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Europe goes Chinese?
The impact of Chinese globetrotters on European luxury shops

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Abstract. As they travel more, the Chinese consumers are making a rapidly-growing share of their luxury purchases outside the Mainland. There are several reasons that exhort Chinese luxury consumers to have their expenditures outside their home country, being economic, cultural and social. With so many Chinese visiting elegant stores on their travels, luxury brands must try to provide consistent positioning in the outlets around the world.

In order to analyze the impact of Chinese globetrotters on European luxury retailing, a research was made inside a Christian Dior shop in Venice, by mean of the observation of 346 consumer behaviors in a period of four months. The evidences from the observation of the Chinese consumer behaviors in the Dior’s retail store in Venice underline some aspects should be analyzed and considered in facing the Chinese consumer going global. Despite the event limitations this research disclosed an additional aspect in the luxury goods buying behavior that is strictly connected with the globalization of the Chinese customer, influencing the sales strategy of western companies not only in China but also in their domestic markets.

Keywords: Retailing, International marketing, Luxury marketing

JEL Classification Numbers: M31

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1. Trends in Chinese luxury shoppers

Despite the weakened global economy, the market for luxury goods continues to demonstrate huge potential growth, especially with Chinese consumer market. The demand for luxury goods in China continues to increase, driven by a number of positive factors such as the growing number of affluent and middle class, rising household disposable income and higher luxury spending, women affirmation and business leaders as well as the increasing number of people traveling. The lucrative China market has presented abundant opportunities for global luxury players to further establish their presence across the country, even though the Chinese population has now been influenced by a western perspective of tastes and products, combined with a greater inclination of purchases outside their country.

Exhibit 1. Chinese consumer’s purchasing behavior abroad

In buying luxury products Chinese buyers are more differentiated and unique, ranging from experienced consumers with a high degree of sophistication to luxury novices. In addition, Chinese consumers are the most generous (Chen and Kim 2013), allocating about 50% of their spending on luxury gifts (against a global average of 40%). There is then a confirmation that the luxury market is still firmly in the hands of Baby Boomer generation, with a 45% of luxury consumption, whose behavior and preferences appear to be extremely different from the attitude of Generation Y. This new generation will represent the basis of future consumers, showing a positive attitude towards luxury consumption, and representing the most disparate profiles: from newbies to experts, from
classic to edgy, from enthusiast to detractors, thus making the overall picture of the consumer more and more difficult to read and to interpret.

That said, by 2012, the acceleration of Chinese buying overseas resulted in a 60% of total expenses, with substantial differences in each product category: watch, jewelry and leather goods are the most bought items, since the purchase is incentivized by a more significant price gap and, looking at Europe in particular, the incentives are related to the weak value of Euro currency.

Chinese have then become the first nationality of luxury spending. In relation to spending attitudes, this varies by consumer typology, age and profile, since Chinese luxury consumers are not homogeneous. To understand the rapid growth in consumption of luxury products in China, it is compulsory to identify the key elements of Chinese luxury consumers. Given the developed infrastructures, the increased urbanization and a growing portion of the population in China becoming wealthier, there has been the emergence of a new class of luxury buyers (Wang et al. 2011). This segment includes consumer diversities based on middle-aged, ordinary white collars employees and business executives. Both demographic and psychographic variables can be accounted for when segmenting the Chinese consumers of luxury goods.

China continues to play a fundamental role for global luxury brands. As consumers travel at an increasing rate, their tastes and knowledge of products continues to widen. It is therefore increasingly important for luxury players to maintain a strong brand image and synergies in their marketing and product selection both in China and overseas. As previously analyzed, income across the Country are rising, and the growing young middle class represents an opportunity for luxury brands, as they expand their footprint across the country. A survey made by KPMG consulting group, proves that the largest part of respondents would be willing to spend more for luxury brand that display higher quality and durability; among these, the key factors of purchases are exclusivity and uniqueness, while another great part claims that heritage of the brand plays a significant role.

Chinese consumers also make a selective reasoning among countries and associate to each one specific products. Easily guessing, Switzerland comes top for luxury watches, France for cosmetics, clothes and leather goods, while Germany for the automotive industry. This phenomenon is increasing in the Chinese mentality, since it represents a direct link with the product itself and the corresponding heritage associated. Heritage is, indeed, one of the strongest value added to a product, since it embodies the craftsmanship and history carried out along time. European luxury brands need to take advantage from it, to position and differentiate themselves in the market.

2. Chinese globetrotting shoppers
In view of the reasons mentioned above for the explosive growth in China’s luxury goods market, it is important to understand how the trend of luxury consumers is evolving nowadays and in which direction. As they travel more, indeed, the Chinese are making a rapidly-growing share of their luxury purchases outside the Mainland. In 2010, only 36% of luxury shoppers made at least some of their purchases of luxury goods abroad, but in 2012 that share has mounted to 63%. To be more precise, much of this overseas shopping takes place in Hong Kong and Macau. But Europe is growing in appeal among Chinese luxury consumers, with about one-fifth of them reporting in 2012 that their most overseas purchases occurred in a European city.

That is more than double the European share two years ago. One major factor explaining this trend is the rising amount of international travel that Chinese are taking, which in turn is attributable to higher incomes, a greater ease to obtain a visa, and the appreciation of ¥ against other currencies.

The Chinese made 70 million outbound trips in 2011, up from 57 million in 2010, and by 2015 the number will grow up to 94 million. Among overseas travelers, nearly 1 out of 4 reported that they bought a luxury good while traveling, expressing positive feelings and arriving together to a percentage of almost 45% more than the previous year. More than four-fifths said that stores exceeded their expectations in price competitiveness as well as the breadth and newness of the product selection. Nearly as majority reported being favorably impressed by the certainty they felt about brand authenticity and about attitude and professionalism of the sales staff. The financial motive to buy abroad is strong, because taxes on luxury goods in China range around 20-70%, depending on the category. The resulting disparities in retail prices can be stunning, especially when converting the amount at the exchange factor. Euro has thus fallen against the ¥, that’s why most leather goods and bags, for example, can be purchased by Chinese for about 40% in Paris.

With so many Chinese visiting elegant store on their travels, luxury brands must try to provide consistent positioning in the outlets around the world and keep Chinese speakers on staff. They must also maintain awareness of trend in China, so that they can reinforce their brand messages. Luxury goods makers face an additional complexity: major changes may become in China’s current tax law. Although government officials have expressed conflicting views, some appear to strongly support a reduction in duties to stimulate the domestic consumption. Companies themselves are eager to see the price gap to shrink, as they have invested heavily in store expansion in China, and it’s naturally easiest to serve Chinese in their home market. Recently some brand have increase prices only to outside of Asia, partly to reflect the recent weaknesses of the euro and dollar against the RMB. In Europe, these price hikes are as much as 8% to 10%. But price gap is unlikely to
disappear. The Chinese government to show its commitment to reduce disparities among income
classes and zany reduction in taxes is almost certain to be gradual.

Even-though, for Chinese willing to travel and buy luxury products, combining these two issues
is not a difficult task. Journeys abroad are becoming one go the most popular leisure activities for
Chinese as their living standards improve, and China’s extended Golden Week holidays - there are
two each year - make it more feasible to travel long distances. Bringing home gifts for friends and
families is almost compulsory for someone returning from a trip, and in any case, shopping is
common pastime for Chinese consumers, whether on tour or at home. Only a small percentage of
Chinese luxury shoppers - slightly more than one-tenth - buy exclusively abroad. The majority of
them purchases both overseas and in domestic stores and they account for a rapidly growing share
of Chinese luxury consumption.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas only</td>
<td>27</td>
<td>50</td>
</tr>
<tr>
<td>Both Mainland and overseas</td>
<td>65</td>
<td>38</td>
</tr>
<tr>
<td>Mainland China only</td>
<td>9</td>
<td>12</td>
</tr>
</tbody>
</table>

*Source: McKinsey Insight Record 2013*

These shoppers, buying both in China and abroad, are typically trend setters and fashion
innovators, mainly women aged less than 35, with a disposable income of ¥ 500,000 and more,
keeping buying luxury items more than five years. In addition, so than luxury consumers who shop
only abroad or only at a time, these shoppers are often asked for their opinions about fashion
products, and like to discover new lanes and styles before others do. Since they tend to prefer
western styles in luxury products - only 20% go them say they prefer products of Chinese influence
- brands are unlikely to see a big swing for Chinese influence design any time soon. To win over
these shoppers, luxury goods companies hold insure that they serve them with strong customer relationship management programs.

One of the key findings of 2013 studies has been the increase impact of Chinese consumers in Europe: Chinese tourists spend for shopping € 19 billion totally and are now the most important foreign customers for fashion and luxury brands, followed by other Asians with € 7 billion and the Americans with € 4 billion 25. Looking at all purchases made outside their own continent nowadays, the figure touches the € 61 billion, representing a 30 % share of the global market for luxury goods, with the duty-free weighting close to € 27 billion.

Back to Old Europe, if the number of Chinese traveling abroad for personal reasons has increased ten times more in ten years, according to the National Bureau of statistics of China, the use of the internet has helped to inquire them about brands and prices of their favorite European products.

In Europe, after the Chinese, the Russians are placed with a figure of 20%, followed by Japan with 5.4% together with the U.S. and the Brazilians with the 3%. In France, the weight of the Chinese in the tax-free shopping is more than doubled in three years, rising to 29% in 2012 from 14% in 2009. In Italy they are at the second place, but just after the Russians, with 18%, while in Britain it has doubled to 20% between 2009 and 2012.

But such high prices for luxury in China are really justified only by duties and taxes? The answer given the report by Exane BNP Paribas is negative: about 70 % of the price gap between China and Europe is justified by the tax system, including duties and taxes, while the remaining 30% is given by the mark-up. We then estimate that the luxury brand is accounting for a 15-20% margin in the People's Republic more than the Old Continent. Given the increasing tendency of the Chinese to shop in Europe rather than in China is not necessarily a reason to worry about profits, given that Chinese tourists usually buy more expensive products in Europe, even if there are expectancies that the gap will narrow over time with the increased globalization of the consumers.

Looking closely to the Italian situation, 345,83129 visas were granted by the Italian diplomatic and consular network in China. The precise number of Chinese who have travelled directly to Italy is difficult to determine, since visas are valid for the whole Schengen area. Each country publishes estimates of its flows, and in regards for the Italian situation, the associated entity that provides for this information is the Italian National Statistical Institute ISTAT, even though the publications have a delay of more than one year; the last available data are then referred to 2012. Indeed, last available data on Chinese flows to Italy date 2011. We can state a percentage of increase, calculating the difference between those register in 2013 and those recorded the years before.
3. Reasons to buy abroad

There are several reasons that exhort Chinese luxury consumers to have their expenditures outside their home country, being economic, cultural and social. Here below are listed the motives that prompt them toward this choice.

1. The price discrepancy

The price discrepancy between luxury products sold in China and overseas is one the main drivers of economic advantage that encourages wealthy Chinese wealthy consumers to shop outside their Mainland. Based on data estimated by the Chinese Ministry of Commerce, the average price of luxury goods in China is 45% higher than Hong Kong, 51% higher than in the United States, and 72% higher than in France. But which are the reasons behind this divergence? The price gap in mainly motived by the high level of taxes imposed on luxury products, usually defined per se as luxury tax. In real terms, the luxury tax results by a composition on three types of taxes, depending each on the specific type of product:

- Import duties: ranging from 10% to 25% for general luxury products, but touching ups of 35%-60% more for cosmetics and alcohol.
- The VAT: 17% around.
- The consumption tax: up to 30%.

Jointly, the strength of the RMB compared to the Euro and US dollar continues to widen the gap between luxury goods prices, making it even more attractive to shop abroad.

2. The increase in personal wealth

Beyond the price gap, there are many other reasons for which Chinese are more willing to do they luxury expenditures abroad. Reading a report made by Credit Suisse of 2011, the wealth per capita has increase three times from 2009 to 2011. Jointly, the section of those considered millionaires in 2011 was more the 1 million, with a increase of +6% with respect to 2010, and by 2016 is will continue to grow and arrive at least to more than a double figure. According to these previsions, it becomes easier to understand that with a greater income, the will of traveling abroad is definitely more concrete and feasible.

3. The limited production selection

Luxury products are not delivered in the same quantities and collections everywhere. One basic reason why Chinese are more apt to travel for buying is that often there is a limited product
selection, imposed by government and brands, on what they receive in their Home Country. To stand out from the crowd and have the last model of bag or shoes it is necessary to go out of the Mainland, even because Chinese tastes for luxury goods are rapidly maturing and there a wide-spread will to rely on less-known brands and models to exhibit a personal prestige in selection of goods.

On the brands’ side, there is an intentional will of limiting the relative offer in China, as it is due to different materials and goods import policies. This strength the intention of consumers to have international and abroad trips to obtain the product that is not possible to find at home, increasing the will of traveling. More than that, mainly basic items are found in the Chinese market, where limited edition and special edition are only sold in the main European shopping hubs.

4. The importance of the country of origin

Chinese consumers are aware and know that having a luxury product where it has been crafted and sewed adds prestige and honor per se. They are even aware that, even if identical in China, buying abroad adds value, based on counterfeiting product reasons. Even though they are not well educated consumers, they can understand the meaning of Made in Italy or Made in France, and pomp it towards friends and families. Shopping in countries where products are effectively made, increase the preciousness of the product itself, since many Chinese consumers, either for economic reasons or working constraints, do not have so much time to travel to Europe. More, having bought a bag in Italy where it is really manufactured, reassures the clients first, and its entourage secondly, that it is 100% authentic. Linking the point to the one just analyzed above, countries of origin have a wide array of choice, so having a limited or special edition by hand, proves that the client has effectively visited one of the most luxurious places in the whole world.

In addition, there an important element linked to the in-store experience that these clients are looking for, which gives itself an increased value and it’s becoming today a real pole of attracting Chinese consumers.

5. The gift tradition

Social gifting is particularly entrenched in Chinese culture; those having the chance of traveling are used to buy always presents for their relatives, friends or business partners, as considered a must for them having had the chance of being in Europe or in the United States.

Although there has been a drop-in gifting purchases (~25%-35), due to the impact of anti-corruption initiatives, this practice still remains used for those consumers traveling abroad. There is a several increases in Dior brand awareness and request among Chinese consumers, with an
increase of +6.4% for women gifting. Of course, changing gender, will consequently change even the corresponding brand chart. In particular, gifting actions take much more relevance when associated with festivity period, such as Christmas or New Year’s Eve. In these occasions, even luxury brand creates specific products targeted for this group of consumers, which are sold just in a limited number of countries, in order to preserve a degree of exclusivity.

According to Bain & Company report of 2012, even if the major purpose of gifting is to provide friends and relatives with a own image of travel possibility and economic availability, there is the growing tendency of slowing down the purchase of logo items due to extensive media exposure.

Exhibit 3. Best brand for gifting for respectively men and women

<table>
<thead>
<tr>
<th>Brand</th>
<th>% of respondents</th>
<th>Brand</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hermès</td>
<td>10.5%</td>
<td>Chanel</td>
<td>9.5%</td>
</tr>
<tr>
<td>Apple</td>
<td>9.3%</td>
<td>Louis Vuitton</td>
<td>8.9%</td>
</tr>
<tr>
<td>Louis Vuitton</td>
<td>9.0%</td>
<td>Apple</td>
<td>8.3%</td>
</tr>
<tr>
<td>Chanel</td>
<td>8.6%</td>
<td>Hermès</td>
<td>7.9%</td>
</tr>
<tr>
<td>Gucci</td>
<td>7.1%</td>
<td>Gucci</td>
<td>6.7%</td>
</tr>
<tr>
<td>Cartier</td>
<td>5.5%</td>
<td>Dior</td>
<td>6.4%</td>
</tr>
<tr>
<td>Prada</td>
<td>4.2%</td>
<td>Cartier</td>
<td>5.6%</td>
</tr>
<tr>
<td>Montblanc</td>
<td>4.0%</td>
<td>Prada</td>
<td>5.2%</td>
</tr>
<tr>
<td>Giorgio Armani</td>
<td>3.8%</td>
<td>Giorgio Armani</td>
<td>4.5%</td>
</tr>
<tr>
<td>Burberry</td>
<td>3.5%</td>
<td>Bottega Veneta</td>
<td>3.5%</td>
</tr>
<tr>
<td>Bottega Veneta</td>
<td>3.0%</td>
<td>Fendi</td>
<td>2.9%</td>
</tr>
<tr>
<td>Longines</td>
<td>2.9%</td>
<td>Tiffany</td>
<td>2.1%</td>
</tr>
<tr>
<td>Zegna</td>
<td>2.6%</td>
<td>Salvatore Ferragamo</td>
<td>2.0%</td>
</tr>
<tr>
<td>Montblanc</td>
<td>2.2%</td>
<td>Bulgar</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bulgar</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Hurun Best of the Best, Chinese Luxury Consumer Survey, 2014

6. The authenticity of the products

Since China’s worldwide reputation on handcrafted products is often, if not always, associated to counterfeits of luxury products, Chinese are more apt to make their purchases where they are 100% sure that what they are choosing is genuine. Based on the report published by the American Chamber of Commerce in China, up to 70 % of all counterfeit goods are made in China, while the United States Customs and Border Protection reports that 87 % counterfeit goods it seizes come from China. Since Chinese consumers are extremely aware of their counterfeit culture, they have become more conscious of quality of
products than their counterparts elsewhere in the world. They are much more aware of the
difference between an authentic bag and a

fake. For this reason, Chinese luxury consumers buy a large percentage of their luxury goods
while traveling abroad. More than that weights the storytelling power of a product purchased abroad
is much more likely to be authentic. Indeed, in the land of counterfeits, quality is an important
differentiator and Chinese luxury consumers try hard to ensure that what they buy is the real deal in
terms of materials and craftsmanship.

7. The visa

With a greater ease to get a visa to exit from the Mainland, now citizens can reach their
preferred destinations with less troubles. On one hand this, of course, boosts the trips towards
luxury shopping trips. On the other, there are some drawbacks associated with, since getting a visa
to travel to Europe implies economic client security: Chinese government, indeed, before emitting
the visa, controls that the citizens has enough economic availability to provide alone of its needs
during the vacation. Since a consistent amount of money is blocked in each consumer bank account,
there is a necessity for the consumer to have enough disposable income in order to assure its
economic security during the trip.

4. The research

The case of Christian Dior was chosen as benchmark since it is possible to provide an
appropriate support for the concepts expressed along the paper, with concrete experiences
developed with Asian and mainly Chinese customers, developing and understanding the Chinese
culture, and mainly of their shopping behavior, compared to other nationalities. Christian Dior was
chosen because is a globally known luxury French brand having a great number of products in its
lines made in Italy. So the country of origin of the brand in many cases is different from the country
of origin of the products, even if the both are European. In Dior’s case we would analyze the
country of origin perception in a complex context, French, Italian, European, from a Chinese point
of perception. Moreover, buying a French brand in Italy the consumer is making an interesting
shortcut between European goods perception. While the European and American customer have a
clear image of the two country of origin, France and Italy, from a Far-East point of view this can be
not so clear and distinct. We wanted to check the country of origin culturally and geographical
distant perception, melting in a less precise concept, but nevertheless correct, as “European”
(Vescovi et al. 2013). Chinese customers represent more than 80% of the customers in Italian and French luxury retail store, considering the first ten brand of luxury products. This situation can underline the importance of the Chinese globetrotter as customer for the European luxury products, not only in China, but also and more and more in Europe.

We have spent in the Venetian store of Christian Dior a period of analysis and research, analyzing the sales and buying behavior. Venice-Italy is one of the most visited cities of Italy by tourists (more than 8 millions of tourists in 2014, for 34 millions nights). Venice is also the most visited Italian city by Chinese tourists, more than 300 thousands of Chinese tourists visited the city in 2014, and people from China represent the ethnicity more involved in luxury purchases in Venice. The period of observation started in December 2013, ending in Mid-April 2014.

Within this time the Chinese consumers behavior was directly observed, how it is related to luxury goods shopping purchase, while the sales personnel was constrained to tailor the shopping experience directly to meet their preferences. The observation was done during all the days of the week, weekend included, in the afternoon (being the most used time to shop by the target). Just avoiding disturbing the buying behavior within a luxury store, no questionnaire was submitted or interview done (also the language and cultural barriers were considered). In order to observe the buying behavior, the researchers played two different roles according with the age, gender and personal image: salesperson and customer. The observations were collected using a form suggesting a guideline of analysis, including and describing the following points. In total 346 observations were considered in the research. Some of those were really brief, due to the time available for the shopping activities (118), others where long enough to be collected in all the aspects.

The data collected by the observations are described in Exhibit 4.

Exhibit 4. Data from in-store observations

<table>
<thead>
<tr>
<th>factor</th>
<th>description</th>
<th>number</th>
</tr>
</thead>
<tbody>
<tr>
<td>target</td>
<td>high class</td>
<td>184</td>
</tr>
<tr>
<td></td>
<td>medium-high class</td>
<td>162</td>
</tr>
<tr>
<td>product preferences</td>
<td>logo</td>
<td>171</td>
</tr>
<tr>
<td></td>
<td>non-sober</td>
<td>104</td>
</tr>
<tr>
<td></td>
<td>sober</td>
<td>71</td>
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<tr>
<td>shopping list</td>
<td>list</td>
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<tr>
<td></td>
<td>photos</td>
<td>129</td>
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<tr>
<td></td>
<td>none</td>
<td>77</td>
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<td></td>
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<tr>
<td>COO perception</td>
<td>French</td>
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</tr>
<tr>
<td></td>
<td>Italian</td>
<td>87</td>
</tr>
<tr>
<td></td>
<td>European</td>
<td>161</td>
</tr>
</tbody>
</table>
Our observations can be summed up in the following points.

a) Targets - the Chinese consumers interested in luxury goods are extremely heterogeneous: there are consumers belonging to very high social classes, as well as some from medium-high ones. The latter are though the main focus for luxury brands in the current years, since they are expanding their level of wealth and they are moving towards more Western lifestyle.

b) Product preferences - Their attention is mainly aimed towards everything that might show the brand logo, opting for bright colors and gold details rather than any other choice of more sober versions. It can be stated that the consumers rely much more on the overall brand country-of-origin effect rather than the specific technical features, the manufacturing techniques and the country where the products are made. On the other hand, in most of the cases they come into the store with information already acquired through the web, nevertheless they are quite persuadable towards other products. Usually they come with the photos of what they are looking for, being either a direct choice or requests sent by friends or relatives. More than that, what most attracts their attention are the products advertised in their country, mainly between stars and celebrities (which is currently an actress and singer named Angelababy), having these a very strong influence on their choice. Jointly, the same attitude occurs for all those products targeted specifically for their country. An example can be given by the horse bracelet, sold in January, to celebrate the Chinese New Year.

c) Shopping interactions - Conducting a sale with a Chinese consumer is not easy, because very often they look for someone who is able to communicate in their own language. In fact, even though several of them have studied English language, their knowledge is widespread but limited. For this reason, Dior as well as almost every flagship store of this segment relies on at least one native speaker sales associate. As the data found confirm, Venice is one of the most important poles of attraction for Chinese consumers, where there are many visiting groups. Extremely importance then has the time that Chinese groups have available for their shopping tours. As it has been previously analyzed, most Chinese consumers travel abroad through organized group tours, where the excursions and sightseeing appointments are planned precisely to be stuck in the whole day.
That’s why the time factor is another important element to be taken into consideration, since it can often represent a barrier to achieve a final sale. Another interesting aspect is that Chinese consumers often do not have a clear idea about the brand country-of-origin. Indeed, many times a misunderstanding occurs between the latter and the country where the products are practically made.

d) Other incentives - Another element of great relevance is the reliance on the Tax Free refund. According to a report published by Global Blue on March 2014, Chinese are the first nationality among the top 10 spenders. They have accounted for the 24 % of the world tax free refund in 2013, since for 82 % shopping represents a vital part of their traveling experience. Christian Dior has fixed the tax free refund at the 12 %, resulting in a consistent amount of saving portion. They provide the consumers with the avoidance of the duty payment, since the products are shipped directly to relatives or friends living in Hong Kong. With the Chinese passport, then, Chinese can fly to Hong Kong and retire their own wares.

5. Discussion

The evidences from the observation of the Chinese consumer behaviors in the Dior’s retail store in Venice underline some aspects should be analyzed and considered in facing the Chinese consumer going global. First of all, the buying behavior is strictly influenced by the “recipe” the shopper has prepared before leaving the country and that has been given by the friends and relatives he/she is buying for. So the amount of decisions and choices taken inside the shop is far lower than usual, if compared with a non-Chinese customer. Luxury goods companies should therefore advertise their brands and products in China in order to sell in European stores, even products that are not sold in China, but normally part of the European assortments. This is important for the new trend in Chinese consumers that desire to have products that are not normally available in their country, so they can appear socially different and more sophisticated. Together with this kind of products not sold in China, European shops should sell typically Chinese oriented products, as in the case of Chinese New Year tradition, that are totally devoted to globetrotter Chinese travelers and not to European customers.

A second aspect concerns the tourist behavior of the luxury goods shoppers. As we discover during the research and observation period the most number of Chinese customers are traveling in groups, this condition should be taken in account when defining the sales strategies of the retail store in the touristic cities of Europe. It means that the luxury brand companies should develop
agreements with the incoming tour operators in order to include their stores in the visit program of the travel. This is positive both for the luxury brands, increasing their sales opportunities, and for the tour operators, because the Chinese tourists are really interested in shopping. Nevertheless, this strategy represents a new challenge for the luxury brands, because they are not used to such a relationship, normally considered not consistent with the image and the prestige of the brand. Actually the agreement, even informal, with the tour operators are normally promoted by medium-low cost local ethnic stores. Obviously the relationship between tour operators and luxury brands should lead to a rich service and exclusive offer, coherently with the image of the brand.

A third point regards the time management in the buying and sales behavior. The customers don’t manage their personal time because they are traveling in group. It means that when the group leader announces that the time is passed everyone leaves the store immediately, because they have a strict timetable. In welcoming the Chinese customers all the salespersons should know precisely the time the shoppers can spend in shopping, because they are the only ones that could manage the available time, avoiding being unable to close the sale in time. In fact many (96) observations showed that the customer dropped down the product he/she was buying because of the end of time. So the time management should become a new important skill of the salesperson in luxury sales.

A fourth aspect concerns the country of origin perception. Being the Chinese consumer not completely acquainted about brands, country of origin, and made-in differences, the question should be explained clearly to the customers and not considered as given, as in case of a European customer. A strong motivation for the purchase in Europe by the Chinese consumers is the reputation of authenticity of the products, that they consider more reliable than the ones available in China. This is obviously a perception due to the story of the Chinese market. However, it should be considered in order to enforce the value of the purchase in European retail stores, emphasizing the information on the country of origin.

The fifth point relates to the customer service. As the observations illustrate, salespersons devoted to Chinese customers must speak Chinese language, moreover they should be Chinese in order to facilitate the relationship and understand the buying culture of the customers. Also in the point of sales a communication in Chinese should be displayed, together with the local language, and the customer service should be defined considering the Chinese standards and expectations (for example shipment to Hong Kong to avoid import taxes). The retail stores of the luxury brands should take a double face image, both Chinese and European, Chinese in the customer service, European in atmosphere. As you can understand this is a difficult choice to be developed, because following this approach the stores should manage a double totally different strategy if the customer is Chinese or not, considering service, time management, payments (due to tax refund) and product
presentation. If at the same time there are the two profiles of customers in the shop, it should be reasonably expected every day, the shop attendants should manage a totally different set of expectations that are frequently not easy combinable.

6. Limitations and conclusion

The research process was heavily limited by the particular situation of a luxury retail store, due to the specific customer profiles and sales service. In fact was impossible to approach directly the customers, both inside and outside the store, because luxury goods consumers don’t want to be interviewed or evidently observed while they buy. So the research approach should be totally indirect, sometime similar to a mystery research.

Moreover, just because of the aspect described above, we could only include one luxury brand in our sample definition, while a comparison between more brands seems to be more correct and fruitful, even considering a different country of origin. For the same reason should be interesting to include in the sample also multiple store location, not only in a single country, but in different European countries, mainly Italian and French.

Nevertheless, despite the event limitations this research disclosed an additional aspect in the luxury goods buying behavior that is strictly connected with the globalization of the Chinese customer, influencing the sales strategy of western companies not only in China but also in their domestic markets.

We are studying how “China goes global”, but we also need to consider how “globalization goes Chinese”.

References


