From ‘Made-in-China’ to ‘Designed in China’: the challenge in reputation management of Chinese luxury brands in the Western market

Thesis

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In this research thesis, I will be focusing on the reputation management of Chinese-originated luxury brands and how this reputation is perceived in the Western market. For many, ‘Made-in-china’ is perceived as low-cost and low quality. When you search for ‘Chinese Luxury’, you are likely to find an abundance of information about China being the biggest market and demand for Western luxury brands. On the other hand, you are unlikely to find information about well-established China-originated luxury brands.

The main question for my research paper; ‘What are the current challenges in reputation management and getting brand awareness of ‘Made-in-China’ luxury brands in the Western Market?’ The aim of this project is to research if a Chinese-originated luxury brand can be favourable in the Western countries, given the negative connotation of the ‘Made-in-china’ label of low-cost and low quality. In general, the goal of the paper is to give arguments on what the possible measures and values are that Chinese-originated luxury brands can consider for it to be exposed in the Western market.

The thesis found that the label “Made-in-China” has been stigmatized with ‘cheap and low quality’ for many decades. This negative connotation will not likely change anytime soon, as the image of ‘Made-in-china’ is still strong in the Western market. For Chinese luxury brands to gain more exposure in the Western market, the label “Made-in-China” has to be alternated to something that isn’t that commonly used. ‘Designed in China’ is a new way of branding their products in terms of its creation and where its origin is, without having the immediate reaction of products branded with “Made-in-China”.

The Chinese strive for luxury products, but only a minority of domestic brands have been successful in China. When it comes to luxury, Chinese consumers prefer foreign brands over their own domestic brands, because the esteem of luxury brands is highly influenced by its country of origin. The brand awareness of Chinese brands in the Western market is extremely low, as Chinese luxury brands have a low marketing plan for in the Western market and the non-availability of Western social media, like Instagram, in their home country. Therefore, it is essential for Chinese luxury brands to improve its marketing strategy for in the Western market to be exposed amongst the Western Millennials.

Additionally, there is a significant difference in taste and design between the Western and Chinese culture. Most of Chinese luxury brands have been incorporating the aesthetics of their heritage of their country in the designs, and this might be unappealing to most Western Millennials. It is important for Chinese luxury brands to not only focus on their traditional aesthetics, but to create a “wow-factor”, that attracts Millennials, on the products as well.
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CHAPTER 1: INTRODUCTION

1.1 RATIONALE AND PURPOSE

In the beginning, for thousands of years, ‘Made-in-China’ was associated with quality and craftsmanship. In the records of Chinese history, Western merchants travelled all the way to the Far East market to discover high quality products, like silk, cashmere and the art of fine writing and printing. China was the starting point to high-quality silk materials (Silkroad Foundation, 2012). Unfortunately, this changed in the 20th century when China pointed to a different direction. The focus was set on quantity and cost savings, resulting in the loss of its craftsmanship and materials (Deng, 2011).

Today, for many, ‘Made-in-china’ is perceived as low-cost and low quality (Tsoi, 2015). This negative connotation will not likely change anytime soon, as the image of ‘Made-in-china’ is still strong in the Western market. It will take the consumers in the Western countries quite some time until they can accept a ‘Made-in-china’ luxury product, as the nation is associated with counterfeit goods, low quality, and low-cost products. For brands like Chanel and Louis Vuitton, the brands’ logo directly connotes rich and high status, but purchasing a product from a brand that is not immediately recognized by people is insignificant to the logo of the luxury brand.

In the world of luxury, China is the second largest luxury market in the world, following Japan. Due to the country’s growth in the financial position and its cultural origin where the social status, image and ‘Guanxi’ (respect) are looked upon as the main values (Chen, 2012). For this reason, the idea of luxury blends well with the Chinese culture, as luxury products can represent someone’s social stand in society.

China has yet to build a recognized valued luxury brand that can parallel to Western luxury brands like Louis Vuitton and Chanel. When you search for ‘Chinese Luxury’, you are likely to find an abundance of information about China being the biggest market and demand for Western luxury brands. On the other hand, you are unlikely to find information about well-established China-originated luxury brands. China is more recognized as a luxury consumer than a luxury producer.

Undoubtedly, there has been some Chinese luxury brands attempting to enter the luxury market, but the question lies on whether they are competent of succeeding in being recognized alongside big names as brands in the KERING or LVMH world. Most of the Chinese high-end established brands, like SHANGHAI TANG, are recognized and appreciated locally in the domestic market, but internationally they still lack the competences in order to compete with the Western luxury brands (Forbes, 2019). These Chinese-originated high-end luxury brands are likely to win over the domestic consumers, as these brands are associated with the social status of the consumer.

Having a good reputation is vital as it improves the competitiveness of the nation and its products (Sihite, 2016). As China is globally one of the most important countries in the world, economically, it is the matter of the utmost importance that China governs its reputation as a nation brand, its products and how they are viewed internationally.
In the past, there have been many articles on upcoming Chinese luxury brands, but none have conducted a research on the performance of Chinese-originated luxury brands in the Western market. Examining the challenges of current Chinese-originated luxury brands enables variables that influence the brand awareness of the Chinese-originated luxury brands. The outcome of the research will discuss the possible measures and values that Chinese-originated luxury brands can consider when expanding to the Western market.

This research thesis contributes to upcoming Chinese-originated luxury brands that want to expand to the Western market and internationally and conducts further research on the relationship between the Chinese luxury market and the Western luxury market.

1.2 RESEARCH QUESTION

*What are the current challenges in reputation management and getting brand awareness of ‘Made-in-China’ luxury brands in the Western Market?*

1.2.1 SUB-QUESTIONS

RSQ1: What does the current luxury market in China look like today?

RSQ2: What is the current reputation of Chinese brands according to both Chinese consumers and consumers in the Western market?

RSQ3: What are the challenges that Chinese-originated luxury brands can face when expanding to the Western market?

1.3 METHODOLOGY

For this paper, different methodological approaches are executed for my data collection. These approaches are chosen based on the relevant topic I have chosen for this research, mostly concerning Western and Chinese consumers. A deeper understanding of these consumers is needed in order to complete my research surrounding my main question; *What are the current challenges in reputation management and getting brand awareness of ‘Made-in-China’ luxury brands in the Western Market?* A mix of quantitative and qualitative research is being used to gain a deeper understanding of my research, and also to avoid any restrictions and limitations when using a single methodology.

1.3.1 ONLINE SURVEY

The researcher will be focusing on the reputation of Chinese brands and the ‘Made-in-China’ stigma and on the brand awareness of luxury brands, in particular Chinese luxury brands. Tests will be conducted including a questionnaire with questions concerning Chinese luxury brands in the Western market. The survey will be conducted to measure the brand awareness of Chinese luxury brands according to both Chinese and Western consumers. The aim of the surveys is to calculate how many of the participants can recognize Chinese luxury brands contrary to Western luxury brands, and what knowledge they have on each brand.
An online survey is conducted as the results give the researcher an answer to the sub-question: *What is the current reputation and brand awareness of Chinese brands according to both Chinese consumers and consumers in the Western market?*

This will help the research to gain a more comprehensive understanding of our target group and what its needs, wants and habits are. The data collected from these surveys gives the researcher a deeper understanding of the consumer’s perspective and understanding of the reputation of Chinese brands and the ‘Made-in-china’ stigma. The respondents are asked about their opinion on Chinese luxury and what their point of view is on ‘Made-in-China’.

1.3.1.1 TARGET GROUP

Qualitative research was conducted with two types of groups; Chinese luxury consumers and Western luxury consumers. Based on a report by Deloitte, millennials will be accountable for more than 50% of luxury sales by 2025, which mostly consists out of young Chinese consumers aged between 19-35. So, it is imperative to target the Chinese consumers along with consumers in the Western countries. The following is a list of ways in reaching out to ideal participants for this research;

- Students of AMFI (Millennials)
- Acquaintances of friends that fit the profile
- Family and friends (Millennials)
- Post on social media

These surveys are posted on social media and sent to the ideal candidates via email or WhatsApp. The ideal candidates are two consumer types;

**First group**
Chinese millennials aged between 19-35, both male and female

**Second group**
Western millennials aged between 19-35, both male and female

1.3.1.2 PLATFORM SELECTION

For this research, I will be conducting an online survey on Survey Monkey where it allows me to create my own design and questions for my further research. Survey Monkey is a platform where you can create any kind of survey for the aim of market research. The data collected through this platform is analysed with data analyses and a reporting feature. This helps me, as a researcher, to analyse the different answers in table graphs, which gives me an overview of the results of the online surveys.

1.3.1.3 DESIGN SELECTION

There are various question types used in my online survey, consisting of precisely structured survey questions. It includes both open-ended and closed-ended survey questions. Every question type suffices a different purpose of online surveys. My most used survey questions are scale questions, multiple-choice questions and brand awareness tests.
Scale questions

This type of question is not based on choosing “yes/no”, but on specific choices on a typical five-point agreement scale on a specific statement. Scale questions are important in this research as it measures the opinion or attitude of the respondent towards a specific subject of this research.

Multiple-choice questions

This type of question gives the respondent the opportunity to answer one or multiple answers at a time.

Brand awareness tests

In the fourth chapter, the research is focused on the brand awareness of luxury brands, in particular Chinese luxury brands. Tests will be included in the online survey to support the fourth chapter in numerical data. A variety of survey methods will be conducted to measure the brand awareness of Chinese luxury brands according to both Chinese and consumers in the Western countries. The aim of these tests is to calculate how many of the participants can recognize Chinese luxury brands in contrary to Western luxury brands.

The following test is conducted;

✓ Brand recognition tests;
   1. the participant is given Chinese luxury brand names and is asked to tick the brand that they have heard of.
   2. the participant is presented with numerous luxury brands, both Western and Chinese, where they are asked to rank the brands according to how well they know them.

1.3.2 CASE STUDY: SHANGHAI TANG

This case study allows the researcher to go through reports of past studies, which helps the researcher to highlight what has worked, what was achieved, and what the issues are, answering to the sub-question: What are the challenges that Chinese-originated luxury brands can face when expanding to the Western market?

Shanghai Tang is a perfect example of a Chinese-originated luxury brand that is expanding to the Western countries. From this case study, I gain more information on its strategies and what challenges they are facing while expanding to the Western market. The aim of this research is to analyse an existing brand that fits my topic perfectly and learn on what issues they are facing at the moment and what type of strategies they use. The results gained will help my research along the way on what the possible measures are that Chinese luxury brands can consider to be exposed in the Western market. This case study will show what the successful and unsuccessful strategies and values are from a real-case situation in terms of branding and reputation management.
CHAPTER 2: LUXURY MARKET IN CHINA

This chapter will be discussing the luxury market in China by collecting secondary data and it will be answering the sub-question: *What does the current luxury market in China look like today?*

2.1 BACKGROUND OF LUXURY IN CHINA

2.1.1 SILK ROAD LUXURIES FROM CHINA

The idea of luxury can be traced back to the classical era in China, where exclusivity and privilege were cultural norms associated with the elite. Under the norms of Confucianism (551 – 479 B.C.), philosophers, bureaucrats and intellectuals were a part of the higher class. This higher class surrounded itself with the immerse of luxury of delicate high-quality products of fine fabric and design. China was known for its luxury products and craftsmanship. Chinese silk was considered the most noble luxury at the time, dating back to the Ming Dynasty (1368-1644). Silk craftsmanship showed its glamour and also represented a material of delicate needlework (China Silk Museum, n.d.).

This important invention of silk by the Chinese gained favour by its country neighbours and European countries. These commodities were items that were symbolic to the nation and helped contribute to its wealth and prosperity. Silk and other luxurious items were exported to foreign countries, the Roman Empire being the most essential destination, through the Silk Road (Po, 2010). These trades contributed the ancient China great revenue, nonetheless China was persistent on keeping the knowledge of Silk weaving as a ‘state secret’ from other countries (Ancient Origins, n.d.).

The significance of Chinese trade was essential as it links to exports that related to the silk textiles and products, and also non-mass-commodities as porcelain, and jewellery; in other words, luxury products. These products were seen as ‘Chinese Luxury supremacy’ by the Emperor at the time. This indicated the superiority on China’s trade and manufacturing, as well as its sophistication of the local produced products (Rovai, 2014). Subsequent to this matter, the importance of the luxury goods grew substantially in terms of its characteristics, value and aesthetics. The availability of these luxury goods led to gift trading between royal courts and countries as a cultural custom. All of these gifts consisted of a significant value that possessed unique aesthetics and the origin of the country (Columbia University, 2016). The exchange of these high-quality luxury goods depicted one of the first signs of globalization of luxury products between the Eastern and Western countries. Leaders in the West would send merchants on international missions to the East in order to trade gifts with items that are essential and valued to their own nation and culture in return for porcelain or Chinese silk.

This demand progressed alongside the manufacturing of the luxury products due to the increasing international trade (Rovai, 2014). The ‘state secret’, of silk production, was monopolized by the Chinese for a long time, but was eventually leaked when certain monks from India (North of India, part of China at the time) provided Emperor Justinian from the Byzantine Empire (527–565 A.D.) the raw materials for silk production to procure this luxury product. From this point on, silk production started to dominate in other parts of the world, resulting China to rebrand themselves from the solely producer of the notable luxury of silk to a huge player as a silk supplier (White, 2011). The acquisition of this luxury item by the rest
of the world made China lose its ‘luxury heritage’, instead China focused on the manufacturing side.

Traditionally, China has a rich history in luxury products and luxury trade. Nonetheless, with the popular demand in Chinese silk across the world, specifically the Roman Empire’s interest in the search of the origin of silk and silk production, quality manufacturing became the centre in China with a focus on globalization and the ‘luxury heritage’ in China disappeared throughout centuries (Cartwright, 2001).

2.2 MEANING OF ‘LUXURY’ IN CHINA TODAY

As China’s focus on manufacturing in cheaper prices lured overseas manufacturers to outsource in China, China is now the world’s noted assembler and exporter of manufactured products (The Balance, 2012). Subsequent to the nation’s focus on its economy and low-cost manufacturing, due to the high competitiveness between manufacturers, the Chinese consumers turn their interest to foreign luxury goods in order to express their wealth and social status (Asialink Business, 2008).

2.2.1 DEMAND FOR FOREIGN LUXURY BRANDS

China’s luxury market has been evolving hastily, as the demand for luxury brands is increasing amongst the Chinese consumers. When it comes to ‘luxury’ in China and Hong Kong, consumer buying power has grown gradually since the 1990s. After the China’s economic reform in the 20th century, the economy in China has been growing rapidly whereas the Chinese consumer has become wealthier and more accepting of foreign luxury brands. With the increase in wealth, the Chinese consumers buy luxury products to differentiate themselves in the social hierarchy. It conveys availability to the exclusive and elite (Martin Roll, 2017).

The current available luxury brands practicing in China are mainly from foreign origin, or more specifically from European origin. China is the biggest target market for luxury brands, at the moment, hitting more sales than the United States or Europe (New York Times, 2018). For example, Louis Vuitton Moët Hennessy (LVMH) in France, one of the world’s biggest luxury company, states that 40% of their world sales is contributed from China (LVMH, 2018).

2.2.2 GROWING CHINESE LUXURY SPENDING

Figure 1: Luxury goods sales by nationality
In the last few years, Chinese consumers accounted for 32% of global luxury spending in 2017, see figure 1. By 2024, Chinese consumer’s luxury spending is estimated to grow 6% annually, resulting in a 40% contribution of global luxury sales by the Chinese luxury consumers (FBIC group, 2018). This growth of Chinese luxury spending is largely driven by the increasing spending of luxury by Chinese Millennials, those from the growing middle-class. This group has a big spending budget and is more willing to spend overseas. Chinese Millennials start purchasing at an earlier stage than the other counterparts of the world, making them a major luxury contributor (1421 consulting, 2018). The luxury spending of Chinese consumers in 2017 has made China the third biggest luxury market alongside Japan, see figure 2.

2.2.3 LUXURY BRAND COUNTERFEITING

As the Chinese luxury goods market is growing, a concerning matter of local luxury counterfeiting in China has been occurring at the same time. China became a leader in assembling and exporting manufactured goods, therefore the negligence of counterfeiting luxury goods for a cheaper price was inevitable, especially when the demand of luxury goods is increasing. The growth of luxury consumption has been dramatically increasing through the years, a part accompanied by counterfeit luxury products. The decision on purchasing counterfeit fake luxury products instead of original luxury products has become a worldwide crisis. As a result, from counterfeiting luxury goods, an estimate of 200 billion US dollars of jobs, taxes and sales have been lost (“Faking it”, 2009). To this matter, China has been a noted manufacturer for counterfeit fake products, which resulted with the ‘Made-in-China’ stigma for producing fake goods.

The Chinese live according to Confucian norms and values, where there is an ambition to move forward in life and a demand for acknowledgement from the society, which results to a
more irrational behaviour when it comes to luxury purchase. Luxury brands are items that boost their social status and is a necessity in their lives. Nevertheless, the social status in China is extremely inequitable, where the gap between rich and poor is unjust. The majority of the Chinese consumers don’t achieve their aspiration for original luxury goods. Therefore, manufacturers of counterfeit goods oppose that their production is meeting the needs of those who are not able to purchase the original luxury products (“Brand Imitation”, 1999). Both counterfeit and luxury products determine the important need in social stand and the personal gratification.

2.2.4 CHINESE DOMESTIC LUXURY BRANDS

Subsequent to the success entry of foreign luxury brands, local Chinese brands have been evolving quickly. Domestic Chinese luxury brands are quick to adjust the successful strategies from the foreign brands, giving the local Chinese brands a good foundation. Chinese-originated luxury brands already established themselves a good name domestically, yet they have to achieve and gain a global awareness (China Daily, 2018).
CHAPTER 3: REPUTATION MANAGEMENT IN CHINA

In chapter 3, I will be researching on the current reputation management of Chinese brands and its nation brand by collecting primary and secondary data to focus on the sub-question: What is the current reputation of Chinese brands according to both Chinese consumers and consumers in the Western market?

3.1 NATION BRAND AND ITS PRODUCT BRANDS

3.1.1 CONTRADICTING NATION BRAND

Every country has an image, which is most of the times stereotypes that were made for them. These images could have been developed by different sources, for example; word of mouth, media and product purchases. They may not really convey the true objective of the nation, but they are prevalent. Having a good nation brand is imperative as these images influence buying decisions and consumer purchase (Council on Foreign Relations, 2016). These nation images are always going to be present and evolve in time, but without the attention and involvement of the countries themselves, they will be associated with specific connotations subsequent to a negative consequence.

In 1978, during Deng Xiao Ping’s Open-Door policy, China took the initiative of being the global economy’s low-cost manufacturer. China enjoys by staying a low-cost manufacturer, as the domestic market is becoming more competitive to partake in the global economy. China’s involvement in the global market is exceptional in both trade and investment, leaving the image of China as confusing and contradictory in the mass media. The economic growth is portrayed as ‘astonishing’ and ‘marvellous’, but on the other hand it is also associated with negative images, like pollution, energy shortage, human rights and a developing country (Jri, 1999). As China is still a developing country, yet it contradicts to its image as a strong and vigorous nation.

3.1.2 COUNTRY OF ORIGIN

There is a dependency between the nation brand and its product brands, where the two enrich each other. For example, there is France and French brands, where its nation brand is considered strong in the international context (“Beyond the nation Brand”, 2015). The French language, the cuisine and the Eiffel Tower are all tributes that convey a romantic and sophisticated culture. Nevertheless, French brands like Dior in haute couture, and Galeries Lafayette in shopping all define the French nation brand.

The country of origin implies that the image of a country can have influential effect on how consumers’ view its products. These generalized images are created by sources like representative products, historical events, traditions and industrialization. The product of the country of origin affects, most of the time, consumer purchase decisions as they would associate the quality with its national image (Koubaa, 2008). In other words, consumers are more willing to purchase a product from a country that has the expertise and knowledge to produce those specific products, for example Japanese electronics, German cars and Swiss watches. Countries with a weak national image can expect buyers to ask for a big price discount compared to countries with a strong national image.

As China has implied themselves as a leader in global economy’s low-cost manufacturer, its reputation as a low-cost manufacturer influences the consumers’ view in its product brands.
This image as a low-cost manufacturer has been associated with low quality and cheap prices. Therefore, China has a weak nation brand in terms of the quality of manufacturing (Dynon, 2014). Consumers are well aware of this connotation that the ‘Made-in-China’ label is associated with. The demand of Chinese products from the rest of the world is increasing due to its low-cost manufacturing, and this has impacted the image of domestic luxury brands, as they suggest an image of heritage and prestige. These domestic luxury brands have the challenge of gaining favour and awareness of the rest of the world and having to deal with its nation brand as low-cost manufacturing (Wang, 2002).

3.2 CHINESE GOVERNMENT: ‘CREATED-IN-CHINA’

In May 2015, Chinese premier Li Keqiang announced the strategic plan ‘Made-in-China 2025’ to move away from the world’s leading manufacturing producing low-cost and low-quality products to producing high-quality valued products with a focus on ‘Created-in-China’ (Csis, 2019). This change will impact and change the nation brand over time by upgrading the Chinese manufacturing industry in the value chain.

China is evolving in the middle class, and Chinese Millennials are demanding for higher quality products and services (Huazhen, 2017), therefore Premier Li’s focus will lie on technological advancements and innovation. This conveys an involvement in a culture of constant innovation and technological advancement in quality of the manufactured goods. In this strategic plan, nine tasks are assigned to rebrand and convert China from a manufacturing power to a high-quality producer (Kania, 2019);

1. Improving manufacturing innovation
2. Integrating technology and industry
3. Strengthening the industrial base
4. Enforcing green manufacturing
5. Promoting breakthroughs in 10 key sectors
6. Advancing restructuring of the manufacturing sector
7. Promoting service-oriented manufacturing and manufacturing-related service industries
8. Internationalizing manufacturing
9. Fostering Chinese brands

With the new focus set on the creation of high-quality Chinese goods, Chinese domestic luxury brands can count on the government for their support in exposing to a global context. Additionally, new technology and advancements are associated with high-quality, which is in the preference of the Millennials. In this case, if the nation brand would convert from a low-cost manufacturer to a high-quality producer, then Chinese brands would be associated with those characteristics. These dynamics would provide Chinese domestic luxury brands to expose themselves easier to the rest of the world.
CHAPTER 4: CHALLENGES IN BRAND AWARENESS FOR CHINESE LUXURY

In chapter 4, I will be focussing on the sub-question: *What are the challenges that Chinese-originated luxury brands can face when expanding to the Western market?* A case study will be conducted on a Chinese-originated luxury brand to further examine the challenges that Chinese brands face during the expansion to the Western market.

4.1 BRAND AWARENESS OF CHINESE LUXURY BRANDS

4.1.1 IMPORTANCE OF BRAND AWARENESS

Brand awareness is essential to luxury brands because it influences the ability of recognizing or recalling a brand which is important when making a purchasing decision. Purchasing will not happen without the consumer’s first awareness of the brand or product category (Moisescu, 2009). When purchasing a product, the consumer goes through a series of stages, starting with brand awareness and resulting in the purchase decision (Wijaya, 2012), see figure 3.

**Figure 3:** Hierarchy of effects

Brand awareness is when the brand is known publicly. Awareness is when the level of knowledge and consciousness of a brand is present in the recognition and memory of consumers (Khurram, 2018). Meaning that the brand is the subconscious of the consumers.
and is recalled without difficulty whenever they get in touch with the products or services. The consumers are able to name the brand name and its characteristics unconsciously from their memory.

The concept ‘brand awareness’ consists out of two parts: brand recognition and brand recall. Brand recognition is associated with a less challenging effort to recognize the brand, as it involves remembering a brand when it is in touch with that specific brand or equivalent brand for instance, through advertisements. This recognition is created in the early stages of the brand awareness process. Brand recall happens when a consumer recalls a brand from its memory that relates to the product category without direct contact to the specific brand name. This brand recall is associated with a strong level of recollection as it has been engraved in the consumer’s memory and has encountered the highest level of visibility (Management study guide, 2019).

4.1.2 BRAND AWARENESS OF LUXURY BRANDS

Gucci is a good example of having a high brand awareness amongst luxury consumers. In terms of luxury fashion, Gucci might be one of the first luxury brands that come into the consumer’s mind. A high level of brand awareness is difficult to obtain as it requires effort and time, as it is related to the desirability level for luxury brands. Luxury brands largely have a bigger chance on obtaining a higher level of global brand awareness than mass fashion brands (Kapferer, 2018). Luxury brands deliver ‘luxury goods’ and this denotes a unique quality and that separates them from the mass consumers (Underscore, 2019). Subsequent to this matter, it is easier for consumers to remember luxury brands as they have a desirability for those luxury products. As the luxury sector is much smaller than the mass fashion sector in terms of size and its focus on the global expansion, it is easier for luxury brands to be prominent.

The creation of brand awareness is established by visibility, meaning a high level of exposure of the brand. In the case of luxury brands, they should obtain a high visibility without over-exposure because it must retain exclusivity (Bastien, 2019). By means, luxury brands must spread the visibility of their brand to be seen, heard and thought by its target group with the goal of imprinting the brand in their memory. These dynamics can be achieved through communications like social referencing and influencer endorsement to attain the familiarity with the luxury brand resulting in a high brand awareness.

The challenge for luxury brands in creating the brand awareness lies in the exclusivity and elite values they convey. Luxury brands must retain the exclusivity while making themselves visible to the world. Luxury has characteristics of elite and prestige and it is required to maintain this status (Brand Ba, 2019). In other words, only the appropriate methods of communication that enrich the ‘luxury’ value. As an example, Jimmy Choo is associated with celebrity connections, where its products can be found in ‘Red Carpet’ events in Hollywood. By endorsing the products through celebrities, the brand created an interaction between their brand and the luxury goods category (The Independent, 2013).

The main brand awareness goal of every luxury brand is to obtain a high level of familiarity by its consumers that results in the recognition and recall of the brand. This assures that when a consumer thinks of luxury goods that they would immediately think of the brand, which is achieved through repeated exposure in the appropriate communication method.
4.2 CHINESE DOMESTIC LUXURY BRANDS ON THE MOVE

For a very long time, the attractiveness of Western luxury brands have been dominating in China and the world. On the other hand, Chinese domestic luxury brands have been neglected by the world. Although the Chinese strive for luxury products, only a minority of domestic brands have been successful in China. When it comes to luxury, Chinese consumers prefer foreign brands over its own domestic brands, because the esteem of luxury brands is highly influenced by its country of origin (Emerald Insight, 2018).

4.2.1 CHINESE LUXURY BRANDS

When looking at Chinese luxury brands, the most notable feature is ‘Chinese heritage’, where brands focus on the Chinese culture and aesthetics (Rovai, 2014). Brands like Chow Tai Fook is an example of a brand that represents the Chinese cultural heritage. These brands provide traditional products of China.

Chow Tai Fook is deeply focused on high-quality products, where it combines fashion with luxury. This jewellery luxury brand is highly respected domestically and is one of the most successful luxury brands in China. Their level of brand awareness domestically is high, as they created its brand reputation by word-of-mouth than by any other communication plan. They have gained the desirability of their consumers due to its history and capabilities in being the first jewellery brand to use 999.9 in pure gold (World Gold Council, 2017).

Characteristics:
- High-quality (999.9 pure gold)
- Chinese culture and heritage
- Domestically renowned
- Good domestic reputation
- Communication: word-to-mouth

By providing products that are aesthetically about Chinese culture and heritage, there is no foreign brand that can compete with domestically, because the foreign countries don’t have the expertise as the Chinese brands. Although, the brand is very much renowned in China and Hong Kong, the brand awareness has not reached to foreign countries yet. This might be because of the cultural difference and its way of communication, word-of-mouth. Word-of-mouth can’t be very effective to the rest of the world, especially in a large country as China, as it won’t be able to reach the global market due to the lack of social media availability in China (Tone, 2015).

Apart from heritage brands like ‘Chow Tai Fook’, young fashionable brands are emerging in China. These new emerging brands focus on combining the Chinese traditional culture with Western style elements. For example, there is NE Tiger and Shanghai Tang.
4.2.2 CASE STUDY: SHANGHAI TANG

Shanghai Tang markets their brand globally as the first Chinese luxury brand from China, where the designs contain exemplary elements of Chinese culture and aesthetics with modern elements for the current stylish shopper. The brand has a range of products from affordable luxury to tailoring for dresses and suits. All their products carry the image of a modern Chinese lifestyle.

In 1994, the wealthy business man David Tang from Hong Kong, established Shanghai Tang with the aim of offering high-quality luxury products including clothes, qipao (traditional gown), silver chopsticks, leather items and tailoring made in China. Having established a name for himself in China and Hong Kong, he expanded the brand to New York, London and Paris with the aim to become China’s first global luxury brand (Shanghai Tang, 2019). Profit was made in the first year of global expansion, but due to the 1997 Asian financial crisis the company turned its fortunes. Subsequent to this matter, Tang sold the company in 2001 to Richemont Group, a Switzerland-based luxury retailer, that holds Cartier and Montblanc in its group (U.S., 2018).

Later in 2017, the brand was sold to Italian entrepreneur Alessandro Bastagli aiming on reaching the West and target ‘Millennials’ by opening European shops in Milan, Paris and London. With the focus set on the European market, the production of the clothing and accessories moved to Italy, whereas the production of the homeware products, like Chinese Silver chopsticks, remained in China. Bastagli invested a big amount in communication, especially in Europe, where the brand is not well known, with the aim of positioning the brand high-end niche, but not extremely expensive (South China Morning Post, 2018). Unfortunately, within two years, Bastagli sold the brand to Lunar Capital in 2018, the Chinese
investment company. Due to the difficulty of managing a Chinese fashion brand, mainly known and selling in China, from Italy Bastagli decided to sell the company to a Chinese investment fund company. At the beginning, when Bastagli acquired the company he had the ambitious goal of turning the brand into a widely known brand in Asia with an international brand of ‘Made in Italy’. With this vision Bastagli invested a lot in Italian production and a showroom in Via Montenapoleone (Singh, 2017). This vision was difficult to carry out due to the preference of the existing and more well-known European brands, like Chanel and Dior, by Chinese luxury consumers. Furthermore, Shanghai Tang is all about the heritage and craftsmanship that represents China, therefore a label with ‘Made in Italy’ that represents Chinese heritage and culture would not be to the brand’s essence and vision.

Lunar Capital, the new owner, specialises in mid-sized Chinese companies consisting of a range of clothing brands. Recently the brand opened its first online retail store on Chinese e-commerce company JD’s luxury platform TopLife (Jing Daily, 2019).

**Shanghai Tang’s unique design**

The translation of ‘Shanghai Tang’ means ‘The Bund’, the historic bank in Shanghai. The city Shanghai is a place of elegance and charm where western influences were adapted in an entirely Chinese city. The company recruited the few remaining tailors, masters of traditional Shanghainese tailoring, who fled the communist party in China in 1949. With these tailors, Shanghai Tang considered themselves as one of the last masters of esteemed craftsmanship. In 1996, after the success of products sold to tourists, Shanghai Tang offered ready-to-wear consisting of velvets, jacquards, silk, and printed cotton in its clothing range. Other than clothing the company also offered home furnishing, leather goods and silverware with Chinese featured designs (EdwART, 2014). These designs were famous for its combination of traditional Chinese elements and contemporary designs. For example, the women’s jackets were designed in colours such as Neon Pink and combined with Chinese Patterns. Additionally, the designs were all made of the highest quality and craftsmanship by the Chinese experts in tailoring.

Shanghai Tang was later sold to Richemont, the Swiss-based luxury brands company. Richemont had a big ambition at the time to expand Shanghai Tang in the US, with the opening of the store at Madison Avenue. No longer than a year, the store faced some issues and was closed down in 1999 (Clichés, 2018). This was mainly due to the miscalculation of Shanghai Tang of the American fashion market, the fashion and design that was offered at the time was seen as too ‘costumery’ and not for the daily modern life of the American citizen. Shanghai Tang was recognized as an ‘overpriced Chinatown’. Many argued that the Shanghai Tang apparel didn’t appeal to the American style. In 2002, Shanghai Tang was joined by Ooi (Chinese American entrepreneur, selling European brands and her own Chinese-inspired designs) as the Marketing and Creative Director. As the Marketing director, she commented on the stores of Shanghai Tang as being ‘an overpriced Chinese emporium that has no credibility with local Chinese people, let alone with fashion people. Its market was targeted to high-end tourists, where it offered a once-in-a-lifetime destination shopping experience, a kind of fashion Disneyland’ (South China Morning Post, 2003). The brand didn’t reflect any depth, no sincerity or differentiation, the brand needed to have a unique identity that was typically Chinese but with the combination of the contemporary that was relevant to the modern life. Ooi’s new concept was to create products that had cultural roots, where the range included an authentic range with a more modern ready-to-wear. The prices for these products were appointed to $110 for silk tops, $150 for cotton jackets and $1200 for cashmere coats.
Her goal was to have a strict standard of wearability, ‘Every item should transport the wearer mentally to someplace exotic in terms of time and range. But it’s also important that every piece can be worn with a pair of jeans. If it can’t be, we’re not succeeding. That’s the nature of modern dressing’, according to Ooi (Barnett, 2016).

The rise of international players

Although, Shanghai Tang has been established as a Chinese Luxury brand during those years, the company faced a couple of challenges, especially in their home market. In 2004, the regulation for foreign retailers was facilitated in China, and these resulted in a major presence of international players, like Prada, Hugo Boss and Gucci, to enter the Chinese market (Emerald Insight, 2017). This resulted into a major challenge for Shanghai Tang in China and abroad. Companies such as Hugo Boss, Gucci and Ralph Lauren became the major fashion players in China. Hugo Boss was at that moment the leader in luxury market in China, and had 65 stores in 37 cities in 2006. This German company saw China as the driving key of their international business (Luxion Media, 2018).

According to Joseph Wang, Vice-Chairman of Ogilvy & Mather, luxury brands that want to establish a name in the Chinese market, stands a greater chance of succeeding if they are first successful internationally (Doris Rajakumari, 2018). On the other hand, market analysts observed that Shanghai Tang didn’t gain the recognition and brand awareness internationally, not even in the US market. The stores and its brand vision still lacked an international taste (Drezner & Traub, 2006). Shanghai Tang hasn’t gained enough brand awareness or recognition in the US market for its consumers to differentiate between a $20 product from Chinatown or their offerings. Moreover, the products of Shanghai Tang were featured by Asia’s top models representing a more modern and image-conscious look, rather than an older tourist customer, but this was very contradicting to its store outlook that represented an old cigar lounge.

As the company is still continuing to grow as a brand, it needs to have a vision. According to Joseph Wang, ‘As Shanghai Tang continues to develop itself as a brand it needs to have a vision. I believe that they will diversify their range. It may not just be Chinese traditional clothing. It may move to a more philosophical style and theme, it could be anything such as harmonious designs, billowing, flowing, the classical elegance of Shanghai’.

After analysing Shanghai Tang, the biggest challenge for the brand lies in the low brand awareness globally. Its brand image and country-of-origin that it’s attached to the nation to become renowned internationally. The brand has a big disadvantage in terms of brand awareness and heritage compared to European brands, like Chanel and Dior.

4.2.3 MAIN CHALLENGES FOR CHINESE LUXURY BRANDS

After analysing the case study on Shanghai Tang and researching on Chinese Luxury brands, the following problems came into view when it comes to the expansion of Chinese luxury brands in the Western market.

- Not gaining acceptance of non-Chinese customers
- Difficulty in entering new markets
- Cultural differences in aesthetics and design
- Consumer preference of European fashion brands
- Different perception between Chinese luxury and Western luxury brands
- Eliminate country-of-origin, “Made-In-China”, image
- Low brand awareness in the Western Market

**Opportunities for Chinese Luxury brands**

- Increasing affluent Chinese consumers
- Western consumers very open to innovation and other cultures
- Millennials open to new concepts like Chinese Chic, Millennials are the most important consumers in luxury now
- VAT refund is high in Western countries (Europe)
CHAPTER 5: PROFILING THE NEXT LUXURY GENERATION

In this chapter, I will be discussing on the consumers that Chinese luxury brands should target at the moment, as these consumers are the most important consumers, especially for luxury brands.

5.1 AFFLUENT MILLENNIALS

The generation that has been brought up in the 21st century are the ones we describe as ‘Millennials’. The ‘Millennials’ can also be named as the Generation Y, following up the Generation X. According to different authors, Millennials are classified into different age categories (BBC, 2017);

<table>
<thead>
<tr>
<th>Authors</th>
<th>Age category for Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crampton and Hodge, 2009</td>
<td>Between 1980 and 1999</td>
</tr>
<tr>
<td>Howe and Strauss, 1991</td>
<td>Between 1982 and 2004</td>
</tr>
<tr>
<td>Smola and Sutton, 2002</td>
<td>Between 1979 and 1994</td>
</tr>
</tbody>
</table>

This Generation Y is heavily influenced by trends and technological change. They were brought up in the middle-class environment, where they were more prosperous than their peers, meaning that they had more advantages and opportunities financially (Backman, 2019). Furthermore, Millennials possess a higher education level than their parents and past generations, leading to a higher expectation and ambition for themselves and their professional career. In terms of geographic areas, Millennials have a preference of urban and suburban areas. As they were raised in a middle-class environment, the Millennials were brought up learning how to be assertive and how to question everything, where they were told that they could do anything they wanted (Louvain University, 2019). Millennials have a higher self-esteem than previous generations, they have a higher ego, and they are described as more individualistic.

Millennials are described as the most diverse generation, meaning that this generation consists of many different individuals. In each country, you will have Millennials with different cultures and own nation, but due to globalization and social media they are more likely to be alike, more than previous generations. This example can be seen in China, where the Chinese millennials are similar to those in Western countries due to the use of internet and the one-child policy, which resulted them to be overconfident and self-absorbed. In terms of habits, food preferences, technological use and media habits are quite similar to an extent.

It is imperative to understand and pay attention to this generation as they are around 2 billion millennials in the world, whereas 24% of the population in Europe, 28% of the population in China and 27% in the US. Most importantly, by 2025 Millennials will consist of 75% of the international workforce (Crespo Moreno, 2016). Even though, many are still starting their career, the number of Millennials already have the potential in purchasing power in the long term (Turits, 2018). As the past generation, the Baby Boomers born 1946-1964 (Collins, n.d.), are retiring the consumer market has to face a transformation. Subsequent to this change, millennials will become the most important consumers for companies, making them the main targets for all marketers as they will become the highest-spending generation in History.
5.2 MILLENNIALS AND THE LUXURY MARKET

Millennials will become the most important consumers, especially for luxury brands, as they will bring new values and another vision into the marketplace. With their obsession with technology and evolving attraction in high-end experiences and products, the luxury industry is at a changing stage because of these Millennials.

In the future, it is notable that the luxury market won’t be as cultural as it used to be. This is due to the extensive use of the internet and social media by millennials, where the sharing of trends in the luxury market will be faster and therefore more globalized and similar between millennials internationally. Consumers that are younger than 45 years old are more significant for luxury marketers as they have a bigger desirability to spend on luxury goods than those older (Forbes, 2018). This is because young consumers are at the age when they are purchasing their first luxury goods. The past generation already made this purchases in luxury goods, therefore they become less of a target for luxury marketers (Sutton, n.d.).

5.2.1 MILLENNIALS’ EXPECTATIONS IN LUXURY

In the past, when buying a luxury product, you would consider it ‘luxury’ because of its high price and designer logo. These two characteristics represented ‘luxury’ for older generations, especially for the Baby Boomers.

Today, Millennials demand much more than just buying the luxury product. They don’t think that with buying a luxury product it represents who they are or a need of satisfaction. It doesn’t symbolize their self-identity or character (Fast Company, 2018). So, it is imperative for luxury brands to meet the expectations of millennials when it comes to buying a luxury product.

1. Experience

According to a Mintel market investigation, millennials are more interested to experiences than rather owning the material. Their interest lies on looking for unique experiences, where they gain a worthiness of memories (Forbes, 2019). These memories are important as they want to share this experience online and on social media. This matter has become a sort of social currency, where they exchange compelling stories.

Millennials are paying more attention to giving more importance to values of their luxury products. This shows us that this generation no longer wants to show off its wealth and are also more focused on wasteful consumption.

2. Luxury label is not enough

For millennials, the word ‘luxury’ is just a commercial image used to make them purchase instead of communicating the value or significance of the good or service. So instead of traditional luxury, millennials prefer luxury products that have a significance to the life they want to live. Millennials pay more attention to quality than customer service or price, where they even declare that quality would lead to their loyalty to a brand (Medium, 2019).
3. Millennials’ communication platform

Luxury brands nowadays need to know the communication platform where millennials are active. This will favour luxury brands in communicating and exchanging with their main customers of the future (Sarfati, 2018). It is imperative for luxury brands to keep up with the latest innovation and technology, which starts by using the channels of millennials where millennials are active and can look into marketing campaigns of brands to strengthen the brand’s image.

5.3 WESTERN MARKET CONSUMER PERCEPTION AND VALUES

There are clear differences between the North American market and the European market. Functionality, modern and creativity are the main factors that the American fashion market prefers. They demand for innovation and therefore are more receptive towards Asian fusion styles, especially when they have such a diverse ethnic population.

European consumers, on the other hand, are more loyal to their heritage in luxury brands and most likely stick to their luxury brands (van Dolen, 2019). Therefore, European consumers do not perceive Chinese luxury in the same luxury category as their home brands such as Chanel and Dior. Baby Boomers could not easily accept Chinese luxury brands easily as they are persistent on their tradition in authentic western fashion apparel.

Even though, some Western luxury brands started designing Chinese fusion wear, such as Chanel and Dior, their main focus was set on targeting the Chinese luxury consumers. Chinese luxury consumers also value the prestige and the ‘country-of-origin’ of the European brands over the functionality and innovation of the Americans (Koh, 2019).

Western luxury consumers are not familiar with Chinese luxury, and therefore aren’t seen as either luxurious or fashionable. When people think of ‘luxury’ and ‘fashionable’, they mostly think of European luxury brands, or American, but rarely Chinese luxury brands. The perception of luxury brands depends on the consumer’ view of the brand, and is represented based on the two dimensions “luxurious” and “fashionable”.

This perceptual map is used to determine what consumers think of Chinese brands, like Shanghai Tang, compared to Western luxury brands. In figure 4, you see an overview of the differentiation of luxury brands in the customer’s view. Brands like Dior will probably always be seen as the most fashionable and luxurious, providing the brand with a strong competitive advantage. On the other hand, Chinese brands like Shanghai Tang are situated in the middle of the perceptual map, which means that the opportunity is still feasible, as it is neither viewed as luxurious or fashionable.
5.4 CULTURAL DIFFERENCE BETWEEN WESTERN AND CHINESE MILLENNIALS

There are significant differences between Western Millennials and Chinese Millennials that can determine the consumer purchasing decision. For instance, there is a big cultural difference between the two consumers; the Western individualist culture and the Chinese collective culture. Western Millennials tend to have a more individual and personal lifestyle, where they focus on the self-identity and being unique. This also leads to having a more open-minded attitude towards new and less-known brands. As said earlier, the most important attribute when buying a luxury product is to have the experience and the value of the product.

On the other hand, Chinese Millennials value ‘status’ and ‘success’ more than the experience or value of the product. They tend to buy luxury products to show off their possessions and to satisfy themselves in the social hierarchy. Chinese Millennials live in a collectivist culture, and this means that there is no room for being unique and themselves. Peer-pressure is something common in this situation, and can’t be ignored. If this norm is not followed by an individual, the person would be an outcast and not accepted by society. Chinese Millennials are highly influenced by KOL’s (Key Opinion Leaders or Influencers), and as these KOL’s mainly promote trendy and popular brands, like Balenciaga or Chanel, Chinese Millennials have a preference on the most popular brands and therefore do not associate with less-known brands. However, the way of communication is similar in both cultures, where the use of Social Media is the main source of media engagement for Millennials.
<table>
<thead>
<tr>
<th>CHARACTERISTICS</th>
<th>WESTERN MILLENNIALS</th>
<th>CHINESE MILLENNIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age category</td>
<td>20-35 years old</td>
<td>20-35 years old</td>
</tr>
<tr>
<td>Culture</td>
<td>Individualist culture; focused on being unique</td>
<td>Collective culture; Following KOL’s and friend group</td>
</tr>
<tr>
<td>Purchasing power</td>
<td>Own income</td>
<td>Own income and family’s money (one-child policy), so focus set on child</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bigger spending power than Western millennials</td>
</tr>
<tr>
<td>Digital engagement</td>
<td>Mobile native; addicted to social media</td>
<td>Mobile native; addicted to social media</td>
</tr>
<tr>
<td>Shopping habits</td>
<td>In-store, online</td>
<td>Omni-channel; like to shop in store; enjoy shopping online at e-commerce platforms hosted by fashion KOLs</td>
</tr>
<tr>
<td>Brand awareness</td>
<td>Are more open to less-known luxury brands</td>
<td>Only aware of the most popular luxury labels</td>
</tr>
<tr>
<td>Perception of Beauty</td>
<td>Transformational and edgy, less afraid to stand out from the crowd</td>
<td>More accessible, familiar, not open to products that stick out</td>
</tr>
<tr>
<td>Motivation</td>
<td>Quality, value of the product</td>
<td>Status and success</td>
</tr>
</tbody>
</table>
CHAPTER 6: RESEARCH RESULTS

In chapter 6, a survey will be conducted and analysed through data collection with the focus set on the sub-question; *What is the current reputation of Chinese brands according to both Chinese consumers and consumers in the Western market?*

6.1 ONLINE QUESTIONNAIRE SURVEY

6.1.1 DATA COLLECTION

6.1.1.1 RESULTS

For the purposes of this research, an online survey was conducted by numerous respondents during this research process by both Western and Asian backgrounds. A total of 27 respondents answered to the online survey, where several questions were answered in accordance to the research topic, whereas 6 respondents from a Chinese heritage and 21 from a European or American heritage.

The emphasis of the survey lies on two specific topics; the image of the ‘Made-in-China’ label and the reputation of Chinese luxury brands in the Western market. The survey is divided in two parts, whereas the first part is focused on the nation brand of China and its products. The second part of the survey is more focused on the reputation of Chinese luxury products. Question 1 to 4 answer to questions regarding the image of ‘Made-in-China’ label and its nation brand. The second part of the survey is focused on the reputation of the Chinese luxury brands. See below for further explanation;

**Image of ‘Made-in-China’ label**

In this first part of the survey, I can conclude that the image of the “Made-in-China” label still has a negative connotation. In Q3, see appendix, you can see that more than 70% of the respondents think that “Made-in-China” products are still considered as ‘low-cost and low-quality’ and as ‘cheap counterfeit goods’, whereas none of the respondents associate the label ‘Made-in-China’ with ‘high-end and good quality’. More interestingly, the other remaining 20% that answered the question are from an Asian heritage and these respondents associate ‘Made-in-China’ as trustworthy or as quoted by the respondents, “good but has strange connotations”.

Furthermore, there is still a bigger preference on European brands when consuming luxury brands, 77% of the respondents, see appendix, prefer buying European luxury brands than any other nation product, including American brands. In the table graph, you will notice that none of the respondents would buy a luxury product originated from China, mostly due to its “Made-in-China” label attachment. But on the other hand, again the remaining 20% of the Chinese respondents, do not pay attention to the country or don’t have a preference when buying a luxury product. It mostly depends on the brand.

The “Made-in-China” label still has strong negative attachment for being cheap and low quality mostly in the mind of the Western consumer, which is very challenging for current Chinese luxury brands to expand outside of China and Hong Kong. It is essential that this image of the nation brand and its products are addressed when trying to expand to the Western market, as it will be one of the main problems for Chinese luxury companies when
expanding to the Western market. On the other hand, we can state that the Chinese consumers are not likely to be affected by the label ‘Made-in-China’ as they don’t tend to associate it with negative connotations, but their preference still lies with the European luxury brands.

Reputation of Chinese luxury brands

After analysing the last questions, I can conclude that Chinese luxury brands are still lacking awareness or have zero brand awareness in the Western market. Most of the respondents, mainly Western respondents, do not recognize any of the mentioned Chinese luxury brands, see Q7 in appendix, and are not likely to succeed without a good marketing strategy. On the other hand, the remaining respondents that have knowledge on Chinese luxury brands come from an Asian heritage. In Q9, see appendix, several respondents mention that the marketing and advertising should be conducted better in order to be exposed in the Western market.

The lack of awareness is one of the main reasons, as to why Chinese luxury brands haven’t succeeded in the Western market yet. The attraction would come if Chinese luxury brands would be accepted as good quality and is known amongst the Western market or even with ‘early adopters’. As quoted by one of the Asian respondents, “Chinese brands already have an established design feature that would do well amongst the Millennials and that are not really focused on traditional elements”. Exposure in the Western market, especially on the Western social media, is lacking and this has an effect on the brand awareness and expansion of the brand.
CHAPTER 7: DISCUSSION: CHALLENGES AND MEASURES

In chapter 7, I will be discussing challenges that Chinese luxury brands can possibly encounter when expanding to the Western market. Furthermore, possible measures will be addressed to these challenges. This part will be focusing on the main question; ‘What are the current challenges in reputation management and getting brand awareness of ‘Made-in-China’ luxury brands in the Western Market?’

7.1 CURRENT CHALLENGES AND POSSIBLE MEASURES ADDRESSING THE CHALLENGES

Challenge 1. Chinese brands are stigmatized with the “Made-in-China” label as low-cost and low-quality

The label “Made-in-China” has been stigmatized with ‘cheap and low quality’ for many decades. This negative connotation will not likely change anytime soon, as the image of ‘Made-in-China’ is still strong in the Western market. It will take the consumers in the Western countries quite some time until they can accept a ‘Made-in-china’ luxury product, as the nation is associated with counterfeit goods, low quality, and low-cost products. It is indisputably that the phrase “Made-in-China” triggers negative connotations amongst Western consumers.

Not only is it a problem for Chinese brands, but the Chinese government announced the strategic plan ‘Made-in-China 2025’ to move away from the world’s leading manufacturing producing low-cost and low-quality products to producing high-quality valued products with a focus on ‘Created-in-China’ (Csis, 2019). With the new focus set on the creation of high-quality Chinese goods, Chinese domestic luxury brands can count on the government for their support in exposing to a global context.

‘Made-in-China’ alternative

The term “Made-in” indicates the making of the design from a developed country that’s being handed down to a low-wage manufacturing place in a developed country (Margolin, 2007). This phrase already denotes that the manufacturing of the product is made at a low-wage manufacturing place, which enhances the negative connotation of being ‘cheap and low-cost’ of Chinese brands even more with the phrase “Made-in-China”.

For Chinese luxury brands to gain more exposure in the Western market, the label “Made-in-China” has to be alternated to something that isn’t that commonly used. Millennials are the most important consumers at the moment and in the future, and is utterly important that they meet their needs. Millennials are more interested to experiences than rather owning the material. Their interest lies on looking for unique experiences, where they gain a worthiness of memories, an example can be the storytelling of a brand.

Alternative to “Made-in-China”, Chinese brands can make use of the phrase “Designed in China” or more specifically the city it is designed in, for example, “Designed in Shanghai”. The term “Designed in” follows the creation of the creativity and techniques of the design process in terms of quality and aesthetics, in other words it’s the story of the product. The use
of “Designed in” is not immediately associated with the words “cheap and low-cost”, and is therefore an alternative to using “Made-in-China” when branding your products.

“Designed in Shanghai”, “Designed in Beijing” and “Designed in Hong Kong” denote a more quality aspect, as these cities are the fashion capitals in China. By using these labels, it delivers a curiosity as it’s not commonly used by Chinese luxury brands and it does not instantly make you think of the word “cheap and low-cost”. This method is a new way of branding their products in terms of its creation and where its origin is, without having the immediate reaction of products branded with “Made-in-China”.

Challenge 2. Low brand awareness in the Western market due to lack of social media availability in China

For a very long time, the attractiveness in foreign luxury brands have been dominating in China and the world. On the other hand, Chinese domestic luxury brands have been neglected by the world. Although the Chinese strive for luxury products, only a minority of domestic brands have been successful in China. When it comes to luxury, Chinese consumers prefer foreign brands over their own domestic brands, because the esteem of luxury brands is highly influenced by its country of origin (Emerald Insight, 2018).

The brand awareness of Chinese brands in the Western market is extremely low, as Chinese luxury brands have a low marketing plan for in the Western market and the non-availability of Western social media, like Instagram, in their home country. Currently, Chinese luxury brands are not focused on improving their marketing plan in the Western market as most Chinese luxury brands, like Shanghai Tang, set their focus primarily on their home market first. But as said by Joseph Wang, luxury brands that want to establish a name in the Chinese market, stands a greater chance of succeeding if they are first successful internationally (Doris Rajakumari, 2018). Therefore, it is essential for Chinese luxury brands to improve its marketing strategy for in the Western market to be exposed amongst the Western Millennials. Luxury brands need to know the communication platform where millennials are active, which starts by using the channels of millennials where millennials are active and can look into marketing campaigns of brands to strengthen the brand’s image.

Social Media engagement

Millennials value experience more than owning the product, an experience that is more than only an online transaction. Chinese luxury brands must create an online experience that has a strong online presence in order to earn customer loyalty. To gain more exposure and get attention in the Western market, especially the Millennials, it is imperative that Chinese luxury brands have a strong Instagram marketing scheme. Earn the interest of the Western millennials by creating an innovative experience online by having your consumer click on your Instagram story or post that shows an interesting video or website.

Brand Collaboration

Brand collaborations is the ideal solution to Chinese luxury brands to gain exposure in the Western market. By collaborating with another brand that has big impact on the Millennials, like Gucci and Louis Vuitton, it gives the Chinese brands to debut in the Western market and
create interest and followers. Brand collaborations generate excited customers and if executed well, a long-term relationship between brand and consumer.

Chinese luxury brands need to find a partner that fit with their values, goals and target audiences to expose brand awareness and give existing consumers something different and unique, something to talk about. In today’s fashion world, if you’re not talked about, then you are not important. If a Chinese luxury brand collaborates with X company, then the loyal customer of X company would be overwhelmed and interested in that Chinese luxury brand. The two brands make the link to the customer: “I have a strong affinity to X company, so that Chinese brand should be worth checking out”, this link is the beginning of the expansion in the Western market.

**Celebrity endorsement**

Creating awareness starts from creating interest and attention amongst the consumers. This can be influenced by celebrity endorsements. One of the problems for Chinese luxury brands, is that they endorse Chinese celebrities or sometimes don’t even do celebrity endorsements. By incorporating celebrity ambassadors, people would be particularly interested and would direct their attention to the celebrities’ ad. For example, currently Huawei incorporates celebrity endorsements with the worlds’ most famous boy band ‘BTS’ and this has big impact on the company’s advertising, as ‘BTS’ has a very big influence on their fans. Anything they endorse, the fans would buy. As said by one of the Survey respondents, the respondent recommended that Chinese luxury brands should have better marketing like Huawei, as this brand is an example of a successful Chinese (electronic) brand.

Additionally, influencer marketing on social media has been increasing and is most effective for luxury brands. Current Chinese luxury brands, like Shanghai Tang, already have the budget and are capable of reaching out to these influencers to get their brand promoted across Europe and America. They need to find the right influencer who has the same aesthetics as their brand or someone who has Chinese roots, but a strong influence in the Western Market. Millennials are always seeking for something unique and new and by introducing a new innovative brand that is not seen yet in the Western market through Influencers, that have a broad audience and big influence amongst the Millennials, could create new potential customers and followers for Chinese luxury brands. Collaborations with Key Influencers can be extremely successful, as it will assuredly reach a big audience of people who like to follow their style.

**Challenge 3. The cultural difference in aesthetics and design**

Western Millennials have a different take on the Chinese traditional aesthetics than the Chinese Millennials. For example, in the case study, Chinese consumers would associate Shanghai Tang as high-end and luxurious, because of its price and quality of the product. Mainly also because the Chinese consumers have knowledge about the rich culture and its techniques behind the product.

But on the other hand, Western consumers have no knowledge on the culture or techniques behind the Chinese culture or the heritage, so for them it is seen as something unknown. Something that is not known and needs to be discovered is usually seen as exotic and far away, which has the concept of being a ‘tourist’. In the case study, it was said that Chinese
luxury brands can be seen as “an overpriced souvenir shop” or “overpriced China town”. Conclusively, there is a taste and aesthetic difference between the two cultures on Chinese luxury brands that contributes to difficulties in accepting Chinese brands.

**Wow-factor**

Nowadays, Millennials demand for unique and quirky designs. They admire to possess products that they can show off and post about on social media that is unique and new. Because of the different cultures and aesthetics, most of Chinese luxury brands have been incorporating the aesthetics of their heritage of their country in the designs, and this might be unappealing to most Western Millennials. It is important for Chinese luxury brands to not only focus on their traditional aesthetics, but to create a “wow-factor”, that attracts Millennials, on the products as well. Something that has an eye-catching, new and never-seen-before design, “cool” enough to post on Instagram.

Therefore, Chinese luxury brands need to alternate their traditional aesthetics or combine it with bright and quirky designs that are eye-catching to the Western Millennials. The designs need to look attractive to look amazing on the Instagram post and stand out from the rest. The designs need to be something new and exciting, because Millennials value experimentation and love to combine different items of clothing that creates an individual style. An aesthetic appeal on Instagram is utterly important to Millennials. They are more likely to purchase a product that is eye-catching and looks “amazing” on Instagram than something regular and normal in store.
CHAPTER 8: CONCLUSION

In conclusion, I do not expect for Chinese luxury brands to address all of its image challenges immediately, but these conclusions and addressed measures act as a tool of guidance for Chinese luxury brands that are trying to expose themselves in the Western market to gain more brand awareness amongst the Millennials.

Currently, I would expect to see an emerging Chinese luxury brand with traditional values incorporating modern designs that stand out amongst Millennials, like Shanghai tang, and are evolving in number. It would take a couple of years for Chinese brands to adjust to the marketing strategy changes they have to undergo. In time, Chinese luxury brands would be able to gain the brand awareness in the Western market. The success of this happening would require more research that tracks how this evolves over time.

More research would be needed on the process and development of the ‘Created-in-China 2025’ and how the image of China has evolved from being the world’s leading manufacturing producing low-cost and low-quality products to producing high-quality valued products. A closely look on the Generation Z, after the Millennials, is needed to further research on the “Made-in-China” label. As time evolves, the luxury consumers will change and this Generation Z might not have a negative connotation to “Made-in-China” label as image of ‘China’ will be evolving and changed over time.

Additionally, a further and continuing research on Chinese luxury brands is needed to calculate their success in the Western market. For example, Shanghai Tang has already started with the expansion to the Western market and is also currently working on new designs that suit the Millennials, so it is imperative to follow this brand to further research this research topic.
APPENDIX

SURVEY RESULTS

Q1  Usually, I prefer to buy high-end luxury products, such as bags, accessories, and clothing...

Answered: 27  Skipped: 0

Q2  Rate the quality of manufactured goods Made in China

Answered: 27  Skipped: 0
Q3
Choose the most suitable. Products with the label 'Made in China'...
Answered: 27  Skipped: 0

- are trustworthy
- delivers heritage and...
- are high-end and good...
- are cheap counterfeit...
- are low-cost and low-quality
- Other (please specify)

Q4
When you buy 'Made in China' products, this is because of...
Answered: 27  Skipped: 0

- the price
- the quality
- the design
- the country-of-o...
- the craftsmanship
- Other (please specify)
Q5  I buy luxury products, because...

Answered: 27  Skipped: 0

- it has a timeless style
- of the globally...
- of its innovative...
- of the designer
- of my social status
- of its long-lasting...
- of the good quality and...
- Other (please specify)

Q6  Rank the brands according to how well you know them

Answered: 26  Skipped: 1

- Chanel
- Guo Pei
- Gucci
- Bottega Veneta
- Shanghai Tang
- Marc Jacobs
Q7  Tick the Chinese brands you’ve heard of

Answered: 27  Skipped: 0

- NE-Tiger
- Chow Tai Fook
- Guo Pei
- Shanghai Tang
- None of the above
- Other (please specify)

Q8  I would rather buy from a Western luxury brand than a Chinese luxury brand.

Answered: 27  Skipped: 0

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree
Q9  Do you think a Chinese luxury brand can be as successful as Chanel and Dior? If no, why?

Answers

- “Marketing - if it's marketed just as well as western brands have”
- “No, because Chinese brands still has negative connotations. Maybe in 50 years.”
- “Yes, I do”
- “Not yet, heritage is not there yet as e.g. Chanel or LV.”
- “No, because the ‘Made-in-China’ label is stigmatized with cheap production and low quality”
- “Not before people have a different attitude towards general Chinese goods.”
- “Yes of course. I think the market in China is so big that they will sell for sure. They need a good marketing plan and people need to know the name and then it will sales itself.”
- “Not yet, the designs still very raw and image not good”
- “I don’t they can due to the stereotype image of “made in China” among people around the world. Also, I don’t think the government put as much as effort like western countries to promote the home-made products.”
- “Not at the moment. Lack of awareness.”
- “I don’t think so, because Chinese brands are not really known in the western market. Therefore, I think they can be really successful in the Asian market, but not globally.”

Q10  What are the factors that would attract you to buying a Chinese luxury good instead of a Western luxury brand?

Answers

- “Word-of-mouth of a brand is essential for me.”
- “Better marketing like Huawei.”
- “Actually, I would say for the advertising on the first-hand side. Because at first you need to know a brand and the designs. And then I would say the design and also heritage.”
- “The innovative design, the cultural attachment, the rebranding with a more famous designer.”
- “Really good design with cheaper price than European brands”
- “Sustainability goals & actions, design, quality”
- “There are many highly creative, inventive and talented Chinese designers whom I have followed for a long time. - craftsmanship - design – tailoring”
- “Chinese goods are generally stigmatized as bad quality for decades. The attraction would come if simple tools and goods become accepted as good quality, which transform the view to luxury goods naturally as well.”
- “Style and when I would be ‘early adapting’ a brand that is not yet established in western society.”


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