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THESE LUXURY BRANDS ARE BEST AT BALANCING EXCLUSIVITY AND DEMAND IN CHINA

BY JESSICA RAPP



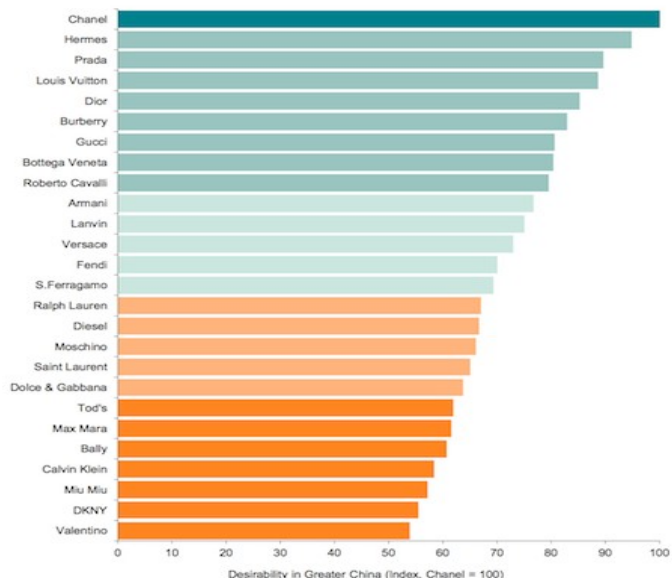
Chanel is at the top of the hierarchy of luxury brands for both awareness and desirability among Chinese women. (Facebook/Chanel)

How do Chinese women really feel about that next big luxury collection out on the market? Exane, a France-based investment company, has attempted to answer this question with a quantitative analysis of the Chinese shopper's true desires when it comes to purchasing luxury brands.

The primary findings aren't news per se, at least according to most market reports. They reveal that luxury stalwarts like Chanel, Dior, and Hermès are what Chinese shoppers think about most when they go to sleep at night—it's not surprising, then, that Apple looked to Hermès' timeless leather designs for its latest wearable tech collaboration that attracted droves of China's fashion-savvy.

Figure 4: Chanel tops the ranking on perceived desirability in Greater China, followed by Hermes, Prada, Louis Vuitton and Dior

Luxury brands desirability in Greater China (Index, Chanel = 100)



Note: Survey conducted in mainland China and Hong Kong during September 2015. Sample includes 607 Chinese women (18-54 years old) whose household's monthly income is superior to CNY20,000.
Source: Promise Consulting

More revealing, however, are Exane's findings as to which brands are notorious in China, but have yet to prove to consumers that they're worth an investment.

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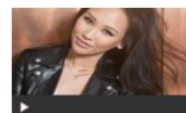
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Exane teamed up with marketing survey specialists Promise Consulting to release its report titled "Measuring Brand Exclusivity and Desirability – China," which calculates the difference between how much consumers desire a brand versus how exclusive they view the brand to come up with a measurement of either a desirability surplus or deficit. They did this by surveying 607 Chinese women between 18 and 54 years old whose monthly income is higher than RMB20,000 (US\$3,124). They were each asked to rank around 30 brands in terms of most exclusive or high-end to least exclusive, plus most desirable to least desirable.

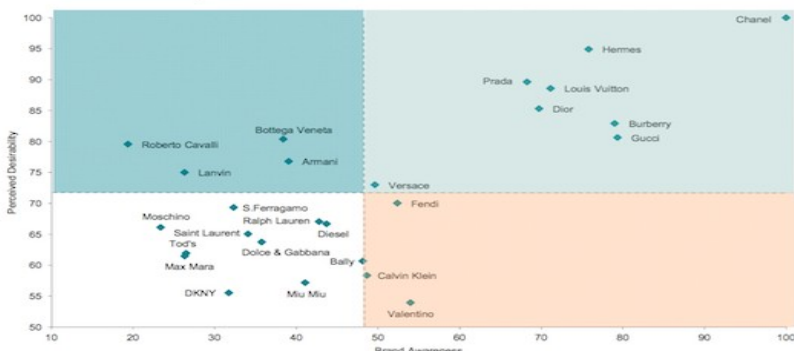
The report found that brands like Bottega Veneta, Ferragamo, and Prada were frontrunners with favorable desirability ratings despite what market consensus would suggest. Meanwhile, brands like Gucci and Burberry, while still ranking quite high overall in terms of how much consumers are aware of the brands, are not as desirable as one would think. Exane came up with a significant desirability deficit for both of them, with Burberry doing better in Hong Kong compared to mainland China and Gucci doing worse.

Figure 1: We believe the awareness vs desirability gap is the most revealing insight upon our analysis
Awareness and Desirability analysis

Brand	Awareness Ranking		Desirability Ranking		Desirability Surplus / Deficit	
	Mainland China + Hong Kong	Mainland China	Mainland China + Hong Kong	Mainland China	Mainland China + Hong Kong	Mainland China
Roberto Cavalli		26		9		17
Lanvin	24		23		13	9
Bottega Veneta	17	15	8	9	9	6
Moschino		25		17		8
Armani		16		10		6
S.Ferragamo	20		14		6	
Saint Laurent	19		18	12	1	7
Prada	7		3		4	

Burberry's status in China does come with baggage. While most luxury labels generally remained wary of taking their products into China's e-commerce sites because of the fake goods, Burberry was the first to take a chance by opening a store on Alibaba's Tmall last year to start creating a sense of legitimacy around its brand on the site. Gucci has also been working on rebuilding its name, not just in China, but among its clients around the world.

Figure 5: High-end brands Chanel, Hermes, Dior and Mega brands LV, Gucci, Burberry and Prada lead in brand awareness and desirability in Greater China
Brand awareness vs. Desirability



Note: Survey conducted in mainland China and Hong Kong during September 2015. Sample includes 607 Chinese women (18-54 years old) whose household's monthly income is superior to CNY20,000.
Source: Promise Consulting

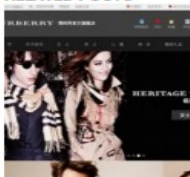
As Chinese consumer trends decide the fate of the major luxury players, those brands that play off of the growing middle class's newfound desire for originality through store placement and brand strategy are going to excel, if this report is anything to go by. Hermès, for example, did well by choosing to position itself in Shanghai's former French Concession, a move that told consumers it was offering "refined luxury," according to Philippe Jourdan, CEO of Promise Consulting.

"Hermès' brand image and the conception of its products echo the evolving attitude of Chinese clients, who are searching for products that are less visible, branded more discreetly, reflect an authentic savoir-faire and upper quality," Jourdan said in a statement.

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