

CAN CHINA DEVELOP ITS OWN LUXURY BRANDS? A CASE STUDY OF CLOTHING BRANDS

Changting Zhou¹, Xiaosong Zheng²

Sydney Institute of Language and Commerce, Shanghai University, 201800 Shanghai, China

Email: ¹MilkT@shu.edu.cn; ²xiaosong.zheng@shu.edu.cn

Abstract. Based on the prediction of Altagamma Worldwide Marker Monitor, Chinese luxury consumption will reach EUR18.5 billion in 2015, representing 20% of the global market and becoming the largest luxury market in the world. Since 2006, consumption of luxury goods, which is EUR9.2 billion in 2010, has been growing at a CAGR of 27%. The opportunity for investment attracts all the luxury giants tapping into Chinese luxury markets, causing a fierce competition in Chinese luxury industry. This article aims to explain the underlying reasons for Chinese luxury boom in the aspects of economy, society and psychology. By studying the case study of traditional cheongsam company Shanghai Tang, the bright future of domestic luxury brands can be seen. Through SWOT analysis of local apparel companies, accessible advice to build Chinese luxury brands is provided, especially in the apparel industry.

Keywords: luxury brands, clothing, apparel industry, SWOT, China.

Jel classification: M39

1. Introduction

In December 2011, the world's leading strategy consulting firm Bain & Company released a report concerning Chinese luxury market. As the report noted, the growth of Chinese mainland luxury market remained strong in 2010. The total consumption of luxury goods in China has reached nearly 212 billion Yuan, of which only 27% was spent in the mainland China and the remaining was spent in Hong Kong, Macau, and overseas. Moreover, about 60% of the growth came from new consumers, indicating that the rise of the new affluent class and the upgrades of consumer demand are the main reasons for driving the Chinese luxury goods sales. According to the survey, China's domestic luxury market began to accelerate; the sales volume of upscale watches and bags dominate the market growth. In fact, the medium-priced luxury watches (RMB25,000 -50,000) promote a strong rebound to the watch category; bags, a major personal and business gifts of choice, are expected to maintain the previous growth trend (Bain 2011). Such a strong momentum arouse our curiosity to question why the boom of luxury goods exists in China and whether it brings positive or negative effects on Chinese economy.

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sumption will reach EUR18.5 billion in 2015, representing 20% of the global market. Since 2006, consumption of luxury goods, which is EUR9.2 billion in 2010, has been growing at a CAGR of 27%, (Jia 2011). The opportunity for investment attracts all the luxury giants tapping into Chinese luxury markets, causing a fierce competition in Chinese luxury industry.

In 2012, Rupert Hoogewerf published 'Hurrun Best of the Best Awards 2012', the Chinese liquor brand Maotai and Wuliangye ranked 4 and 7, while Louis Vuitton, Hermes and BMW ranked top 3 in the list of '2012 Hoogewerf ten most valuable global brands of luxury'. This is the first time that domestic luxury brands are awarded in this authority report. The report points out that Maotai is even more valuable than Hennessy, Moet & Chandon champagne and Remy Martin. This news arouses our curiosity; other than alcohol companies, can China successfully develop other luxury brands?

Previous research recognizes the potential for Chinese luxury market; however, little attention has been given to the huge potential of Chinese local luxury brands. Therefore, this article aims to explain the underlying reasons for Chinese luxury boom in the aspects of economy, society and psychology. By studying the case study of traditional

cheongsam company Shanghai Tang, we try to examine the feasibility of local luxury brands. Through SWOT analysis of local apparel companies, as well as reliable survey data, it is hoped that 'created in China' will be possible with our practical advice for building Chinese luxury brands, especially in the apparel industry.

2. The driving force

In order to understand this upsurge of luxury goods in China, underlying driving forces need to be deeply explored. The root causes of this enthusiasm can be explained by economic, social and psychological perspectives.

2.1. Rapid economic growth

China's fast growing economy has spawned a large, high-consumption group that has an incredible purchasing power. After 30 years of reform and opening up, some private owners and officials get rich first thanks to the government policy. Currently, China's high-income groups have been of considerable size. Ten percent of urban residents, almost 13 million people, belong to high-income groups, equivalent to above average level of developed countries.

Based on Fig.3, China's wealthy families, whose annual income of 0.3 to 1 million Yuan (equals to 45 to 150 thousand U.S. dollars), mostly living in secondary and tertiary cities, have created a consumer base that cannot be ignored. This group swells at a rate of 15% annually. It is predicted that 5.6 million Chinese households will reach this income level by 2015.

The ultra-rich families, which gain yearly income above \$ 1 million and often have assets of more than 10 million, grow even faster at an annual growth rate of about 20%. It is also foreseen that 1 million Chinese households will accomplish this income level in 2015, driving 38% of growth in the Chinese luxury market.

Furthermore, it is 13 million upper middle class families, which have an annual income of 100 thousand to 200 thousand Yuan (equivalent to \$15,000 - \$ 30,000), that accounts for 12% market share. Consumers in this income level pinch and scrape in order to buy luxury watches, jewellery, handbags, shoes and clothing, etc. Although their purchasing behaviours are occasional, 76 million families are expected to con-

vert into this income range by 2015, which account for 22% share of the luxury consumer.

In conclusion, it is the consumers of wealthy and upper middle class that push forward the escalation in Chinese luxury market (Atsmon, Dixit, and Wu 2011).

2.2. Symbol of social progress

Luxury consumption has become the driving force of social progress. First of all, luxury consumption modifies the inherent Chinese perception of consumption from frugality to hedonism. The traditional virtue of frugality and discreetness originating from Confucianism limit the self-expression of Chinese when facing with new wealth and status (Lu 2010). In contrast, luxury lifestyle, which used to be criticized, has become a material symbol of individual conspicuous character rather than a synonymy of corruption, waste, decadence and inequity (Wang, Zhang 2008).

Moreover, the pursuit of upscale luxury goods presents a higher level of aesthetic appreciation (Berthon 2009). Tracing back to the early 1960s, three successive years of natural disasters reduced the output of cotton used for making clothes. As a result, Chinese, regardless of age and gender, all wore clothes of united style mainly in grey, black and blue for labor services until the reform and opening up policy was implemented in 1970. At that time, people who wore dazzling clothes would be criticized as reactionaries who would advocate feudal capitalism. However, nowadays, modern Chinese female yuppies express yearns for liberty and beauty by wearing Chanel, Prada, Givenchy, or Versace while men will choose to be dressed in their Armani, Ermenegildo Zegna, or Ralph Lauren suit. Therefore, instead of satisfying lower demand of food and clothes, Chinese pursue the beauty of life by purchasing high-end luxury products.

In addition, the root cause for purchasing luxury goods is to pursue higher quality of life, which calls for upscale brands and higher quality products (Heinemann 2008). This explains why the car sales of average 13 million dollars in Chinese mainland can surpass those in the U.S. in 2009, and why Mercedes Benz, the German car manufacturer, increased sales volume by 77% (Lu 2010). To sum up, the development of luxury consumption plays an important guiding role in China's society.

2.3. Psychological factors

When analyzing the phenomenon of luxury boom in China, other than economic and social factors, consumers' psychological factor should not be ignored. According to the Italian statistician Pareto's "20/80 principle", 20% of people own 80% of the wealth. This small group of people is bound to be luxury brands' potential consumers. Additionally, based on Maslow's hierarchy of needs theory, those wealthy people need ultimate luxury goods to meet their psychological needs of self-realization.

Primarily, conspicuous spending is pervasive in highly developing countries. Conceptually, luxury goods to a large extent is the combination of actual products and symbolic meanings, which is a symbolic consumption of luxury lifestyle, that is to say, luxury is 'a sign of wealth.' When people face a sudden increase in wealth, they will not hesitate to buy luxury goods to show their recent economic and social status, which is an extremely natural psychological need (Lu 2010). Moreover, Morgan Stanley analyst Claire Kent said in a report, 'Chinese people are born to be luxury consumers' and she believes that China's elites 'are wild about their new wealth' after decade of poverty (Wang 2008). As a recent global online survey of Internet users shown: In China, about two-thirds of respondents admit that the reason why they buy luxury is to show their social status (Wang 2008). There is a trend that new riches love to purchase some inconspicuous luxury to show their dignity (Berger, Ward 2010; Edberg, 2010; Memic, Minhas 2011)

It should also be noted that a lot of impulse spending do exist in China. Although the Chinese luxury consumer groups have a very large scale, but a considerable portion of consumers are in the 'reference group' whose spending power are not yet fully equipped with. The role model of high-end consumer behaviours entices 'reference group' to mimic higher status groups and to buy luxury goods. In their view, owning certain products show that they are 'insiders' of certain high consumption group (Han, Nunes and Drèze 2010). Despite their limited financial resources, this group will purchase some affordable mid-priced luxury, such as a Coach 'ali signature' hobo bag (\$268) instead of a Gucci 'new britt' hobo bag (\$695), in order to get psychological satisfaction (Han, Nunes and Drèze 2010). Besides, the widespread use of credit card also pro-

pels impulse spending and creates a number of 'card slaves'. Those behaviours are predicted to diminish after Chinese consumers become more and more savvy and sophisticated in the near future (Lu 2010).

Recent researches also point out that emotive factors, such as self-reward and experience, prove to be key drivers other than needs-based and status-seeking factors (KPMG China 2011).

3. Case study: The success of Shanghai Tang

Shanghai Tang (the Bund) founded in 1994, Hong Kong was acquired by Richemont in 1998, becoming the first China's domestic brands to enter into the international luxury groups. When Western fashion has almost swept the whole Chinese luxury market, Shanghai Tang leads a Chinese-inspired fashion, causing millions of women to wear cheongsam again on various occasions. The main inspiration for its design is Shanghai in 1930s when wearing cheongsams is a fashion among high society. Moreover, it has launched 42 boutiques worldwide, including Paris, New York, Frankfurt, Dubai, Singapore and etc. In this case study, the key factors of Shanghai Tang's success will be summarized.

3.1. The design of 'East meets West'

After the capital operation of Richemont, Shanghai Tang maintains the elegant style of old China, but expresses more and more combination of international factors. As its creative director Joanne Ooi said, *"we are producing styles that are more 'Western,' or merely inflected with Chinese design, but not heavy-handed chinoiserie. It must be beautiful, precious, unique,"* At the early stage of its collection in Madison Avenue, it uses the concept of Kung fu pants, cheongsams, and Mao-style jackets all in fluorescent colors with distinctive Chinese motifs and designs. Nevertheless, the fashion experts describe it as the 'overpriced, mini Chinatown.' After that, new creative director Joanne Ooi's strategy that each collection will reflect a China-related theme proves to be a huge success. Till now, it has launched the theme of Chinese minority group 'Miao' in fall/winter 2003 collection, the Rite of Phoenix in spring/summer 2012 and other creative themes. In a nutshell, 'fusion of old-China fashion with bold-new-world styles and colors' is the highlights of Tang's design (John 2007).

3.2. Assistance of luxury giant

Richemont is the world's second largest luxury company, which owned many world class labels such as Cartier, Montblanc, Van Cleef & Arpels, Chloe, Piaget, IWC, Vacheron Constantin, Alfred Dunhill, and Jaeger-LeCoultre. In 1998, Richemont took over the Shanghai Tang and helped it build an international team and successfully tap into international market. For example, in 1999, the store in Madison Avenue closed down due to the high evaluation of sales and high rent fees. With the helping hand of Richemont, it restarted a new store in Madison Avenue with half-

3.4. Chinese elements

Commenting on its success, Joseph Wang, vice chairman of Ogilvy & Mather, said, *"The reason for Shanghai Tang's success is that it's unique. It is all about the essence of being Chinese."* The Chinese culture is expressed in every store of Shanghai Tang. For instance, the Paris boutique is designed as a 'Chinese culture shop,' which exhibits a tea house, an exhibition center for Chinese art, home accessories, and a travel agency that organized trips to China (John 2007). According to Tang's founder David Tang, Tang aimed to *"create the first global Chinese lifestyle brand by revi-*

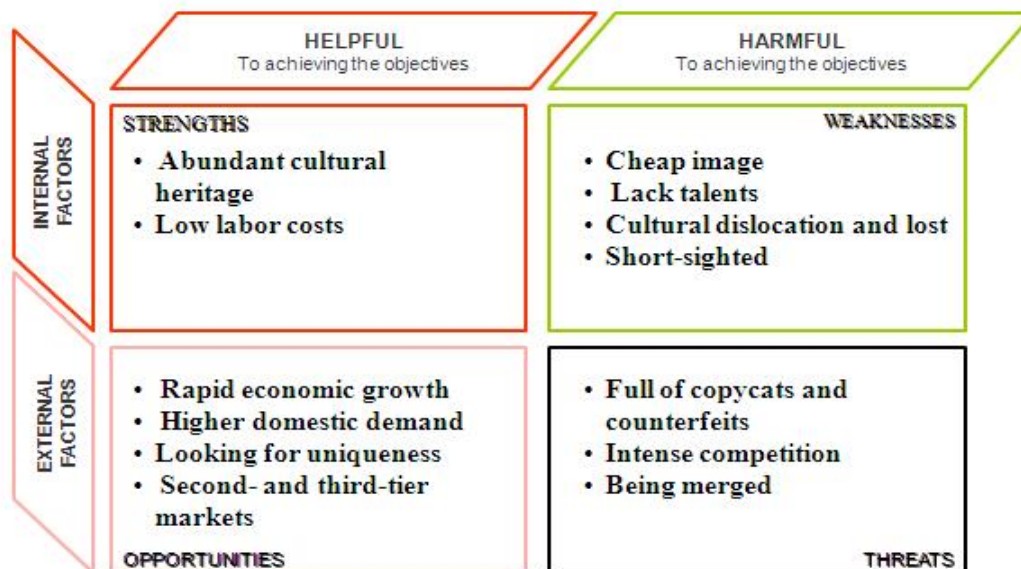


Fig.1. The SWOT analysis of Chinese emerging luxury brands, like Shanghai Tang

large store and lower rents. Without the operational experience in luxury market, Shanghai Tang cannot be as successful as it is right now.

3.3. Repositioning

In September 2001, Raphael le Masne de Chermont was appointed Executive Chairman of Shanghai Tang. He pointed out that Shanghai Tang is both China-centered and global. After the acquisition by Richemont, Shanghai Tang's positioning is totally changed, involving consumer research, strategy development, brand positioning, style orientation, culture and store display, especially in product line planning and derivatives development. Now Shanghai Tang has five production lines, including fashion for men, women & children, accessories, and home objects. All the changes aim to reposition Shanghai Tang into a global luxury brand.

talizing Chinese designs – interweaving traditional Chinese culture with the dynamism of the 21st century." It is Shanghai Tang's Chinese-inspired character that attracts the attention of the world.

Although Shanghai Tang has its own problems, such as being regarded as a souvenir store, it proves that Chinese brands have the potential to establish a world-renowned luxury brand.

4. Luxury brands in China

After multinational luxury brands continuously tapping into Chinese market, Chinese consumers will lose their original appetites and feel regretful about the absence of local luxury brands. In this study SWOT analysis is used to understand the circumstances of local luxury brands. Notwithstanding the inherent limitation of SWOT analysis, this study does suggest the general situation analysis of local luxury brands like Shanghai Tang.

However, these problems could be solved as long as we consider more individual characteristics of companies in apparel industry. Fig 1 gives the fundamental pictures of this paper. Further explanation will be exercised as follows.

4.1. Strengths

4.1.1. Abundant cultural heritage

With a rich history of five thousand years, China has created a sea of cultural heritage. According to Ronald Jean Degen (2007), ancient Chinese elites appreciated the art of lacquered ware, classical gardens, gold and jewelry, faience and porcelain, furniture, decoration and stationary, gastronomy, and white spirits. Those cultural heritages enrich the traditional luxury goods and provide them with fine art and craftsmanship. As a famous saying goes, what belongs to the nation belongs to the world. Therefore, local luxury brands should add more traditional Chinese factors to their designs in order to combine richer culture connotation to their products. Shanghai Tang's traditional cheongsam business is a good illustration of digging Chinese culture.

4.1.2. Low labor costs

Being the workshop of the world, China has its own advantage of low labor costs and raw material costs, the benefit that attracts multinational companies to outsource their manufacturing tasks to China. Hence, a local luxury company has the competitive cost advantage over multinational corporations. Nonetheless, the Chinese labor costs are skyrocketing due to urbanization. Moreover, the payment of key employees, such as designers and managers, are bound to be higher in luxury industry.

4.2. Weakness

4.2.1. Cheap image

The cheap image of goods 'made in China' prevent Chinese brands from succeeding in overseas markets. According to Interbrand 2008, the stereotypes of 'Made in China' are cheap, good value, and practical. Only 4% of interviewees regard 'Made in China' as fashionable and 2% of them consider it as luxurious. Moreover, also according to Interbrand 2008, brand personalities most desired by consumers are attractive, world class, fashionable, and luxurious, which is the Achilles' heel of Chinese products. As the workshop of the world, products made

in China excel in manufacturing while lack the ability to convert 'Made in China' into 'Created in China'. However, Shanghai Tang is predicted to be successfully spread its Chinese elements around the globe (Jørgensen 2009).

4.2.2. Lack talents

Seasoned professional managers and designers are rare in apparel industry. With the development of globalization, the supply chain of luxury products is divided by diverse countries. China, known as the 'workshop of the world', is specialized in manufacturing, but lacks the core competitiveness of designing, which partly explains the reason why Prada outsources 80% of manufacturing tasks in developing countries and insists on using local designer teams. Especially in apparel industry, designers are the soul to a clothing masterpiece as Karl Lagerfeld to Chanel, Yves Saint Laurent and Marc Jacob to their clothing lines. What's more, it's hard to find some professional managers who have experience in building a successful luxury brand and promoting successful marketing activities. Fortunately, as increasing number of Chinese study designing and luxury management abroad and more foreign talents are willing to work in China, this problem can be solved.

4.2.3. Cultural dislocation and lost

In china, western culture tends to be more popular than our traditional value system. Thanks to the unique historical and cultural backgrounds, European and American's understanding of the brand is often more profound than the Orientals (Gan, Xiao 2007). The origins, essence and style of the luxury brands are less understood by affluent Chinese consumers who merely imitate western lifestyle and blindly worship Western luxury brands. In fact, when shaping their own cultural characteristics, the national brands are in a dilemma; in order to impress foreign consumers, they exhibit a clear national image, but very few native consumers would appreciate such national characteristics, accounting for why Shanghai Tang's cheongsam is more popular in the international market than in domestic market.

4.2.4. Short-sighted

The fatal flaw of local luxury brands is their impetuous mood and lack of preparation for a protracted war. Foreign luxury brands tend to link their brands with their culture, by sponsoring a number of cultural activities, and sustain doing it for a long term. On the contrary, Chinese businessmen tend to focus on short-term gains, as well as lack patience to cultivate the culture of luxury brands. To sum up, it is essential to recognize that building a luxury brand requires more capitals, time and efforts.

4.3. Opportunity

4.3.1. Rapid economic growth

Fig 2 displays the GDP and the growth rate of GDP in China between 2006 and 2011. The GDP continuously ascended from 21631.4 billion RMB in 2006 to 47156.4 billion RMB in 2011. Regarding to its annual growth rate, it kept growing up by more than 10% annually before 2007 and it maintained the significant growth rate of 9.6% even in 2008, when global financial crisis hit the global economy. The powerful momentum continued till now and exceeded all the other countries, which made China an investment ‘wonderland’ for foreign investors. As a result, it provides a sustainable growth environment for local luxury companies. Furthermore, the richer the country is, the more disposable income citizens have, indicating that Chinese consumers have a stronger purchasing power and have a stronger ability to purchase high-end luxury goods (Dang, Wan 2011).

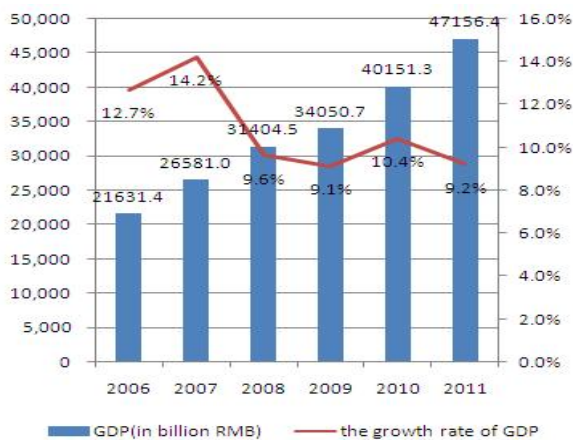


Fig.2. The GDP of China and its growth rate from 2006 to 2011

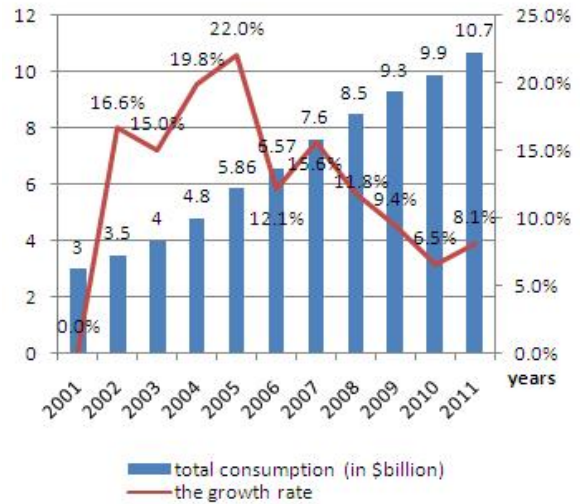


Fig.3. Luxury consumption in China from 2001 to 2011

4.3.2. Higher domestic demand

According to the WLA (World Luxury Association), figure 3 indicates the luxury consumption in Chinese luxury market after China entered into WTO (World Trade Organization) in 2001. It showed that the Chinese luxury market grew all the way from 3 billion dollars in 2001 to 10.7 billion dollars in 2011. Before 2008, it surged at an annual growth rate of over 10% and peaked at 22% in 2006. After 2008, the luxury market was still dynamic and optimistic at the average growth rate of 8%. After analyzing this trend, conclusion can be reached that there is a larger demand for Chinese to enjoy the upscale luxury goods. It provides an opportunity for local luxury companies to meet the needs of curious domestic consumers. Moreover, as more women participate in the main workforce, Chinese women possess higher level of discretionary disposable income. Their sense of fashion is affected by international fashion trend driven by original luxury designs, thus, besides authentic millionaires; burgeoning professional class is also the target clientele (Deloitte 2009). Furthermore, higher demand is also motivated by gifting tracing back to the Chinese traditional philosophy ‘courtesy demands reciprocity’. Thus, luxury goods became the first choice of business gifting (Bain 2011).

Table 1. Select second-tier cities with up-and-coming consumers (Bassolino F and Smith M. 2010)

City	Population, 2009 (million)	Retail growth, 2008–09 (%)	GDP, 2009 (¥ billion)	GDP growth, 2008–09 (%) CAGR
National average	1,319.2	16.0	33,535.3	13.2
Chengdu, Sichuan	11.0	20.5	450.3	13.1
Dalian, Liaoning	6.2	17.4	441.8	14.8
Nanjing, Jiangsu	7.7	16.9	423.0	15.3
Ningbo, Zhejiang	5.7	13.2	421.5	12.4
Qingdao, Shandong	8.5	18.0	489.0	41.7
Suzhou, Jiangsu	6.3	24.2	774.0	19.0
Tianjin	12.3	20.7	750.1	16.7
Wenzhou, Zhejiang	7.5	15.0	252.8	11.8
Xiamen, Fujian	2.5	NA	162.3	12.5

Notes: GDP = gross domestic product; CAGR = compound annual growth rate; NA = not available

Source: PRC National Bureau of Statistics (NBS)

4.3.3. Looking for uniqueness

Based on a survey conducted by WLA, the Chinese consumers' brand loyalty is quite low, with only 20% of Chinese consumers are loyal to certain luxury brands. Although it's a bad news for foreign luxury brands, it's an opportunity for emerging luxury brands. As long as the emerging goods are differentiated from their competitors', 'love the new and loathe the old' consumptive psychology facilitates to increase the attractiveness of local luxury brands in the short run. In addition, designer labels are predicted be a new area of growth since a strong personality is showcased in those designer brands (Jack Morton 2011). For example, many Chinese American designers have gained reputation in the world, like Vivienne Tam, Jason Wu, Philip Lim, Jimmy Choo, and Vera Wang. Star designers will always be the apple of customers' eye. Young customers, for example, also proved to be the particular group of pursuing uniqueness (Haataja 201; Sun 2011). Thus, the target clienteles are expanding to young customers rather than middle-aged ones.

4.3.4. Second- and third-tier markets

Geographic segmentation is also vital to luxury marketing (Lebreton 2006). Since the competition is fierce and the market is almost saturated in first-tier cities in China, luxury brands all have their eye on second and third tier cities, where infrastructures are well-built facilitated by mass government spending, as well as labor costs are even lower. As shown in Table 1, consumers in Tier 2 and Tier 3 also have same appetite for fashion goods, even more willing to pay a bit more. The

openness of China is not limited in eastern seaboard cities, such as Shanghai, Peking, Guangzhou, and Shenzhen, but also lie in aspirational consumers in second-tier and third-tier cities, such as Chengdu, Dalian, Nanjing, Ningbo, Qingdao, Suzhou, Tianjin, Wenzhou, and Xiamen, where retail industry enjoys an average growth of 16%, fast-growing GDP, and most of the population. In a word, for local luxury brands, second and third tier cities are strategically vital area to develop.

4.4. Threats

4.4.1. Full of copycats and counterfeits

The Chinese market is full of homogeneous products as a consequence of mass copycats. Consumers' preference for authentic luxury goods is altered by both their longing for low-priced counterfeit brands and the availability of counterfeits (Wilcox, Kim, and Sankar 2009; Large 2009). Although Chinese government increase surveillance and regulation of selling pirated goods, the phenomenon still exists online and off line. In apparel industry, once first-tier brands have designed new collection, companies like Zara and H&M, will mimic and do a slight modification to the design and sell them as fast as they can be, not to mention other minor enterprises. In addition, since the patent protection system is defective in China, consumers may easily buy a fake LV or Gucci bag in much lower price, which will directly impede luxury companies' interests. In this sense Shanghai Tang does an excellent job by rolling out brand-new collections every six months in order to tackle the risks of copycats (KMPG 2010). Only by constant innovation can a company survive and keep ahead of its competitors.

4.4.2. Intense competition

Facing with global competitors, local luxury companies are under giant pressure. Natural selection points that only the fittest one can survive, especially in an open market. International luxury giant, such as LVMH, PPR and Richemont Group, all vie to tap into the Chinese market. As a small scale luxury brand, local luxury brands find it hard to go head-to-head with those giants. The wise strategy for local luxury companies is to find a niche market and specialize in this market. Even for Shanghai Tang, new context of luxury brands are a major challenge (Reyneke 2011).

4.4.3. Being merged

When a small company begins to step into the right track and is estimated to have a promising foreground, the industry giant will either beat it down or take it over. Once being merged, the owner of the acquired will totally lose the control of the company, so the company can no longer be 'local'. As mentioned, Shanghai Tang which used to be a traditional Hong Kong cheongsam luxury brand was merged by Richemont Group, the second largest luxury giant in the world, and became Richemont's third profitable subsidiary brand. Although Shanghai Tang grows better after the acquisition, it's no longer a pure Chinese luxury brand.

5. Solutions

"The birth of luxury goods comes from two factors; one is specific historical reasons, and the other is mature consumer base. Almost none of Chinese brands possess both characteristics." (Gan, Xiao 2007) To build China's own world-recognized luxury brand, the following essential aspects should be considered.

In the first place, a successful luxury brand is built by long term accumulation. Usually, it takes more than two generation to establish a successful family-owned luxury business. When setting up marketing plan, it is necessary to invest in sponsoring artistic activities, doing CSR (Corporation Social Responsibility) programs, inputting advertisements, hiring celebrities as spokesmen, and doing everything that can enhance corporate image. Therefore, enhancing brand awareness is a more realistic starting step in the short run instead of solely making profit.

In the second place, aiming at developing national luxury brand consumer base, local luxury brands should focus on products, services and experience. In order to create a positive product associations four aspects should be emphasized. Firstly, consumers for luxury goods focus on the country of origin, which proves products' divine descent. For example, French perfume, Italian leather goods, Swiss watches are regarded as top-ranking in their respective fields. Since the mystery of Chinese traditional culture and geographical sites is of foreign consumers' interests, local brands should emphasize that every procedure is done in China. For example, if a local luxury company offers hand-made clothes made of

Suzhou embroidery, it should underline that every procedure from raw materials to labor are all originated from Suzhou province. Only when the country of origin is mentioned, can the valued luxury be guaranteed as genuine, authentic and traditional, which consumers desire. Secondly, unique manufacturing process is an essential part of luxury. Luxury goods, without exception, contain complicated manufacturing process, which is the charm of luxury. For instance, it usually takes more than a month to make a fabulous custom-made Valentino dress. Demanding attention to the use of materials and complex production processes constitute reasons for whopping prices. Thirdly, luxury and arts are like twins. The highest appraise for goods is to equal them with works of art. When designing a product, it is advisable to attach great importance to Chinese artistic details to enhance the product and brand image. Fourthly, local luxury companies should give the brand added value and technological content. It is wise to make up with defects of low historical precipitation and ensure consumers' confidence. For example, Rolls-Royce not only sells cars but also provides services such as training driver's skills and etiquettes to serve the owner (Gan, Xiao 2007).

Regarding to services, all-around services should be provided to create good shopping atmosphere. According to high-end consumers' psychology, affluent Chinese prefer to be treated as a noble VIP. It should be noticed that every customer, whether he or she buys the goods or not, deserves the most high-standard and customer-centered service.

With respect to shopping experience, it is preferable to provide a differentiated shopping experience. The value of the luxury lies not only in its practical value, but also in its spiritual, aesthetic and cultural value. For example, local luxury brands can build membership system, send birthday cards to members, invite members to company parties, and offer coffee and desserts in the flagship stores to enhance an unprecedented and exclusive experience. Although the e-commerce of luxury goods is in development stage, there is no evidence that consumers prefer purchasing online luxury goods than experiencing it on the boutique stores (Brzeski 2011; Erdtman, Hedinge 2010).

6. Conclusions

This article tries to answer the question whether China is capable of building its own luxury brand. After analyzing the driving forces for the luxury boom in China, we find that rapid economic growth, signaling functions, and irrational psychological factors are the main driving factors of the increasing share in the Chinese luxury market. Through the case study of traditional cheongsam company Shanghai Tang, we see the bright future of domestic luxury brands. However, the SWOT analysis indicates that local luxury brands have to overcome its own flaws, including being short of design and managerial talents, misleading positioning, and being short-sighted. Looking on the bright side, the flourishing luxury industry gives a lot of niche market for local luxury brands to develop. In the end, we give specific solutions to improve the overall competitiveness. The core idea is that as long as local companies focus on long-term goal to improve brand awareness, and promote products, services and shopping experience into the authentic luxury level, it is very likely that next luxury giant will be 'created in China'.

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