

A Work Project, presented as part of the requirements for the Award of a Master's degree in Management from the Nova School of Business and Economics.

WHAT IS THE FUTURE OF RICHEMONT, KERING AND LVMH'S  
ONLINE-OFFLINE STRATEGIES IN CHINA?

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## **Abstract**

Despite the notion of luxury brands retailing online is regarded in contempt, COVID-19 disrupted and induced the luxury industry to transform digitally mainly in China. This paper studies the current and future strategies of Chinese technology behemoths, Alibaba and Tencent, including major luxury conglomerates, Richemont, Kering and LVMH's omnichannel approaches in China through data obtained from business literature and other sources. The analysis discovered three distinct religions from the luxury groups. 'New retail' concept is gaining momentum rapidly in China and the luxury sector might witness more meaningful opportunities for consolidation in the foreseeable future whilst maintaining exclusivity.

## **Keywords**

China; luxury; COVID-19; e-commerce; strategy; omnichannel

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## 1. Introduction

Mainland China (China) has become increasingly central to the global strategies of luxury brands with its purchasing power since the 1990s. Richemont, Kering and LVMH are the most influential international luxury players in China. These conglomerates leverage a large portfolio of luxury brands in the highly fragmented sector and are responsible for more than 50% of luxury goods sold globally. Ever since the end of the cultural revolution, Chinese consumers heavily relied on the internet as it was the growing source to gain information on foreign culture including knowledge on luxury resulting in well-informed and trend-driven consumers (Pan 2019). As China has been at the forefront of digital innovation in e-commerce and retail spheres for over a decade, the nation has digital-savvy consumers who are eager to explore the diverse and modern types of engagement and shop (Wang 2020) the ‘new retail’ way, a seamless distribution integrating offline and online realms (*Exhibit 1*). In December 2019, the luxury industry and other business sectors worldwide came to a standstill for a brief moment because of a novel coronavirus (COVID-19) originating from China (*Exhibit 2*). The personal luxury goods market was predicted to dip to €217 Bn (*Exhibit 3*) because of the rude awakening (Arpizio and Levato 2020). Owing to the disruption, luxury brands resorted to launching online stores by engaging with Chinese multinational technology titans (*Exhibit 4*), Alibaba Group and Tencent Holdings although not too long ago, luxury brands shied away from online retail because they feared of losing exclusivity and appeal (Advertorial 2020). China was one of the earliest countries to emerge from the health crisis and the luxury sector in China noticed a forceful comeback in spending particularly around May 2020.

China’s e-commerce giant, Alibaba operates with its own ecosystem specialising in commerce, internet, technology, smart payment, e-credit, logistics, and cloud computing (*Exhibit 5*). Some of the major businesses under the group’s umbrella are Tmall, Taobao and Weibo. Known as world’s largest third-party online and mobile commerce platform for brands and retailers, Tmall

caters to several consumer segments through its range of channels, Tmall Classic, Tmall Global, Luxury Pavilion and Luxury Soho (*Exhibit 6*) (A Williams 2020). Tmall Classic allows luxury brands to open official accounts, but it would retail with other non-luxury or regular brands. To further increase credibility and authenticity and gain trust among Chinese luxury shoppers, Alibaba launched an ‘app within an app’ on Tmall in 2017 (*Exhibit 7*), Luxury Pavilion, aspiring to replicate brand exclusivity and tailored shopping experience shoppers typically receive in physical stores in the digital realm. The invite-only platform retails luxury products ranging from fashion and beauty to watches and cars. Luxury shoppers enjoy personalised homepages, curated brand pages, product recommendations and exclusive VIP rewards in this comprehensive and customised application (The Luxury Conversation 2019). In a recent interview, Head of Fashion and Luxury for Tmall, Christina Fontana stated when a luxury brand opens a flagship store on Luxury Pavilion, the brands are in control of their inventory, communication strategy, pricing, merchandising strategy and appearance (WWD Studios 2020). Chinese microblogging website Weibo, is an indispensable platform for most users and brands in China as luxury brands build brand awareness while maintaining consumer loyalty and create brand associations through this channel (FDKG Ltd. 2015).

While Alibaba dominates the e-commerce scene, Tencent holds sway over social network and entertainment. Tencent is the world’s biggest video games publisher and provides services such as social networking, web portals, music, mobile games, e-commerce, payment systems, credit score system, artificial intelligence and technology solutions (*Exhibit 8*) (Bloomberg 2020). Tencent owns various business ventures such as QQ and WeChat/Weixin, WeChat Pay/Weixin Pay, Riot Games, Tencent Video/TV, and JD. Chinese multipurpose application, WeChat (*Exhibit 9*) comprises of instant messaging, social media, mobile payment, hailing rides, booking flights and many more integrated within one service. The app boasts features from Mini Programs (*Exhibit 10*), a sub-application within WeChat application that offer users and

brands a wide range of services such as games, lifestyle, entertainment, news, e-commerce and more, Moments (*Exhibit 11*) to Channels (*Exhibit 12*) and WeChat Pay, smart payment feature integrated into WeChat application in which users can make quick payments through their mobiles with Quick Pay, Quick Response (QR) Code Payments, In-App Web-Based Payments, and Native In-App Payments that can fulfil different payment situations (Maize 2018). WeChat allows brands to reach consumers at various touchpoints in the consumer journey starting from awareness, interest, purchase and loyalty. Alibaba's biggest e-commerce competitor, JD.com is a direct-sales retailer and technology driven company that warehouses, markets, and ships goods to consumers in China through its own logistics network (Carpenter 2020) and is present on WeChat. Livestreaming in China has gained popularity in the past few years and its number of audience was boosted by the health outbreak early 2020 and exceeded half a billion as of March 2020, which accounted for 62% of the total number of internet users in China (Warc News 2020). While there is an array of video streaming sites, luxury brands have harnessed a handful significant applications namely, Yizhibo of Weibo, Tmall of Alibaba, WeChat and Bilibili of Tencent, Xiaohongshu also known as Little Red Book or RED, a community-style forum targeted for younger Chinese netizens and ByteDance's Douyin which is similar to TikTok (*Exhibit 13*) (The Luxury Conversation 2018).

Luxury players in China are compelled to think boldly and play their cards right whilst ensuring they do not damage or dilute their reputation as the notion of luxury brands retailing online would have been unacceptable if it had surfaced a couple of years ago because trading fine leather goods and exquisite jewellery online is regarded in contempt in the luxury world (Sun 2020) but the pandemic has paved a new normal. Chinese consumers demonstrated no hesitation in embracing the enhanced integration of social media platforms with commerce, including senior consumers who turned to shop online for the first time (Wang 2020). Considering the nation is making headway in becoming the biggest luxury market by 2025, it

is therefore relevant to specifically study and analyse the current omnichannel strategies of Richemont, Kering and LVMH in China along with the Chinese tech giants and subsequently gain insights and predictions based on secondary research data of what the future holds for these luxury conglomerates in China.

## **2. Contextual Background**

### **2.1. Luxury Goods Market *before COVID-19 in China***

According to Bain-Altgamma 2020 Worldwide Luxury Market Monitor, personal luxury goods market accounted for €281 Bn in 2019 and Chinese consumers made up 33% of the contribution and was growing steadily at 6%. Chinese consumers were predicted to be responsible for almost 50% of personal luxury purchases globally by 2025 (*Exhibit 14*) (Arpizio and Levato 2020). Among true-luxury goods categories, ready-to-wear, watches and jewellery and handbags were responsible for retail sales contribution of €6-7 Bn from each category (*Exhibit 15*). There was a high penetration of young consumers aged between 18 to 40 in ready-to-wear, accessories and shoe categories. Older luxury consumers on the other hand were observed to be the core shoppers for handbags and watches and jewellery groups instead. Chinese luxury consumers will continue to be young with 48% aged below 30 who are bound to contribute 42% of luxury sales. A large number of true luxury consumers hail from tier 2 cities (i.e., Chengdu, Nanjing, Wuhan etc.) which have between 3 to 15 million inhabitants each (*Exhibit 16*) and make up 70% of true luxury sales whereas consumers in tier 3 cities (i.e., Guilin, Nanning, Zibo etc.) with a population of 150,000 to 3 million people and below account for 27% of total sales. Although lower-tier consumers splurged on the top three true luxury goods, these tiers still lagged behind when compared with their higher tier counterparts which are megapolises and are the largest and wealthiest cities with over 15 million inhabitants (i.e., Beijing, Shanghai, Guangzhou and Shenzhen). Luxury consumers in China can be classified into nine segments (*Exhibit 17*). ‘Absolute luxurer’, ‘megacitier’ and ‘rich upstarter’ represent

the three largest Chinese luxury consumer segments. The ‘absolute luxurer’ are very experienced and sophisticated luxury buyers who pursue top-fashion and self-expression and also value exclusivity and customisation. They comprise only 4% of the total luxury consumers but were responsible for the highest annual expenditure of €40.4K. ‘Megacitier’ and ‘rich upstarter’ are known to explore but have different emotional needs for luxury consumption. The former seeks individual style, is fashionable and well-informed whereas the latter is inexperienced with luxury, unsophisticated and in search of status and recognition (*Exhibit 18*). The 2019 BCG X Tencent Luxury Study proved that digital continues influences luxury purchases as consumers were exposed to an average of 4-5 digital touchpoints (60%) during discovery and research stages (*Exhibit 19*). Purchase pathway of Chinese luxury consumers was highly digitalised considering overall 80% of luxury purchase journeys were research online, purchase offline (ROPO), much higher than the global average (*Exhibit 20*). Overseas luxury consumption by Chinese was guided to a great extent by domestic touchpoints before final purchase. Data also exhibits purchasing journey for handbags and shoes were extremely complex owing to accumulating highest digital touchpoints in the discovery and research stages (*Exhibit 21*). Additionally, 50% of consumers were under the influence of WeChat ecosystem as it was the most used social platform including its brands’ Mini Program, public account and moments of friends/sales assistants during discovery and research, followed by Weibo and Little Red Book (*Exhibit 22*). This was attributed to the consumers’ increasing preference for highly curated and personalised social networking scenes (*Exhibit 23*). Over 70% of Chinese luxury consumers aged below 30 were strongly impacted by key opinion leaders (KOLs) including fashion bloggers, supermodels, celebrities and influencers. Fashion bloggers were the top KOL at 42% owing to most of them owning their own e-commerce business via Mini Program and had jointly produced limited-edition products with the fashion industry with brands like Givenchy and Tod’s. In regard to format, media evolved from digital content to



idols created by Chinese ecosystems and immersive virtual reality experiences. While product discovery was digital, purchases were made in-person and primarily in shopping malls where brand pop-up stores were a factor for the boosted sales (*Exhibit 24*). On the contrary, luxury online sales comprised only 12%, still at its infancy. However, brand-driven online channels saw fast growth driven by the rise of brand Mini Program and also official brand accounts (*Exhibit 25*) (Seara et al. 2019).

## **2.2. Luxury Goods Market *during COVID-19 in China until June 2020***

Jing Daily reported a decline of Western luxury groups' stock prices owing to COVID-19 outbreak since December 2019. As the virus escalated in China and then globally in February 2020, many luxury brands like Chanel and Prada were pressured to postpone all upcoming events that were supposed to take place in China. By mid-March 2020, as China was on its road to recovery from the health crisis, growing concerns arose among luxury groups as they witnessed store closures and supply chains across the globe (Jing Daily 2020). Coronavirus had paralysed international travel and accelerated the penetration for online luxury retailing instead. Luxury brands turned to the most prosperous market, China, with aggressive digital campaigns. In China, e-commerce is pivotal in boosting sales and many brands revised their budget from hosting offline events to online marketplaces, social media and livestreaming platforms (Sun 2020). Luxury brands were seen opening flagship stores online, launching its first e-commerce channel ever in China, livestreaming runway shows with the "see now, buy now" feature which amassed millions of Chinese consumers (Jing Daily 2020) and holding iconic fashion events and runway shows virtually (Sun 2020). Luxury players also reported high-end and low-end luxury items in terms of price points have been more resilient than the middle range of luxury goods. Handbags and small leather goods were more in demand than ready-to-wear apparel during the crisis (Achille and Zipser 2020). With little opportunity for consumption abroad, more than half (59%) of Chinese luxury shoppers resorted to domestic shopping in retail outlets

as soon as social distancing measures were less stringent. Almost 96% of shopping malls in China reopened and opted for more value-added actions to appeal to consumers. Luxury watch brands like Tissot and Rado extended guarantee period to attract Chinese shoppers locally (PwC 2020). An Hermès store in Guangzhou garnered a sales of \$2.7M on its reopening day (Sun 2020) and this suggests that consumer preferences may shift towards “silent luxury” following a huge crisis whereby they are more inclined to classic and timeless elements like craftsmanship and heritage rather than “bling” and conspicuousness (Achille and Zipser 2020). Consumers now are observed to favour entry-level hard luxury items that embodies value preservation consideration such as watches and jewellery and saw a 6% penetration rate in this category (*Exhibit 26*). Top-tier luxury brands and cosmetics demonstrated confidence and commitment in the Chinese market while affordable luxury was still facing difficult times (PwC 2020). Cosmetic and skincare brands such as Estée Lauder, Tom Ford, La Mer and MAC netted double-digit growth in China with online sales at the top by the end of June. Estée Lauder attributed its recovery from the crisis substantially to Chinese consumers’ remarkable resilience (H. Wei 2020). China has a burgeoning group of younger, wealthier and digitally empowered millennial and generation Z consumers who have been shaping the luxury industry in recent years. Top luxury brands in China now have a greater dependency on these consumer groups as they are the main growth drivers in both Chinese and global luxury market. They exhibit distinct values, rely heavily on social and trends, are individualised, self-expressing and tech-savvy consumers (PwC 2020). In respect of homegrown creatives, 98.6% China-based fashion designers and manufacturers resumed production in-house or in reopened factories locally to prepare for upcoming fall collections by end of March 2020 (Jing Daily 2020).

### **2.3. Richemont in China *before and during COVID-19 until June 2020***

Richemont owns several of the world's leading brands in the field of luxury goods, with particular strengths in jewellery, watches and writing instruments including Cartier, Van Cleef

& Arpels, IWC Schaffhausen, Jaeger-LeCoultre, Panerai, Piaget, Vacheron Constantin, Montblanc, dunhill and Chloé. The group reported mostly positive growth in the third fiscal quarter ending December 2019 with double-digit growth in China, powered by strong performance at the jewellery houses and specialist watchmakers (Richemont 2019). Cartier, one of Richemont's powerhouses started developing for Chinese luxury goods market since 1992 and tailored its strategy to cater and grow its Chinese brand image among the evolving luxury shoppers in China (David 2020). Cartier launched its new High Jewellery collection *Coloratura de Cartier* in July 2019 which unveiled in Paris and was then presented in Beijing among other few selected cities. The jewellery and watches brand was set to open major boutiques in 2020 with its new store design concept in Beijing China World and Shanghai. Their e-commerce platform was to adapt to the specific needs of the Chinese market to complement and support the appeal of its new retail concept. Richemont also owns famed online distributors YOOX Net-A-Porter Group (YNAP) and Watchfinder & Co (pre-owned watch retailer). In 2018, Richemont and Alibaba publicised their global strategic partnership, Feng Mao, carrying the newest collections of YNAP to Chinese consumers on Luxury Pavilion (Richemont 2020). Their association would allow YNAP's Luxury Division to be an important and sustainable online player in the Chinese market in addition to permit luxury brands to access China's immense potential. This joint venture is 51% owned by YNAP and 49% by Alibaba. Richemont leverages its powerful relationships with key luxury brands via YNAP whereas Alibaba lends its resources and marketing expertise, smart payment system and technology infrastructure in this alliance (Chou 2018). Richemont on Luxury Pavilion features special capsule collections from Net-A-Porter and its menswear parallel, Mr. Porter, customised brand webpages, personalised content, recommendations, and exclusive VIP rewards to their clientele as stated by Richemont and Alibaba (Booker 2019). When a purchase of a Richemont product is made through Alibaba, it is transmitted to Richemont or its brands' platform and that is then

conveyed to Richemont or its brands' warehouse. Orders are processed by the brands and packages are shipped from the brands within China by the logistics arm of Alibaba Group Holding, Cainiao Network Technology (Campbell 2020). The significant disruption caused by the pandemic weighed on the fourth-quarter sales in Asia Pacific, which declined by 37%. By the end of that time, 43% of Richemont's stores were closed and observed a decrease in retail sales (Richemont 2019). China was the first to return to 'business as usual' remarkably quickly as the group saw "strong demand" when 462 Richemont boutiques around China reopened in March 2020. Online retail generated strong double-digit sales growth from the group's maisons and online distributors, partly driven by the opening of Cartier flagship store on Luxury Pavilion in January 2020 (*Exhibit 27*). Cartier expanded its e-commerce footprint to enhance client-centric digital solutions in China and other jewellery maisons invested in store renovations and digital, data-driven communication initiatives (Richemont 2020). Cartier gave exclusivity to Luxury Pavilion with the launch of *Juste un Clou*, a small model bracelet from one of the maison's iconic collections and a new *Guirlande* chain wallet bag. In addition to full range products offer at the Luxury Pavilion, Cartier provides personalisation services like engraving, embossing, gift-wrapping and customised cards to emulate experiences from its brick-and-mortar retail boutiques. The French jeweller maison harnessed the new Tmall Flagship Store 2.0 to present the first 288 customers customised engraving on its classic red jewellery boxes and doorstep flower-and-gift deliveries by the maison's suited-and-booted bellboys, as part of their luxury pavilion launch (Chou 2020). Cartier proceeded to roll out their new store design concept amid COVID-19 to showcase its creations and offer exceptional experiences in Beijing China World and Shanghai K11 (Richemont 2020). In April 2020, Alibaba marked their venture into the luxury outlet business with the addition of Luxury Soho, the outlet counterpart of Luxury Pavilion. This new initiative signals Alibaba's strategy to maximise the products' lifecycle with marked-down seasonal items on Luxury Soho while highlighting iconic products

and new launches in Luxury Pavilion. Luxury Soho is targeted at generation Z shoppers just stepping into the luxury world and newer luxury consumers from China's lower-tier cities (A Williams 2020) and aims to increase the digital footprint of luxury brands post-COVID-19 in China (Wu 2020). On the subject of watches, *Fondation de la Haute Horlogerie* (FHH) collaborated with Tmall to present "Watches & Wonders Tmall Cloud Watch Show" in China with its livestream strategy. The Chinese luxury consumers have access to "Watches & Wonders" page via brand flagship stores on Luxury Pavilion and other platforms and this permits the luxury brands to present their creations and interact with the shoppers directly. FHH organised its flagship event virtually in April 2020 but the experience could not be replicated as high jewellery and fine watchmaking copiously depend on physical interaction and experiences in-person (A. Wei 2020). Panerai is renowned for its large bulky World War II-era watch pieces but recently, its best sellers have grown smaller in size to cater for Chinese shoppers' preference in discreet products. Chinese shoppers have splurged on Panerai watches post-COVID-19 to the extent China is very likely to bring in the highest sales by end of 2020 in comparison to other regions for the luxury watchmaker. Panerai currently owns 57 stores in China, which accounts for approximately 40% of its global network and plans to add 8 new stores by March 2021 around Beijing and Shanghai. Following the exceptional success of its first pop-up store in June, Hainan is set to open two Panerai boutiques by the end of 2020 (Bloomberg News 2020).

#### **2.4. Kering in China before and during COVID-19 until June 2020**

Kering manages the development of a group of esteemed houses in fashion, leather goods, jewellery and watches: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin, Girard-Perregaux, as well as Kering Eyewear. Chinese consumers were one of the prime contributors to market growth in 2019 for Kering. This consumer group increased the group's share by 2% points in

2019 when compared with the previous year. China was the most rapid growing leading country in 2019, increased 26% at comparable exchange rates and amounted 11% of the worldwide personal luxury goods market. The luxury consumption was amplified by a gain in momentum in the shopping repatriation, prompted by the reduction of the value-added tax rate in April 2019, and also the e-commerce escalation in China. Shopping repatriation accounted for 30% of total spending by Chinese, 3% points greater than 2018. Fashion houses Saint Laurent and Balenciaga launched in 2017 on JD.com's luxury arm, Toplife. The e-retailer had invested almost \$400 million in Farfetch, a global leading luxury e-tailer, with hopes to ride on its expertise to fulfil Chinese luxury shoppers' needs. The Farfetch partnership was to benefit JD.com because of its forte with luxury brands (Pan 2017). In February 2019, JD doubled down on its partnership with Farfetch and merged Toplife with Farfetch China. The backbone of Kering's portfolio Gucci, recorded strong sales momentum in 2019 mainly driven by local consumers. As Gucci strived to accommodate their Chinese consumers in this rapidly changing environment, Gucci understood they had to tap into culture marketing. To increase its e-commerce market share and presence in China, Gucci leveraged Mini Program offering exclusive online sales and also effectively collaborated with KOLs namely Lu Han, Ni Ni, Gogoboi and Li Yuchun (A Williams 2020). The promo video of Gucci's "Roman Rhapsody" went viral in China because it starred an ordinary Chinese immigrant, Zhou Fenxia. This new strategy was to cater to and better connect with ordinary customers in China. Although Gucci engaged with Farfetch for its 90-minute delivery in cities worldwide, Gucci was absent in both Chinese tech behemoths, Alibaba and JD.com because of the prevalence of imitation goods in China. In addition to that, formerly sold through Toplife, Balenciaga and Saint Laurent, no longer retail at JD.com's Farfetch store (Flora 2019). Gucci ventured online to retail its products in China via its standalone e-commerce site and WeChat store in 2017 (Long 2018). In December 2019, Gucci finalised a partnership with Tencent to reinforce its global digital

expertise. The earliest initiative kicked off in October 2019 with a short film series titled *Gucci Inspiration Map* and featured various Gucci ambassadors and international public figures (Kering 2019). Kering started closing half of its stores in China since late January and shelved new openings and advertising campaigns as COVID-19 threw the group into turmoil. The group observed a sharp drop in traffic and sales in China. In April 2020, although a number of stores reopened in China, less than 15% of Kering's stores were open and back to normal but eventually accelerated since mid-May onwards with the less stringent nation lockdown. China was the only market in the Asia-Pacific region where sales rose by 6.4% during this period. Gucci announced its scaling down from five collections to two per annum as sales contracted in Asia Pacific but soared in China, the region's main market, since mid-April (Kering 2020). In addition to WeChat and Weibo, the Italian house launched on Douyin at the beginning of 2020 as part of its "Digital First" business strategy because this platform is considered a trendsetter for generation Z users. However, this approach was not well received initially by the users in China because it looked like a "knock-off fan account" owing to their choice of influencer featured, outdated special effects and puzzling visuals (Zhuang 2020). Farfetch China currently operates luxury brand stores via WeChat including Saint Laurent and announced Tencent's strategic investment of \$125 million in the marketplace in early 2020. Farfetch has localised its operations across Shanghai and Beijing. To date, Farfetch has helped over 80 luxury brands to develop strategies focused in China (Milnes 2020) without possessing any inventory of the thousands of brands available on its platform (The Fashion Law 2020).

## **2.5. LVMH in China before and during COVID-19 until June 2020**

LVMH is a French conglomerate comprising 75 prestigious maisons organised into six business groups, wines & spirits, fashion & leather goods, perfumes & cosmetics, watches & jewellery, selective retailing and other activities. Asia excluding Japan was the group's largest market and recorded the highest revenue as of December 2019 at €16,189 million. Louis Vuitton (LV), a

key player in the fashion and leather goods industry, persevered to deliver exceptional performance owing to its iconic lines and novel creations. China has emerged as the biggest market for LV in recent years with over 28 years of presence. LV owns three sales channels in the Chinese market. Its brand official website established in 2004 operates directly with Chinese consumers and delivers a seamless omnichannel experience since 2017 (*Exhibit 28*). LV allows consumers to place orders online and pick the items in designated stores (Zheng 2018). LV China opened a WeChat service account in 2012 and also launched its WeChat Store in 2019 and is continuously updating its application to improve user experience. LV China was the first luxury brand to open an account on Xiaohongshu. To garner new consumer groups, LV China collaborated with a world-leading video game, League of Legends and produced a series of co-branding products in 2019. This move attracted more than 1 million discussions on Weibo. The purchasing link on the posts and avatars drove traffic to LV's official website (David 2020). Christian Dior also demonstrated remarkable performance in 2019, turning in solid growth across all categories and regions. The French maison is expected to maintain its momentum, driven by its successful collections and strategic store openings. Dior in China approaches Chinese luxury shoppers from both, product and creative aspects. In conjunction with Chinese Valentine's Day in 2016, Christian Dior Couture launched a Mini Program to sell limited-edition Lady Dior China bag (*Exhibit 29*). It allowed Chinese luxury shoppers to select the decorative embroidery strap pattern and was sold out within a few hours. Apart from WeChat, Dior has established itself on various Chinese social media platforms like Weibo in the past few years. In 2018, Dior was the first luxury brand to own a Douyin account (David 2020). LVMH witnessed surging demand in the perfumes and cosmetics division particularly in China and noted massive traction of makeup and skincare among younger generations. Flagship brands exhibited excellent growth and rapid progress in Asia (LVMH 2019). Parfums Christian Dior is one of the most celebrated luxury brands in the Chinese market. In July 2019, Dior Pink



City pop-up store made an appearance in Shanghai with five themed rooms namely, flower shop, library, urban spa, music hall and café. Chinese shoppers experienced personalised fragrance trial services, received bouquets of elegant flowers, treated to massages at the spa area, experienced high-end skincare Dior Prestige, printed exclusive photos and also were surprised with small Dior crafts (David 2020). Bvlgari performed continuously well and increased its market share under the watches and jewellery business group. High jewellery and the iconic lines namely *Serpenti*, *B.Zero1* and *Diva's Dream* were enhanced with an addition of recently developed products. The Italian luxury household plans to continue expanding its network in China. The highlight in 2019 for LVMH was announcing the acquisition of the prestigious American jeweller, Tiffany & Co (LVMH 2019). The group's first half of 2020 was severely affected by the health and economic effects of the pandemic. The decline of the Chinese market started in January 2020 and then the closure of other markets in mid-March brought the group to a standstill. From May onwards, China displayed a very strong recovery in revenue in the second and third quarter under the fashion and leather goods business group. In June 2020, Christian Dior Couture launched officially on Bilibili to capture younger Chinese consumers as they account for 81% of the platform's users and give them the opportunity to familiarise with Dior's products and brand ethos. Dior aims to build momentum through impactful events held at major cities. LVMH's major perfumes and cosmetics maisons were buoyant as online sales grew rapidly for all brands (LVMH 2020). Dior in China entered e-commerce accelerated by the health crisis on Tmall in June 2020 and carries a range of skincare, cosmetics and perfumes. Dior worked together with Liu Yuxin, a popular young celebrity during the COVID-19 lockdown period on Dior's skincare range, '*Capture Totale*' (David 2020). Amid the outbreak, LVMH's watches and jewellery maisons developed different distribution methods through digital mediums and direct sales. Bvlgari was quick to harness

China's strong rebound in the second quarter with the launching of *B.Zero1* "Rock" collection and *Barocko* fine jewellery through augmented reality experience (LVMH 2020).

### **3. Addressing the Work Project Topic**

#### **3.1. Limitations**

Primary research commenced in June 2020 for two groups, one for luxury goods consumers in China and another for industry experts in China related to the Chinese distribution and market. A pre-recruiting filter questionnaire (*Appendix 1*) was circulated via WhatsApp and LinkedIn to acquire luxury goods consumers for the in-depth interviews (*Appendix 2*). Ideal candidates for the interviews are to have purchased luxury goods through any Chinese offline or/and online channels in the last 12 months. The outcome was inadequate as only two out of forty-one respondents qualified to be interviewed (*Appendix 3*). Numerous industry experts from Alibaba, Kering, Tencent, JD, LVMH and more were reached out on LinkedIn to be interviewed with a set of questions prepared (*Appendix 4*) to better understand the luxury scene outlook in China post-COVID but failed to garner any response. The poor response could be attributed to a few reasons, mostly language barrier and reluctance to disclose information deemed confidential. As a result of this limitation, together with my supervisors, we agreed to address the work project topic using secondary research data.

#### **3.2. Methodology**

Due to the limitations encountered, the work project focuses on structured data analysis. The main sources of information are tabulated based on the global market and the Chinese market using data obtained from business literature such as McKinsey & Co., Bain, Altgamma, PwC and other types of sources include Business of Fashion (BoF) and Jing Daily.

**Table 1: Main Sources of Information on Global Market**

	<b>Report Title</b>	<b>Publisher/ Author</b>	<b>Date Published</b>	<b>Content</b>
<b>Information on Global Market</b>	Annual Report and Accounts 2019	<b>Richemont</b>	May 2019	<i>Financial &amp; operating highlights and business review</i>
	2019 Annual Report	<b>LVMH</b>	January 2020	<i>Key figures &amp; financial information</i>
	2019 Financial Document	<b>Kering</b>	February 2020	
	Annual Report and Accounts 2020	<b>Richemont</b>	May 2020	<i>Financial &amp; operating highlights and business review</i>
	Interim Financial Report	<b>LVMH</b>	June 2020	<i>Key figures &amp; financial information</i>
	2020 First-Half Report	<b>Kering</b>	July 2020	
	Bain-Altagamma 2020 Worldwide Luxury Market Monitor	<b>Claudia D'Arpizio &amp; Federica Levato</b>	November 2020	<i>Update &amp; estimates on global luxury goods market</i>
	The State of Fashion 2021	<b>BoF and McKinsey &amp; Co.</b>	December 2020	<i>Overview of fashion &amp; luxury brands post-COVID-19</i>

**Table 2: Main Sources of Information Related to Chinese Market**

	<b>Name</b>	<b>Source</b>	<b>Date Published</b>	<b>Content</b>
<b>Information Related to Chinese Market</b>	How Louis Vuitton Upped Its Digital Game in China	<b>Jing Daily</b>	July 2018	<i>LV's digital milestones &amp; strategies</i>
	Swiss Luxury Group Richemont Partners with Alibaba	<b>Alizila</b>	October 2018	<i>YNAP's joint venture with Alibaba</i>
	China Luxury Digital Playbook	<b>Boston Consulting Group &amp; Tencent</b>	June 2019	<i>Insights into China's luxury consumers</i>
	Luxury Goods in China - Analysis	<b>Euromonitor International</b>	January 2020	<i>Overview of Chinese luxury market</i>
	Cartier Launches New Store on Tmall Luxury Pavilion	<b>Alizila</b>	January 2020	<i>Cartier's offerings and strategies</i>
	A perspective for the luxury goods industry during –	<b>McKinsey &amp; Company</b>	April 2020	<i>Impact of COVID-19 on the luxury goods sector</i>

	and after coronavirus			
	Luxury brands go digital in China to cushion coronavirus blow	<b>Nikkei Asia</b>	June 2020	<i>Relation between luxury brands' e-commerce and China</i>
	Our Businesses	<b>Alibaba Group</b>	2020	<i>Information on Alibaba's various trades</i>

### 3.3. Research Insights

Upon analysing the information, it is evident that Chinese consumers increased their expenditure during and after COVID-19. Chinese luxury consumers typically shopped two-thirds of their luxury goods outside of China but since the pandemic hit the brakes in the market, there was a reverse in trend (D. Wei 2020). According to Bain-Altgamma 2020 Worldwide Luxury Market Monitor, there are five main themes that reshaped the luxury industry in China in 2020 namely, repatriation spending, generational shift, digital blast, distribution ecosystem transformation, and augmented content and broadcasting for products. China witnessed roaring domestic consumption across a multitude of channels, luxury goods categories and price points constantly accelerating week after week. This could be attributed to the pent-up demand among Chinese consumers as a result of the closure of travel borders and the recent enactment of price harmonisation. The burgeoning Chinese consumer group, Gen-Z majorly drove the rebound during the COVID-19 crisis demonstrating overindulgence towards luxury shopping and diversely purchased entry-to-top level offering (Arpizio and Levato 2020). Considering that Chinese consumers are paramount for luxury consumption, the country now has the broadest product range for most brands (Rambourg 2020). Bloomberg Intelligence analyst Catherine Lim stated that the lockdown prompted Chinese shoppers to be inclined towards more aspirational brands rather than mass brands (D. Wei 2020). The Chinese government encouraged domestic consumption during holidays with joint participation of e-retail giants,

online-offline platforms, shopping malls and brands and this sped up the recovery of both online and offline retail market. The average recovery rate hit 59.3% with 18.6k average daily traffic per shopping mall in China over the holiday season which was 4.2 times of daily traffic in February 2020 (*Exhibit 30*) (PwC 2020). China recorded the steepest growth for online luxury sales at almost 1.5 times the average 2020 online market growth. The importance of social commerce for luxury brands became more apparent when the closure of stores occurred in China at the beginning of 2020. Luxury players in China further capitalised on impactful digital innovations such as livestream commerce, social shopping, partnerships with KOLs, reviews, personalisation and gamification to emulate and deliver a richer digital experience altogether. As brick-and-mortar channels were heavily impacted in 2020, this led to redesigning the distribution ecosystem evolving local consumers. The role of physical luxury boutiques was evolved to virtual consumer-tailored spaces, ergonomics were rethought to power the interaction with consumers based on their individual needs such as salesrooms and VIP lounge, an adjusted footprint from megacities to wealthy suburbs and home to intercept wealth ruralisation trends and domestic shopping habits, and maximise the consumer shopping journey and experience by leveraging on operational digital excellence and upgraded sales play to convert transactions to emotions. Entry-prices or accessible luxury categories obtained the lion's share in 2020. The health crisis transformed luxury brands' role from being producers to broadcasters with the "same" product but augmented content and larger broadcasting (Arpizio and Levato 2020).

## **4. Discussion & Implications**

### **4.1. Richemont**

The world's second-largest luxury group observed improvement in sales since July 2020, owing to its jewellery division mainly. In the past few years, Richemont has underperformed Kering and LVMH and the problems stem majorly from YNAP. The luxury e-tailer has been struggling

with mismanagement of technology, high customer acquisition and excess inventory since Richemont fully acquired YNAP which caused the Swiss group major losses. In spite of that, Richemont announced its massive investment along with Alibaba in Farfetch, a direct competitor of YNAP in November 2020. Kering has also increased its stake in Farfetch through Groupe Artémis, its investment vehicle. Farfetch will roll out stores on Tmall's Luxury Pavilion, Luxury Soho, and Tmall Global and consequently close its storefront on JD.com, although JD will remain as a shareholder. Farfetch will however still be present on WeChat to continue building brand awareness in China. Chairman of Richemont Johann Rupert commented that although YNAP and Farfetch are rivals, their business models differ. Farfetch's strength lies in technology whereas YNAP manages relationships with luxury brands and has expertise in brand curation (Fernandez 2020). This transaction is determined to accelerate the digitisation of the luxury industry through Luxury New Retail (Roulet 2020) which seamlessly integrates the digital and physical realms. Hence, Richemont and Farfetch will harness Alibaba's retail technologies that support customer-centric strategies and outstanding artificial intelligence capabilities. As Richemont embraces a closer but binding relationship with Alibaba, the Swiss conglomerate will be heavily dependent on Alibaba in terms of distribution in the largest luxury market who views sales as transactions with the aim to increase reach, traffic, revenues and more. Their global strategic alliance may pose cultural challenges for Richemont and puts the group at a vulnerable and volatile position as Alibaba is the dominant player in logistics.

#### **4.2. Kering**

Kering continued to display resilience and agility in the third quarter of 2020 fuelled mainly by remarkable force in China. Online sales also saw outstanding growth trajectory led by North America and Asia-Pacific, up 101.9% (Kering 2020). A significant function of the group's business in China is sustaining sufficient network of its brick-and-mortar stores. Kering in

China opened 20 stores during COVID-19 and has 210 stores in total. The group believes there is great prospects for growth and expansion in the region (Zhuoqiong 2020). Kering grabbed the opportunity given by Farfetch as a marketplace extended to China through their engagement with JD.com. However, following the recent partnership of Richemont and Alibaba with Farfetch, Kering now only operates on its own digital platform, Mini Program and exclusive e-store on Tmall (Zhuoqiong 2020). During the China International Import Expo (CIIE) held in November 2020, Cai Jinqing, President of Kering Greater China stated that the group aspires to expand their association with their business partners and stakeholders in China for the future of luxury (Kering 2020). In December 2020, Alibaba announced that Kering's cash cow Gucci will launch two stores on Luxury Pavilion, one carrying all fashion categories and the other featuring beauty products operated by Coty, a multinational beauty company. The Italian house will remain in control of all customer experiences and graphics of both digital stores. Considering Gucci's emphasis on cultivating a dedicated Chinese digital ecosystem over the past years, this involvement with Luxury Pavilion aims to offer consumers an authorised and personalised e-commerce experience and plans to capitalise on the new retail channel (A Williams 2020). Although following Richemont's footsteps, Kering has a lighter involvement in and from Chinese companies. Kering's brands utilise and operate on notable Chinese platforms and this approach seems to put Kering at a lesser risk and less vulnerable state.

### **4.3. LVMH**

The world's largest luxury player continues to strengthen customer relations through innovative digital initiatives in China during the third quarter of 2020. The group's French label Louis Vuitton revamped the traditional concept of fashion shows with the launch of an animated film for its spring 2021 men's collection. The film was followed up with live touring runway shows and kicked off in China. The show featured all Chinese models and at the end of the show, LV China offered guidance in details to acquire the products via Mini Program (Fu 2020). This led

to LV China achieving record-breaking sales in August 2020 at its largest flagship store in China, Shanghai Plaza 66 (Fu 2020). Although the French conglomerate has initiated in expanding the online offer of their powerhouse labels, LV and Dior, the group has mostly remained on the side-lines of the e-retail race, still depending on brick and mortar. LVMH has been using WeChat to initiate dialogues and communicate with Chinese luxury consumers and also authorises sales and transactions via WeChat Pay. According to Business of Fashion, the group announced the reshuffling of their digital division in November 2020 owing to a surge in online luxury sales because of intermittent store closures since the outbreak (Williams 2020). This signals their concern to not be left behind in the race for digital distribution, digital communication and data management set-up for the Chinese market. The online support features for boutiques that remain open include click-and-collect ordering and payments, booking appointments to try on products and information about items' availability. LVMH's managing director Toni Belloni stated, "We have solid digital foundations at LVMH but this journey is just beginning". The luxury giant's future plans are to accelerate brands' migration to shared technology platforms, leverage data management and artificial intelligence and give specific attention to the progressive Chinese ecosystem (Williams 2020). Considering LVMH's approach of not forming any alliances with major Chinese technological companies indicate the group wants to discover solutions and control distribution with zero risks but at the cost of setting up digital platforms in-house.

## **5. Conclusion**

To conclude, the luxury scene in China is becoming more concentrated with two major players Alibaba and Tencent, originating from entirely different paradigms and own an ecosystem each. The former is a retail and data management expert, and the latter is a specialist in social media and entertainment. Majority luxury players are observed to capitalise on Alibaba's Tmall and Tencent's WeChat for social commerce as these two platforms ultimately have displayed to be



of great importance in the lives of Chinese consumers. COVID-19 certainly compounded the demand for all things digital in the already highly digitised Chinese landscape as well as control for supply networks (A Williams 2020) including the three luxury players in China with different religions and strategies. Farfetch backed by Alibaba, Richemont and Kering's investment vehicle signals the start of consolidation in the luxury industry. It can be perceived as an opportunistic solution for all parties involved. Farfetch lacks the technical machinery capacity like Alibaba but instead has the marketplace facility and is renowned in Europe and maybe Alibaba would like to penetrate the European market through this joint venture with the online luxury retailer. Could a strategic partnership arise between YNAP with its spirited brand identity, and Farfetch, with its modern model, be another step forward within the industry's consolidation (Fernandez 2020)? There could be a probability that in the future, Richemont would merge YNAP with Farfetch or maybe offer YNAP for sale to Alibaba since YNAP is a technology company that understands the luxury industry, something Alibaba lacks. Either way, this transaction creates riveting ties in the highly fragmented sector, Richemont working with Kering's, Balenciaga, Saint Laurent and more (The Fashion Law 2020). Furthermore, Gucci's bold move releasing all product categories on Luxury Pavilion displays its confidence in Alibaba, as opposed to its parent company's past experience and opinion towards the Chinese conglomerate. At the rate Alibaba and Tencent are operating, Alibaba will be seen dominating the entire distribution network and e-commerce eventually while Tencent will rule communication and social media through WeChat, the most powerful social networking and lifestyle application in China. LVMH on the other hand strives to be in control of every aspect because this approach is an inherent element of the concept of luxury. This strategy can be compared with family-owned luxury brand, Chanel as they aspire to maintain its image of exclusivity and ultimately rely on footfall. Despite lacking capabilities on e-commerce and having to forgo valuable opportunities during the pandemic (A Williams 2020), Chanel does

not intend to vend its apparel, leather goods or accessories online as well as discounting or destroying its inventory to weather the outbreak (Abboud 2020). The French luxury brand uses Chinese platforms to have dialogues with their consumers without forming an alliance with Chinese tech behemoths. Chanel believes consumers visiting their boutiques physically is vital as it is part of the luxury experience, allowing them to touch and feel all the creations (A Williams 2020). Chanel currently offers its entry-level products, perfumes and cosmetics on its own website and Tmall in China since 2019 (Abboud 2020). Thus far, it has been a winning strategy for the French maison and could be for LVMH, too. The new retail or omnichannel luxury shopping journey will gain momentum in the next few years in China. While most brands followed suit to digitalise to stay relevant amid the health crisis, brick and mortar still is imperative to make luxury purchases in China and will be present in the future of luxury. Luxury goods are perceived as an investment than a commodity. It is only natural that when purchasing luxury goods which are costly, the majority of luxury consumers would want to check out the products in-person. They are most likely to discover and research the product online before visiting the store. This exhibits the importance of omnichannel approaches taken by luxury brands to provide a seamless luxury shopping experience by prioritising, redesigning and implementing for the future. Thus, luxury brands will be seen expanding and launching physical stores in lower-tier cities in the years to come. Certainly, the luxury stores of tomorrow will offer an entirely unique experience that has novel touchpoints, triggers and aesthetics to develop and establish a new emotional connection with future Chinese luxury shoppers (CPP Luxury 2020), while customer engagement will be digitalised deeper with localised product and service offerings (PwC 2020).

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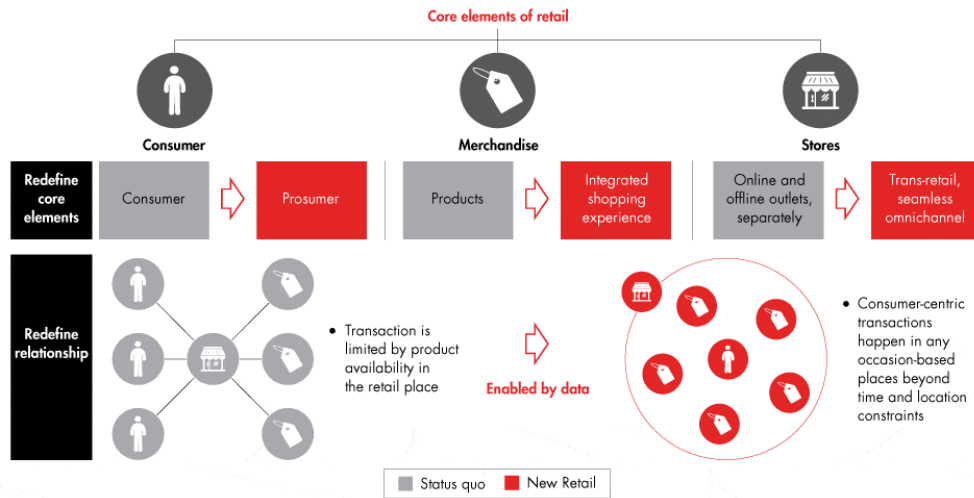
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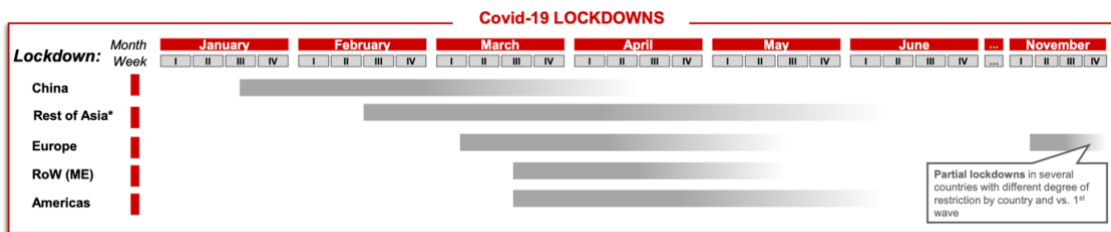
## 7. Appendices

Exhibit 1 - 'New Retail' concept defining the three core elements of retail



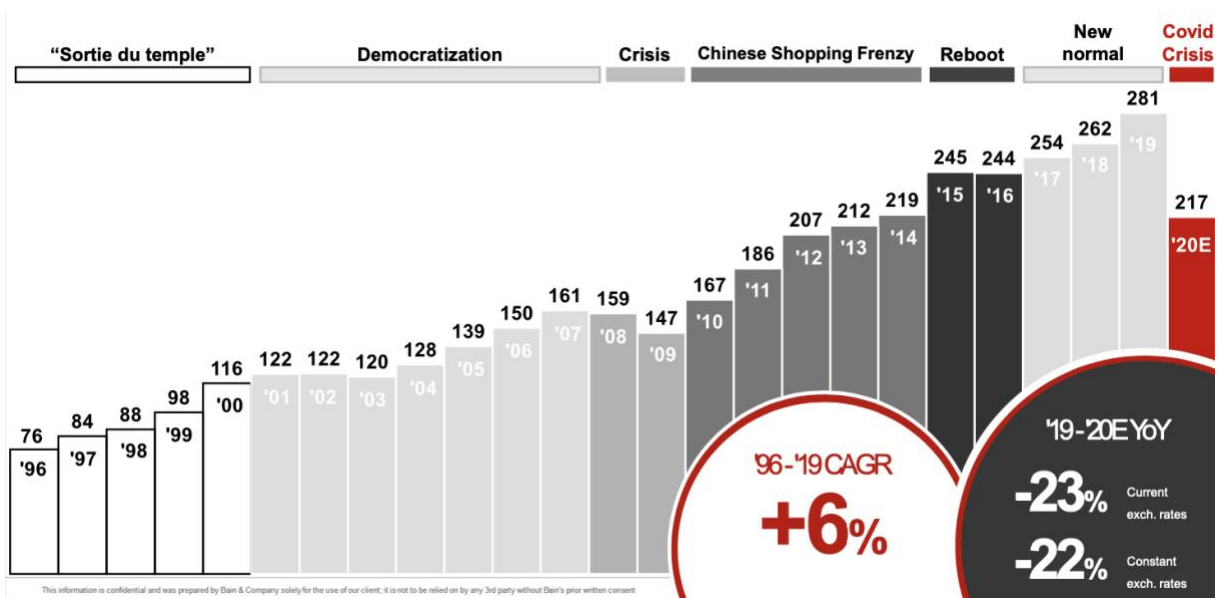
Source – Bain

Exhibit 2 - Timeline of COVID-19 lockdown period around the globe



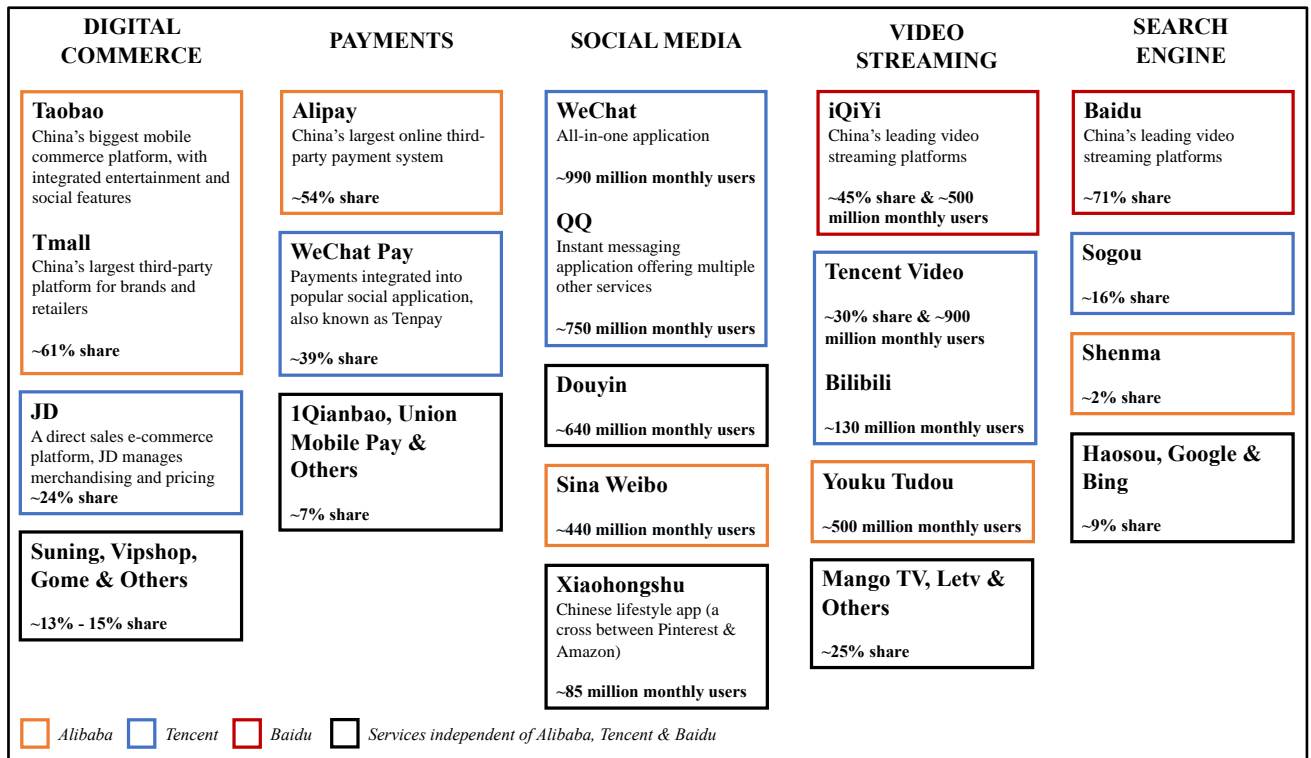
Source – Bain-Altgamma

Exhibit 3 – Personal Luxury Goods Market in €Bn



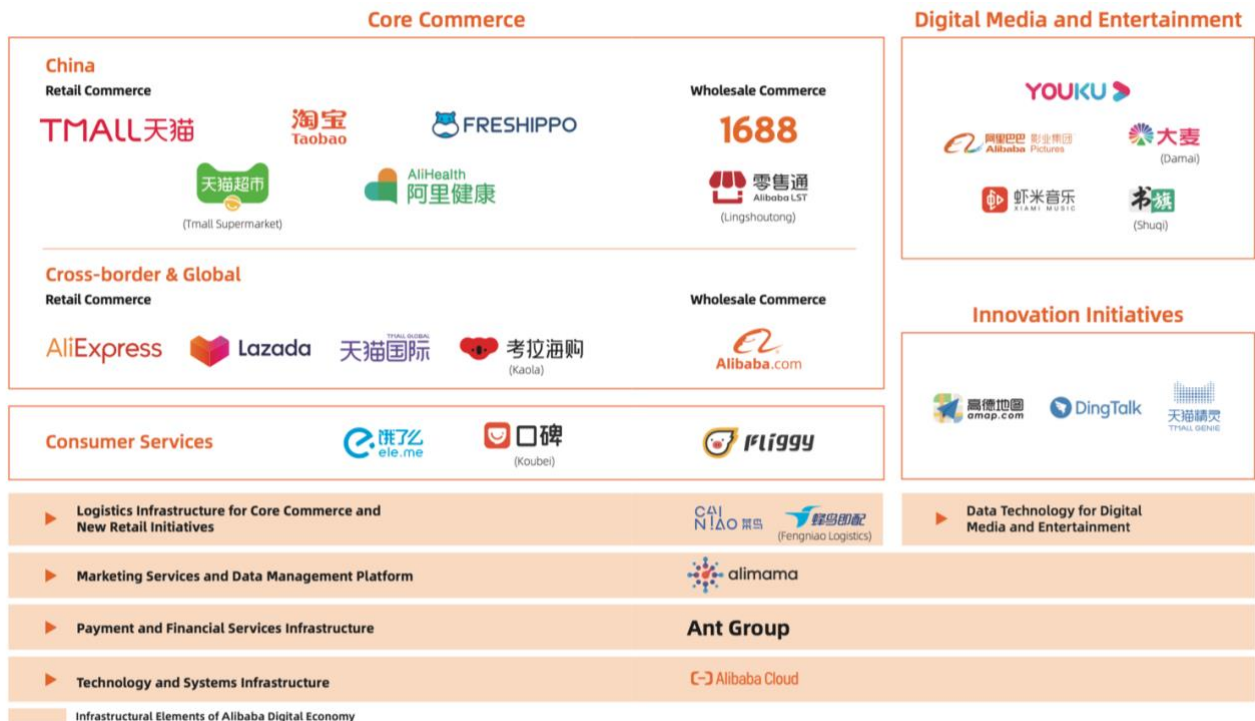
Source – Bain-Altgamma

Exhibit 4 - Digital Ecosystem in China



Source – BCG; Daxue Consulting; Statista; E-commerce China Agency; Dragon Social

Exhibit 5 - Alibaba Group's Ecosystem



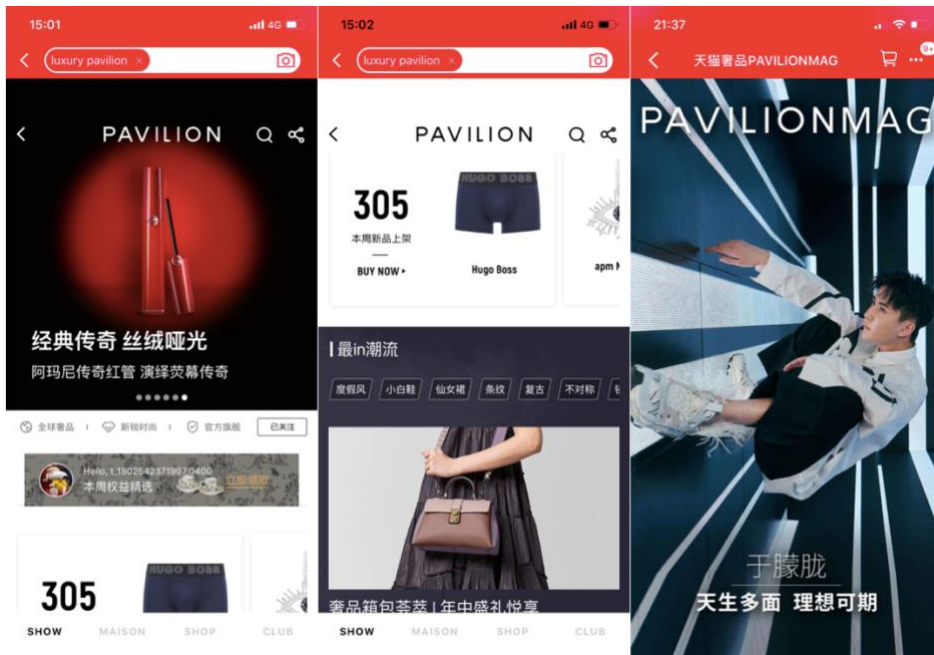
Source – Alibaba Group

Exhibit 6 - Navigating Tmall Classic, Tmall Global and Luxury Pavilion

	<b>Tmall Classic</b>	<b>Tmall Global</b>	<b>Luxury Pavilion</b>
<b>Description</b>	Upmarket badge within Alibaba's Taobao site.	Cross-border marketplace developed specifically for international brands.	Invite-only service for luxury brands.
<b>Brands</b>	A high volume of brands across all categories and ranges, including luxury.	Luxury brands without a Chinese entity or new to the market. Mostly beauty brands such as Fenty Beauty, Drunk Elephant, and Deciem.	180 luxury brands including Chanel, Valentino, Burberry, Cartier, and Bottega Veneta.
<b>Launch Year</b>	2008	2014	2017
<b>Partner Support</b>	Marketing tools, incentives, highlights, and campaigns.  Tmall Partner: at an additional cost, this service runs daily operations, customer service, logistics, and e-commerce.	Marketing tools, incentives, highlights, and campaigns.  Tmall Partner: at an additional cost, this service runs daily operations, customer service, logistics, and e-commerce.	Marketing tools, incentives, highlights, and campaigns.  Tmall Partner: at an additional cost, this service runs daily operations, customer service, logistics, and e-commerce.
<b>Brand Requirements</b>	Brands must have a business entity in China and products or stock already in China. Open to all brand categories.	Brands with a license in their country of origin and stock outside of China.	For selected or invited luxury brands only.
<b>Payment</b>	All payments are done through Alipay.	All payments are done through Alipay.	All payments are done through Alipay.
<b>Notable Benefits</b>	Has the most traffic.  Has various shopping festivals that are heavily promoted.  Brands can have multiple stores within the marketplace to sell different products, segments, or diffusion lines.	Easier registration process.  Testing ground for products and learning about competitors and the China market.  Beneficial for brands that are unregulated in China like beauty.  Brands can open within 30 days.  English interface for merchants.	Offers brands a safe space where they will not be overcrowded.  Expert fashion and beauty curating.  Exclusive nature.  *Luxury Soho: The outlet version of Luxury Pavilion.
<b>Costs</b>	An annual fee plus sales commissions based on category.	An annual fee plus sales commissions based on category.	An annual fee plus sales commissions based on category.
<b>Cons</b>	While traffic is highest here, it is difficult to stand out or own a category.  Large marketing budgets are required.	Receive less traffic than the better known Tmall Classic site.  Fees are higher than Tmall Classic.	Access to the platform is limited to brands that are personally invited by Tmall.  Given China's perception of outlet shopping, it is still unclear how Luxury Soho will impact the Pavilion.
<b>Consumer Perception</b>	Consumers mostly come here for mid-end brands. As the brands themselves usually take care of the logistics, consumers expect the quality of services to be in line with their physical stores.	Consumers come here for niche brands that have not officially launched in China's market. However, shipping services lag behind the brands featured on Luxury Pavilion, as these brands' warehouses are normally based in free zones or outbound areas.	Consumers come here for a premium shopping experience where in-store merchandise is highlighted on Luxury Pavilion and Luxury Soho.

Source – Jing Daily

Exhibit 7 - Luxury Pavilion Interface



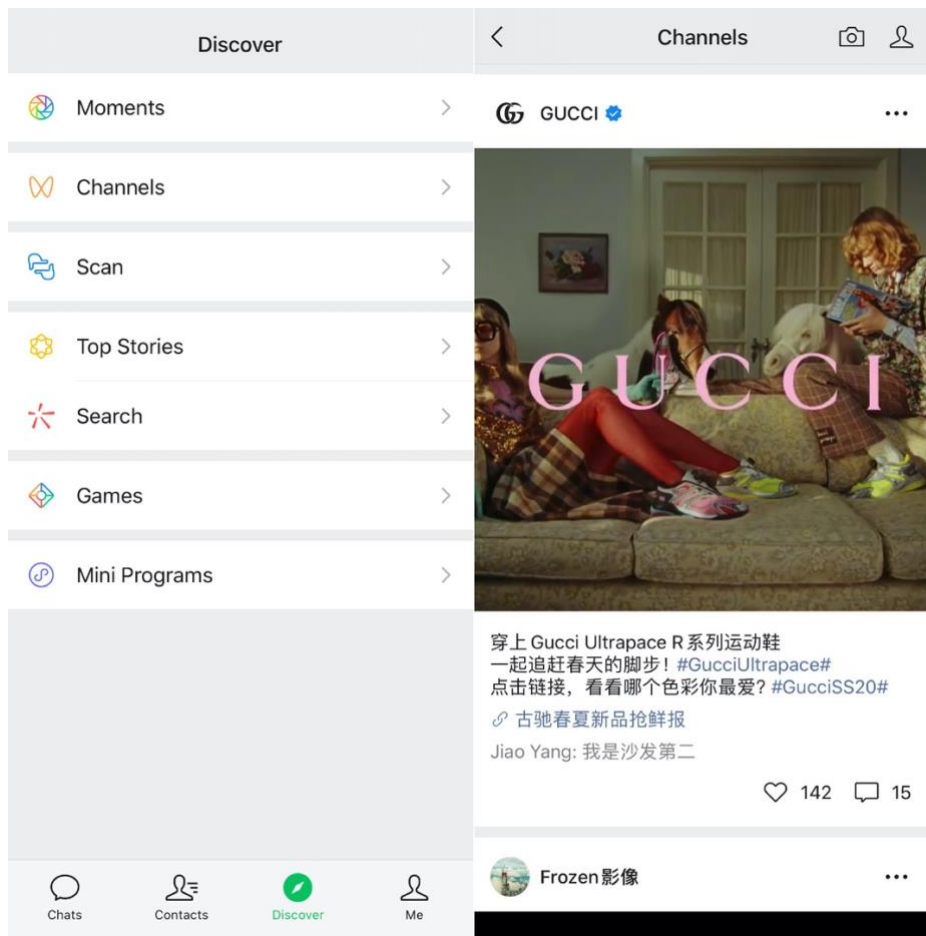
Source – Alizila

Exhibit 8 - Ecosystem of Tencent Holdings



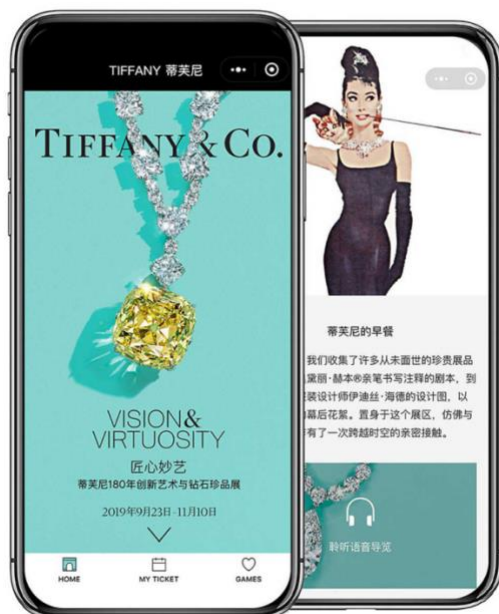
Source – Sinofy

Exhibit 9 - Main interfaces of WeChat



Source – Jing Daily

Exhibit 10 - Tiffany & Co. utilising WeChat Mini Program to promote its offline exhibition



## WeChat Mini-Program

An interactive program to explore the exhibition's treasures.

- Reserve and purchase tickets
- Listen to the exhibition audio guide
- Discover the six exhibition chapters
- Play fun games

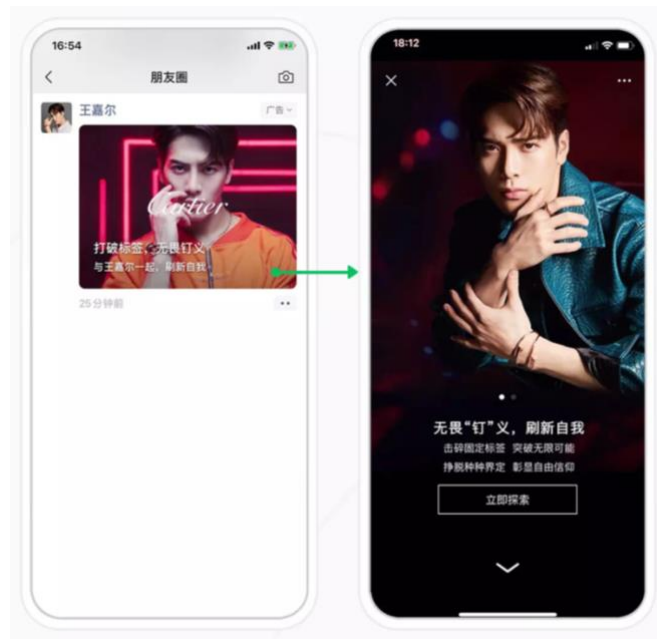
Follow our WeChat official account: **Tiffany蒂芙尼**

**Scan the code to activate mini-program**



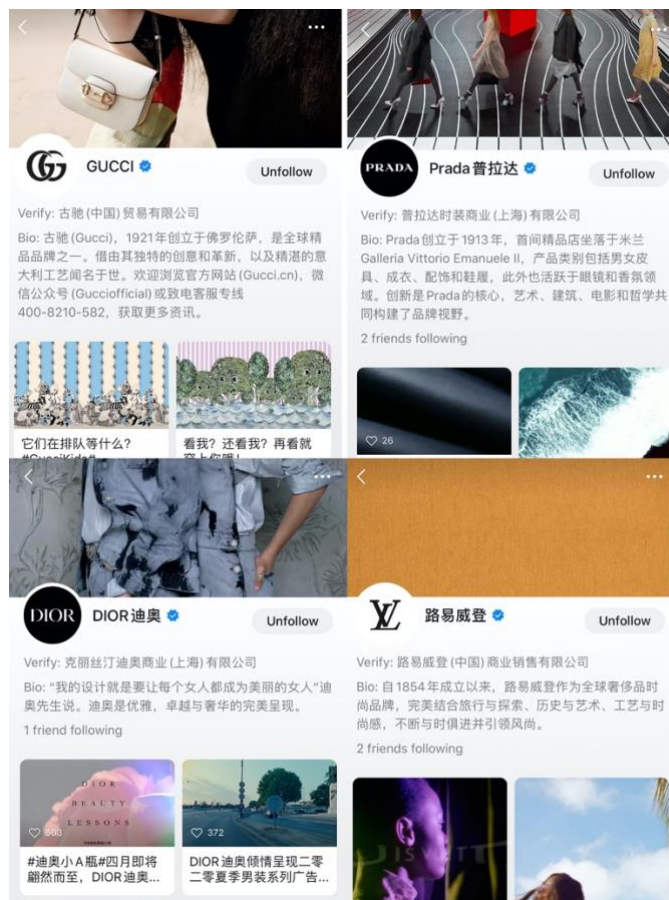
Source – Jing Daily

Exhibit 11 - Cartier sent out online promotion ads on WeChat Moments



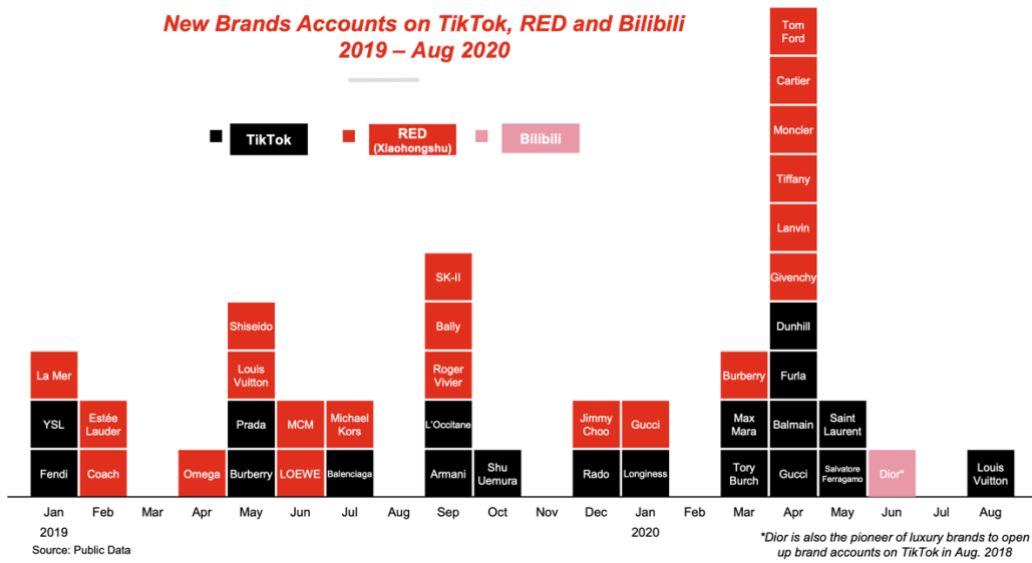
Source – Jing Daily

Exhibit 12 - Various luxury brands' Channels on WeChat



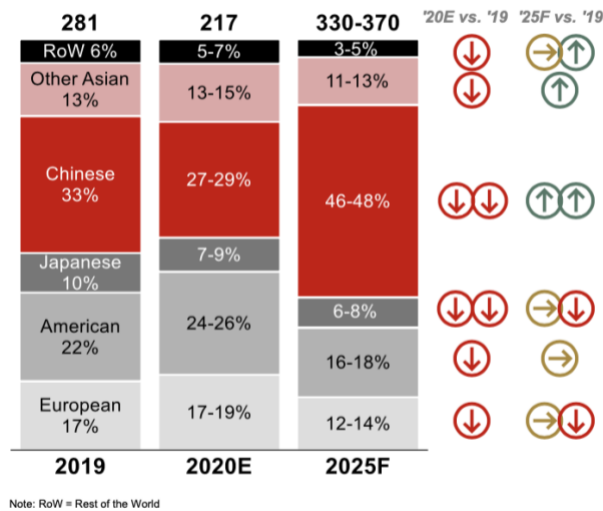
Source – Jing Daily

Exhibit 13 - Luxury brands embracing trendy online platforms



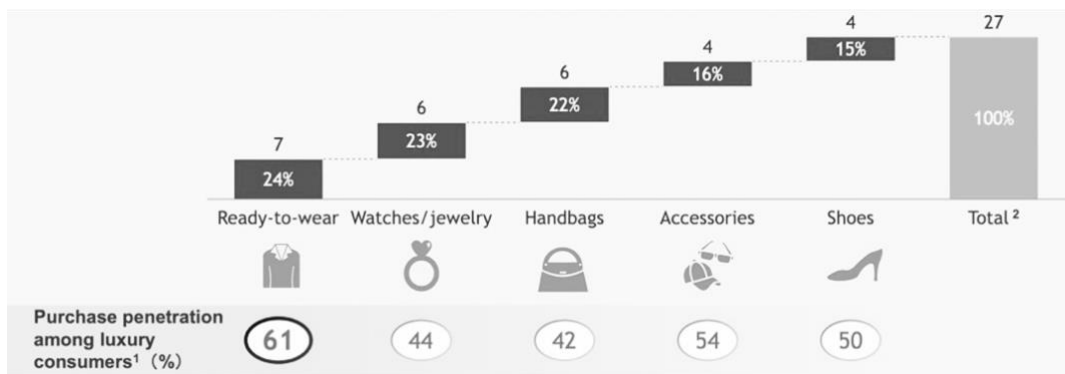
Source – PwC

Exhibit 14 – Personal Luxury Goods Market by Consumer Nationality in €Bn



Source – Bain-Altgamma

Exhibit 15 - 2018 China's true-luxury market size - by category (€ billion)



Source – BCG & Tencent

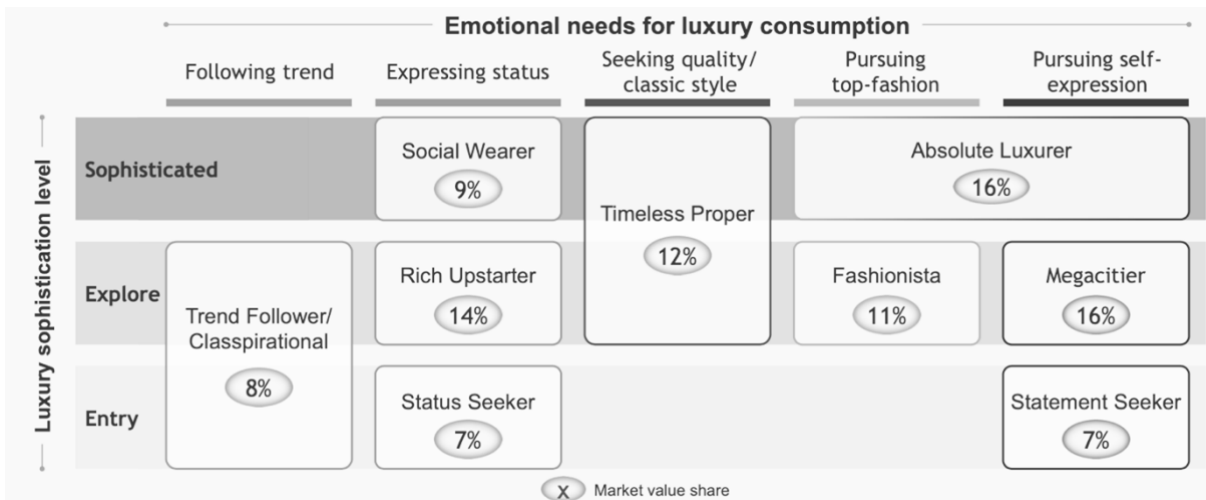


Exhibit 16 - China's City-Tier Classification

City-tier classification	Tier 1	Tier 2	Tier 3	Tier 4
GDP	Over US\$300 billion	US\$68 – US\$299 billion	US \$18 – US\$ 67 billion	Below US\$17 billion
Political administration of the city*	Directly-controlled municipalities and leading provincial capital cities	Directly-controlled municipalities, provincial capital cities and economically important cities	Provincial capital cities and prefecture-level cities	Prefecture-level cities and county-level cities
Population	Over 15 million people	3 – 15 million people	150,000 to 3 million people	Less than 150,000 people
Examples	Beijing Guangzhou Shanghai Shenzhen	Changsha Chengdu Chongqing Dailan Hangzhou Nanjing Ningbo Qingdao Suzhou Tianjin Tsingdao Wuhan Xi'an	Changde Dongguan Foshan Guilin Guiyang Hohhot Lanzhou Lhasa Nangton Nanning Urumqi Wenzhou Wenzhou Zhuhai Zibo	Chanshu Chenzhou Hulin Linhai Taixing Xiangcheng Zaoyang

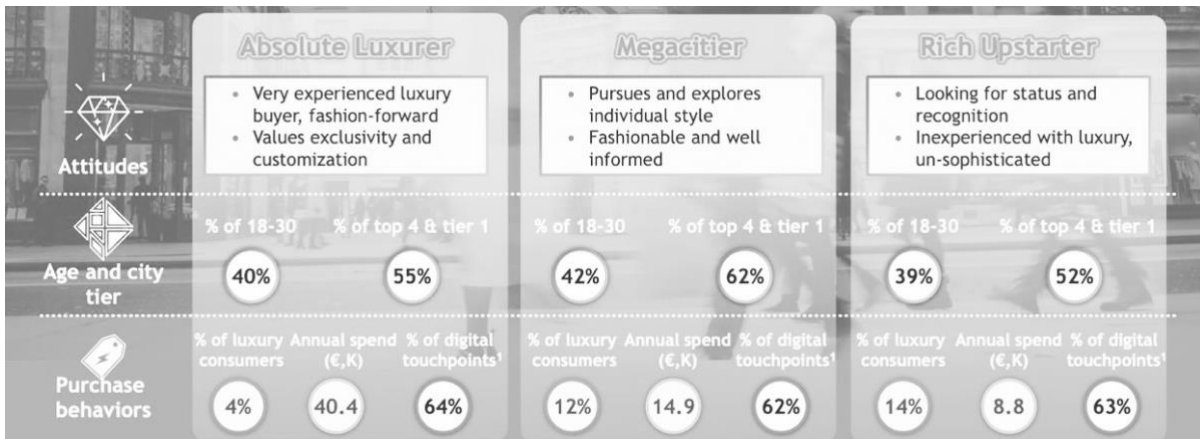
Source – South China Morning Post

Exhibit 17 - Chinese consumers classified into 9 segments



Source – BCG & Tencent

Exhibit 18 - Details on the three largest luxury consumer segments



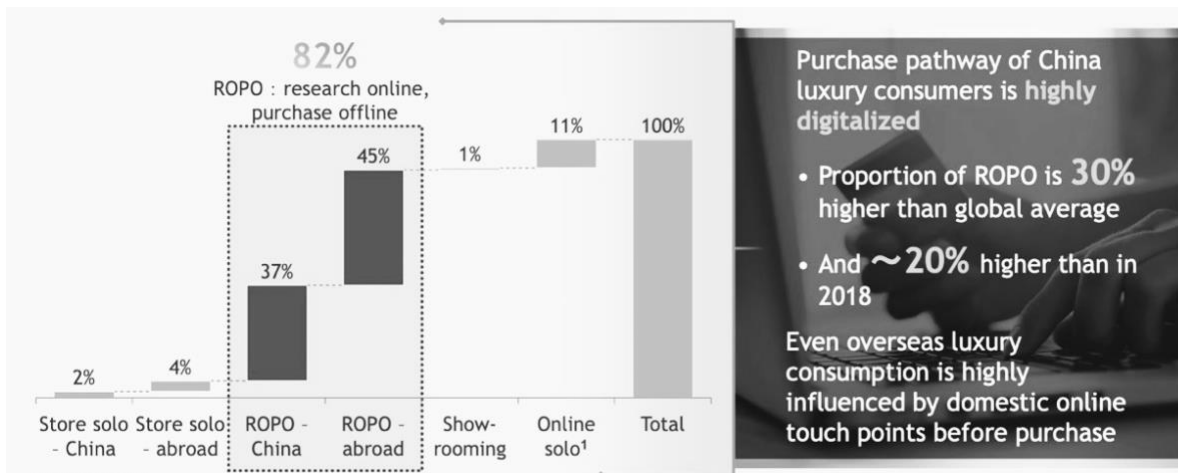
Source – BCG & Tencent

Exhibit 19 - Consumer purchase journey and exposed touch points



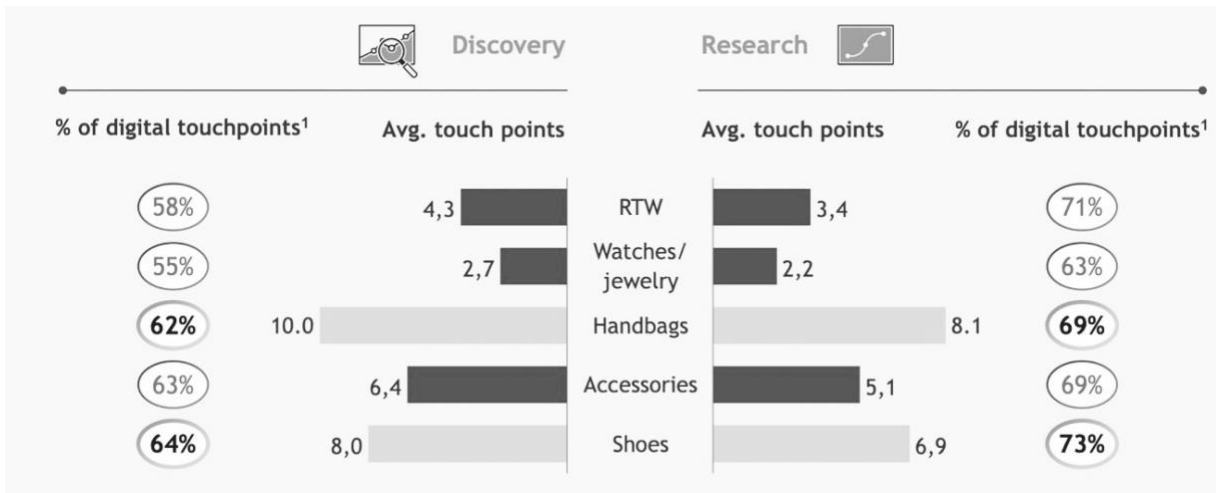
Source – BCG & Tencent

Exhibit 20 - Purchase pathway of Chinese luxury consumers



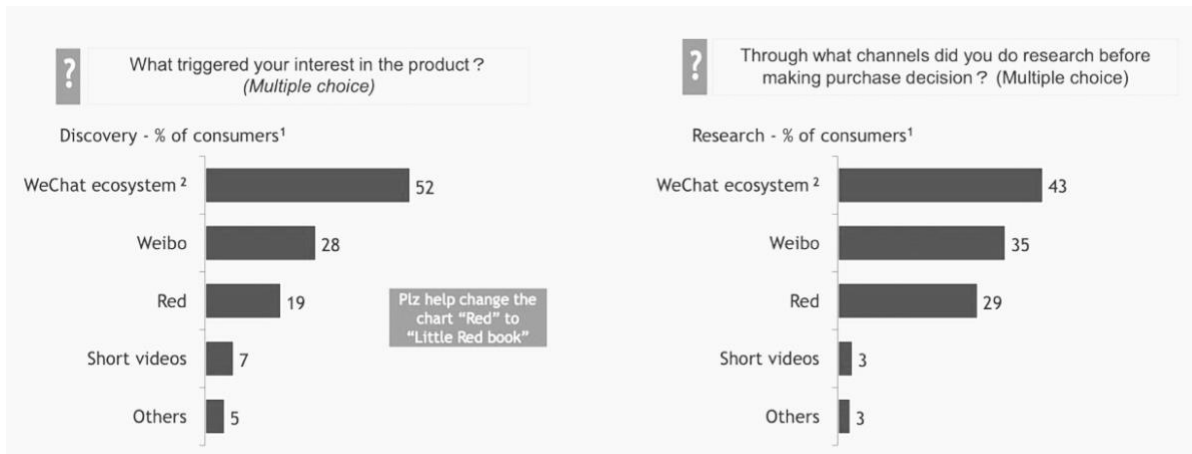
Source – BCG & Tencent

Exhibit 21 - Discovery and research stages across all personal luxury goods categories



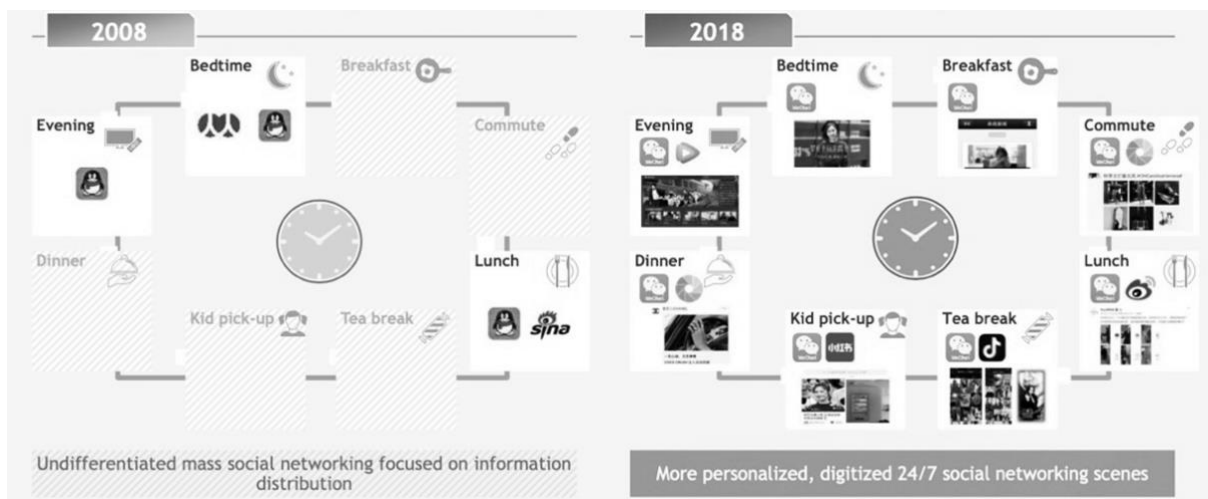
Source – BCG & Tencent

Exhibit 22 - Consumer channel preference in discovery and research stage



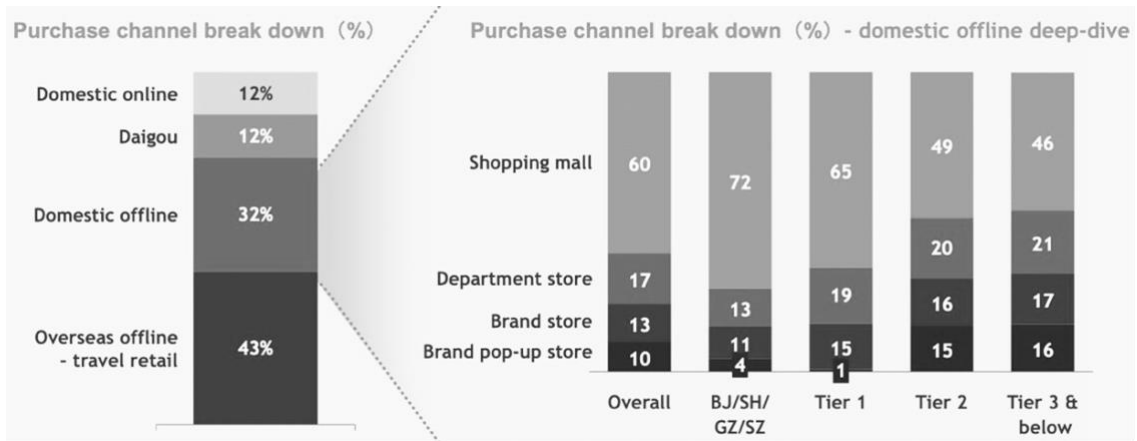
Source – BCG & Tencent

Exhibit 23 - Social networking scenes then and now



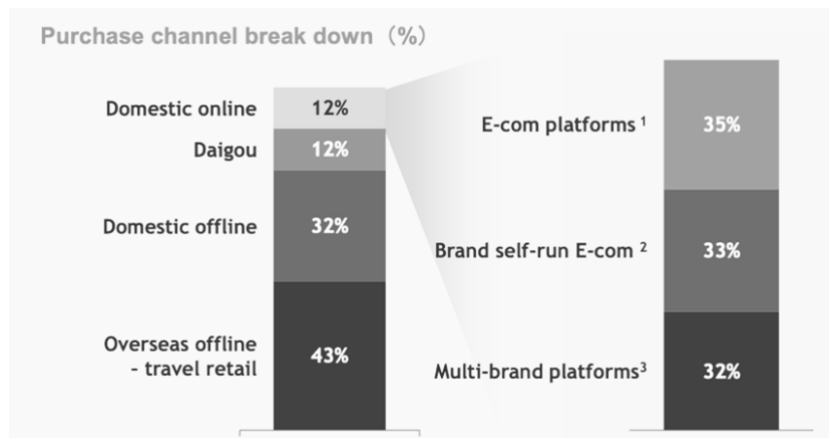
Source – BCG & Tencent

Exhibit 24 - Break down of luxury product purchasing channel



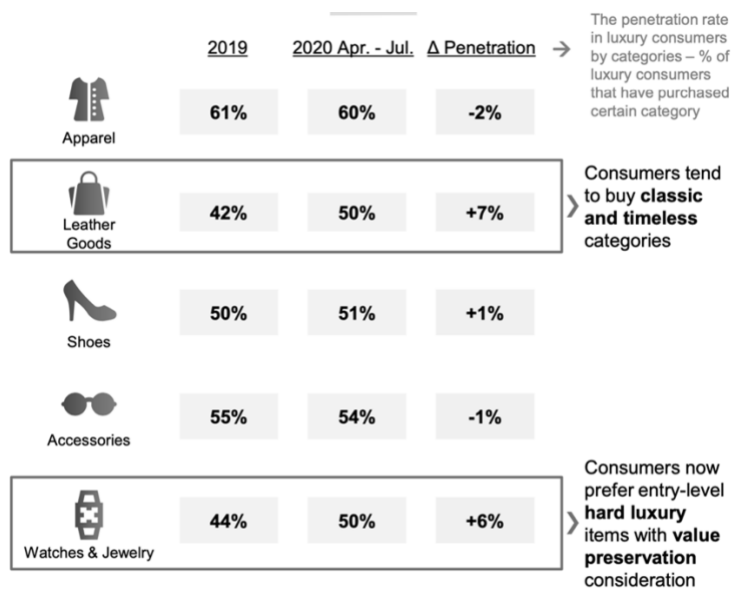
Source – BCG & Tencent

Exhibit 25 - Break down of online platform used to purchase luxury product



Source – BCG & Tencent

Exhibit 26 - Penetration rate in luxury consumers by categories


















Source – PwC

Exhibit 27 - Cartier on Luxury Pavilion mobile interface



Source – Alizila

Exhibit 28 - Digital Milestone of Louis Vuitton in China

- 2009.09  400 6588 555 *LV in-house Client Service established*
- 2010.10  *Official Weibo platform launched*
- 2010.12  *Official Youku platform launched*
- 2012.12  *1<sup>st</sup> luxury brand to open wechat service account*
- 2013.05  *Live chat service in wechat account with in-house client servicing team*
- 2014.03  *Phone Order Service started through Client Service team*
- 2014  *Started to use targeting post in weibo*
- 2015. 12  *Started to use wechat moment ads format*
- 2017.07  ***E-commerce site launched within 12 selected cities to provide luxury omni-channel client experience. i.e. through click & collect***
- 2017.07  *Pilot with Baidu AI lab with fragrance AI diagnosis tool base on face reorganization technology*
- 2017.12  *1<sup>st</sup> brand to open Wechat official zone*
- 2018.04  *1<sup>st</sup> LV wechat pop-up with Archlight backorder*
- 2018.05  *Started to use weibo search format*
- 2018.05  ***E-commerce service expanded to 26 cities to complete the omni-channel client experience within LV retail network***
- 2018 2<sup>nd</sup> Half  *E-commerce Open To All Cites*

LOUIS VUITTON

Source - Jing Daily

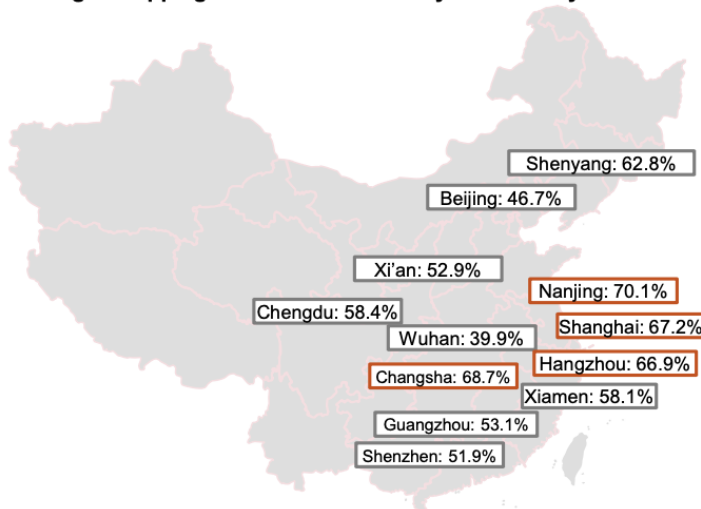
Exhibit 29 - Lady Dior Small China Valentine Bag retailing via WeChat



Source – Daxue Consulting

Exhibit 30 - Average Shopping Malls Traffic Recovery Rate in Key Cities

**Average Shopping Malls Traffic Recovery Rate in Key Cities**



Average recovery rate in China during Labour Holiday hit **59.3%** with **18.6k** average daily traffic per shopping mall (**× 4.2 times** of daily traffic in Feb)

Shopping malls in Yangtze River Delta experienced the highest traffic rebound



Sales of key retail companies increased by **32.1%** compared with Qingming Holidays



Travel retail channel in both airport and city centre launched promotion to improve sales of duty free products



Sales recovery of department stores in Beijing increased from **34.4%** during epidemic to **64.7%** during labour holiday under shopping incentives



Online sales also increase by **36.3%** compared with last year

Source – PwC

**Greetings! I am a final year master student at Nova School of Business & Economics Portugal, conducting an analysis on online and offline luxury goods shopping in China as part of my dissertation.**

**All information shall remain anonymous and confidential. If you have queries regarding this study, please do not hesitate to contact me at [40646@novasbe.pt](mailto:40646@novasbe.pt). Thank you for your time and participation!**

---

**Q1: Have you purchased a luxury item in the past 12 months in China or China-based online platforms?** (Note - Luxury item includes luxury leather goods, luxury watches, luxury jewellery, luxury fashion, luxury eyewear, luxury cosmetics, and luxury fragrances)

- a) Yes – Proceed to next question
- b) No – Thank respondent for their time & end survey

**Q2: Which retailer(s) or online marketplace(s) did you purchase the luxury item from?**  
Type in answer(s)

**Q3: What is the brand(s) of the luxury item purchased?** Type in answer(s)

**Q4: What is your nationality?** (Accept Chinese, Hong Kong, Macao, Taiwanese, Malaysian Chinese, Singaporean Chinese, Indonesian Chinese etc.) – Type in answer

**Q5: Based on your profile, I believe you would be an ideal candidate for my study. Would you be willing to be interviewed?**

- a) Yes – Proceed to next question
- b) No – Thank respondent for their time & end survey

**Q6: Please provide your e-mail address.** (You will be contacted by e-mail to schedule an interview.) Type in answer.

**Q7: Please select your gender.**

- a) Female
- b) Male

**Q8: Please select your age group.**

- a) 15-20 years old
- b) 21-25 years old
- c) 26-30 years old
- d) 31-35 years old
- e) 36-40 years old
- f) 41-45 years old
- g) 46-50 years old
- h) 51-55 years old
- i) 56-60 years old
- j) 61-65 years old
- k) 66-70 years old

**Q9: Please select your occupation.**

- a) Employed
  - b) Homemaker
  - c) Retired
  - d) Student
  - e) Unemployed
- 

**All information shall remain anonymous and confidential. If you have queries regarding this study, please do not hesitate to contact me at [40646@novasbe.pt](mailto:40646@novasbe.pt). Thank you for your time and participation!**



*“Hello! I am Shamini, a final year master’s in management student at Nova School of Business & Economics, Portugal. I am currently working on a research topic as part of my thesis which is related to the online-offline luxury goods shopping in China and Chinese marketplaces.*

*For this research, I am using a non-directive method whereby I will ask you several questions to which there are no right or wrong answers. You are free to say anything to comes to your mind related to the subject and you may pause as many times as you wish while considering on what to say.*

*The interview will last between 45 minutes to an hour. I would like to record our conversation to analyse the interview later on. Would you be okay with that? Don’t worry, it will remain anonymous. Thank you for your time and participation!”*

---

## **FILTERS**

**Q1: Have you purchased a luxury item in the past 12 months in China or China-based online platforms?** *(Note - Luxury item includes luxury leather goods, luxury watches, luxury jewellery, luxury fashion, luxury eyewear, luxury cosmetics, and luxury fragrances)*

- a) Yes – Proceed to next question
- b) No – Thank respondent for their time & end survey

**Q2: Which retailer(s) or online marketplace(s) did you purchase the luxury item from?** *Type in answer(s)*

**Q3: What is the brand(s) of the luxury item purchased?** *Type in answer(s)*

**Q4: What is your nationality?** *(Accept Chinese, Malaysian Chinese, Singaporean Chinese, Indonesian Chinese etc.) – Type in answer*

---

## **IN-DEPTH**

**Q1: Please tell me about the last time you purchased a luxury item in the Chinese market in detail.**

*Acquisition – ensure interviewee’s answer covers all the items below*

- Who purchased it?
- When was it purchased?
- Why did you purchase it?
- Where did you purchase it? – Online/ Offline (specific channels)

<b>ONLINE</b>	<b>OFFLINE (IN-STORE)</b>
PC or mobile? Why?	Flagship or dept store? Why?
How did you hear about the item?	
What was your first impression when you entered the website?	What was your first impression when you entered the store?
How would you describe your purchase journey? – <i>In detail and using adjectives</i>	How would you describe your purchasing experience? – <i>In detail and using adjectives</i>
What did you <b>like</b> about the online platform where you purchased the item from? – <i>E.g. user experience, website/app feel, ease of payment, convenient, fast etc.</i>	What did you <b>like</b> about the store you purchased the item from? – <i>E.g. customer service, store ambience, treatment etc.</i>
What did you <b>not like</b> about the online platform where you purchased the item from? – <i>E.g. user experience, website/app feel, complicated, tedious, long process etc.</i>	What did you <b>not like</b> about store where you purchased the item from? – <i>E.g. ambience, customer service etc.</i>
What was the one thing/ feature that almost stopped you from purchasing?	
Which other platforms did you consider before settling on the one you purchased from?	
What is the primary reason for choosing this particular platform(s)?	
What is the most important feature on the platform you seek for?	What is the most important feature you look for in-store?
What can be improved on the platform? / What features would you like to be introduced?	Did you feel like the in-store experience lacked anything? What new features would you like to see in the future?
Please comment the Chinese platforms/ marketplaces that sell luxury brands.	

---

## **DEMOGRAPHICS**

**Q1: Please state your age.**

---

*I really appreciate your time and participation as this adds depth and value in my thesis. Once again, I assure you that all answers remain anonymous when used in my thesis. Thank you and have a great day/ week!*

Appendix 3 - Results of Online Pre-recruiting Filter Questions for In-depth Interviews

1. Have you purchased a luxury item in the past 12 months in China or on Chinese marketplaces?  
 Note: a. Luxury items include luxury leather goods, luxury watches, luxury jewellery, luxury fashion, luxury eyewear, luxury cosmetics, and luxury fragrances b. Chinese marketplaces include respective brands' e-retail platforms, Tmall, Tmall Luxury Pavilion, JD.com, WeChat, Secoo, Farfetch, YOOX, YNAP etc.



2. Which retailer(s) or online marketplace(s) did you purchase the luxury item from? Note: Should you have purchased the luxury item(s) in-store and online as well, please indicate both retailer and online marketplace.



3. What is the brand(s) of the luxury item purchased?



4. What is your nationality?



5. Please state your nationality.



6. Please state your current country of residence.



7. Based on your profile, I believe you would be an ideal candidate for my study. Would you be willing to be interviewed?



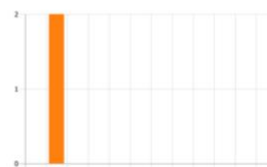
8. Please provide your e-mail address. Note: You will be contacted by e-mail to schedule an interview.



9. Please select your gender.



10. Please select your age group.



11. Please select your employment status.



*“Hello, Ms/ Mr ... ! Thank you for accepting this interview. I am Shamini, a final year master’s in management student at Nova School of Business & Economics, Portugal. I am currently working on a research topic which is related to the online-offline luxury brands strategies in China and Chinese marketplaces. The aim of my paper is to identify the current strategies of the three conglomerates Richemont, Kering and LVMH and predict the plausible future strategies of these luxury giants in China.*

*There are a few topics of interest I would like to cover in this interview:*

- 1) Luxury e-commerce initiatives/ luxury and technology*
- 2) China and luxury*

*For this research, I am using a non-directive method whereby I will ask you several questions to which there are no right or wrong answers. You are free to say anything to comes to your mind related to the subject and you may pause as many times as you wish while considering on what to say.*

*The interview will last between 45 minutes to an hour. I would like to record our conversation to analyse the interview later on. Would you be okay with that? Thank you for your time and participation!”*

---

### **IN-DEPTH**

**Q1: Could you provide me with an introduction about your position and role in the company.**

*Name, job title, company name*

**Q2: What is your company’s business model?**

**Q3: What is your company’s operating model in the Chinese market?**

**Q4: What are the pros and cons your company’s model?**

**Q5: What is your perspective about the future in e-retailing?**

**Q6: Could you comment on the development cost of e-retailing and logistics?**

**Q7: What do you think is the “next big thing” or what should we all keep an eye out for post-COVID-19?**

**Q8: In your opinion, is there anything that you believe everyone in this industry should be working towards?**

### **CONCLUSION**

**Before we conclude, is there anything else you would like to add, something that I may have overlooked and forgotten to ask about? Or a colleague who you feel could give me additional information or a contrary opinion?**

*I really appreciate your time, this adds depth and value in my thesis. Thank you and have a great day/ week!*