium products are highly regarded by the up-and-coming Chinese middle class. Many luxury brands have opened their own boutiques in China, where potential customers come into contact with their brand and can immerse themselves in a 360-degree brand experience. In keeping with the significance of the market, Meissen Couture opened its largest shop worldwide

in Shanghai in 2015. The fashion label Jil Sander also has a presence in the city.

To some extent, the products are adapted to local preferences and usage habits. Luxury-class cars, for example, are normally driven by chauffeurs in China. As a result, the back seat interior is more luxurious and offers comfort features such as on-board entertainment systems and more legroom. Advertising signs for the BMW 7 series emphasize these features.

"Dragon of 10,000 treasures"

BMW is better known to the Chinese as the "treasure horse" (宝马, baoma), which is the translation of the two characters used as the name of the car in Chinese. Great sensitivity is always needed for this step. The characters chosen should generate confidence, convey meaning and be elegant, and they should also conjure up positive associations in the target group.

Montblanc is translated as "wanbaolong" (万宝龙), "10,000 treasure dragon". The Chinese name for the vinegar and gourmet food producer Kühne is 冠利 (guanli), which is composed of the words for "the best" and "profit", and Nivea – 妮维雅 (niweiya) – promises to preserve elegance.

Giving "face" to the target group

In communications, the design elements and the method of connecting with the target group should give "face" to the purchaser. Three inducements and success factors, which greatly influence the quality perceptions and purchase decisions of Chinese consumers over the long term and are used in marketing, are emphasis on the country of origin, engagement of well-known personalities and reference to a long market tradition. For example in its advertising posters, A. Lange & Söhne places both characters for Germany in front of the Chinese brand name (德国郎格).

Chinese badminton star Lin Dan acts as market ambassador for Montblanc. The company also draws customer attention to its legendary 110-year pioneering history (110年先锋传奇). Steinway has a contract with the exceptionally talented pianist Lang Lang.

Companies also make effective use of design elements such as colour, animals, plants, numbers, buildings and artefacts. Given the country's rich cultural tradition which stretches back thousands of years, there is a huge trove to choose from



Places to be: International producers of luxury goods have opened the world's largest concept stores in China's major cities.

which is full of subtle ambiguities. This must be recognized right from the start, and use of this tradition in marketing must be carefully considered. Foreign companies like BASF began exploiting the positive effect created by the twelve animal signs of the Chinese zodiac more than a hundred years ago. During the current year, a monkey frequently appears on consumer goods. Luxury brands such as Bally, Burberry, Estée Lauder and Gucci also placed special editions on the market, and they have decorated their shop windows accordingly.

Holiday gift wrapping is very popular, not only on local shelves but also in the duty-free area at foreign airports. More than 120 million Chinese travelled abroad in 2015, placing them first in the consumer rankings. For the Chinese New Year 2015, Rothschild Mouton Cadet brand wine placed a prominent stand-up display with the Sign of the Sheep at Heinemann in Frankfurt.

Advertising market full of superlatives

A high concentration of advertising for luxury goods is visible at Chinese airports. However, modern technologies are also in the spotlight. The results of a recent study show that Chinese consumers purchase 50% of their luxury goods online and using mobile apps. Not only does China have the largest active Internet population, it is also the world's most important e-Commerce and smartphone market. The Chinese middle class is digitally active and connected into social media networks such as WeChat. WeChat has more than 760 million active users. Many companies have profiles there, and fans can stay in touch with their favourite brands.

The pathway to chinability

Doing business in China is complex, demanding and challenging. Crucial for success and a positive outcome in the company's internalized search for "chinability" is the ability to develop an understanding for the Chinese market free of Western theoretical constructs along with a sustained willingness to embrace something new and constantly question the status quo without pre-conceived notions. It is important to remember that China as counter principle to the West is heterogeneous and yet dynamic.

Companies which are ready to take on the challenge with a sound business instinct, intercultural talent and staying power will write their own success story.

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