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## OPINIONS

# 10 Tips to Get Mainland Chinese Luxury Buyers to Buy More

by Patricia Pao - 18 Oct 2009

*Patricia Pao, CEO of the strategic consulting firm The Pao Principle, shares some market research findings on mainland China from a panel of over 400 luxury consumers.*

Unlike the rest of the world, the luxury goods business is alive and well in Mainland China, as demonstrated by our recent study of buyers of fine handbags, watches and jewelry.

To better understand the behaviors of Mainland China luxury consumers, the Pao Principle, a retail marketing consultancy, recruited and tracked the buying habits of 448 high-net-worth individuals, predominantly affluent, highly-educated females, ages 20-40, with over 80% home ownership. The findings, which focus on understanding the usage, attitudes, buying behaviors and purchase motivators, provide some important learnings for luxury marketer seeking to enter or to expand their franchises in China and the Far East.

## **1. Identify and nurture relationships with your beauty and fragrance buyers. Beauty products are the entry into your brand.**

Of the panelists who did not report purchasing either a designer handbag, watch or piece of fine jewelry over the past 12 months, 77.8% said that they purchased beauty and/or fragrance items from the list of brands furnished. Importantly, 100% said they were planning to purchase additional products from the same brand with handbags cited as the next category to be purchased.

## **2. Maintain a close relationship with handbag purchasers and entice them to buy by offering broader choice and variety.**

Mainland Chinese consumers love their designer handbags. Over 87.6% of our panelists had purchased a handbag from a specified brand list over the past 12 months. Importantly, 69.4% of respondents said that they purchased 2+ handbags over the past 12 months. And they are very brand loyal... When asked, 94.7% of respondents said that they owned 2+ handbags by the same brand

### **3. Make them believe they are getting a deal.**

Discounts are the number one promotional tool that would motivate panelists to purchase more designer handbags, luxury watches and fine jewelry. While most luxury goods manufacturers will recoil in horror at the idea of discounting their brand, it is important to note that our panelists were less concerned about the amount of the discount; they just wanted to receive “something.” Mainland Chinese love to bargain and obtain great satisfaction by feeling that they “got a good deal.” When interviewed, one panelist described her experience of spending 10 minutes bargaining to buy a blanket and the huge sense of accomplishment she felt when the vendor lowered the price by \$1 dollar.

Also, it is important to note that not all brands need to discount. For brands such as Chanel, Hermes and Louis Vuitton, panelists said they would be motivated to buy more if these brands offered promotional items such as gift with purchase (GWP), frequent buyer points and tickets to special events. Therefore, luxury goods manufacturers need to figure out how make the Chinese customer feel as if he/she is getting a deal without denigrating their brand image.

### **4. Don't ignore quality.**

Until the Great Recession, consumers' appetite for luxury goods was such that luxury goods manufacturers could virtually put their label on any and all merchandise without regard to quality and value. Now, consumers are much more discerning about how they spend their money and are demanding that luxury goods manufacturers provide quality.

### **5. Remember that everyone is a customer.**

Train your sales people to not “judge a book by its cover.” Our panelists complained that luxury boutique salespeople prejudice people by the clothes they wear and the handbag they are carrying. Our panelists perceived that if the salesperson doesn't feel the customer can afford their merchandise, the salesperson will not be nice to them. As a result, they cited improved service to be a motivator to purchasing more luxury goods.

### **6. Understand that Mainland Chinese no longer to be “one of the crowd.”**

The one-child policy has caused a shift away from the group and towards the individual. As a result, Mainland Chinese are no longer content to be “one of the crowd.” As a result, they are looking to luxury goods to differentiate themselves from their friends. Panelists' verbatim included, “not wanting to follow others,” “to be myself,” “don't blindly follow the trend,” “believe in my own taste,” “liking unique things” and “liking only what I like.”

### **7. Improve selection by offering limited editions and offering same merchandise that is seen in New York, Paris and Tokyo.**

The days of using Mainland China as a dumping ground for excess inventory are over. Luxury goods companies can leverage Mainland China luxury goods customers' desire to be unique and stand out from their friends by offering limited edition and the “latest and greatest” to their Mainland China boutiques. Importantly, they will buy if they know that they can only purchase the items in Mainland China or in limited availability (e.g. Tokyo, New York and Paris).

### **8. Education is the key to conversion.**

According to our panelists, money is not the reason why Mainland Chinese do not purchase more luxury goods. During the screening and panelist selection process, panelists expressed that they possess limited knowledge of the brands surveyed. “Why is this handbag worth so much money?” was the common question. We believe, and our panelists agreed, that luxury goods companies need to do more to educate Mainland Chinese consumers about their brand. They cited Hermes' scarves exhibition at the Shanghai Arts Museum in 2007 as a great example of a brand effectively educating the Mainland Chinese consumer of the value and quality of the Hermes franchise.

## **9. Invest in Magazines.**

Print is alive and well in Mainland China. In fact over 80% of panelists used magazines as their information source for designer handbags, watches and fine jewelry.

## **10. Leverage company-owned websites.**

Browsing websites were the second most important source of information for luxury goods. In terms of online sources, our panelists looked primarily to luxury goods manufacturer's sites to find information regarding designer handbags, luxury watches and fine jewelry.

*Patricia Pao is CEO of The Pao Principle*

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Only candidates with corporate e-mail addresses will be contacted.