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Introduction

- Personal Luxury goods market will continue measured growth of 2-3 percent through 2020 (Euros 280-295 billion in revenue)

- Asia-Pacific Dominates the Global hnwi growth

- Chinese shoppers are expected to make up approximately 34 percent of global luxury consumers in the next 4 years, well ahead American and European consumers
Looking at the Asia trends

- China is showing signs of a come back, particularly in Mainland China

- Taiwan will hold steady

- Hong Kong and Macau will continue to struggle

- Japan retain its title as the top market for luxury growth (but signs of a slowdown due to a stronger Yen and reduction of Chinese tourists)

- In South Korea, Chinese will keep supporting luxury spending

- Across the rest of Asia, Southeast Asia – except Singapore – is performing well supported by intra-regional tourism and local spending.
What Global GDP Growth for what Luxury Growth

Incremental growth in Chinese consumption over the next five years will roughly a market 1.3 times the size of Germany or the UK.
Who will spend more in Luxury?

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- Consumers in India & China are most likely to increase luxury spending. Vietnam & Thailand are also upbeat. In HK they are not likely to spend more.
Local Spending in China in 2015 & Key findings

- Macro environment expected to remain similar (more sophisticated & more knowledge about luxury)

- Overseas channels will stabilize (daigou will decline), effort to localized consumption will spur domestic growth.

- Luxury brands should strengthen both digital platform and digital content creation (with an emphasis on localization)

- Luxury brands must place greater emphasis on making their brand “younger” and more fashionable but also exclusive.
With a 25% YoY, India is growing up quickly

- With the luxury market expected to grow at over 25% year on year, private equity investments (PE) in the luxury segment are expected to increase.


- The aspiration and disposable income of consumers in India is on the rise, the purchasing power of women has improved, and men are fast emerging as a separate consumer category.
Japan: where Luxury only is Booming

- Japan's economy is hobbling out of a recession and yet sales of luxury goods are growing and the stock market hit a 15-year high.

- Department stores sold 333 billion yen worth of luxury goods including watches, artworks and jewelry in 2014, up 20 percent from 2012. Over the same period, total retail sales rose 2.6 percent.

- Japan is perhaps an extreme example, but a good one that shows that luxury demand is not always correlated to economic growth.
How Chinese take part into the Japanese Luxury market Booming

- Japan is the winner of mainland Chinese Overseas purchases in 2015 while Hong Kong and Macau dropped.
- Jimmy Choo said Asian revenues, excluding Japan, grew 20.1% at constant currencies last year, helped by new store openings in China and Hong Kong.
- Japanese revenues were up 29%, driven by domestic demand as well as an influx of tourists from mainland China.
Traveling & Luxury Spending, a perfect match

Buying Luxury Mainly When Traveling

- The majority are looking to increase the amount of leisure travel in 2016, with the exception of Japan and Malaysia and also HK.

- China showing the biggest potential for growth but also for luxury items expenditure abroad.
What impact on Luxury companies revenue

Share of Revenue from Chinese Consumers (August 2015)

- We can assume that marketing budgets will match with this reality and allocate resources outside China to attract Chinese customers.
Luxury brands in China: in the path of e-commerce, social media and mobile

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- A margin of progression that goes with opportunities
North/Northeast struggles while East Outperformed

Generally North / Northeast suffered more on Luxury but Beijing is holding up better than the rest of the North.

East is the biggest winner, esp. Shanghai

Performance varies among brands, Key cities are Chengdy & Chongqing
Online Luxury sales grew 20% and 80% of brands are online

China Domestic Luxury Market (sales in USB billions)

- Luxury brands are being forced online as the new source of growth,
- Online sales are 5% of the Chinese domestic Luxury market but grew 20% in 2015 (3 times the overall market)
- Only 35% of luxury brands offer brand-owned-e-commerce via their sites or storefronts on TMALL and JD.com
E-commerce Penetration & Sales: adjustments needed

- Leading E-tailers lack of attractiveness among Luxury brands
- Luxury brands are in the way to adapt their overall ecosystem to e-commerce
Digital Engagement is up, Marketing budgets in Celebrity’s Blog too

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<th>Compared with 2014</th>
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<td>Internet and mobile apps</td>
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<td>60%</td>
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<td>Friends</td>
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<td>In-store sales</td>
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<td>TV ads</td>
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<tr>
<td>Email</td>
<td>7%</td>
<td>9%</td>
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</table>

On average, luxury brands are spending more than 35% of their marketing budgets on digital.
Paying For Visibility on Baidu, this is what 46% of watch & Jewelry brands do

Baidu Paid Search Strategy

Influencer Program can create and boost this necessarily visibility
Hunting a unique experience to let personal social influence shining

- Bigger fashion & luxury names demanding solutions that can adapt to precisely the person they want to impress.

- Experiences need to be unique as possible while there is clearly a market already waiting!

‘MESPOKE’ LUXURY
Social Media and WOM as best way to go “Mespoke”
Wechat Adoption but the challenge to have a consolidated online presence

- Social Media Adoption is nearly ubiquitous with 97% and the adoption
- 86% of fashion brands are both active on Weibo & Wechat and on Youku or Tudou
- The adoption of Wechat has exploded by 114% for fashion brands
- But brands are failing to consolidate their online presence and link to Wechat across platforms. Only Armani linked its Tmall stores to Wechat.

Social Media Adoption Growth
Luxury brands are mobile and get more and more features to push content and drive traffic to their commerce.
A margin of progression that goes with opportunities

- At the end of the day, you need content. We need more and more content to keep alive the emotion that we offer to our costumers.
And all drive to sales: the Maybelline Case

- Maybelline leveraged celebrity and KOL power to sell 10,000 lipstick products in just two hours.

- They used the star power of Angelababy as well as army of internet KOLS to create buzz, but importantly gave local consumers a chance to participate.

- On the video sharing app Meipai, Maybelline promoted a live internet stream of Angelababy and internet celebrities trying and choosing new lipstick products from Maybelline.

- There was a direct link embedded in the video stream, that directed consumers to the Tmall site of Maybelline.

- KOLs used VR headsets to record their experiences, which they then posted on their own Meipai accounts.
Marketing: where is influence?

• KOL & Celebrities: they were a must
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• No Boundary: Chinese Influencer profiles on Instagram
KOL & Celebrities: they were a must

What is KOL?

KOLs are Key Opinion Leaders. The acronym usually refers to influential public figures.

As a result, these « KOL » are sought after and can become a marketing instrument to share a positive message about a brand, so companies can directly influence a large community and reach thousands or even millions of potential customers.

SOMANS
President of Fashion Group, "Bazaar" and also their Chief Editor.

FRANKIE HAN
China’s most popular fashion blog, he has more than 1,000,000 readers. Frankie Han was invited to the Chanel as a VIP guest.

LIU WEN
First Asian model on Victoria's Secret Fashion Show in 2009.

CHEN MAN
She has done many exhibitions in France, America, Britain, Japan and Shanghai, and at the two art galleries in Hong Kong and Beijing.
KOLs as Community Manager or Copywriter for Louis Vuitton and Tiffany

**LOUIS VUITTON: GOGOBOI IS TAKING OVER OUR WEIBO**

During the 2015 Louis Vuitton Winter and Autumn Fashion Week, the brand invited a famous Weibo fashion opinion leader – Gogoboi to take over its official Weibo account to report on fashion week.

** TIFFANY: COPYWRITING FROM CELEBRITIES**

The campaign is called “‘Tiffany’s Love in My Eye”. GuoJingmin (famous writer, and rising director), Tian Pujun (film producer, columnist, and actress), Zhang Wei (associate editor and chief writer of GQ Magazine) were all invited to write their own thoughts on love stories for Tiffany’s campaign.
What are the fees for KOLs like Gu Mengjie or UU_Annie?

GU MENGJIE
Post on his blog: RMB 400K ($61K)
Reach claimed: 10,000,000 people

UU ANNIE
Post on Weibo: RMB 10K +
Post on Weibo with photo: RMB 20K+
Post on Wechat RMB 10K to 20K
Post blog: RMB 15K to 20K
Reach claimed: 10,000,000 people
From uncertain mass influence to micro but authentic influence

- Influencers are becoming increasingly expensive, incredibly demanding, and spoiled.

- A micro-influencer is an individual who has developed a relatively small, but devoted authentic audience based on his or her writing skills, editorial viewpoint, or knowledge of a certain subject, yet has not made blogging or microblogging his or her “day job.”

- They are much more local and regional.

- They has been not just Sina Weibo or WeChat, but the humble bulletin-board site, or BBS.

- Sites like OnlyLady boast their own ecosystems of “celebrities”, while beauty BBSs like Lancôme-owned Rose Beauty attract millions of active consumers who interact with one another on a daily basis.

It's a must to understand where comes from the influence and how to build a mix that performs
Different types of influence & Online cultures

In the way of professionalization and independency

- Meijia S, a fashion and food blogger is becoming more and more attracting for brands as she is still accessible.
- Omega recently invited her to its events and she posted on her blog pictures of her with an Omega watch.

No marketing campaign but investors

- Jiang has built a fan base 10 million strong on Weibo alone, in few months.
- Her WeChat posts have nearly four times the views of celebrities like 36-year-old film star Gao Yuanyuan.
- The secret to Jiang’s success is her championing of "diaosi" culture — a youth subculture in China that means “ordinary” or “normal.”
Different types of influence & Online cultures

- Representing not only fashion trend but also a lifestyle, luxury brands have been trying to catch them, making them more valuable than ever.

- The Chinese community is the new target market for the fashion industry, with organizers of Australian Fashion Week focused this year on tapping into the local Asian market.

- Several fashion bloggers and "digital influencers" have been invited from China, Singapore and the Philippines to attend dozens of runway shows throughout the week.

- Luxury brands were missing the opportunity to attract Chinese consumers locally because "they don't have the staff" who speak the language to communicate news and events.

Catch trends & shoppers behaviors to find new opportunities
Leaf Greener now runs her own WeChat magazine called LEAF and a website where she gives her two cents on design trends.

All eyes have been on Xi’an-born model XiaowenJu since talent management company IMG discovered her online in 2010 and invited her to New York Fashion Week.

Actor and lifestyle blogger Nik Wang hangs with the likes of Chinese fashion model Liu Wen and Instagrams about it.

Founder of The Haute Pursuit site Vanessa Hong has that story of starting out that everyone dreams about: she was doing a 9-to-5 job before getting bored, starting a fashion blog, and becoming successful.
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What brands hit the Chinese podium?

1. 周大福 (CHOW TAI FOOK)
2. BURBERRY
3. COACH
4. Cartier
5. 周生生 (Chow Sang Sang)
6. TOMMY HILFIGER
7. GUCCI
8. VALENTINO
9. Calvin Klein
10. LOUIS VUITTON
Chow Tai Fook, Burberry & Coach: e-commerce, O2O via WeChat and influencers

1. The local jewelry brand holds onto the top spot by optimizing its presence on e-commerce platforms.

2. The global brand turned runway fashion into fast fashion, letting fashion show viewers preorder personalized items directly from the runway video.

3. Another smart move was enlisting Chinese superstar Wu Yifan to model in its 2016 Fall/Winter Menswear fashion show, thus generating significant engagement on social platforms.

4. Coach relies heavily on WeChat to connect its online and offline businesses: for example, by distributing WeChat coupons valid both online and in-store.

5. For one UGC campaign, the brand purchased WeChat Moments and multiple Weibo advertisements and leveraged a broad network of celebrities and influencers.
Cartier also invests in WeChat advertising, calling on local influencers such as movie star Zhang Zhen, who marked the launch of the brand’s Clé de Cartier watch series.

Cartier boosts sales abroad by offering Chinese tourists a product translation tool and overseas store geolocator with reservation capabilities in WeChat.

The global brand has aggressively expanded e-commerce.

The brand also offers sophisticated online shopping assistance, and strong cross-selling tactics and a robust loyalty program encourage future purchases.

Valentino jumped from Feeble to Gifted this year with the launch of its site, which it supported with robust advertising on fashion magazine and community sites.
Luxury Brands segmentation / Digital influence (1)

Digital competence is a point of competitive differentiation for these brands.

Brands are experimenting and innovating across site, mobile, and social platforms.

Digital presence is functional yet predictable

Limited or inconsistent adoption of mobile and social media platforms.

Investment does not match opportunity

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</tbody>
</table>
Luxury Brands segmentation / Digital influence (2)
Brand desirability: a good match for Valentino

"In the next three years, you tend to buy more fashionable luxury brands with more design elements."

"What are the three brands that you desire most?"

Percentage of responses

- Strongly disagree 2%
- Disagree 7%
- Agree 49%
- Strongly agree 44%

Percentage of responses of fashion brands

TIER-1 CITIES

- 2015
- 2014

Givenchy | Valentino | Fendi | Celine | Dolce & Gabbana | Chloe | Alexander McQueen
Keep building positioning and need of long term social campaigns

These brands continue to push the definition of what consumers consider to be luxury and fashionable:

- **Givenchy**: collaboration with iconic designers, engaging with a wider audience on high fashion
- **Valentino**: expanded retail networks, leveraging fashionable store to express Valentino fashion, external investments to strengthen design and quality
- **Dolce & Gabbana**: continually add new fashion themes for “all ages” into ready-to-wear collections

More established brands continue to invest to be perceived as more young and fashionable:

- **Louis Vuitton**: Me & Me accessories by Nicolas Ghesquiere, targeting fashionable young customers who pursue new and unique designs
- **Hermes**: collaborated with Apple to launch Apple watch with Hermes watchband, popular among young consumers
- **Dior**: appointed Rihanna, as new spokeswoman trying to capture more young, trend-conscious consumers
Meanwhile customers sustainability concerns drive revenues

- Outside of sustainability initiatives, analysts have wondered whether luxury brands have to worry about competition from fast-fashion labels such as H&M.

- They have argued that the brand’s reach may have edged into luxury retail territory after a hysteria-inducing collaboration with Balmain that had resellers earning more on eBay for the H&M collection than what discounted Balmain clothes were going for.

- These comparisons could spill over into the China market as H&M’s catchy green campaigns join those of other high-end fashion houses catering to a growing number of Chinese millennial slapping up brands with CSR initiatives.

- Consumers want to be seen as discerning and caring in their luxury purchase choices, sustainability could play a defining role.

  55% of Mainland Chinese consumers are to pay much more to support a company that exercise corporate sustainability
New Fashion Luxury is Fresh and called sportswear

- China's sportswear market will surpass the luxury goods market by 2020.

- The focus in China has palpably shifted from a focus on the face and complexion, to an emphasis on body image and physical health.

- Zhang had grown up using luxury brands to showcase his family’s wealth, success and status. However, as a twenty-something, he and many of his friends felt they were “evolving” to high-end leisure and sportswear in order to create a higher sense of style — or as he conveyed it in his local dialect, to be seen as “fresh rather than rotting meat.”
And start looking at local Luxury brands, studio and designers

- Not long ago, the concept of “luxury shopping” in China was synonymous with top European mega-brands and not much else.

- As the country’s economic growth attracted a flood of international labels, traditional Chinese designs and materials were overshadowed by all that was flashy, new, and foreign.

- But as the market matures, local styles, fabrics, and products are seeing both a renaissance and reinvention thanks to demand from a sophisticated clientele seeking out unique styles and craftsmanship.

  This market will need influencers and voices but also to be supported abroad.
Alternatives - Furla, an “accessible luxury” brand that goes well

- This playful, youthful handbag brand captures China’s growing middle class with a new lifestyle-centric range of products.

- China sales grew 75 percent in the same five-year period (and expects China to soon become Furla’s main market)

- “The definition of luxury is not to be expensive, but to be unique”

- “We consider China to be the biggest market in the next five years, so what we’re doing now is finding an easier and more comfortable way for the Chinese customer to experience the typical Italian lifestyle”

This market will need influencers and voices but also to be supported abroad
Alternatives - Revolve: From US to China its 1st market now!

- Revolve carries about 600 independent shoe and clothing brands that resonate with L.A. trendsetters and span a huge range of well-known designers.

- Their Chinese shoppers are extremely active on social media and well-versed in the brands.

- Because 42 percent of its transactions from China in Q1 of 2016 were done on the phone, it created a mobile-optimized Chinese site.

- It accepts Alipay and is in the process of allowing their consumers to pay using WeChat, and in March, it gave shoppers access to toll-free customer service.

- It also has accounts on all of China’s major social media networks.

Retailers and platforms as brands play more intensively the social game and represent business opportunities too.
Thank you.

Alexia Michel
Contact: alexia.drion.michel@gmail.com
Linkfluence Asia Case Study

http://www.linkfluence.asia/
How the competition is composed & what partnership can be opened

CHINESE INFLUENCERS BY FOLLOWER COUNT

- Numbers of followers
  - 47M
  - 46M
  - 29M
  - 24M
  - 21M
  - 20M
  - 17M
  - 11M
  - 2M
  - NC*

CHINESE INFLUENCERS BY ENGAGEMENT

- Total publications
- Total interactions
  - Victorias Song
  - Liu Yifei
  - G-Dragon
  - Liu Shi Shi
  - Li Yifeng
  - Luhan
  - Chong Ting Yu-Roo
  - Lin Yun
  - Wallace Huo
  - Hu Ge

LinkFluence Case Study
In terms of visibility and engagement, it appears that Victoria Song and Dior perform the best.

But is this actually the case?
INFLUENCE KEY #1: PERSONAL BRAND

The match between a celebrity and a brand’s personality is the most commented on and important criteria.

Consumers relate to a brand more when the KOLs they love matches the brand they endorse, and comment specifically on shared personality traits.

This is the main success factor for four KOLs: Liu Yifei (Dior), Liu Shishi (Carven), Hu Ge & Wallace Huo (Céline).

Consumers perception of a good match is frequently based on public image, screen persona and even their personal life (in the case of Hu Ge).

The feeling of affinity for a brand based on a commonality with a beloved star is strong enough to create purchase intent.
CASE EXAMPLE FOR PERSONAL BRAND

Liu Yifei – Amplifying Dior Brand Personality

Song Qian – Stealing the Thunder from Dior

Net users’ feedbacks on Liu Yifei’s attending Dior’s Haute Couture show put forward the brand’s design and fashion style. This partnership is considered a good case that brings out the best in each other.

The brand benefits from the star who is thought to be a perfect match to the brand’s image.

Song Qian’s presence at Dior’s Ready to Wear show draws more attention (3 times publications and twice the engagement), however, most are basic comments on the star herself, without any association to Dior.

The celebrity steals the thunder of the brand.
Engage experts, belonging to the right generation

**INFLUENCE KEY #2: CATEGORY EXPERTISE**

Some KOLs are naturally respected for having an expertise in fashion.

A partnership with this kind of celebrity can leave the image of a brand that is respected by those with the most attention to their own unique style.

G-Dragon and Chanel is a good example of this partnership type. Consumers are surprised by his original style with remarkable combinations of pieces.

Chanel’s preference for him is, in this case, usually perceived as a sign of the brand’s great discernment in fashion.

However, not everybody agrees with G-Dragon’s fashion taste, creating a risk of negative feedback from consumers when the style is too extreme.

**INFLUENCE KEY #3: GENERATION MATCH**

Young celebrities are often perceived as adventurous, free, and fearless. An appropriate use of the image of the young can be beneficial to brands.

This is the case of TAC Heuer and its latest ambassadors in China: Gloria Tang Tsz-Kei and Li Yifeng.

Consumers are more receptive to the image "not cracks under pressure” when associated with these two celebrities and their achievements.

Even when some argue that young celebrities’ images don’t match TAG Heuer, others defend the KOLs, arguing that it’s the young spirit that counts.

This belief resonates with new thoughts of newer generations, and they express their willingness to continuously improve as do these two celebrities.

Brands are successful because they’re fearless of social pressure, and they can make self-achievement too. Deng Zifan faces a similar challenge but strives to make excellent music. They illustrate each other, this experience, status... nowadays, spirit is more important than experience.
Lack of experience and immature actions are common criticisms.

This may be a reason why Lin Yun’s presence at Chanel’s Ready to Wear show was badly received by many; they commented that given Chanel’s fame and history, it is questionable why this young actress was invited.

In my view, since Lin Yun participated in the Chanel show, the level of Chanel show became the lowest among those Haute Couture shows.

Gossip always goes around the pop guys. People are just envious about others’ success. By degrading others, you degrade yourself. You’d better come back and improve yourselves.

I feel like I don’t want to buy Chanel products now. So low.
Influence Key #4: Consistent Loyalty

Some KOLs are perceived by consumers as faithfully loyal to a brand over time. As a consequence of this consistency, consumers are more convinced in the authenticity of the partnership.

For example, Carter’s recent partnership with Luhan created many enthusiastic comments, due to Luhan’s preference for the brand over a long period of time.

Users show their satisfaction of this partnership by explaining that Carter has finally found its “biggest” fan.

However, because Luhan’s primary audience is younger, some users approving of the partnership express a frustration at not being able to afford Carter (yet!).

#LU Han# Carter and LU Han are both incomparable existence.

My Lu Han wore a Cartier so many years, he wore Cartier for concerts all along. The official account found it finally.

I keep calculating, how long does it cost me to work for a Cartier bracelet... It seems that Lu Han makes it much more expensive.
What metrics looking at to ensure effectiveness

**LOOKING AT SENTIMENT REFLECTS CONSUMER AFFINITY FOR KOLS**

<table>
<thead>
<tr>
<th></th>
<th>% total positive publications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liu Yi</td>
<td>100%</td>
</tr>
<tr>
<td>Suhan</td>
<td>100%</td>
</tr>
<tr>
<td>Wallace Huo</td>
<td>100%</td>
</tr>
<tr>
<td>Su Ge</td>
<td>58%</td>
</tr>
<tr>
<td>G. Dragon</td>
<td>96%</td>
</tr>
<tr>
<td>G. Tang (Z2K)</td>
<td>98%</td>
</tr>
<tr>
<td>U. Zhang</td>
<td>98%</td>
</tr>
<tr>
<td>Antione Song</td>
<td>98%</td>
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<tr>
<td>Li She</td>
<td>98%</td>
</tr>
<tr>
<td>Lin Yun</td>
<td>97%</td>
</tr>
<tr>
<td>Liu Yi</td>
<td>16%</td>
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</tbody>
</table>

**SENTIMENT ANALYSIS** helps to better understand net users' perception towards the KOL, generally speaking. As expected, consumer sentiment towards their idols is positive. However, this doesn't provide much value except to eliminate KOLs that have more detractors (such as Lin Yun).

**BUT LOOKING SPECIFICALLY AT BRAND CONVERSATIONS REVEALS MORE**

<table>
<thead>
<tr>
<th></th>
<th>% total positive publications</th>
<th>% total negative publications</th>
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</thead>
<tbody>
<tr>
<td>Liu Yi</td>
<td>42%</td>
<td>2%</td>
</tr>
<tr>
<td>Suhan</td>
<td>37%</td>
<td>2%</td>
</tr>
<tr>
<td>Wallace Huo</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Su Ge</td>
<td>25%</td>
<td>2%</td>
</tr>
<tr>
<td>G. Dragon</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>G. Tang (Z2K)</td>
<td>17%</td>
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<tr>
<td>U. Zhang</td>
<td>8%</td>
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<tr>
<td>Antione Song</td>
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<tr>
<td>Li She</td>
<td>7%</td>
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<tr>
<td>Lin Yun</td>
<td>2%</td>
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</tr>
<tr>
<td>Liu Yi</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**LIU YIFEI HAS A HIGH LEVEL OF BRAND PERSONALITY MATCH AND PERCEPTION OF EXPERTISE**

**VICTORIA SONG IS PERCEIVED AS BEING LESS EXPERT AND MORE INDEPENDENT OF FASHION**
Practical applications for KOL Selection

- Visibility or engagement alone are not signs of success; look at brand metrics
- Personality, expertise, maturity, and consistency should all be examined
- The match between brand and personal image is most important
- Posts with aspiration and personality match often include intention to buy
- Young KOLs can bring relevancy to luxury brands, but use caution
Sources

- Bain & Company, 2015 China Luxury, Market trends
- Bain & Company, Global Luxury Market 2015
- L2 Digital IQ Index, Luxury China, 2016
- L2 insight Report Luxury China & Wechat, 2016
- China Luxury Forecast report
- Economist Intelligence Unit, BCG Analysis
- Italian Chamber of Commerce, Looking at the luxury consumers in 2016
- Linkfluence Agency
- But also: Deutsche Bank, Jing Daily, Social Brand Watch, Economics Time, India Time, Business of Fashion
Asia-Pacific dominates the global HNWI growth

- Asia-Pacific HNWI populations grew by **8.5%** compared to 6.7% in the rest of the world.
- Wealth in Asia-Pacific expanded by **11.4%** compared to only 7.2% for the rest of the world.
- The strong growth resulted in a record of 4.69 million HNWI and US$16 trillion of assets.

Greater China is showing signs of a comeback, particularly in Mainland China (up 2 percent at current exchange rates; 4 percent at constant exchange rates), which is on the verge of reversing a three-year decline. Taiwan will hold steady as well. However, Hong Kong and, to a minor extent, Macau will continue to struggle.

Japan retains its title as the top market for luxury growth (up 5 percent at current exchange rates; 7 percent at constant exchange rates), yet it is showing signs of a slowdown versus 2015, due to a stronger Yen and consequent reduction of Chinese tourists. Locals are not expected to spend as much at home to counterbalance.

Across the rest of Asia, Southeast Asia — except Singapore — is performing well, supported by intra-regional tourism and local spending. Chinese tourism will continue to support luxury spending in South Korea. Excepting Mainland China, luxury market growth in Asia is down by 1 percent at current exchange rates; up 1 percent at constant exchange rates.

The rest of the world faces tough challenges currently, but shows glimmers of a promising future (0 percent at current exchange rates; 2 percent at constant exchange rates). The Middle East is still rather depressed, despite strong interest in Iran. In Australia, the luxury market will remain healthy. Meanwhile, Africa has the potential to be the breakout star in the coming years.

Bain anticipates the personal luxury goods market will continue measured growth of 2-3 percent through 2020, reaching an estimated €280-295 billion in revenue. However, that outcome is heavily contingent upon the continuous growth in Mainland China. Chinese shoppers — particularly the middle class — are expected to make up approximately 34 percent of global luxury consumers in the next four years, well ahead of American and European consumers. Recovery among mature market consumers, due to luxury brands’ renewed efforts to regain consensus and trust, will also help propel the market forward.
Figure 7: Local spending in mainland China continued to contract in real terms; mainland China accounts for 20% of global Chinese shoppers’ purchases.
Market: Japan

Luxury Outpaces Everyday
Rates of change for retail and luxury sales

Source: METI, Japan Dept. Store Assoc., Bloomberg
NOTES: Calculated index 2010 = 100
In order to boost their visibility and reinforce authenticity, 41 percent of Fashion brands and 65 percent of Watches & Jewelry brands are investing in paid search advertising on Baidu.

Almost half of Watches & Jewelry brands and nearly a third of Fashion brands are purchasing Brand Zones on Baidu. These media rich ad units guarantee that the brand’s official presence is the first thing a consumer sees, aiding shoppers in their quest for authenticity and overcoming the brands’ inability to own the first position organically. The effect of a Brand Zone is even greater on mobile, as the ad unit controls the entirety of the screen before scroll. Twenty-nine percent of Fashion brands and 14 percent of Watches & Jewelry brands fail to promote store locations to on-the-go shoppers via mobile Brand Zones.

More than a third of Watches & Jewelry brands and 17 percent of Fashion brands are purchasing paid links against their brand term on Baidu. On desktop, e-tailers dominate, controlling three fourths of Fashion paid search results. Fashion marketplace Xiu.com was purchasing against more than half of Fashion brand terms and more than a quarter of Watches & Jewelry brand terms. JD.com purchased paid links on nearly 60 percent of Watches & Jewelry brand terms. On mobile, JD.com was the most frequent purchaser of luxury brand terms.

More Mobile

A mobile-first market, mobile traffic in China is up 50 percent year on year. Searches conducted via mobile for luxury brands have risen 44 percent year on year and are nearly double the searches conducted on desktop. Adoption of mobile-optimized sites has more than doubled since 2014, with 86 percent now suited for the second screen. Three and a half times more luxury brand mobile sites are commerce enabled, yet less than half of Fashion brands and less than a quarter of Watches & Jewelry brands support purchase.

WeChat adoption is up 87 percent since April 2014, but has yet to achieve scale, and brands have been slow to utilize advertising or adopt commerce on the platform. WeChat purchasing has doubled in the last year, yet less than 10 percent of brands with WeChat accounts offer commerce capability. Luxury brands are underutilizing WeChat’s one-to-one communication and CRM capabilities to truly offer a VIP experience. They continue to incorrectly treat WeChat like a traditional social broadcast and primarily use it for branding.
Cartier

Digital IQ: 141

Cartier also invests in WeChat advertising, calling on local influencers such as movie star Zhang Zhen, who marked the launch of the brand’s Clé de Cartier watch series. Additionally, Cartier boosts sales abroad by offering Chinese tourists a product translation tool and overseas store geolocator with reservation capabilities in WeChat.

Chow Sang Sang

Digital IQ: 137

Along with Chow Tai Fook, the local brand leads the Index when it comes to Tmall and JD store innovation and search visibility, as well as on Youku and WeChat. In addition to boasting a synchronized loyalty program across its site, Tmall and WeChat, the brand invests in robust display advertising for both desktop and mobile.

Tommy Hilfiger

Digital IQ: 132

The global brand has aggressively expanded e-commerce, offering its full range of products on its China DTC site as well as stores on Tmall and JD. The brand also offers sophisticated online shopping assistance, and strong cross-selling tactics and a robust loyalty program encourage future purchases.

Baidu, where brands are often crowded out by community sites, e-tailers, and the search engine itself. Louis Vuitton also gains points for its well-received Pass app, which it promotes on mobile search.

Chow Tai Fook

The local jewelry brand holds onto the top spot by optimizing its presence on e-commerce platforms. On Tmall and JD.com, the brand controls 100% of first-page brand search results, protecting itself from the threat of gray market vendors. Online display and long-tail paid search advertising, as well as a SEO strategy tailored for local consumer search behavior, support those efforts.

Burberry

After falling from the Genius ranks, Burberry returned this year thanks to strong localized efforts to reinforce its branding. The global brand turned runway fashion into fast fashion, letting fashion show viewers preorder personalized items directly from the runway video. Another smart move was enlisting Chinese superstar Wu Yifan to model in its 2016 Fall/Winter Menswear fashion show, thus generating significant engagement on social platforms.

Coach

Coach relies heavily on WeChat to connect its online and offline businesses: for example, by distributing WeChat coupons valid both online and in-store. For one UGC campaign, the brand purchased WeChat Moments and multiple Weibo advertisements and leveraged a broad network of celebrities and influencers. As a result, the campaign video garnered more than one million views and the brand’s WeChat followers increased by 35,000.
Gucci
*Digital IQ: 128*

Gucci is the most searched brand on Baidu, signaling its name recognition with Chinese consumers. The brand maintains that momentum on Weibo, where it boasts more than 600,000 highly engaged fans.

Valentino
*Digital IQ: 126*

Valentino jumped from Feeble to Gifted this year with the launch of its DTC site, which it supported with robust advertising on fashion magazine and community sites. Baidu search volume surged to nearly 1.5 times the 2014 level, reflecting efforts to raise visibility with SEO and SEM.

Calvin Klein
*Digital IQ: 125*

Calvin Klein leveraged WeChat in-feed ads to promote its global #myCalvins campaign, signaling that it recognizes the importance of the messaging platform. Additionally, the brand expanded online distribution by opening storefronts on Tmall and JD.

Louis Vuitton
*Digital IQ: 124*

The brand’s SEO and SEM efforts pay off on Baidu, where brands are often crowded out by community sites, e-tailers, and the search engine itself. Louis Vuitton also gains points for its well-received Pass app, which it promotes on mobile search.

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<table>
<thead>
<tr>
<th>DIGITAL PLATFORM ENGAGEMENT</th>
<th>DIGITAL CONTENT CREATION</th>
</tr>
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</table>
| **Chanel**                  | • Leverage Weibo to interact with Zhou Xun, Chanel’s celebrity spokesperson in China, to increase brand awareness  
|                             |   - For example, release of Zhou Xun’s Chanel candid series through Weibo  
|                             |   - Launch CN version micro movie series “Inside Chanel” exclusively through Weibo, WeChat and official website  
|                             |   - Release of new Chanel ads and fashion shows across digital platforms  
| -1.6M followers             | **Coach**                |
| ~900 posts                  | • Create hot topics on Weibo to generate awareness  
|                             |   - For example, “CoachSpring2016” on Weibo, receiving ~120M views and ~100K comments; repost prize activity, ~5K participants  
|                             |   - Launch interactive picture-sharing activity on Coach app  
|                             |   - For example, “My Coach and puppies”  
| -2.1M followers             | **Burberry**             |
| -6,000 posts                | • Produce digital content on a wide range of topics exclusively through Burberry’s official site and Youku platform  
|                             |   - For example, Burberry make-up video courses, fashion shows and Burberry Acoustic  
|                             |   - Leverage WeChat to host virtual launch events for new items and fashion shows such as the 2014 Burberry Shanghai fashion show  
| -1M followers               | **Tiffany**              |
| -4,000 posts                | • Produce content for Weibo, WeChat and Tiffany app  
|                             |   - For example, gift recommendations, engagement ring introductions and educational information  
|                             |   - Localized global digital content to better fit the Chinese market  
| -0.5M followers             | **Zegna**                |
| -1,000 posts                | • Key campaign used Liu Wen and Zhang Aijia as local spokespersons, receiving ~40M views on Weibo  
|                             |   - Bridal campaign shared the love story of local celebrities Li Na and Jiang Shan on Weibo and WeChat  
| **BOSS**                    | **Michael Kors**         |
|                             | **Zegna**                |
|                             | **Michael Kors**         |
|                             | • Hugo Boss’s official Tmall store only sells the Boss Orange line, which is positioned at the lower end of the market.  
|                             | **Zegna**                |
|                             | **Michael Kors**         |
|                             | • Though without Tmall stores, Michael Kors and Zegna Sports are featured in Myz.com’s weekly flash sale on Tmall.  
|                             | **Zegna**                |
These brands continue to push the definition of what consumers consider to be luxury and fashionable.

CONTINUOUS EFFORT TO DEFINE FASHION

**Givenchy**
- Collaboration with iconic designers
  - Invited Donatella Versace, chief designer of Versace, to represent Givenchy's Autumn 2015 ready-to-wear collection
  - Design collaboration with Marina Abramovic on the 2014 spring collection
- Engaging with a wider audience on high fashion
  - Opened 2016 New York fashion show to public
  - Brought in first CH celebrity, Chris Lee (acted as an icon with strong personal style), to attract more young, brand-driven customers

**Fendi**
- Doubling down on its core fur element in the 2015 autumn/winter collection
  - Karl Lagerfeld designed the "finta furiosa" collection and held the first fashion show in Paris in July 2015
  - Applied for elements to more women's ready-to-wear collections

**Valentino**
- Expanded retail networks, leveraging fashionable store design to express Valentino fashion
  - 220-350 new stores opened in 2015 globally
- External investments to strengthen design and quality
  - Bought 51% share of Fabellicgiani St. Augustin, Valentino's upstream supplier
  - Bought 40% share of Epix at Enrico Pescioli, handling metal parts supplier (also a supplier to D&G)

**Dolce & Gabbana**
- Continually add new fashion themes for "all ages" into ready-to-wear collections
  - Released new collection exclusively in Plaza 66 store with Italian pottery patterns
  - Continue "family life celebration" theme into marketing campaigns and runway shows, e.g., campaigns that focus on multiple generations and inventory presentation that tells the relationship between mothers and children

More established brands continue to invest to be perceived as more young and fashionable.

NEW DESIGNERS AND COLLECTIONS WILL REVitalize BRANDS

**Gucci**
- Appointed Alessandro Michele as new creative director starting in January 2015, who's dedicated to making Gucci a young brand
- Reenvisioned its 2016 fall collection to include more young, fashionable elements

**Coach**
- Stuart Vevers continued to drive design toward fashion and young, newly launched Madison bag collection has been a fashion hit
- By participating in fashion weeks in New York, Shanghai, Coach started to build its ready-to-wear fashion image

**Louis Vuitton**
- Launched its Men's accessories collection by Nicolas Ghesquière, targeting fashionable young customers who pursue new and unique products

**Hermes**
- Collaborated with Apple to launch Apple Watch with Hermes watchband, which is popular among young consumers

**Dior**
- Appointed Rafahnia, the iconic US pop star, as new spokesperson, trying to capture more young, brand-conscientious consumers

**Chanel**
- With leather straps handmade by Hermès artisans in France and an Hermès watch face rebranded by Apple designers in California, Apple Watch Hermès is a product of elegant, artistic simplicity.
- "Charme can illustrate mixed fashion style better and bring stronger visual impact. I am totally impressed by her new dial art "Secret Garden IV."

**Vogue**
- "With its singular beauty vision, the makeup artist Lucine Pisc is bringing a new creative atmosphere to Chanel. She's got creative vision, says legendary makeup artist Charlotte Tilbury. It's been great to see her develop her own makeup style over the years, which has a fresh, cool edge to it."
“In most cases, the most difficult part of working with micro-influencers is finding them, which often proves a time-consuming process that can entail exhaustive Weibo, blog, and BBS searches. As always, when checking out potential micro-influencers, the key is to remain skeptical of all publicly viewable statistics, and to take a look at all of his or her social media accounts. From there, the question is how you intend to work with them. Micro-influencers in the cosmetics segment—particularly those active on BBSs—are partial to cosmetics samples or product seeding campaigns, while fashion influencers often ask for upfront fees for coverage of new collections or events. However, these are often negotiable, particularly among influencers hoping to build a long-term relationship. If nothing else, micro influencers largely prove themselves to be flexible and enthusiastic, demanding far less than self-proclaimed “KOLs” in China, many of whom stand firm on five-figure fees for single Weibo posts, business class flights to Europe or the United States, and five-star hotels”.

QUALITY WILL BE EMPHASIZED OVER QUANTITY WITH KOL SELECTION

In recent years, key opinion leaders (KOLs) such as fashion bloggers have netted countless endorsement deals from big brands, often receiving a hefty fee to post on their social media accounts. “A lot of times we use bloggers; we just use bloggers for the sake of using bloggers,” said Alex Tang, the former global deputy marketing director of MCM Worldwide. “It doesn’t really come to sales, actually. That has to be in the back of your mind.”

Chloe Reuter, the founder and CEO of Reuter PR, agreed, saying, “At a discerning level of society, I don’t know if people really follow bloggers. You look at Shanghai and Beijing—they know their brands, they travel independently, and they’re really street smart. I don’t know if those people are really influenced by bloggers.”

According to discussions at the event, brands are becoming savvier and doing their research about which KOLs will best represent their image and actually have an impact with high-end customers. As a result, quality and not quantity is beginning to be emphasized. “As a luxury brand, who cares if a KOL has 60 million followers?” said Reuter. “They’re not all going to buy my bag.” According to her, “sometimes we’re looking at people who have few followers, but they’re influential with those followers.”

CONTENT AND CO-CREATION GIVES CUSTOMERS A VOICE IN BRAND CHANNELS

According to John Hamilton, the director of marketing communications for Asia-Pacific at Four Seasons Hotels, customers’ social media posts about luxury brands are often “more credible” and “authentic” than advertising the brand puts out itself. “Real pictures taken by our guests can have as much authority, if not more than brand images—no matter how beautiful we produce them to be.” As a result, brands such as Four Seasons have been putting a growing emphasis on user-generated content. He says this isn’t just a millennial trend as consumers across age groups post on their social media accounts in China. “Consumers of all ages want to link themselves to the brands that they love.”

LUXURY LABELS NEED TO STEP UP THEIR GAME TO REACH CHINESE TRAVELERS ON WECHAT

According to Mauron, even brands that have a strong WeChat presence are severely lacking when it comes to reaching Chinese travelers abroad—despite the fact that most of their luxury shopping happens outside the mainland. He noted that very few labels offer store locators and service for their overseas locations in Chinese, or recruit WeChat followers in stores abroad. “Being ready to expand the reach of those services knowing that travel shopping is happening and continuing to happen is probably the best way to once again bring added value and establish a trusted relationship with your followers,” he said. Another major challenge is duty-free shops, which make up a significant portion of Chinese spending. He suggested that brands put the QR code for their WeChat account somewhere in the physical package, so if a Chinese customer buys an item at a duty-free shop, they won’t miss out on easy access to sign up for the official account.