

Chapter 6

Luxury Branding and Digitalisation: The Case of European Brands in China

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Abstract The main purpose of this research is to investigate how a luxury brand may be affected by the variables associated with the entry to a new market as in the Chinese one and how those new variables are integrated into the branding in the new geographical context. In doing so, this study reviews the main existing literature in the field—despite the limited literature in luxury digitalisation in China — and following three derived propositions through a qualitative approach, it analyses the examples of the brand strategy of three European luxury brands after entering China. The luxury brands considered in our investigation are three international ones, each with a specific consolidated brand heritage and with a sectorial positioning. This research explores and analyses the specific luxury brand building and rebranding process adopted by these three luxury brands to enter the new market and specifically through the digitalisation of the brand. The empirical research evidences the critical impact of digitalisation for successful luxury branding in the entry market strategy and has justified its adoption in the exclusive luxury sector by the socio-cultural context-related factors of the new market. It provides specific orientations and recommendations as well as best practices for luxury corporations on the specificities of branding and digitalisation of luxury in China. The research shows that a successful model path for luxury branding when entering the Chinese market and the key impact of the ‘luxury digitalisation’ strategy is usually associated with high accessibility, when compared with the traditional ‘luxury retailing’ strategy which is usually associated to the exclusivity of the luxury sector.

Keywords Luxury branding • China • Digitalisation • Sociocultural context

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6.1 Introduction

During the last decades, we have assisted to a modification in the economic centre from western regions towards the eastern ones also reflected in the modification of the luxury markets. The fast-growing Chinese luxury market has become a key centre despite the decrease in sales of the last years. The Chinese market has also increasingly shown its own specificities and mode of functioning in particular with respect to the conspicuous and hedonic consumer behaviours in the luxury purchasing process and operations. The Chinese luxury market has started to show to differ from traditional luxury markets in terms of purchasing desire, expectations and motivations of purchasing process. It has also started to dictate its own mode of operating and influencing the entire luxury market and industry at the global level.

The traditionally complex purchasing process of the luxury industry—and specifically different from the mass consuming one—has been significantly disrupted and further made complex by the mode of luxury purchasing process of novice Chinese consumers and potential aspirer further complicates the branding strategy for luxury brands when entering China. The Confucian cultural heritage, the open market economy ‘with Chinese characteristics’, a frugal-value oriented collective society and the fast economic growth have and are highly impacting the Chinese society and its way of functioning, and resulting in a non-homogeneous scenario often difficult to be understood by luxury goods companies, in particular, with respect to the formulation of adequate branding strategies.

Asian countries have become the destination for 60% of world’s luxurious products (Chevalier and Lu 2010). In relation to the increasing importance of the Asian and more specifically of the Chinese luxury market for global luxury brands, it has become increasingly essential for luxury brands to know and understand the purchasing behaviours of Asian luxury goods consumers and, in particular, the affluent Chinese, new consumers of luxury goods. Rapid economic growth, public policy and cultural factors have made Chinese affluent customers different from their peers in the most developed markets in the West as well as in the east.

Undoubtedly, the growth of the luxury market internationally—and, in particular, in the fast-growing economies—has started to pose new challenges and opportunities for luxury brands development and entry mode in the new geographical contexts. In the past years, the luxury market has reached than \$1 trillion U.S. in 2014 (D’Arpizio 2014), with an increasing number of consumers, in particular, from the Asian and Middle East geographical areas that have tripled in the past 20 years and are forecasted to reach 400 luxury consumers globally worldwide by 2020 (D’Arpizio and Levato 2014). In the past decade, China, one of the largest global economies with the largest global consumer market, has reached the role of an undisguisable strategic leader in the luxury market. Far from the exponential double-digit growth rates characterising China’s growth in the past decades at the moment it is entering a different phase of growth. A recent report by Bain & Company’s, the ‘2015 China Luxury Market Study’, highlighted how mainland

Chinese luxury shoppers continue to indulge in luxury spending, however, focusing more on spending in their shopping tourism overseas (Bain and Company 2016).

At the worldwide level, new luxury trends are also witnessing the role of China in a multiplicity of diversified aspects impacting the global luxury market scenario. The ongoing Chinese growth in the last decade has been associated with a decrease in European and US markets. In addition to this, further issues have negatively affected the market growth more related to Chinese market specificity. Chinese exponential luxury market growth has negatively influenced the exclusivity aura associated with luxury goods and consequently disrupting non-Chinese luxury customers and Chinese top spenders' luxury brands orientation. In relation to the economic crisis in the most consolidated luxury markets, international luxury brands have focused their interest towards fast-growing economies. Global brands have focused their attention on attracting fast-growing economies with a specific growth in affluent consumers interested in foreign brands and in a perspective of increase in global consumption (Le Monkhouse et al. 2012). China has attracted much attention by significantly contributing to balance the sales decline in consolidated economies that in 2013 accounted for 28% of the €212 billion global luxury consumption (Schiliro 2013).

However, the new luxury 'China' oriented scenario has started to show its complexity and heterogeneity in luxury brand awareness as well as perception and purchasing behaviours amongst other luxury related concepts. Only recently, local shoppers have started to become more brand aware of what they were in the past and with a specific focus on luxury fashion brands (Bruce and Kratz 2007). However, it would be too limited to simply consider that the volumes of the market and a new brand awareness are harmonising and aligning luxury industry functioning and branding to the global market. Sociologically and culturally related factors affecting shoppers' luxury brand perception and luxury goods purchasing experience must be considered and as a consequence those context-related factors that may affect the branding process itself. China's culture is different from Western cultures and thus, Chinese luxury consumption may not follow the trends of the Western world. The Chinese perceive luxury brand value in terms of China's unique cultural background and as a consequence of the Chinese economic development, the Chinese luxury lifestyle is gradually evolving and beginning to show its own distinct characteristics.

Although prior research related to luxury examines different cultures and markets such as the US, Indian and European, there are relatively limited studies within the Chinese luxury context and the impact on luxury brand when entering this market have not been examined sufficiently. The main purpose of this research is to investigate how a luxury brand may be affected by the variables associated with the entry to a new market as in the Chinese one and how those new variables are integrated into the branding in the new geographical context.

6.2 Literature Review

6.2.1 *Luxury from Past to Present to the Future of Luxury*

Luxury has evolved as a concept through the years and it is still highly influencing the markets (Herrmann and Huber 2000). Through the time, luxury has been associated with high price and high quality in craftsmanship, scarcity, exclusivity, heritage, brand loyalty and subconscious associations (Hudders et al. 2014; Chevalier and Mazzalovo 2008; Dubois and Czellar 2001). In particular, luxury and fashion brands have to evoke and sell unicity in the experience as well as quality, originality and feelings of belonging. Luxury fashion products are defined as not available for everyone but highly desired (Okonkwo 2009), rarity being as one of the main characteristics of a luxury brand (Veblen 1899) defining its consumption together with exclusivity and uniqueness (Kapferer 1997; Mazzalovo 2012).

Literature teaches us that ‘luxury’ is used to denote the main category of highly prestigious brands (Vigneron and Johnson 2004). In the same way, luxury brands are related to wealth, exclusivity and power and are related to the fulfilment of nonessential desires (Brun et al. 2008 and Dubois and Gilles 1994). ‘Luxury brands’ comprise high quality, expensive and nonessential goods and services that are symbols of rarity, exclusivity, prestige and authenticity in for their consumers and they can provide high levels of symbolic and emotional value (Tynan et al. 2009). Vigneron and Johnson (2004) and later Wiedman et al. (2007) defined the concept of luxury as the physical and psychological values provided by prestige of luxury brands and consequently highlighting the symbolic and conceptual dimension associated with luxury. However, it was evidenced how the dimension is strongly associated with the cultural values and to the social environment by considering luxury goods representatives of individual and social identity (Vickers and Renand 2003). These elements of exclusivity, prestige, rarity as well as individual and social identity are the key values distinguishing luxury from non-luxury brands (Tynan et al. 2010). In the same perspective, Kapferer (1997, p. 334) highlighted the importance of those luxury brand values in evidencing that brand memory and brand values should not be abandoned when the brand is revised suggesting that rebranding is an incremental process in contrast to a radical change. Yet, the definition and concept of luxury has not reached a unanimous consensus in relation to the subjective and experiential dimensions of luxury (Hudders et al. 2014).

Together with a still ambiguous concept and definition of luxury, luxury also shows an increasingly diversified consumers’ market, in particular, with the entrance of the new fast-growing economies and the China consumers’ market in the perspective. It is generally assumed that consumers focus on luxury consumption is driven by either intrinsic and/or extrinsic motivations (Eastman and Eastman 2015). Personal respect, self-esteem and individual reward are motivating customers to acquire a specific social status and identity. Additionally, consumers may also be impacted by unique experiences in their inner self (Atwal and Williams

2009) specifically associated with the emotions of the individuals towards luxury brands (Keller 2009). In some cases, those personal emotions can be of amusement and excitement (Sung et al. 2014) but also the social dimensions of approval and self-respect (Fujiwara and Nagasawa 2015). However, luxury consumers do not only have in high consideration utility of the products but heritage, exclusivity and craftsmanship being the main differentiators of luxury (Deloitte 2015). In the same way, the democratisation of luxury has made these brands more accessible to larger volumes of consumers and the birth of a new luxury that is more democratised and more consumer-centric (Borstrock 2013) including new brand channels to reach the consumers and enrich and diversify their experience of the brand (Granot et al. 2013). This new orientation of luxury and the reach of new consumers segments has also contributed to modify consumers behaviour towards luxury through the digital experience of luxury (McKinsey 2015), a highly different experience from the 'store' one and including a different segment of consumers, high net worth individuals digitally and culturally savvy with an international exposure, looking for fast gratification and recognition from their shopping experiences (Akyn and Secilmib 2015).

The last decade has evidenced the beginning of a new conjuncture for luxury brands resulted from the increasing presence of information in social networks and from the opportunity to share brands information through mobile applications of the main international luxury fashion brands and multi-brand retailers (Dauriz et al. 2014). The new luxury phenomenon and the younger consumers segments have evidenced that luxury brands are driven by growing purchasing power of some segments of generation X—resulting from changes in consumption habits—and the increasing presence of generation Y individuals, or Millennials mainly the product of the so-called new rich or the Chinese middle-class (Bain and Company 2016) possessing a highly unique behaviour in luxury with a high purchasing power and a strong orientation on spending in experiences, in most cases also 'live' and not simply luxury goods.

6.2.2 Luxury Fashion and China: From Production Hub to Luxury and Fashion Driver 'Chinese Way'

Luxury customers' behaviours worldwide were supposed to be homogeneous in their purchasing behaviour of luxury goods. In the last decade, Chinese luxury fashion consumption market evolution showed the emergence of new customers' segments and consequently new customers' motivations and behaviours in the purchasing process of luxury fashion brands. New customer expectations and needs for luxury fashion brands appeared from the Chinese markets. The Chinese markets with its new customers segments and its unique sociocultural norms and values showed to have specific demands for luxury fashion brands not only with respect to

the purchasing mode but also with respect to its business operations including communication with customers.

China's fast growth and an expanding consumer base focused on global luxury brands as status symbols has attracted international luxury retailers into the Chinese market. The recent anti-corruption regulation and the negative impact on luxury expenditures, a new orientation from the market with more sophisticated and discerning consumers are presenting new challenges for the luxury brands and retailers and requiring a specific understanding of the cultural differences and low brand awareness that are impacting luxury brands perception, awareness and purchasing modes. The consequent digital luxury fashion seemed to be the result of the new Chinese mode of luxury consumption and the fast-growing development of the Internet in China (Rovai 2016a, b; Bonetti et al. 2017).

If in western countries, the elder people mainly compose luxury customers, luxury consumers become younger (about under 40 years old) in China. The increasing number of middle-level class has been the main force of online luxury consuming. The consumption concept of younger customers is hugely different from that of traditional customers. Solomon (2009) expressed that customers' behaviour is a dynamic concept because they are influenced by the outer factors and inner elements (Solomon 2009). The new luxury fashion communication and purchase 2.0 have started to contribute to new and disruptive experiences of purchase for luxury fashion shoppers and at the same time have contributed to increase brands awareness, in particular, in the new fast-growing economies. Digitalisation and the 2.0 experience for luxury fashion shoppers has started to appear as a strategic component of the luxury experience, even if deploying a successful digital strategy and maintaining the brand identity may still represent a challenge (Okonkwo 2009), in particular, in the highly socially digitalised Chinese luxury context.

Chinese customers seemed attracted to have ready-to-use information related to luxury goods and services through the fruition of a diversified portfolio of online transition modes. Those customers oriented towards a new consumer behaviour and new purchasing pattern, together with a consolidated online technology, have clearly shown to have increased the network operations of luxury fashion products. After an uncertain start, the digitalisation for luxury brands in China seemed to start rivalling with the traditional branding approach (Rambourg 2014). Chinese consumers have showed that they first consider the fashion garments presented in the social media and, in particular, for those also recommended by their relatives or friends.

Social media in China has definitely appeared to represent one of the main sources of information for Chinese luxury fashion shoppers when in need to gather data and trends in order to make a choice in their shopping decisions. In particular, social media has shown to be highly considered when willing to collect trustable and updated information about some new fashion brands or goods entering the market highlighting how the blue ocean has certainly contributed to increase Chinese shoppers' luxury fashion brands awareness in the last years. Online luxury fashion marketing and communication platforms have evidenced to create a

different response in customers. Interactive presentations, videos and webinars have seemed to produce an immediate impression in customers and consequently, a growing number of luxury brands have decided to focus their communication campaign in the Chinese market using visual digital supports such as videos or interactive digital graphics to attract and impress their customers. Most of the luxury brands nowadays such as Dolce & Gabbana, Versace and Burberry have focused their customer relation and communication in China through a digital approach (Burberry 2014). Armani, as others, presented the seasonal collection and dedicated fashion shows through videos to know more about the clothing and apparel designed for that year.

However, social platforms are not only a vehicle for customer relation and communication in China. Luxury fashion brands are increasingly developing exclusive online shops dedicated to Chinese shoppers covering a diversified pool of luxury industry sectors from fashion and apparel to leather and accessories from perfumes and cosmetics to jewellery and watching; besides, the online shopping experience concerns multiple luxury lines not only for women but also for men and children.

The emergence of digital media has given the opportunity to a large volume of Chinese customers to become more aware of luxury brands and luxury and fashion blogs and forums have oriented them in developing a personalised individual style. Furthermore, multi-brand shops are adding up to the flagship store scenario, new choices in luxury goods to choose from; Lane Crawford, 10 Corso Como are helping Chinese luxury shoppers develop a more conscious luxury individual style but also become more demanding in luxury goods and service choices.

Chinese are getting increasingly 'luxury and fashion savvy' despite the fact that only relatively recently luxury brands entered the market. Social media are definitely helping Chinese luxury shoppers to become more informed but also more eager to get specific information on luxury brands and the products they sell. Nowadays, before purchasing, Chinese customers conduct a specific luxury brand research internationally thanks to digital media. According to the 'buzz' volumes ranking related to a brand, Louis Vuitton, Versace, Burberry, Dolce and Gabbana and Prada have been indicated as the most discussed and referred luxury brands reported online. However, the 'online' buzz is not only associated with positive information and comments but also to negative feedbacks related to counterfeits, customer service, product quality and celebrities (CIC 2011). According to a survey from McKinsey & Company, there are almost 90% of Chinese Internet users living in main Chinese cities have enrolled in a social-media site and Chinese people can be regarded as the world's most active social-media population, around 91% of respondents telling they visited a social-media site in the previous 6 months, followed by 70% in South Korea, 67% in the United States and 30% in Japan (Chiu et al. 2012). The Chinese social and cultural context is increasingly becoming 'digitally savvy' and Chinese citizens are more likely to gain information from Internet when they would make luxury shopping decisions.

Vickers and Renand (2003) suggest that the conceptual dimension of luxury is strongly influenced by cultural elements and by the social context. Literature has

evidenced that the digitalisation of luxury is part of the social and cultural variables of contemporary Chinese consumers' market (Okonkwo 2009; Rambourg 2014). Accordingly, we propose the following:

First Proposition Digitalisation of luxury will be a core element in the rebranding process for luxury brands when entering the Chinese market.

Kapferer (1997) highlights that successful luxury rebranding has to keep at least certain core brand elements to have a proper transition from the existing luxury brand to the revised one.

Second Proposition The digitalisation process for rebranding may evidence the core elements kept as a part of the brand heritage and identity when revised for the Chinese market.

An international branding strategy may be concerned about new market segments partially or only focus on new markets (Kapferer 1997). Successful luxury branding in those new geographical locations may require meeting the needs of new market segments. As a consequence,

Third Proposition New attributes to the brand may be required to satisfy the new market.

This research aims to analyse the impact of cultural and social variables on the redefinition of a luxury brand when entering a new market, the Chinese one, and in particular:

- the evolution towards a new digital orientation as a response to the needs of the new customer segments
- the specific sociocultural characteristics of the new Chinese market customer segments

6.3 Methodology

In order to provide specific responses from the field, the empirical research methodology chosen follows the case analysis method (Yin 1984). Following Yin (1984) case study approach and guidelines, three luxury brands had been chosen with an 'opportunistic' approach—those brands that have positively responded to the request. The names of brands considered in the research have been kept anonymous as agreed with those luxury brands under the principle of confidentiality of the data during interviews and they were consequently referred as A, B and C.

The research data collection process has followed a specific timeline of 6 months during which the interviews had been organised. Data were collected from online conversations, communications and interactions during meetings with representatives of the three brands. Most of the interviews had been carried out in the coastal areas of China, where the main local headquarters of luxury brands are located—Beijing and Shanghai and Hong Kong. In each brands, 5/6 interviews had been

handled with the Marketing Director, Senior Communication Directors and in some cases with the local VP. Further interviews—approximately two per brand—had been organised in Italy with the Digital Marketing Director or with the Chief Digital Officer. For some of the brands, interviews with a sample of its customer segments had been organised at a flagship store in China and published data of the corporations were also consulted. A semi-structured interview guide was developed to ensure modifications to questions to suit the area of expertise of the respective industry professional. During data analysis, the inductive approach was used to derive the themes, categories and framework after triangulating data from transcripts, observations and netnography (Strauss and Corbin 1998).

6.4 European and Italian Luxury Fashion Brands: Discussion

6.4.1 Case 1: Italian luxury Brand A

A is an Italian global luxury brand with an established brand image and historic heritage internationally. Its brand positioning globally as ‘authentic luxury brand worldwide’ has specifically focused its image on exclusivity, originality and innovative design.

‘Entering a new market for us has always meant letting our potential clients know the history of our brand, its values and its exclusive essence’ evidence the Senior Marketing Director of A when referring to the challenges associated to enter a new geographical market.

With an existing solid presence in the traditional western luxury markets, A decided only in the last 5 years to develop a specific strategy to enter the Chinese market with a strong marketing development. China entered lately with respect to the other geographical markets in their global strategy, but nowadays has now become clearly a strong focus for the brand and for its development in the next 10 years to come. The delayed orientation to enter the Chinese market was mainly due to the awareness of the potential but also the complexities of the market and the impact of the social and cultural issues on luxury consumers’ behaviours.

‘We knew that we had to be in China directly and to develop a specific entry strategy. However, we were also conscious of the complexity and diversity of the Chinese markets and we were testifying numerous problematic experiences of our competitors: IP rights problems, brand image and identity in crisis because of the lack of brand awareness and the growth of the middle-class...’

The brand realised that the market had its own specificities and a disruptive way of functioning with respect to traditional luxury markets and they had to understand and incorporate it in their brand entry mode.

By understanding the importance of the relationship with the customers and the sociological factors affecting the purchasing process in China—digitalisation and

democratisation in luxury—the entry strategy of *A* has been oriented towards a progressive reinforcement of relations between brand and market, in particular, in relation to the digitalisation of the market and its consumption mode. The brand started opening the main flagship store in the Mainland China capital Beijing and following with the fashion centre Shanghai at the beginning of 2006. After a few years of gradual expansion and monitoring of the market evolution, *A* can nowadays count on a consolidated flagship store network adding value to the brand awareness. Counting on the younger Chinese luxury market segments, the brand had a remarkable immediate growth in the market as a result of its brand core values and image as well as of its own digitalisation of the brand development strategy. The growth and consolidated positioning allowed the brand to start a brand expansion strategy by introducing the cosmetics line in department stores after clothing, apparel and perfumes.

A focused on a specific rebranding as entry strategy for the Chinese market through the integration between the sociocultural variables associated to the local context and the core components of the brand. It transferred the brand to the Chinese market by maintaining its own young style and image, specifically suitable for the young Chinese luxury market. In the initial phase of the Chinese market entry, *A* focused on reinforcing the brand image and awareness in the local socio-cultural context by developing their retail and distribution in particular by having key premium locations, fundamental to communicate the brand identity and core values. However, the retailing network was not perceived as sufficient to create ‘a social buzz’ in the Chinese young sociocultural context that is specifically influenced by digital media in this geographical environment. While it kept expanding in China from first to third tier cities, *A* approached to different targeted segments by developing an intelligent digitalisation of the brand. Starting from developing a Chinese version of the brand name, *A* modified its brand name as a main strategy to giving meaning to the brand in the Chinese socio-cultural context, as well as emphasising the heritage of the brand and creating a strong position in the mind of the Chinese consumer and creating a strong advantage in the digital search positioning. Furthermore, in analysing the market sociocultural digital trends and the decreasing reach of conventional media and the increasing one of the digital ones, *A* decided to focus on the diversified use of digital media in its entry strategy—through online video advertising and the growing digital out of home as well as local search engine as Baidu or local social networks, BAIDU Sina.com WeChat, Youku and, in particular, online influencers and BBS, Bullet Board Systems—by clearly choosing to rebrand through digitalisation of the luxury brand in compliance with the sociocultural variables and trends of the market.

6.4.2 Case 2: British luxury brand *B*

Similar to luxury brand *A*, the British luxury brand *B* has also consolidated a well-established brand image and heritage internationally. However, unlike *A*, *B* is

not positioned as authentic luxury but as a premium luxury brand worldwide. It has kept its brand identity internationally thanks to its ability to keep up its creative style with the spirit of the time.

‘Keeping up the spirit of the time does not mean losing your brand identity. On the contrary, it means to understand the give an interpretation of the brand through the events, the time your brand live’ evidenced one of the brand executives of *B*.

The brand was one of the first to enter the Chinese market and to understand the potential of the country not only as the country of reference ‘the factory of the world’ for manufacturing luxury and fashion brands with very low manufacturing costs but more specifically the potential of China as “THE” market to be for luxury brands in the next decades to come.

Since its entry into the Chinese market and following a very specific analysis of the market evolutions and geographical differentiations for customer segments, *B* has decided to immediately focus on the main fast-growing new segments of China—‘the new rich middle class’ and in particular its young shoppers’ segments with a consequent adjustment to their sociocultural values and habits, including the main digitalisation of their luxury and fashion lifestyle.

‘If we wanted to successfully perform in the market we had to understand the customers and in particular the new untraditional luxury segments of customers and to adapt to their desire and to their “digitalized” relationship with the brand but without putting at risk the brand essence’.

Similar to its main competitors in the field, *B* has started opening its own flagship stores in Beijing and Shanghai and to follow in the main developed coastal cities as Guangzhou and Xiamen. However, in the last decade, following the surge of the new third and fourth tier cities and the increasing purchasing power and luxury fashion awareness of those cities’ young customers, the brand had started an aggressive expansion of ‘technology aware’ flagship stores combined with ‘ad hoc’ digital operations in dedicated luxury fashion platforms as ‘Shangping.com’ or WeChat. Those actions, in line with the sociocultural habits of those targeted Chinese shoppers, gave the opportunity to consolidate brand awareness locally and at the same time through ‘heritage focused’ activities in the flagship stores, to keep the brand identity and main core values.

B focused on a specific rebranding as entry strategy for the Chinese market through the adaptation of the brand to the sociocultural specific digital orientation, however, by keeping ‘brand craftsmanship and heritage’ activities in the flagship stores opened, they ensured to maintain the main components of the brand. Those in-store events were often associated with the presence of celebrities and VIPs as testimonials to endorse the event and the brand and comment on it on social platforms in order to create a ‘social buzz’ and amplify the brand recognition and awareness. Furthermore, in evidencing the sociocultural digital trends of the market the brand also decided to focalise on a diversified use of digital media in their entry strategy—through online video advertising, in particular, in their website but also through the Chinese specific digital platforms as Youku, Weibo and WeChat.

6.4.3 Case 3: Italian Luxury Brand C

C entered the Chinese market at the end of 1996 with the opening of its first flagship store and opening the doors to the successful future development in the Chinese market that brought the number of flagship store to almost one hundred. The initial entry market strategy was focused on a traditional entry market development for upper segments of authentic luxury brands. In 1996, the Chinese market had not been stormed yet by ‘the new rich’ wave and the main segments of the luxury industry were still upper classes: the ‘luxurisation’ of the market had not started yet.

‘At the beginning, when we entered the Chinese market, our brand was really the dream of the few privileged ones. Only few Chinese could afford buying a luxury garment and more important only very few of them had the international experience that allowed them to have a certain luxury brands awareness. Luxury was still almost unknown in the Chinese social context’ evidenced the Greater China Director of C.

However, in the last decade, because of the increasing change in the Chinese market scene—in particular, from the sociological perspective—with the appearance of the middle class and the younger segment of luxury customers with specific extrinsic social-identity recognition seeking purchasing mode, the luxury brand started to adapt its communication and purchasing strategy to the new socio-cultural context.

‘By having entered the Chinese market at the early beginning of its opening up to international companies, we have followed closely the evolution of the market, of consumers behaviours and the consequent impact on our country strategy, segments identifications and the brand image that might be at risk as we had to reposition ourselves in the market’

Senior Marketing Manager of C shared with us during the meeting.

The change of strategy and positioning in the market did not mean an adaptation of its brand identity, image and core values to the local social and cultural values; the management of C kept the core values, the strong heritage and the main components of the brand itself; brand storytelling was conducive to—and not only—evidence the historically strong authenticity, the exclusivity and the high quality of both handcrafting and textiles. However, the brand adapted its communication and customer relation to the local evolution towards digitalisation as well as the purchasing patterns taking into account the democratisation of luxury.

As for other brands, the Chinese market of the last decade showed that the retailing channels were not sufficient to create or to consolidate the brand awareness and also keep the new clientele segments, in particular, for the new young customers. The analysis of the brand and the evolution of its China strategy clearly shown that after its entry in the main coastal areas and more mature and evolved coastal cities, C kept expanding towards third tier cities and to different targeted segments by developing diversified digitalisation of the brand. In addition to that, through a specific analysis of the market and customer behaviours in the new tier

Table 6.1 Summarizes the findings from the three cases

	Brand A	Brand B	Brand C
Country of origin	Italian	British	Italian
Brand positioning	Authentic luxury brand worldwide	Premium luxury brand worldwide	Authentic luxury brand worldwide
Years of entrance to the Chinese market	2006	2010	1996
Target market segment	Young Chinese luxury market segment	The new rich middle class	Elite and young Chinese luxury elite market segment
Fundamental approaches to branding and digitalisation	<ul style="list-style-type: none"> • Consolidated flagship store network to develop brand awareness • Developed a Chinese version of the brand name for brand recognition and digital search advantage • Diversified use of digital media for advertising 	<ul style="list-style-type: none"> • Expansion of “technology aware” flagship stores with ad hoc digital operations in local luxury fashion platforms to gain brand awareness • In-store “heritage focused” events to keep brand identity • In-store events with presence of celebrities to create social buzz on digital platforms 	<ul style="list-style-type: none"> • Consolidated flagship store network to keep brand identity • Expansion of online presence to social platforms for smart technologies to reinforce brand awareness
Key sociocultural specifics of the market	Democratisation and digitalisation of the consumer market acknowledged in their entry strategy	Digitalisation of the consumer market and generational influence	Evolution from only elite customers to middle class and young segments implying and adaptation for the brand
Key brand essence and values kept in the market	Young and dynamic spirit proper to the image in the essence of the brand kept	Focus on brand craftsmanship and heritage in the essence of the brand	High quality in craftsmanship, textile and focus on heritage in the essence of the brand
Key brand attributes in the new market	Diversified “China focused” digitalisation through multiplicity of local social media, tools and actors in the digital field	Offline and online rebranding strategy focused on local digital channels and attributes	“Smartphonisation” in the locally adapted branding process

cities with those younger and highly digitalised segments, the brand had progressively started to integrate higher percentage of digital tools for communication or purchasing in addition to the traditional media and sales channels. Like the other brands, *C* also decided to use the local digital channels and, in particular, those exclusively focused on luxury as *shangping.com* but also Weibo and WeChat, to

effectively use social media to rebrand their purchasing and communication strategy in the Chinese context. In the last years, the young Chinese clientele has increasingly oriented their mode of purchasing through ‘smartphone addiction’; smartphones have become a “luxury ecosystem” where the young generations discuss, develop and demonstrate what luxury is for them and how they conceive luxury before purchasing it. C has consequently adapted and in the past 2 years they have started adapting their social platforms to the format and need of smartphone technologies and use it to share their latest collections, creations but also organising ‘smartphone addicted’ only exclusive events online but also offline. The new development seemed very meaningful in particular in third tier cities—where increasing brand awareness was strategic to the successful entry strategy for the brand—by giving an easier access to information related to brand testimonials and ambassadors through the smartphone social tools Table 6.1.

6.5 Conclusion

Evidence from literature and interviews with some of the luxury brands contacted for the case analysis has shown that the Chinese luxury customers are increasingly younger with respect to the western ones and consequently the age is becoming a critical factor with respect to their behaviour and attitude towards luxury purchasing mode as well as brand awareness acquisition in the Chinese socioculturally influenced luxury market. Within this frame of context, the young generation profile has been reported to be particularly significant in the digital transformation of the client as they are those more inclined to refer to digital media to acquire luxury brands information and being influenced with consequently an orientation towards an online purchase. The Chinese luxury customers are increasingly younger with respect to the western ones and consequently, age is a critical factor with respect to their behaviour and attitude towards luxury purchase as well as brand awareness acquisition. In the branding strategy internationally Kapferer (1997) had highlighted that the new markets entered by luxury brands may require for those brands meeting the needs of the new market segments—as evidenced in the third proposition. Consequently, new ‘digitally savvy’ branding modes and attributes to the brand have been developed to meet the requirements of the Chinese luxury market.

The young generation profile is particularly critical in the digital transformation of the client as they are those more inclined to refer to digital media when searching for luxury brands information and as a consequence being influenced by those in their orientation towards an online purchase. Luxury brands analysed in this study have evidenced the increasing importance that they devote to digitalisation in communication, purchasing and further business operation of the brand when entering the Chinese market and confirming the first proposition and Vickers and Renard (2003) assumption evidencing the importance of the sociocultural impact of the context on the branding strategy. In the same way, the analysis of those brands’ websites, digital platforms where brands communicate on their product or reinforce

their customer relation, as well as through specific events, but also conversations and dialogues with the brand executives have clearly evidenced how all the three brands have kept the main focus on their own brand identity and essence. Communication through social platforms and organisation of events at the local flagship stores evidencing the craftsmanship techniques used through the years and the timeless artistic inspiration in the essence of the brand have shown the strategy to reinforce the consistency and coherence in the brand values and a clear authenticity in the brand heritage and core values, valorising the second proposition by Kapferer (1997) theory that highlights the fact that successful luxury rebranding has to keep least certain core brand elements to have a proper transition from the existing luxury brand to the position in a new market.

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