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Luxury Jewellery in the Chinese Digital Age

Online strategies for selling high-end jewellery
in the Chinese Market

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前言

本篇论文的内容是关于中国高级珠宝首饰行业的现状以及最近的数字革命对该行业产生的不可避免地影响。随着互联网技术的提高和时代的发展，各个行业纷纷涉足数字平台寻求新的突破和商机，尤其是在中国市场上。实际上，自 1978 年以来，中国经济的显著增长尤其为世界奢侈品行业（包括高端珠宝业）带来了巨大商业契机。目前中国市场占全球奢侈品消费总额的三分之一，占奢侈品行业增长的三分之二。2012 年至 2018 年间，全球奢侈品市场超过一半的增幅来自于中国。展望未来，到 2025 年，中国人在境内外的全球奢侈品消费总额预计将达到 65%。并且，鉴于如今中国是世界上最先进的数字市场，所以任何想在中国开展业务的公司都不得不为该市场制定数字化策略。因此，奢侈珠宝行业也开始进军中国的电子商务领域。在这种情况下，这项研究主要目的是想了解国外顶级珠宝奢侈品牌为了在中国市场上取得不俗的成绩，可以选择什么样的营销与销售策略。

指导该研究的主要研究问题是：

RQ1. 高端珠宝品牌可以通过哪些方式充分抓住中国的数字市场机遇？

RQ2. 它们如何对中国新一代奢侈品消费者保持吸引力？

RQ3. 电子商务如何影响奢侈品珠宝首饰行业？

根据对文献综述和现有的市场二级数据进行分析，本研究分为四个章节，通过理论与实践的结合，来试图回答上述问题。

第一章对奢侈品行业进行较为全面的概述。从它的词源、商品、经济、文化、客户和市场的角度分析其多维性质。在分析了全球奢侈品市场和背景的特点之后，本文侧重于中国市场的奢侈品区域特征和文化观念。

第二章致力于中国的宝石和珠宝市场。首先探索珠宝与奢侈品关系，然后详细描述发展路径、市场规模、主要珠宝及贵金属品种（黄金、铂金、钻石、有色宝石和白银），以及当前和未来的增长驱动因素。这个部分还介绍了在中国奢侈品市场上运作最强大的国内外的珠宝行业参与者。最后它探讨了中国珠宝首饰消费者的特点及其购买行为。

第三章是本研究的核心。其目的是调查奢侈珠宝品牌如何利用中国复杂的数字环境，来接触潜在和现有的消费者。事实上，尽管中国奢侈品市场持续增长，但中国的线上生态系统对珠宝商来说是一个挑战，因为中国国内的技术进步孕育了一个竞争

激烈、多元化的数字环境。因此，本节试图为珠宝品牌可以采取的各种数字营销举措提供一个详尽和完整的指导，以便在数字领域中出类拔萃。

在以下研究中，提出了七种在数字营销策略，即：建立中国官方网站，在百度上进行 SEO 和 SEM 策略，在中国综合性与跨境电子商务平台比如天猫（Tmall）、京东（JD.com）、考拉海购上（Kaola），以及在天猫奢品平台 Luxury Pavilion、寺库（Secoo）和 第五大道奢侈品网（5lux.com）的垂直电子商务渠道上销售珠宝，在微信（WeChat）、微博（Weibo）以及小红书（Little Red Book）这些社交媒体上进行营销，还有网络讲故事、广告和有影响力的营销策略。每种策略均附有简短的最佳实践样本，以进一步支持从理论角度表达的内容。

第四章提供了多个案例研究，涉及四个西方奢侈品珠宝零售企业：蒂芙尼（Tiffany & Co.）、萧邦（Chopard）、卡地亚（Cartier）和伯爵（Piaget）。具体地说，这四个国际珠宝品牌在中国春节与七夕情人节期间的营销策略来分析。原因在于这两个节假日不仅对中国具有重要的传统文化意义，而且对珠宝行业的经济也越来越具有重要性。在这两特殊的日子，人们有交换礼物的习惯，包括珠宝。这样，在农历新年和情人节期间，珠宝的销售额呈指数增长。因此，由于国内电子商务推动需求的不断加剧，在过去几年中，越来越多的各大珠宝首饰品牌纷纷通过数字渠道，抓住了春节和七夕节提供的销售商机，以吸引大批高度相关、熟悉互联网的中国受众。在市场推广方面，大部分珠宝品牌在“限量”上大做文章。它们强调“限时”二字的原因不仅是因为刺激消费者的眼球效应，而是因为影射了奢侈品牌不愿稀释价值的内在观念。事实上，它们依托微信小程序制作限时店，利用明星流量，也通过直播、在线快闪店等手段提高受众面与销量。例如，伯爵为今年七夕在天猫新开设的奢侈品馆中推出了一些产品，包括它的绿色孔雀石玫瑰金坠饰与黄金开口式手镯。这两个都属于七夕 POSSESSION 时来运转系列。

从这个意义上讲，著名美国珠宝腕表品牌蒂芙尼（Tiffany & Co.）和瑞士手表珠宝品牌萧邦（Chopard）的在线营销策略被选择为有关春节的两个特别案例。反之，法国钟表及珠宝制造商卡地亚（Cartier）和伯爵（Piaget）的在线营销策略被选择为有关七夕情人节的两个特别案例。这一篇文章中特别侧重这四个珠宝品牌在微信，微博和天猫 Luxury Pavilion 上的在线跨平台营销活动。这是因为这三个是中国网民最常使用的社交媒体和电子商务平台，而且它们目前也是珠宝品牌最常用的数字空间。

最后，本文为希望把握中国高端珠宝市场增长和商机的珠宝专业人士提供了一些有益的建议。总之，这项研究的结论是，尽管中国数字渠道上的珠宝品牌数量仍然有限，但是近年来，它们大量提高中国电子商务和社交网络的投资，扩大了它们的业务和产品范围，以及与名人和网络名人的密切合作，以更好地适应当地的口味和喜好。

展望未来，高端珠宝品牌在中国市场的经营前景包括线上（网站，社交媒体，电子商务平台）和线下业务（实体快闪店，精品店重新设计和个性化客户服务）之间的全面整合。采用全渠道方法使消费者参与创新购买过程的每个可能步骤，被认为是在中国成功营销高端珠宝的关键。

我决定写这篇论文的话题，主要有三个原因：第一个是我出生于瓦伦扎（Valenza）。瓦伦扎跟维琴察（Vicenza）和阿雷佐（Arezzo）是意大利最著名的珠宝生产加工地区。因此，随着时间的推移，我对该行业天生充满着兴趣。第二是中国与我的大学学习密切相关，因此也是本硕士论文的主题。这也是一个我打算深入调查的话题，因为与其他奢侈品类别相比，在中国的背景下，这个话题还很少被探讨。所有这些原因都是从数字世界的角度来看的，这是我在过去几年里培养的兴趣。

INTRODUCTION

The purpose of this thesis is to provide an in-depth analysis of the current state of luxury jewellery industry in China and the impact that the recent digital revolution inevitably had on this sector. A particular attention is devoted to the exploration of the possible digital marketing strategies that international well-renowned jewellery brands can apply when they seek to expand in the vast and culturally diversified market of China.

Therefore, the main research questions guiding this study are:

RQ1. What are the ways luxury jewellery brands can fully capture the digital opportunity in China?

RQ2. How can they stay relevant for the so-called Chinese future consumers?

RQ3. How e-commerce is affecting the luxury jewellery industry?

The present study, divided into four main chapters, attempts to address all these questions and offers useful insights to industry insiders on the Chinese luxury online ecosystem, combining theory with practice. The study was conducted based on literature review and available market secondary data, ensuring its credibility by evaluating various sources regarding the information required, in order to answer the aforementioned research questions.

The first chapter begins with a 360-degree overview of the luxury system; analyzing its multidimensional nature from an etymological, commodity, economic, cultural, customer and market's point of view. After a general and global outlook of the sector, the analysis shifts on the regional characteristics of luxury in the Chinese market, the world's leading consumer of luxury goods and the main reference of this thesis.

The second chapter is entirely dedicated to China's gem and jewellery market. After a preliminary investigation on the relationship between jewellery and luxury products, it provides a detailed description of the evolution path, market sizing and segmentation (gold, platinum, diamond, silver and colored gemstones) as well as the current and future growth drivers. The most highly regarded domestic and global jewellery players operating in the Chinese luxury market are also presented. This chapter ends delving into the profile of the Chinese jewellery consumers and their purchase behaviors.

Afterwards, chapter three gets to the heart of this research, the purpose of which is to investigate how luxury jewellery brands can navigate China's complex digital landscape to

reach potential and existing consumers. In fact, even though China's luxury market continues to grow, its online ecosystem is challenging for jewellers, since technological advancements within the Middle Kingdom have bred a strongly competitive and diversified digital environment. As a result, this section attempts to provide an exhaustive and complete guide of various digital marketing initiatives that jewellery brands can adopt in order to excel in the Chinese digital domain.

In the following research seven digital marketing techniques are presented and comprise: the creation of a Chinese official website, SEO and SEM techniques on Baidu (百度 *Bǎidù*), jewellery sales on both generalist and vertical e-commerce marketplaces such as Tmall (天猫 *Tiānmāo*) with its Luxury Pavilion subsection, JD.com (京东 *Jīngdōng*), Kaola (考拉海购 *Kǎolā hǎi gòu*), Secoo (寺库 *Sìkù*) and 5lux.com (第五大道奢侈品网 *Dì wǔ dàdào shēchǐpǐn wǎng*), social media marketing on WeChat (微信 *Wēixìn*), Weibo (微博 *Wēibó*), and a mention to Little Red Book (小红书 *Xiǎohóngshū*), storytelling, advertising and influencer marketing practises. Each strategy is accompanied by brief best-practice samples to further support what was expressed from a theoretical point of view.

The final chapter (Chapter 4) presents multiple case studies about ad hoc digital marketing campaigns carried out by four international jewellery brands — Tiffany & Co., Chopard, Cartier and Piaget — during two of the most important festivities in the Chinese culture: China's Lunar New Year and Valentine's Day (the Qixi Festival).

The choice to examine the online strategies devised during such festive periods in China is driven by the fact that these national festivals not only are culturally significant for the Chinese tradition, but they are also increasingly economic relevant for the jewellery sector. In fact, jewellery sales over China's Lunar New Year and Valentine's period register an exponential growth, as Chinese people have the habit of exchanging gifts, including jewellery, to celebrate those special occasions.

Therefore, given China's highly digitalised environment, in the last few years more and more luxury brands, jewellery included, have been giving maximum vent to their digital creativity through localized content, hoping to meet and attract the Chinese public online. In this sense, the American jewellery brand Tiffany & Co. and the Swiss watch and jewellery house of Chopard have been chosen as the two most emblematic examples of online campaigns concerning the Chinese New Year, whereas both French jewellery maisons of Cartier and Piaget were selected in the case of China's Valentine's Day. In particular, their

online cross-platform marketing activities on WeChat, Weibo and Tmall Luxury Pavilion are analysed in detail, since these three social and e-commerce platforms are the most commonly used by Chinese netizens, as well as well-curated by luxury brands. The thesis concludes with some final remarks and useful suggestions for jewellery companies and practitioners of the sector that aim at capitalizing on growth opportunities in the Chinese high-end jewellery market.

The inspiration for the present master's thesis comes from the fact that I was born in Valenza, a small city located in the north-west of Italy which boasts a goldsmith tradition of more than 150 years. Valenza, together with Vicenza and Arezzo, is one of the three most famous Italian districts for the production and processing of jewellery. Therefore, having grown up in this "sparkling" reality, I have developed an almost natural interest in the sector. Moreover, I decided to investigate this topic as, compared to other luxury goods' categories, it has not yet been fully explored, especially in the Chinese digital context.

CHAPTER 1. The Luxury Industry: between tradition and innovation

1.1 Luxury as concept

“The concept of luxury, like a diamond, has many facets and multiple colors, which change on the basis of the perspective from which it is scrutinized.”¹



Figure 1. Source: tagxedo.com (2014)

Luxury is a constantly evolving and multifaced concept, not easy to define. This can be primarily perceived by considering its etymological root where two antithetical meanings seem to derive from. As a matter of fact, in the word "luxury" the Latin root of two terms coexists: that of "lux", which literally means “light, enlightenment”, but also that of "luxus" from which the concept of “luxuria” might be originated.

This second meaning conveys the idea of “excess, extravagance or extras of life”, and it recalls either the Greek lemma “loxos” that is “growth in an oblique way”, or even the Italian word “lussato”, used to refer to a foot or a shoulder comes out of the original place. For this reason, “luxus” can also be interpreted as a distortion, ideologically alluding to a detachment or a deviation from the norm.

¹ Cabigiosu, A., *An Overview of the Luxury Fashion Industry*, (2020), PubMed Central (PMC), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7355146/>, accessed 28th September 2020

Consequently, the combination of these two contrasting meanings, lux as brilliance and splendor together with extravagance and excessiveness, constitutes the true nature of luxury. The ambivalence is reflected in the attitude towards luxury goods because, especially referred to the past, they were idealized and praised as objects of desire but considered at the same time as an excess for the sake of pleasure and thus condemned as a materialization of superficiality and waste. Therefore, by limiting to the brief etymological analysis above-mentioned, the contradiction of the luxury concept is constantly subject to change shape and value through time.

Even though it is far outside the scope of the present thesis to provide a detailed analysis about the stages of the luxury concept's evolution, however, it is important to outline the beginning of the so-called "modern luxury", hence to focalize the attention on more recent years. Until the nineteenth century, luxury was mainly dominated by family firms based on an aristocratic and artisanal model, the goods of which were manually well-crafted and sold on the local market. Yet, everything changed with the irruption of modernity. In fact, the process of industrialization has led to a growth of the sector, both in terms of volumes and the need for expansion, laying the foundations of its contemporary meaning. With the advent of the twentieth century, the luxury term has almost lost its negative connotation such as decadence and distancing from morals, and it has mainly become used to describe: "*A product, an industry or an expensive and high-quality object that flaunts elegance and sumptuousness.*"²

Another aspect that affects the notion of luxury lies in its relativity. More often, it is used to refer to an inessential but desirable item which is not necessarily marketable and to which any individual can attribute a different value perception: it could be an accessory, a dress, a dish, but also a place or a service of superior quality, conducing to a state of pleasure and comfort.

According to the luxury marketing professor Klaus Heine (2012), the reason for such subjectivity of the concept is mainly related to different regional, temporal, economic, cultural and situational dynamics. As these dynamics vary, the concept of luxury varies too. Heine also argued that all these five different dimensions may be both influenced by the level of accessibility of resources and by a fifth variable that is the hierarchical relativity, which drives

² Danziger, Pamela N. (2005), "Let Them Eat Cake: Marketing Luxury to the Masses-As Well As the Classes", *Dearborn Trade Publishing*, pp. 75-78

the final consumption, letting the consumer decide whether or not it is worth buying an item perceived as luxurious.

However, up to nowadays it is still challenging to sign a precise line of demarcation between what luxury is and what is not. Many sociologists, economists and managers have hardly found a consensus definition of the concept. In spite of this, among the plethora of definitions offered by each academic researcher, it is possible to identify a list of traits that are recognized by the vast majority (such as Kapferer, 1998; Vigneron and Johnson, 1999; Dubois et al., 2001) and which manifest the distinctive characteristics of luxury goods. They are summarized as follow:

1. **Craftsmanship and excellent quality:** *“Luxury is the spirit of craftsmanship and it gives life to artifacts through culture, creativity and innovation”*³ posing the basis for its high-quality standards and heritage aura. Craftsmanship in luxury is about know-how and human touch; aiming at constantly delivering excellence in any business process and product category, deeply rooted in the savoir faire of luxury artisans who have long been able to deliver distinctive products that combine the top-quality manufacturing tradition along with high design content and strong aesthetical appeal.

2. **Time:** delivering excellence requires time. Thus, the concept of time is an essential ingredient in creating value for luxury customers. In the luxury context, it carries an additional value, as it conveys the idea of a “timeless beauty”, which will not fade through time and, in this sense, it represents an investment for life. Unlike fashion, which captures the spirit of the times and then goes, luxury brands resist the deleterious effects of time, without being antiques but remaining active, relevant and singular. The perception of luxury as timeless leads the consumer to an attitude of trust, associating the luxury products with an image of perfection and eternity.

4. **Heritage:** closely interrelated with craftsmanship and the idea of time. In fact, most prestigious luxury brands boast centuries of history. In other words, they have an historical legacy. If we think about Louis Vuitton, Cartier or Chanel for instance, they all hold more than 150 years of legendary history and a unique heritage. This is an undeniable positive added value in customers’ perception by conveying the idea of authenticity and prestige.

³ Corbellini, E., Saviolo, S., *Managing Fashion & Luxury Companies*, Module 1 - Fashion & Luxury [Slides], (2014), Coursera, <https://www.coursera.org/learn/mafash>

5. **Premium price:** it can be defined in absolute or in relative terms, compared to products with the same level of performance and it is legitimated because consumers are willing to pay a significant price difference for the high perceived quality of the item and the idea of longevity connected to it.

The price variable is considered by many professionals and consumers to be one of the most relevant attributes in the definition of luxury. Though it is doubtlessly necessary, however, it is also not sufficient.

6. **Rarity and uniqueness:** a highly desired characteristic by most consumers, who feel more gratified when they use or own a rare item and who generally legitimise the high price by reason of its rarity. The greater the inaccessibility and the perceived scarcity of the product, the greater the desire it arouses in consumers' mind. Two types of rarity exist: by limiting the production or by the natural limitation arising from the availability of the material.

7. **Aesthetics:** Luxury goods are naturally associated with high design and unique creativity. They show some extravagance, some stylistic touch made by the designer, the story of the brand or the legacy. This objective beauty made of design elements and unique details often leads luxury to be considered as a work of art which addresses the tastes of an elite market.

8. **Symbolism:** set of abstract associations the purpose of which is not to fulfill a need or a utility, but rather the pursuit of the dreamed life. As a matter of fact, luxury consumption is generally associated with a desire to impress, to make statements about oneself and to create identity or develop a sense of belonging (Atwal and Williams 2009). Mortelmans (2005, p.505) and Heine (2011, p. 99) stated that the luxury industry is the main one where symbolism has more significance for consumers than functionality.

The manifestation of these key attributes has long been conceptualized and debated among researchers according to functional, experiential and interaction dimensions (Liu et al., 2012; Wiedmann et al., 2009). The evidence is that, luxury goods and brands are mainly characterized by two components: a functional side, which refers to the intrinsic characteristics of the product itself, and an emotional side, dealing with a more intangible dimension, which aims at creating the "dream effect" in customer's perception. Since the functional components are equivalent and present in all luxury products, the only way brands have to differentiate themselves and stand out from the mass market is to focus on those symbolic and emotional aspects that make up the personality of the brand and its products.

Hence, in order to create and maintain a strong and authentic identity, both functional and emotional components have to coexist and balance in a linear and harmonious way.

1.2 Luxury as product

The global luxury goods industry has increased in value for many years and nowadays it involves many products categories. First of all, it is appropriate to underline an important distinction between the so-called traditional luxury product categories and non-traditional ones. The former mainly refers to personal goods such as haute couture clothing, hand-crafted jewellery and watches, cosmetic and designer fragrances, handbags, fashion accessories including footwear, leather goods, eyewear and office objects. Owing to a growing interaction and synergetic exchange with the high fashion environment, these classic luxury goods tend to be classified as non-durable ones. Non-durable goods, also known as soft goods (consumables), are defined either as commodities that are immediately consumed in one use or items that possess a shorter lifespan.

The latter includes luxury cars, yachts and private jets, real estate, high-end furniture and housewares, private banking, luxury tourism, gourmet food and high-priced beverages (in particular the wine and spirits sector) as well as fine art and luxury services. These second product categories are denominated durable goods: products considered as durable investments and long-lasting.

Since the aim of this study is to focus on the luxury jewellery sector, a special attention will be devoted on self-purpose luxury goods, that is, in a certain sense, on those which are closer to the fast-moving consumer goods market.

1.3 Luxury as business

According to Boston Consulting Group: *“The luxury market is a significant economic force and—particularly for Europe—a substantial driver of GDP and competitive advantage”*.⁴

From an economic point of view, the luxury sector can be considered, to some extent, as the most efficient example of economic activity. In fact, if the final objective of an economic activity is to create added value, luxury market is the sector in which this goal is fully achieved:

⁴ *Growth in the Luxury Market*, (2020), BCG Global, <https://www.bcg.com/industries/consumer-products-industry/luxury-market>, accessed 3rd October 2020

given the fact that the high price of a luxury product never matches the simple physical characteristics or production costs, but it also takes into account a series of intangible assets (i.e. timelessness, heritage of the brand, uniqueness, exclusivity, craftsmanship, etc.) that the company and the consumer attribute to it. In this way, it creates a very strong value proposition and it enhances its level of incomparability.

The fact that luxury is a business also implies that a specific strategy and business model ought to be implemented, which should not be misunderstood or mixed up with other strategic modes such as a Premium Strategy (i.e. Audi, BMW, Mikimoto), a Fashion Strategy (for instance, Versace, Dolce and Gabbana and D-square), a Masstige Strategy⁵ (for example, Ralph Lauren, Coach, Michael Kors) or a Premium Competitive Strategy (i.e. Swarovski).

Although all these brands might be defined as “luxuries” by the public audience (due to their excessive price related to function, the sake of pleasure and status); an in-depth analysis in terms of profitability, economic engines and sources of value reveals their different patterns. The triangle in Figure 2 can help clarify the different positions and goals of the three core strategies (fashion, premium and luxury).

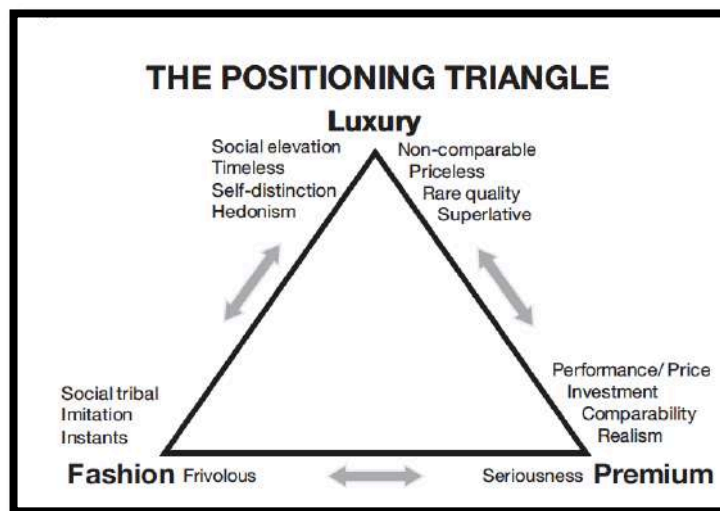


Figure 2. Source: Kapferer, J.-N., Bastien, V., (2009), *The Luxury Strategy: Break the Rules of Marketing to Build Luxury Brands*, ResearchGate.

⁵ Masstige marketing is a strategic phenomenon applied by many luxury brands with the goal of market penetration and brand management in the era of globalization (see paragraph 1.6). Source: Justin, P., (2018), “Toward a 'masstige' theory and strategy for marketing”, *ResearchGate*, https://www.researchgate.net/publication/324535984_Toward_a_'masstige'_theory_and_strategy_for_marketing

The evidence is that, contrary to the claims, traditional economic logics cannot be applied in the luxury strategy because it presents a unique business model. Luxury brands simply cannot be compared as they are “sellers of dreams” and not subject to fashionability.

Indeed, fashion brands are threatened by the risk of not being fashionable anymore and their time perspective is inevitably short term. The luxury industry, instead, is always projected on a long-term vision, whilst trying at the same time to stay contemporary, not stuck in the repetition or worship of its past (Kapferer, 2016). Premium brands, instead, require to be measured in terms of fair quality-price ratio: the brand guarantees higher standards than the traditional ones which justify the high price. This implies a limit on the price side of premium brands due to their comparative essence as any increase must be justified.

Therefore, every luxury company must clearly understand the managerial implications in the adoption of a luxury strategy and its relative business model, which have been learned by brands such as Louis Vuitton, Rolex, Chanel, Cartier, Hermès, Patek Philippe, Ferrari and Tiffany & Co. through time and accumulated experience.

Regarding time and experience, the luxury business model is considered to be the oldest one, as it was established in France in the middle of the nineteenth century. Since then, it also started to be adopted in Italy and Switzerland; prevalently by the so-called “hard luxury” categories: watches, jewels, leather goods and silk accessories.

Kapferer (2014), summarized the specifics of the luxury business model as follows:

- Pursuing a fine combination of superior know-how, creativity, quality and exclusivity, recognition and respect for the brand roots and its heritage background.
- Keeping more limited long-term supply than demand.
- Maintaining a total upstream control over vertical integration to ensure the highest quality standard.
- At the same time, maintaining a total downstream quality control over retail distribution for the purpose of ensuring a personalized one-to-one service and a direct contact with the final customers.
- Preserving highly selective distribution as well as highly experiential directly operated stores, where customers can experience not just exceptional service but also the brand culture.
- Avoiding licenses and discounts: the fastest way to dilute the exclusivity of the brand.

- Establishing solid and long-lasting partnerships with the art environment and avant-garde contemporary artists.
- Being concretely committed to Corporate Social Responsibility (CSR)⁶.

However, it is important to recognize that luxury is not a technique or a fixed set of rules, hence many luxury groups may manage their brands according to their subjective specificities.

The combination of all these different features have contributed to create a unique business environment, which has proved to be highly successful and steadily growing since 1990. In more recent years, globalization has led to the shift from small family-owned high-end businesses to multinational enterprises named luxury conglomerates, such as LVMH, Kering and Richemont.

As Corbelli and Saviolo (2014) argued: *“Luxury conglomerates are diversified groups, or holdings, with a very wide portfolio of brands (30,40,50) in different product categories that manage their portfolio in order to enjoy economies of scale backward while maintaining brands independence in the front-end.”*⁷

The result of this new phenomena is that the Italian luxury industry is now largely owned by French luxury groups: Bulgari and Loro Piana were respectively bought by LVMH in 2011 and 2013, while Gucci and Pomellato were acquired by Kering group in 2004 and 2013, and lastly Buccellati was recently bought by Richemont in 2019.

There are a variety of reasons which have led these and other brands to become members of luxury conglomerates. Examples are to be found in entrepreneurial successions or in the willingness to be part of a group, but also in the will to obtain more resources and investments funds in order to finance their world retail expansion as well as to establish a global positioning.

Basically, nowadays we witness to a coexistence of two governance models: one constituted of brands that are within the same portfolio of conglomerates, and another where brands (i.e. Italian family owned enterprises) have decided to remain independent, like

⁶ Corporate social responsibility (CSR), also called corporate citizenship, is a self-regulating business model that helps a company to be socially accountable to itself, its stakeholders, and the public. Through its practice, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental. Source: <https://www.investopedia.com/terms/c/corp-social-responsibility.asp>, accessed 17th September 2020

⁷ Corbellini, E., Saviolo, S., *Managing Fashion & Luxury Companies, Module 1 - Fashion & Luxury* [Slides], (2014), Coursera, <https://www.coursera.org/learn/mafash>

Ermenegildo Zegna, Tod's, Giorgio Armani, Salvatore Ferragamo and Prada as well. However, generally speaking, there are some advantages in adhering to the former M&A model, that is:

- Savings on media spending
- Better accessibility/negotiation on retail location
- Professional management: by moving from one brand to the other, it is possible to exploit advanced management skills in terms of retail, digital and store fields.

As a result, the landscape of the luxury business is a very challenging and innovative one, in which the key to succeed resides in understanding how to manage the portfolio of brands and consequently implement managerial practices towards that direction.

1.4 Luxury as culture

Luxury has the power to spread its magic aura, it conveys the “dream effect” and penetrates the market with its creative and visionary approach: this proves that there is also a cultural dimension in it.

Luxury as culture can be intended in terms of the company's culture, the founder's culture as well as the country of origin's culture. As far as the third typology is concerned, it is especially the case of European countries, led by France and Italy as the two major producers of luxury goods worldwide.

The reason why the luxury sector is deeply rooted in the European culture is mainly because Europe has always been driven by some noble values that are even today at the basis of its tradition: superior quality, exceptional beauty and aesthetics. France and Italy are the two emblematic countries in this sense, because especially in the past (eighteenth century), luxury products were consumed exclusively by the privileged royalty, nobles and aristocrats who flaunted their superiority for hedonistic and status motives.

If we address to France and Italy, in terms of luxury cultures, it is worth noting that there are some conceptual differences between the two. On the one hand, the French luxury is more mythological, tied to family heritage and connected with the so-called “art de vivre”⁸ covering a wide range of industries and product categories such as fragrances, champagne, leather goods, art de la table and hotellerie.

⁸ The French “art de vivre” which literally means “art of living well” is an abstract concept, strongly connected to the luxury goods industry. It refers the knowledge of how to enjoy life or the practice of it. Source: https://en.wiktionary.org/wiki/art_de_vivre, accessed 26th October 2016

On the other hand, Italy is less tied to the past and the cultural heritage, attaching instead greater importance to excellence as well as to innovation in manufacturing and value chain. For this reason, the Italian luxury tends to be defined as “Altagamma” meaning “high range”, the purpose of which is to be perceived as a carrier of innovation, quality, service, design and prestige. It is interesting to note that the term “Altagamma” also refers to the trade association in which the Italian industry is grouped, that is the Altagamma Foundation⁹ established in 1992, which never refers to “luxury” but to fashion, trendiness and Italianity (Kapferer, 2014).

Therefore, the Italian culture of luxury differs from that of the French art de vivre and it is better embodied in the Italian lifestyle of “la dolce vita”: living well and enjoying the pleasures of life. Furthermore, the Altagamma Foundation mainly involves the industries of fashion, design-furniture, jewellery, wellness and food. Among the most prestigious members there are, for instance: Fendi, Ferrari, Missoni and Bulgari.

A separate note is the one concerning the concept of luxury in Eastern cultures. Several researches show that Eastern and Western cultures have different holistic and analytic styles of thinking: this also has a repercussion on their perception of luxury. While in Western countries a luxury product is perceived as an object that embodies outstanding beauty and aesthetics standards, in the Asian ones a luxury product should primarily symbolize satisfaction, prestige and desire. In the case of China, for instance, the luxury product significance has changed over time: from hated symbols of a decadent capitalism typical of ancient Chinese culture, to consumption incentives for those who currently work hard (Tse et al., 1989; Swanson, 1996).

Nevertheless, eastern consumers share a common attitude that plays a fundamental role in the perception of a luxury product: the value of “Made in West”. This attitude is related to the so-called Country of Origin Effect (COE)¹⁰, where in all categories of personal luxury goods, (excluding the watch sector as Switzerland remains the reference country), the concept of “Made in Italy” (+29%), followed by “Made in France” (+23%) continue to preserve their

⁹ Fondazione Altagamma is the flagship trade association for the Italian luxury goods industry which is responsible for the market analysis and financial performance of more than two hundred and fifty of the world’s leading luxury goods companies and brands. Source: <https://altagamma.it/chi-siamo/>

¹⁰ The Country of Origin (COO) is a psychological effect which occurs when customers are unfamiliar with a product (i.e. product quality) and the image of the product’s country of origin has a “halo effect” on the customers’ evaluation of the product. Source: Vecsövi, T., (2016), “International Marketing to China”, *McGraw-Hill Education*, EAN: 9781307457988

global leadership position, particularly fostered by the appreciation of Chinese consumers (Boston Consulting Group & Altagamma Foundation, 2019). In fact, also Chinese, Japanese and Korean customers consider Made in West as a synonymous of quality and experience. Buying luxury goods of western origin is a way for the Asian consumer to demonstrate his/her knowledge and closeness to the western lifestyle and culture (Corbellini and Saviolo, 2007).

Therefore, being capable of interpreting different cultural perceptions of luxury across nationalities, allows to better understand both Western and Eastern societies as well as the desires and pursuits of their individual consumers. This knowledge can help luxury companies to influence and attract new buyers through marketing techniques, but also educate them to a cult of luxury and how this unique system works (i.e. how a special kind of leather, a type of wine, a jewel, or even a story are created).

Although all this confirms again the relative nature of the luxury concept, however a common belief shared by both the academic discipline and the general audience is the one which is regardless of any cultural context: *“luxury refers to something that exceeds necessity and ordinariness”*¹¹ and involves buying something that goes beyond the product itself: admiration, respect, refinement, status, self-care, self-reward or pleasure (Kapferer, 2009).

1.5 Luxury as customer

*“Purchasing luxury is an exceptional act for most consumers.”*¹²

Kapferer & Bastien, 2009

This statement suggests that not all affluent people can be defined as luxury customers, but also not all luxury customers can be considered wealthy or belonging to the so-called high-net-worth-individuals (HNWI)¹³ group: thus, a hierarchy from the luxury customer point of view exists.

¹¹ Heine, K. (2012), *The concept of Luxury Brands*, Upmarkit, Edition: 2, ISSN: 2193-1208, https://upmarkit.com/sites/default/files/content/20130403_Heine_The_Concept_of_Luxury_Brands.pdf

¹² Kapferer, J.-N., & Bastien, V., (2009), “The Luxury Strategy: Break the Rules of Marketing to Build Luxury Brands”, *ResearchGate*, https://www.researchgate.net/publication/281251957_The_Luxury_Strategy_Break_the_Rules_of_Marketing_to_Build_Luxury_Brands

¹³ High-net-worth individual (HNWI) is a term used to designate people whose investible wealth (i.e. stocks and bonds assets) exceed a given amount, with a value greater than US\$1 million. Source: https://en.wikipedia.org/wiki/High-net-worth_individual, accessed 5th September 2020

Today, luxury consumption can no longer be considered an exclusive act of the most affluent classes, because at present, globalization has led to the rise of the so-called “accessible luxury”. The meaning is that, even though luxury brands are placed within a high-end market offering, however a huge part of their income is obtained through their more accessible product lines (i.e. cosmetics, accessories, consumer electronics and food) bought occasionally by those aspirational customers who are not regular consumers of luxury, but they are going to become increasingly relevant for the future growth of the luxury sector. According to the report “Global Powers of Luxury Goods 2019” released by Deloitte, this new rising consumer class is referred to as the HENRYs (High-Earners-Not-Rich-Yet)¹⁴. As shown by the acronym, this new customer segment does not possess a high spending power yet, but the purchase of a small precious object can still enable them to daydream about feeling part of that distant and exclusive world. The willingness of these consumers to emulate the wealthy by enjoying their aspirational lifestyle enhances their desire to become affluent or ultra-affluent in the future, thus gaining access to the so-called “happy few”, an extremely selected circle of wealthy people who enjoy a very exclusive way of living.

Therefore, in modern times, this microeconomic sector, which was once reserved only to a privileged few, has gradually extended to a larger customer base (the “happy many” as defined by Dubois and Laurent in 1998) and new categories of products.

The reason which led to a more broadened expansion of the target of the luxury market, is that in an age of fast changing trends, the luxury business must be accessible to someone in order to exist and survive (Kapferer & Bastien, 2009). As HENRYs are a critically important customer segment, luxury brands have initiated to establish longstanding relationships with them, while, still retaining existing clients. Furthermore, it is worth of note that frequently high-net-worth-individuals do not necessarily consume non-durable luxury goods, but may favour the conspicuous consumption¹⁵ of what we have previously defined as

¹⁴ High-Earners-Not-Rich-Yet (HENRYs) is a term used to refer to a new luxury segment which is likely to become highly wealthy in future, hence relevant especially for luxury brands. This segment is characterized by significant discretionary income between US\$100,000 and US\$250,000. They are digital savvy, love online shopping and are big spenders, particularly the Millennial HENRYs. Source: [https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer and Industrial Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf](https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer%20and%20Industrial%20Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf)

¹⁵ Conspicuous consumption refers to consumers who buy expensive items to publicly display the economic power of their income or their accumulated wealth rather than to cover their real needs. It is a mean of either attaining or maintaining a given social status. Source: https://en.wikipedia.org/wiki/Conspicuous_consumption, accessed 5th September 2020

non-traditional luxury product categories, such as the experiential luxury: art, services, travel, real estate, etc. At the same time, if considering the concept of luxury as a reward and a source of self-realization, some low-income customers have started to spend large sums of money on a few important and expensive luxury items, at the cost of reducing their consumption in other areas. This trend is called "rocketing" (Silverstein, Fiske 2004): spend a disproportionate amount of resources in one or two categories to which they attach great significance.

Overall, luxury customers have become a global, opinionated and heterogeneous group, which differs in terms of:

- Geography. Even though sophisticated customers of mature countries still occupy the dominant position in the luxury market for their high purchasing power (USA, Japan, Europe), however, the long-term prospect for the sector has shifted towards the emerging markets: in particular the Asia-Pacific (APAC)¹⁶ countries. Indeed, the market for luxury goods and brands is now booming in Asia, led by China first, followed by Hong Kong, Macao and increasingly South East Asia. This change of direction implies a totally different mindset and approach.
- Generation. Luxury is different among age groups. There is a luxury for the senior segment characterized by the so-called Baby Boomers and Generation X¹⁷, which is not the same as for Millennials (or Generation Y) and Generation Z¹⁸, the two younger and promising segments of population. As a matter of fact, consumers of younger generations are becoming the main force in the global luxury industry and they already represent a growing part of consumption in Asian markets.
- Attitudes and lifestyles. Closely interrelated with the two previous aspects, luxury customers both generationally and geographically, show different habits, shopping

¹⁶ The APAC region is made up of a group of countries located in or near the Western Pacific Ocean. Asia-Pacific varies in area depending on context, but it generally includes East Asia, South Asia, Southeast Asia, and Oceania. China is the largest country in the region, followed by Australia, India, Indonesia and Mongolia. The smallest by area is Macau. Sources: <https://worldpopulationreview.com/country-rankings/apac-countries> and <https://en.wikipedia.org/wiki/Asia-Pacific>, accessed 27th September 2020

¹⁷ Baby Boomers refers to individuals born between 1946 and 1964, as a result of the post-World War II "baby boom", in which Americans were enjoying new-found prosperity. The following generation, Generation X, refers to those born between 1965-1980. Source: https://en.wikipedia.org/wiki/Baby_boomers, accessed 27th September 2020

¹⁸ Millennials (or Generation Y) refers to individuals born between 1980 and 1995 preceding the Generation Z where individuals are born between 1995-2000. Source: <https://en.wikipedia.org/wiki/Millennials>, accessed 18th September 2020

behaviors, aspirations and desires. From a geographical point of view this is particularly evident between Western and Eastern customers, due to their different cultural and social backgrounds. From a generational point of view, instead, the growing global affluent millennial population, grown up in the Internet age, demonstrates an antithetical approach compared to the previous generations. Their beliefs, values and social models are different. They perceive themselves as central actors in the creative processes and they seek for a true emotional connection and involvement with brands, both online and offline. Being heavily influenced by modern technology and the use of social media to support their purchasing decisions, luxury companies are committed to make significant investments worldwide by increasingly leveraging on social media to engage with these new and young customers.

Nowadays, consumer demand represents the core focus. Clients are morphing from a mere audience, to critical center-stage actors who want to interact, converse, share, observe and judge brands (D'Arpizio, 2020a). This implies the adoption, as defined by Deloitte Global, of an "omni-personal luxury approach"¹⁹, in which luxury brands could offer a highly customised experience to meet individual customer's evolving requirements when it comes to buying, consuming or communicating and to ensure greatest loyalty.

In order to provide the expected personalized experience to customers, luxury brands are relying on digital technologies, such as Artificial Intelligence (AI) and Big Data, which allow them redesigning customer engagement techniques through data analytics. In this path between the old and the new, the urgency of customization has become so high that some brands are incorporating personalization in their long-term strategies, in order to differentiate themselves with impeccable designs and services.

Looking ahead, according to the top management consulting firm Bain & Company, by 2025, the global luxury customer base will grow from two sources:

1. An increasing number of ultra-high-net-worth individuals (UHNWIs)²⁰, primarily situated in the Americas and Asia, who look for "what money cannot buy" (Bain & Co., 2020);

¹⁹ *Global Powers of Luxury Goods 2019: Bridging the gap between the old and the new*, (2019), Deloitte Global, [https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer and Industrial Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf](https://www2.deloitte.com/content/dam/Deloitte/ar/Documents/Consumer%20and%20Industrial%20Products/Global-Powers-of-Luxury-Goods-abril-2019.pdf)

²⁰ Ultra-high-net-worth individual (UHNWI) is an additional wealth segment above very-high-net-worth individuals (>\$5 million) and high-net-worth-individuals (>\$1 million). They are individuals with a net worth of at least US\$30 million or with a disposable income of more than US\$20 million. Source: https://en.wikipedia.org/wiki/Ultra_high-net-worth_individual, accessed 22nd September 2020

2. A new base of emerging luxury customers, led by the growing Asian middle-class, looking for “entry-to-luxury” products with innovative stylistic content.

Therefore, luxury brands are facing a big challenge to reach and serve all this heterogenous expanded clientele. The potential benefits are twofold: securing valuable present customers, meanwhile, building new client relationships and businesses.

1.6 Luxury as market

Within the complexity of the luxury market, various authors have attempted to identify some macro-segmentations, in order to better delineate its structure. Endless classifications have been elaborated both at the product and at brand level (i.e. casual luxury, accessible luxury, mass-luxury, über luxury, and so on).

However, in most cases, these classifications are purely descriptive as they simply refer to price accessibility. Several social and economic factors which occurred over the last decade, such as globalization, considerable increase in real income, changes in the habits of the growing middle-class and the evolution of sales channels through disruptive technologies, led the traditional segmentation of the luxury market to almost lose relevance.

The typical stratified pyramid divided into three “degrees of luxury” (inaccessible, intermediate and accessible), has gradually modified its shape into a sort of “hourglass”, in which the weight of the intermediate segment has narrowed in favor of a strong polarization (i.e. outperformance of Absolute and Accessible segments).

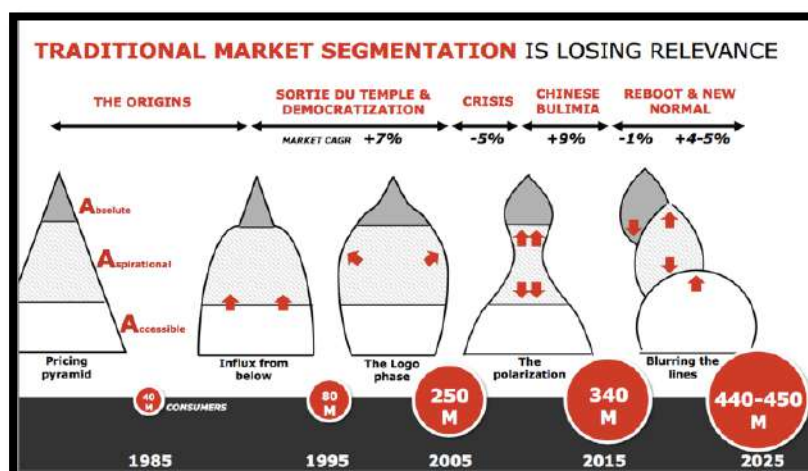


Figure 3. Source: ALTAGAMMA 2017 WORLDWIDE LUXURY MARKET MONITOR

This evolution was the result of a rapid growth process of the market, which started to take place from the early nineties with the so-called "Sortie du temple"²¹ period (where luxury brands began to seek to broaden their appeal to a mass audience), to then reach its peak in the following phase: the democratization of luxury, starting from the second half of the twentieth century. Since then, luxury goods were no longer consumed only by the wealthiest people, but also by a large part of the population as a whole, thus breaking down the strong social stratification (Cabigiosu, 2020). Driven by powerful emotional and economic forces, consumers have started to simultaneously trading up²² and trading down the gamut of high and low brands and products by combining luxury, vintage and ready-to-wear styles, so as to create personalized and original mixes.

We have already assumed that, while fashion changes quickly following market trends and consumer preferences, luxury instead remains more attached to traditions and the concept of timeless. Despite these differences, today the boundaries between the two concepts seem to blur and, according to Bain & Co. graph in Figure 3, the ongoing polarization between high-end and mass-market is also expected to blur by 2025, with a wide dispersion of performance in each segment.

A term which clearly conveys the idea of this "Neo-Luxury", where high-end products and services are at more affordable prices to the majority of middle-class consumers, was coined by Michael Silverstein and Neil Fiske (2004) as "masstige". It is a neologism which brings together the two English words "mass" and "prestige", to indicate "offering prestige to the masses", used to refer to prestigious goods at more accessible prices.

This outlines that there is a huge opportunity for creating a new luxury market segment and a new offer to a more sophisticated and open-minded consumer. At the same time,

²¹ Sortie du temple or "descent from the temple," was coined by Bain & Co. to identify the first growth period that the personal luxury goods market experienced between 1994 and 2016. This phase was subsequently followed by other two: the democratization stage and the "Chinese shopping frenzy", in which global luxury goods consumption was driven by Chinese demand. After phases of weakness, caused by the Great Recession and today's economic and political uncertainty, those three periods were then followed by the Reboot phase taking place after the Great Recession and the current stage named "new normal", where the market has entered in a moderate growth phase. Source: <https://seekingalpha.com/article/4082331-examining-growth-of-luxury-industry-in-asia-through-the-cult-of-luxury-brand>, accessed 19th 2017

²² The "trading up" term was introduced by Silverstein and Fiske in 2004 in reference to the desire and intention to pay a premium price for goods that have a high degree of quality, aesthetic taste and attractiveness compared to products in the same category but that are not so unapproachable. People are thus inclined to spend more on the product categories and brands they are interested in (trading-up) and less on other product classes (the so-called trading down) to be able to invest savings in new luxury products. Source: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7355146/>, accessed 28th September 2020

however, this massification trend in a certain sense is undermining and denaturalizing one of the pillars of the luxury sector: its exclusivity. Kapferer and Bastien (2012) sustain in this regard: “When a product sells too fast, discontinue it”²³, meaning that this product is becoming too accessible, slowly moving from luxury to fashion.

1.6.1 Global Context

The 18th edition of Bain Luxury Study, published by Bain & Company for Fondazione Altgamma (2019), analyzed the latest developments in the global luxury goods industry, as well as its future outlook.

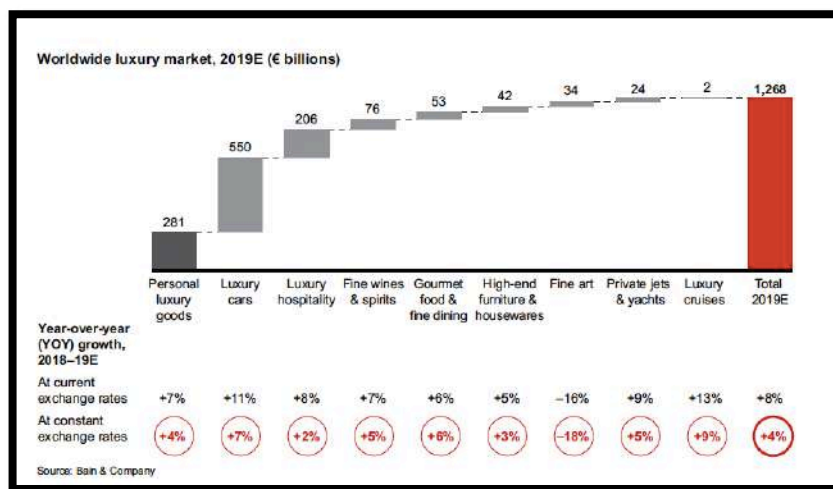


Figure 4. Source: Bain & Co. - Altgamma 2019 Worldwide Markets Monitor

As depicted in the graph above, the luxury industry tracked by Bain & Co. comprises nine segments covering both traditional and non-traditional luxury product categories. In 2019, the global luxury market in all its segments grew by 4% achieving about €1.3 trillion of total revenues. However, in relation to revenues and growth of the same year, it had been mainly led by three most valuable segments: luxury cars, personal luxury goods and luxury hospitality, which together account for more than 82% of the total market.

Indeed, the dominant position continued to be held by the sales of luxury cars which achieved a 7%, amounting to €550 billion in total. Luxury cars are one of the main ways in which people can show off status and affluence; as a consequence, within this market, the

²³ Kapferer, J.-N., (2014), “The future of luxury: Challenges and opportunities”, *Journal of Brand Management*, 21(9), 716–726, <https://doi.org/10.1057/bm.2014.32>

aspirational segment has continued to outperform in recent years. Another segment which is worth to be mentioned is also the raise of the so-called "experiential luxury".

This relatively new segment, strongly favored by luxury consumers, has been one of the most fast-growing components of the luxury sector in the latest years and it is mainly triggered by luxury hospitality (high-end hotels, resorts, cruises and restaurants). Luxury players like LVMH, Kering and Richmond, in fact, have rapidly flowed their investment into luxury hospitality with a belief that the future will not only consist of goods, but will also involve luxury experiences. However, according to Bain & Co., a slight turnaround was observed in 2019, favoring the purchase of luxury products over experiences.

Therefore, the market deserves a separate note about personal luxury goods, defined by Bain & Company as the "core of the core" in all the luxury segments, as well as the cornerstone of this research.

As the second most lucrative category after the automotive sector, personal luxury goods increased consistently over the past couple of decades, accounting for about 20-25% of the global luxury market. Up to 2019, this category has maintained a moderate growth pace, reaching a record high of €281 billion and climbing 4% growth (7% at current exchange rates)²⁴.

Nevertheless, after experiencing nearly two decades of uninterrupted growth, the luxury personal goods market in 2020 was hit hard by the outbreak of the Covid-19 pandemic: since personal luxury goods are not essential commodities, in critical situations consumers tend to abandon them first.

Facing the current scenario, the last report "Altagamma Consensus 2020 Update" released by Bain & Co. in collaboration with Altagamma Foundation, has offered a forecast overview on the consumption of personal luxury goods in 2020.

Jewellery (with -22%) and watches (with -25%) as well as clothing (with -21%) are the product categories which are suffering more than others. In particular, the hard luxury category declined the most, due to a lack of online sales platforms to balance the shutdown of physical channels. When it comes to the luxury market, the pandemic has certainly shaken some of its foundational aspects triggering changes that could become permanent on the long period.

²⁴ D'Arpizio, C., *Eight Themes That Are Rewriting the Future of Luxury Goods*, (2020), Bain & Co., <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>, accessed 5th February 2020

The self-isolation imposed has also led to a change in consumer shopping habits. As they feel more comfortable and secure shopping online at high prices than visiting crowded public spaces, there has been a considerable global increase in online shopping through e-commerce channels (digital retail should grow by 16%, while digital wholesaling by 12%). Other sales channels, such as the European and North American multi-brand retail as well as the physical wholesale, already in difficulty even before the pandemic, are estimated to decrease by 21% on retail purchases and 29% in the wholesale channel.

Consequently, luxury companies are strengthening their online presence to make up for the shortcomings of in-store purchases, through the establishment of new mono brand online stores or following the path previously adopted by large digital players that today represent half of the online shopping (i.e. Net-a-porter and Farfetch). This section, referring to the Chinese market, will be analysed in-depth in chapter three.

Bain & Co. for the whole year 2020, has elaborated three possible evolutionary scenarios for the global luxury market, which take into account the immediate loss of sales in direct stores and the future reduction of orders from the indirect distribution channel. The analysis suggests a contraction between 22% and 25%²⁵, equal to a decrease between 60 and 70 billion €, with a more than proportional impact on profitability.

Growth is expected to resume in a long-term perspective. However, what is certain is that the luxury industry will continue to feel the impact of Covid-19 in 2021 and beyond. Some countries, such as China and other Asian developing countries, are likely to experience a rapid recovery, with a smaller decrease (-5%) than Europe (-29%) and the Americas (Latin America -21% and North America -22%).

Going forward, it will not be easy for fashion and luxury leaders to navigate this general uncertainty: some brands will struggle to preserve integrity of their business, while others will emerge from the post-pandemic era even stronger, more innovative and more purposeful.

1.6.2 Local context: Luxury in China

As previously mentioned, nowadays luxury has expanded from traditional markets (Europe, the United States and Japan) to emerging markets (APAC), since they are extremely

²⁵ D'Arpizio, C., *Luxury after Covid-19: Changed for (the) Good?*, (2020), Bain & Co, <https://www.bain.com/insights/luxury-after-coronavirus/>, accessed 26th March 2020

attractive and they represent new sources of opportunity for the sector. The reason is that these are rapidly developing countries with large territories and consumer base, and most of all, they show a high growth rate of gross domestic product (GDP): the best predictor of growth in luxury sales (Bernstein Research, 2014).

China represents one of the most evident cases in this sense: over forty years of unparalleled economic growth have allowed the country to become the second largest economy in the world, with GDP growth of almost + 10%²⁶ per year.

The “Chinese market”²⁷, the focal point of the present research, with a current population of 1.4 billion²⁸ and a total land area of 9,38 million km², has started its economic escalation since 1978, when President Deng Xiaoping (邓小平, 1904-1997) liberalised the Chinese economy through the introduction of the Open Door Policy (simplified Chinese: 改革开放, pinyin: Gǎigé kāifàng). This system included a series of structural reforms in the People's Republic of China (PRC) with a twofold objective: on the one hand, to favor the economic development of internal areas of the country (in particular the coastal areas) and on the other, to open up to the external capital market.

After opening to international trade, China has become one of the best destinations for foreign companies to relocate their business activities. In particular, Western luxury brands, having foreseen the potential offered by the Chinese market, have boldly begun to enter this intrinsically diversified territory since the nineties. Among the pioneers: Ermenegildo Zegna in 1991, Louis Vuitton and Cartier in 1992, Hermès and Chanel respectively in 1997 and 1999.

At the end of 1990, the luxury market in China was still very limited and only present in the top tier cities such as Beijing, Shanghai, Shenzhen and Guangzhou, also known as "the big 4"²⁹. It had to wait until 2001, with China's entry into the World Trade Organization

²⁶ *Overview*, (n.d.), The World Bank in China, <https://www.worldbank.org/en/country/china/overview>

²⁷ The Chinese market is referred to Mainland China which includes 22 provinces, five autonomous regions (Inner Mongolia, Ningxia, Guangxi, Xinjiang and Tibet) and four municipalities (Beijing, Shanghai, Tianjin and Chongqing) Source: Hu, L. (2020), “International Digital Marketing in China: Regional Characteristics and Global Challenges” (First Edition), *Palgrave Pivot*, <https://doi.org/10.1007/978-3-030-38160-8>

²⁸ *China Population*, (2020), Worldometer, <https://www.worldometers.info/world-population/china-population/>, accessed 1st July 2020

²⁹ A common approach to the segmentation of the Chinese market is the city-tier system: first-, second-, and third-tier cities, followed by forth- and fifth- tier cities, located in more rural areas. The classification into tier groups is based on the level of economic development (GDP and per capita income), population size, level of infrastructures and services. Source: Hu, L. (2020), “International Digital Marketing in China: Regional Characteristics and Global Challenges” (First Edition), *Palgrave Pivot*, <https://doi.org/10.1007/978-3-030-38160-8>

(WTO)³⁰ and with the promotion of the so-called “Western development program”³¹, to witness a significant growth and expansion of the luxury goods market even in second tier cities such as Tianjing, Nanjing, Hangzhou, etc.

Over the past two decades, the Chinese luxury market has steadily grown year over year, becoming the lifeblood of many European brands which have consolidated their presence across the country through luxury and mono-brand stores, ambassadors of the brand's DNA. Furthermore, the progressive reforms implemented over forty years have also led to a profound social transformation in mainland China, favoring the development of a new economic élite.

Indeed, the significant improvements in Chinese population’s living standards, in terms of rising incomes and purchasing power, have led a wealthy new middle class to regain confidence and enjoy life after decades of deprivation. Encouraged by former President Deng Xiao Ping's 1978 motto: "*Getting rich is glorious*"³², they have begun to pursue more sophisticated needs, leading to an increase in demand for luxury and generating a huge market opportunity for the luxury practitioners.

Over the past decade, China has accounted for 70%³³ of the expansion in the luxury market segment and this dominance is expected to continue till 2025. According to 2019 McKinsey China Luxury Report: "*China delivered more than half the global growth in luxury spending between 2012–18 and is expected to deliver 65 percent of the world’s additional spending heading into 2025.*"³⁴

³⁰ The World Trade Organization (WTO) is the only international economic organization worldwide dealing with the rules of trade between nations. The goal is to help producers of goods and services, exporters, and importers to conduct their business. Source: https://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm

³¹ The “Go West” strategy or the “Western development program”, was launched in 2000 to boost economic development of twelve Western provincial-level regions: Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Ningxia, Xinjiang, Inner Mongolia, Guangxi and Qinghai. Source: http://english.www.gov.cn/premier/news/2016/12/27/content_281475526349906.htm, accessed 27th December 2016

³² Wikipedia Contributors, *Deng Xiaoping*, (2020), Wikiquote, https://en.wikiquote.org/wiki/Deng_Xiaoping, accessed 7th January 2020

³³ Cabigiosu, A., *An Overview of the Luxury Fashion Industry*, (2020), PubMed Central (PMC), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7355146/>, accessed 28th September 2020

³⁴ McKinsey Greater China’s Apparel, Fashion and Luxury Group, *China Luxury Report 2019: How young Chinese consumers are reshaping global luxury*, (2019) McKinsey & Company, <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/how%20young%20chinese%20consumers%20are%20reshaping%20global%20luxury/mckinsey-china-luxury-report-2019-how-young-chinese-consumers-are-reshaping-global-luxury.ashx>

Sales are mainly driven by the growing purchasing power of young Millennials and Generation Z, who make up 500 millions of China's 1.4 billion inhabitants, and in 2018, this group was responsible for about 60% of growth in total spending within the country (Hopkins, 2020).

The Millennial generation grew when China emerged as an economic powerhouse, it is now at the peak of its career and earnings, often travels and fuels luxury purchases as an ostentation of its own individualism and success, whereas the post-nineties Generation Z, represents the vanguard of Chinese urban middle-class spenders, placing itself as the new frontier of tomorrow's luxury market.

In research from BCG and Tencent (2019), this young Chinese clientele, until last year, favored the purchase of prêt-à-porter, watches / jewellery and bags. Each of these categories contributed to 6-7 billion euros in retail sales and reached 35% of the value of personal luxury goods sold worldwide.



Figure 5. Source: BCG and Tencent (2019)

This optimistic growth has suffered a setback due to some recent events such as the massive ongoing protests in Hong Kong (the luxury market fell down 20% from € 10 billion in 2013 to € 6 billion in 2019), a protracted political tension generated by the trade war with the United States and, last but not least, the coronavirus epidemic, which led the Middle Kingdom to an unprecedented socio-economic situation, with strong repercussions also on the luxury market front. The black period for China particularly covered the first quarter of 2020

(January-March months), with a decrease of 6.8%³⁵ in GDP: according to Asia Perspective, this is the first strong economic contraction for Mainland China since 1976.

With the reopening of the businesses since mid-April, the Chinese market already appears to be on its way to recovery (Bain & Co.), led by the so-called Revenge Shopping: the impulse to make purchases in an unregulated way, especially in luxury boutiques to compensate for the months of seclusion.

Although there are different school of thought about the future scenarios, it is already possible to foresee three main trends which are going to reshape the Chinese luxury market in a permanent way:

a) demand for luxury will continue to develop in China's lower tier cities, meanwhile younger generations are still emerging as keen spenders (almost 60%³⁶ of Gen Z and Millennials are set to return to spending before their older counterparts).

b) Due to the persistence of travel restrictions and in order to prevent further waves of the outbreak, many purchases that would have been made abroad will take place in China. Therefore, localized luxury shopping will further stimulate the domestic consumption, already encouraged in the latest years by the Chinese government through fiscal policies to prop up national consumption and fight the army of "daigou agents"³⁷. As a matter of fact, another recent trend which comes together with the rise of the new Chinese upper-middle class is its propensity to travel abroad for the purchase of luxury goods. This tendency is mainly dictated by the favorable exchange rates and competitive prices of the products in Western markets compared to the Chinese one.

c) Since the closure of physical stores impeded the fulfillment of Chinese luxury demand in-real-life experience, the pandemic has further accelerated a shift to digitalization. Therefore, luxury companies were forced to rethink to their sales strategies during the

³⁵ *China Economic Update Report. This Issue: China's Economic Performance in Q1 Businesses Affected by the Pandemic The US – China Trade War progresses*, (2020), Asia Perspective, <https://asiaperspective.net/ap17/wp-content/uploads/2020/05/china-economic-update-2020Q1-01.pdf>

³⁶ Hopkins, I., *How coronavirus is reshaping the luxury market*. (2020), GlobalWebIndex GWI, <https://blog.globalwebindex.com/chart-of-the-week/coronavirus-reshaping-the-luxury-market/>, accessed 27th May 2020

³⁷ Daigou (Chinese: 代购; pinyin: dàigòu) also known as the grey market, is an emerging form of cross-border exporting in which overseas personal shoppers ship luxury goods to local consumers avoiding taxes' payment. Analysts have estimated the daigou market to be worth tens of billions of dollars annually. Sources: <https://en.wikipedia.org/wiki/Daigou>, accessed 20th September 2020 and <https://www.voguebusiness.com/consumers/china-luxury-consumers-domestic-spending>, accessed 7th October 2019

lockdown, devising innovative ways to meet Chinese customers online. Some digital shopping habits and business pivots (e.g. online assortment, user experience and digital marketing), will stick serving as alternative plans to continue to communicate and reach their clientele.

d) Given the dynamicity of the Chinese market and its ability to contain the outbreak relatively quickly, Bain & Co. (2020) believes in its faster economic recovery from crisis, which will lead it to play an even greater role at the geopolitical level.

CHAPTER 2. China's Gem and Jewellery Market

2.1 Analysis of the relationship between jewellery and luxury goods



Figure 6. Source: personal elaboration with <https://www.wordclouds.com/>

Clarifying the relationship between jewellery and luxury allows to better define the business operations and the future direction of the industry, which, according to experts and specialists of the sector, is one of the most promising categories within the contemporary personal luxury goods market. It is a matter of fact that demand for diamonds, gold and fine jewellery is always on the rise. Therefore, their purchase can be considered a real long-term investment. As the Julius Baer Group in the “Wealth Report Asia” affirmed: *“The beauty of investing in jewelry is that it is ‘wearable art’ – a piece that can be loved and worn and constitute part of an investment portfolio.”*³⁸

The approach adopted in this research to understand the reason why jewellery is considered as a luxury asset is to refer to the main properties of luxury goods previously analysed and, subsequently, observe how they are reflected in jewellery products.

1) **Inessential.** As outlined in Chapter one, luxury items are a kind of high-value-added goods with unique features, which do not contribute or satisfy any subsistence or people’s

³⁸ WEALTH REPORT ASIA- LUXURY JEWELLERY FEATURE, (2018), JULIUS BAER GROUP, <https://www.scbjuliusbauer.com/medias/scbjub/upload/LuxuryJewellery.pdf>

primary need, but only specific consumption desires. Their value is high and satisfies aesthetics, self-esteem, self-reward and other spiritual needs. They want to show off the social status of the wearer.

- 2) **Carrier of historical values.** Jewellery has always been an important economic commodity, bearing the weight of the rich connotations of history, culture and aesthetics. When archeologists unearthed humanity's earliest settlements, they often found jewellery items among the artifacts (GIA, 2019). Therefore, since ancient times, people have always appreciated adorning themselves with jewels for their precious appearance, which not only grabs the attention, but also allows the wearer to express its individuality through infinite possible combination of different colors, texture, sparkle of gemstones and metals. Just as every luxury brand boasts over hundreds of years of tradition, an established world-renowned status, a proud brand awareness and a rich management experience, all this also holds true for the jewellery industry, in which brilliant artists have been creating unique jewellery pieces since decades and design Maisons like Cartier, have been around since the late XIX century.
- 3) **Carrier of cultural values.** Jewellery conveys not only the exquisite and luxurious appearance, but also the cultural values deriving from its own house or the cultural heritage of the country of origin. Indeed, different cultures attribute different interpretations to gems. For instance: emerald is often associated with factors such as royal influences, prosperity and fortune, while jade in China is associated with the rich Confucian culture and it psychologically generates feelings of beauty, wealth, morality and ethics.
- 4) **Pricey.** As a luxury, fine jewellery is a commodity that has a different price from that of ordinary goods. The high price tag of a luxury jewellery piece is justified by the prestigious brand behind it, the intricacy of its craftsmanship, the preciousness and rarity of stones: all these features enhance its desirability. Market trends and the provenance history affect the price of luxury jewellery as well (Julius Baer Group, 2018).
- 5) **Subjective nature.** Given the subjectivity of the luxury concept, the decision to purchase jewellery is also highly dependent on subjective perceptions, such as personal taste, knowledge, experience as well as social factors like status and circle of acquaintances. Jewellery that conveys the prestige and family tradition is more likely to be sold to a customer who perceives that connection. Others are attracted to jewellery that stands out

as artistic or unusual. The richer and more sophisticated the consumer is, the more high-end jewellery products will satisfy intangible or high spiritual needs.

- 6) **Reliable quality and outstanding craftsmanship.** Luxury goods not only require high price, but also exceptional quality coupled with it. This involves both advanced technology and rich experience in processing and production, but also striving for perfection and meticulous attention when selecting raw materials: *“from 18 karat gold to eye-clean gemstones and conflict-free diamonds, acquiring the best raw materials and crafting them to perfection takes serious monetary investment and fine artisan skills.”*³⁹ Even though for this reason the price drives up, at the same time it is a guarantee of quality to the consumer when compared to any cheap counterfeit jewel.
- 7) **Durability and long-term preservation.** In addition to high economic and aesthetic value, jewellery as a mineral, gemstone and an organic compound must meet the requirements of hardness and chemical stability in nature, allowing it to withstand the processing phase and the daily wearing. Most types of natural gemstones, which have been included in the luxury goods ranking, already possess special attributes such as rarity (relative and absolute) and natural beauty even without any art or design manipulation. As an example, diamond’s hardness-related benefit is durability, which enables it to retain beauty and value over time. As high-end authentic jewellery is crafted from exceptional, near-eternal materials and imbued with the prestige of their brand, they can better preserve their physical and spiritual value over time. In this sense, they are closer to the concept of “timeless luxury”. That is the reason why valuable jewels belonging to a particular family are often handed down from one generation to the next: these are the so-called "family jewels".
- 8) **Scarcity and low output.** The degree of scarcity both in jewels and luxury goods can be due to natural resource constraints (since mineral resources and raw materials on earth are limited, hence jewellery is naturally scarce) or an artificial control over production (i.e. the process production link is complex, the product molding cycle is long, and so on). More importantly, this is frequently the result of a planned business strategy that the majority of luxury companies adopt to maintain a limited coverage in the market and increase the

³⁹ LuxuryBazaar.com, *Why Do People Buy High-End Luxury Brands of Jewelry?*, (2019), Medium, <https://medium.com/@luxurybazaar/why-do-people-buy-high-end-luxury-brands-of-jewelry-2ee1ce4c4aca>, accessed 27th November 2019

economic value. When buying luxury goods, it could happen that the desired item is out of stock because of the low output or it is in a limited edition. Unlike general commodities, some luxury goods are intentionally not produced in large quantities and this is a way for luxury companies to tie the customer: a jewellery that sets itself apart from the mainstream can have a strong psychological appeal for consumers.

9) **Exclusivity and prestige.** When we think about luxury, images of success, power, class distinction and wealth come to our mind. Luxury jewellery brands cultivate this imagery through captivating advertisements and celebrity ambassadors, who embody these desirable traits. Hence the luxury consumption of such products creates a feeling of exclusivity and a sense of prestige in the consumer's mind.

Based on the above in-depth analysis, it can be assumed that high-end jewellery products are considered to be valid carriers of values for luxury goods, primarily in terms of rareness, beauty and durability.

Nevertheless, according to some scholars, the majority of jewelleries (mid low-end gemstones) do not possess all the required conditions to enter the luxury goods zone. The reason lies in the fact that the value of fine jewellery products largely comes from the artist's creative inspiration and craftsmanship ability, which is reflected in the masterful usage and combination of gemstones. After designing, processing and setting gemstones, they become real pieces of jewellery injected of artistic elements; hence closer to luxury products.

However, in order to be positioned in the luxury segment, high-end jewellery, like other luxury goods, requires a series of strategic marketing operations to be implemented, such as: satisfying the spiritual and social needs of the target market, creating an emotional and premium experience, transmitting the value of the products to the target consumer and meeting its expectations. In this perspective, jewellery plays well in established markets like Europe, Japan and the US, where the luxury goods customer base is older and more conservative, while in other less mature markets like China and India, even though they represent two of the world's largest jewellery markets, both of them still lack of a comprehensive strategic and managerial approach. In particular, the Chinese jewellery market (the core of this chapter) is still dominated by non-branded jewellery products, accounting for about 80% of it, which are severely homogenized with a lack of artistic value and design. This is an important reason why, scholars in the field of luxury goods believe that, considering the current situation, many jewellery products cannot be classified as luxury goods in China and

the country does not possess real luxury brands. A huge gap between Chinese existing jewellery companies and foreign ones is still present.

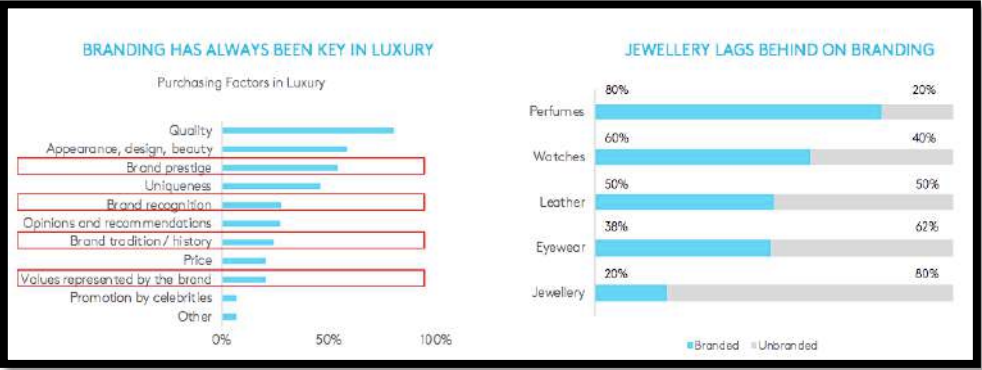


Figure 7. Branding is a challenge for jewellery, particularly in China.
 Source: Platinum Jewellery Business Review, 2020

According to the “Research of the Relationship between Jewelry and Luxury Goods”⁴⁰, the concept of innovation is crucial for the development of Chinese jewellery companies, which would allow to improve the competitiveness of enterprises and obtain sustainable development opportunities. The authors believe that only by creating jewellery products of superior quality and craftsmanship, establishing a relationship of trust with high-end consumer groups, improving brand equity⁴¹ as well as delivering value communication, jewellery products can play the role of luxury goods, obtaining higher profits and growth margin. The Chinese jewellery enterprises are still weak in those aspects.

2.2 The evolution of China’s jewellery market

The rise of Chinese buyers over the past decade deserves close watching. According to figures from Euromonitor, China was the world’s largest jewellery market before coronavirus hit, accounting for 29.5%⁴² of overall jewellery retail sales in 2019.

⁴⁰ ZHANG Pengfei 张鹏飞, LI Bin 李斌, ZHOU Qishen 周琦深, YIN Zuowei 尹作为, BAO Deqing 包德清, *Zhubao yu shechepin guanxi yanjiu 珠宝与奢侈品关系研究 (Research of Relationship between Jewelry and Luxury Goods)*, Gemmological Institute and School of Economic and Management, China University of Geosciences, Wuhan, *Journal of Gems and Gemmology*, December 2013, Vol. 15 No. 4

⁴¹ Brand equity is a term used in the marketing field that describes a brand’s value which is determined by consumers’ perception and experiences with the brand in question. Source: <https://www.shopify.com/encyclopedia/brand-equity>

⁴² Hall, C., *If You Aren’t Already Selling Jewellery in China, Now Is the Time*, (2020), The Business of Fashion, <https://www.businessoffashion.com/articles/professional/if-you-arent-already-selling-jewellery-in-china-now-is-the-time>, accessed 26th August 2020

Therefore, it is relevant to retrace the evolution of the sector in order to understand its growth pattern and the current and future dynamics.

2.2.1 Historical background

Jewellery boasts a well-established history in China, which began with the predominant use of jade (in Chinese: 玉, pinyin: yù) amid the Neolithic period, or the so-called "New Stone Age" (10,000–4,500 BC), as demonstrated by numerous archaeological findings.

Jade is present from the earliest period and continues to be dominant in the Chinese civilization and culture. It is worth noting that, before jadeite was imported from Burma, in Myanmar, during the Qing dynasty (1271–1368 BC), the term "jade" in Chinese was referred to nephrite⁴³. Owing to its special color, luster and structure, this kind of soft jade was believed to represent the conservative character of China's culture and the spirit of its people. Archaeological artifacts reveals that, originally jade was mainly used for practical and ritual purposes such as sacrificial vessels often buried with the dead⁴⁴, utensils, but also ancient music instruments such as the yùxiāo 玉箫 (a flute made of jade and played vertically).

Later, the Chinese jade gradually became the chosen stone also for ornamental wares such as jewellery and carvings. Chinese population and emperors have always prized jadeite not only because of its material beauty, grace and monetary worth, but also because of what it represents in regards of social value. Indeed, a Chinese saying goes: "*gold has a value, jade is invaluable.*"⁴⁵ In the Lǐ jì 礼记 (Book of Rites), Confucius identified eleven Dé 德, or virtues, rooted in jade: benevolence, justice, propriety, truth, credibility, music, loyalty, heaven, earth, morality, and intelligence (Shan, 2018). Also, in the Shī jīng 诗经 (Book of Odes), Confucius wrote: "*When I think of a wise man, his merits appear to be like jade.*"

Historically, jadeite was imported from Burma by two routes: from the southwestern border of China and through the port of Guangzhou, which became the capital of the jadeite trade. Famous jadeite manufacturing and trading centers such as Guangzhou, Jieyang, Sihui

⁴³ Jade is classified into soft jade (nephrite) also called traditional jade and hard jade (jadeite). Source: <https://www.thoughtco.com/about-jade-culture-629197>, accessed 6th December 2018

⁴⁴ An example of the ritual importance of jade is the burial of Liu Sheng, a prince of the Zhongshan State (Western Han dynasty) who died in 113 BC. His body was buried in a jade suit composed of over 2,000 pieces stitched together with gold thread. Source: <https://www.thoughtco.com/about-jade-culture-629197>, accessed 6th December 2018

⁴⁵ Shan, J., *Importance of Jade in Chinese Culture*, (2018), ThoughtCo, <https://www.thoughtco.com/about-jade-culture-629197>, accessed 6th December 2018

and Pingzhou are still very active and high-end jadeite products are in demand domestically and around the world.

Since the dawn of Chinese history, in addition to the primary use of jadeite, gold and silver have also been used for decorative purposes: first as simple gold sheet and leaves discovered in the Shang dynasty's tombs (1700-1100 BC) and then, with the development of manufacturing techniques during the Han and Tang dynasties (265–907), precious metal decorations evolved into delicate jewelries. This art of precious metal culminated in the Ming and Qing dynasties (1368-1912), with the production of high-end gold and silver wares crafted for royal families.

Throughout China's imperial history, small-scale manufacturers, together with royal studios, were predominant in the market. Once the emperor commissioned a workshop to manufacture an item, the product was hallmarked and could not be traded by private parties. The strict enforcement of this trading rule delayed the development of the jewellery industry in China.

2.2.2 The birth of Modern Jewellery Industry

The advent of modern Chinese jewellery industry took place with the rise of Yínlóu 银楼, (translated as “silver mansion or silverware shop”), from the end of the Qing Dynasty until the foundation of the People's Republic of China (PRC) in 1949.

Yínlóu consisted in a group of private businesses that acted as precious metal manufacturers and dealers; most of them also served as pawn shops. The British victory in the First Opium War⁴⁶ (1840–1842) paved the way for the development of modern industry in China: modern factories and businesses began to form. Unlike the workshops and the royal manufacturers established before the Opium War, the Yínlóu were financially supported by

⁴⁶ The First Opium War (1839–1842) was fought between China and Great Britain, whereas the second Opium War (1856–60), was fought by Great Britain and France against China. In both circumstances the foreign powers were victorious and gained commercial privileges as well as legal and territorial concessions in China. The conflicts marked the start of the era of unequal treaties and other inroads on Qing sovereignty that helped weaken and ultimately topple the dynasty in favor of republican China in the early Twentieth century. Source: <https://www.britannica.com/topic/Opium-Wars>, accessed 5th February 2020

private investors and operated on a larger scale. In the early Twentieth century, with the end of the Qing dynasty, many of these businesses gained a high reputation and became leaders in the sector, contributing to set the stage of modern Chinese industry. As an example, in Shanghai in 1896, nine respected Yínlóu merged into a single association of the jewellery industry. From that moment, precious metal trading in Shanghai has been self-regulated (Sun and Nie, 2008). Among the original nine companies, Lao Feng Xiang is one of the oldest and most famous. Constituted in 1848, it operated three chain stores in Shanghai until 1949; then, in 1952, the stores were acquired by the Communist government and are still state-owned.



Figure 8. An example of Yinlou.

Source: <https://sns.91ddcc.com/t/52900>

However, during the Sino-Japanese War (1937–1945) and the Cultural Revolution (1966-1976) nearly all of Yínlóu disappeared; only a few of them survived and they are actually struggling to revitalize their business in the current jewellery market.

After the Cultural Revolution, China finally had the opportunity to modernize its economy, thus posing the basis for a new era for the Chinese jewellery industry. According to the experts of the sector (Hsu T. et al., 2014) these thirty years of modernization can be approximately divided into four stages:

1. Recovery Period (1976–1989). Amid the Communist Cultural Revolution, with the rigid enforcement of Communism, jewellery and other luxury products were taken off the market. Therefore, the domestic jewellery market did not take shape until the 1980. More precisely, in 1986, the political constraints imposed on the jewellery industry were finally removed thanks to the government release of gold supplies to the market for jewellery manufacturing. Consequently, the Chinese jewellery market became independent after nearly thirty years of state control.

From that moment, new jewellery companies and old brands actively worked to build their businesses. Yet, sales were still strongly confined, due to China's weak economic performance of the time and a lack of discretionary income among its citizens. In that period, consumers had almost no knowledge about jewellery, and they mostly purchased whatever

was available, simply as a safeguard against inflation. The supply often could not satisfy their increasing demand because of a limited amount of gold circulating in the market. Retailers were primarily state-owned department stores, while privately-owned companies were rare (Qiu et al., 2002).

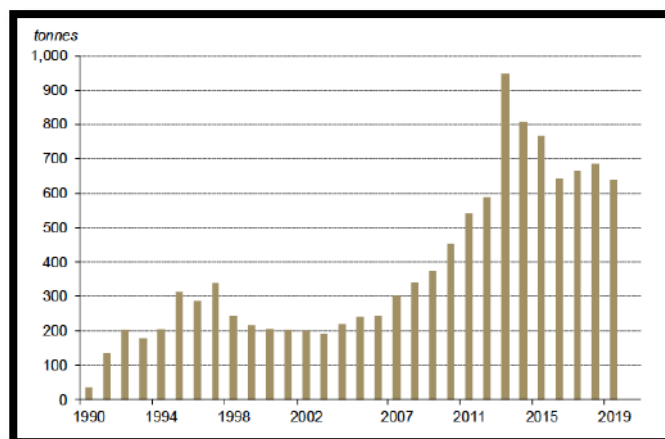
2. Dynamic Growth (1990–2000). The birth of the modern luxury sector in the early nineties also led the Chinese jewellery industry to experience a dramatic upswing. Following Deng Xiaoping’s opening up and the economic reform plan in 1978, China’s jewellery demand began to soar, fostering the development of the sector (World Gold Council, 2020).

More and more jewellers flocked to the young cities in the nineties. In particular, state-owned jewellery businesses began to be formed. Investing in human resources and technology, they started to collaborate with foreign companies as well as with large state-owned department stores. In this context, many foreign jewellery firms took the opportunity to enter the Chinese market for the first time, as the case of the four most successful Hong Kong jewellery brands (Chow Tai Fook, Chow Sang Sang, TSL and Luk Fook); De Beers also established its first Chinese diamond promotion center in Shanghai.

According to China Economic Net statistics (2012), in 1990, gross jewellery sales were about 2 billion yuan (US\$300 million), whereas by the year 2000, this number raised up to 89 billion yuan (US\$15 billion), with the presence of about 20,000 jewellery businesses employing over three million workers (Gemological Association of China, 2013).

Unlike the industry recovery phase where most stores only sold fine gold items, jewellery featuring mounted gemstones also found a market at this point, but the clientele was still uneducated. The state-owned department stores were still the main jewellery-selling channel.

Figure 9. China's jewellery demand since 1990.
 Source: China Gold Association, Metal Focus,
 World Gold Council (2020)



3. Steady Growth (2000–2008). The XXI century paved the way for the steady growth period of China’s domestic jewellery industry. The country became the world’s leading consumer market for platinum jewellery, with a booming demand for gold and diamond as well. Facing the rise in discretionary income, which led the sector to occupy the third position in the purchase of investment goods after real estate and automobiles⁴⁷, the central government decided to enact a series of reforms on its tax system.

In addition, gold and diamond import exchanges have been simplified thanks to the introduction, in 2002, of the Shanghai Gold Exchange (SGE)⁴⁸ by the People’s Bank of China⁴⁹ and the Shanghai Diamond Exchange (SDE)⁵⁰ established in October 2000, as the two main organizations responsible for regulating the importations of gold and diamond transactions within the domestic country.

As a result of an unprecedented growth and development, the focus of the industry began to shift from quantity to quality, underlying that both the Chinese jewellery market and its consumers have become more mature and aware. Jewellers realized the importance of branding and promoting products, not only by simply lowering prices, but also emphasizing their cultural and historical significance. By adopting this approach, consumers started to pay greater attention to design, varieties and higher added value, rather than just focusing on the employed materials.

4. A New Start (2008-2012). While the global economy experienced a critical downturn with the Great Recession of 2008-2009, the impact on the Chinese jewellery industry was slighter. The rise of domestic jewellery consumption in China has been impressive since 2009, with per capita more than doubling (even though still relatively low if compared to the major developed countries), fuelled by an increasing middle-class spending, higher per capita

⁴⁷ Hsu, T., Lucas, A., Qiu, Z., Li, M., & Yu, Q. (2014), “Exploring the Chinese Gem and Jewelry Industry”, *Gems & Gemology*, 50(1), 2–27, <https://doi.org/10.5741/gems.50.1.2>

⁴⁸ Shanghai Gold Exchange (SGE) (上海黄金交易所; Shànghǎi huángjīn jiāoyìsuǒ) founded by the People’s Bank of China in October 2002, is a nonprofit organization that regulates gold transactions domestically. It provides facilities and supervision for gold transactions, sets precious metal prices domestically and connects the Chinese and international markets. Source: <https://doi.org/10.5741/gems.50.1.2>

⁴⁹ The People’s Bank of China (PBC or PBOC; 中国人民银行; Zhōngguó Rénmín Yínháng) is the central bank of the PRC, responsible for carrying out monetary policy and regulation of financial institutions in mainland China. Source: https://en.wikipedia.org/wiki/People%27s_Bank_of_China, accessed 24th August 2020

⁵⁰ The Shanghai Diamond Exchange (SDE) (上海钻石交易所; Shànghǎi zuànshí jiāoyìsuǒ) established in 2000, is China’s only legal channel for the import and export of diamonds for general trading, as well as for the domestic sale of rough diamonds transferred-out in the course of the processing trade. Source: <https://hkmb.hktdc.com/en/1X002MMK/hktdc-research/China%E2%80%99s-Jewellery-Market>, accessed 8th July 2019

disposable income, rising urban population, growth of tourism industry and so on. However, the market was and is still not free from challenges that are hindering its growth.

In fact, taking into consideration the previous four jewellery modernization's stages identified by Tao Hsu et al. (2013), it is necessary to add a fifth phase which refers to more recent years, characterized by a strong financial market and societal volatility for the sector.

5. Industry Reinvention (2012-present). Chinese consumers' appetite for jewellery has been the largest in the world since 2012. Between 2010-2019, China's annual jewellery demand averaged 677t, accounting for a third of the world's total (World Gold Council, 2020). However, the path to become the world's largest jewellery market was not a straight line. In the last eight years, the market has gone through a period of instability: first experiencing an economic slowdown between 2013 and 2016, which led to an overall decline in the jewellery consumption. Then, after showing signs of a renewed growth between 2017-2018, the jewellery demand has been hard hit again by the COVID-19 outbreak at the beginning of 2020.

Data from the National Statistics Bureau of China indicated that in the first two months of 2020, national jewellery sales plunged 41.1% year-on-year to RMB 27.7 billion (around US\$3.91 billion)⁵¹, resulting as one of the luxury product categories which declined most during the first quarter of the year. The purchase of jewellery was also affected by the high price of gold in recent months.

Although with a lower impact than other countries, Bain & Co. estimates that Chinese consumers' spending will decrease by -9% in 2020, thus limiting consumption on jewellery items. The Chinese jewellery, as that of the luxury market in general, is admittedly experiencing challenging and painful years of transitions, which can also represent a challenge for the advancement of the sector.

As witnessed by the World Gold Council, the industry has proved to be capable of reinvention, as it did in the previous economic downturn of 2013-2016. The sector has gradually returned to business in China since early March 2020, making it the first to restart in the international jewellery scene. Therefore, this is the right moment to further innovate and reinvigorate the sector: in this way, even though the road to full recovery may be long, China will not really lose its lustre among foreign establishments that continually seek to make headway in this promising market.

⁵¹ Informa Markets Jewellery, *COVID-19: Implications on the jewellery sector*, (2020), Jewellerynet.Com - JNA 亚洲珠宝, Vol. 421, https://www.jewellerynet.com/uploads/ebook//jna/2020/Issue421_May2020/v4/

2.3 China's domestic gem and jewellery market segmentation

Albeit with ups and downs, China remains one of the most lucrative jewellery markets on earth, and it can be segmented into three main categories: metal jewellery, precious gemstones jewellery and others.

The first refers to jewellery made from all kinds of metals. According to HKTDC Research (2019), this category can be further divided into four subcategories: jewellery produced from precious metals (gold, platinum, silver and alloy), jewellery crafted from non-precious metals which offer better value for money (common examples are copper and aluminium), jewellery originated from materials that bear a close resemblance to precious ones and that, for this reason, have achieved a high level of popularity, as they offer certain benefits such as color fastness, lower prices and high decorative value. Lastly, thin film jewellery created with special techniques, which consist in bonding a layer of precious metal firmly on the surface of another cheaper material (examples are gold-plated, gold-gilded and forged gold jewellery).

In precious stone jewellery, the second main category, valuable gemstones are made into ornaments through a variety of working processes such as grinding⁵², carving, inlaying and stringing. Common precious stones types comprise diamonds, sapphires, rubies, amber, pearls, jade and topaz.

The third jewellery category is concerned with pieces realized with materials other than metals and precious stones. This includes, for instance, ceramic, ivory, wood, clay, string and leather.

In the whole jewellery industry, China is the world's first consumer of platinum, as well as the leader in global growth demand for gold, diamond, silver and colored gemstones. Since this dissertation is focused on the luxury jewellery industry, now we are going to further examine the characteristics of these precious metals, predominant in the Chinese market.

⁵² Grinding is an abrasive machining process that uses a grinding wheel as the cutting tool. Source: [https://en.wikipedia.org/wiki/Grinding_\(abrasive_cutting\)](https://en.wikipedia.org/wiki/Grinding_(abrasive_cutting)), accessed 9th September 2020

2.3.1 Gold Jewellery

Gold has been present in the Chinese tradition since the Han Dynasty (206 BC-220 AD), but its demand took hold during the Six Dynasties (222-589 AD)⁵³ with the advent of Buddhism, where worshippers made gold offerings, built golden pagodas and Buddha's statues (World Gold Council, 2020).

Throughout China's history, gold has always been considered a conduit for positive wishes to others, representing both spiritual protection and financial success. In fact, its color is traditionally associated to gold seals, used by Chinese emperors to signify their authority, as well as by nobles who wore gold objects to display their wealth.

Therefore, the traditional and emotional value of gold to Chinese people laid the foundations of China as the largest and fastest growing gold market in the world, driven by a steadily affluent society which holds the view that purchasing gold represents a financial foresight on the long-term⁵⁴ and brings good fortune.

In thirty years, China has moved from being a minor producer to become the world's largest gold supplier, overtaking South Africa. According to WCG data, in 2019 the Middle Kingdom represented 11% of the world's total mined gold production, with an annual average of 418t⁵⁵. This was possible thanks to the fact that China's gold production has benefited from Prime-Minister Zhou Enlai's policies and economic reforms since 1975⁵⁶, with the aim of developing the mining industry and stimulating gold production.

After 1990, the shift from a planned economic system to a socialist market-oriented economy, boosted China's economic growth and gold demand, fuelling the growth of gold production, which reached 100t by the early 1990.

⁵³ Six Dynasties (Chinese: 六朝; Pinyin: Liù Cháo) is a collective term for six Han-ruled regimes in China during the periods of the later phase of Three Kingdoms era (220–280 AD), the Jin dynasty (265–420), and the Southern and Northern Dynasties (420–589). Source: https://en.wikipedia.org/wiki/Six_Dynasties, accessed 26th May 2020

⁵⁴ In China gold's price drops are often seen as buying opportunities. Source: <https://www.gold.org/goldhub/research/chinas-gold-market-progress-and-prospects>, accessed 14th April 2014

⁵⁵ World Gold Council, *Gold Market Primer China's gold market*, (2020), GoldHub, <https://www.gold.org/goldhub/research/market-primer/chinas-gold-market>, accessed 10th March 2020

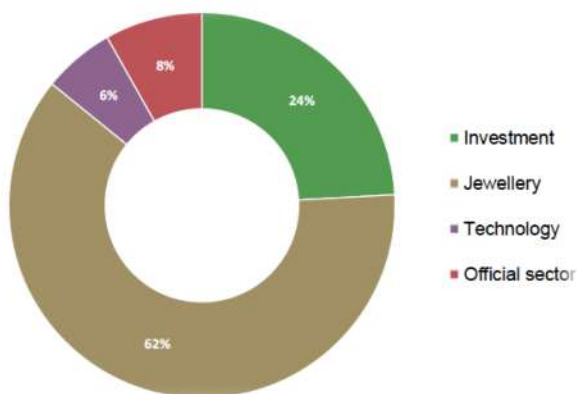
⁵⁶ Zhou Enlai (Chinese: 周恩来; pinyin: Zhōu Ēnlái) was the first Premier of the People's Republic of China from October 1949 until his death in January 1976. He was instrumental in the Communist Party's rise to power under President Mao Zedong and later in consolidating its control, forming foreign policy and developing the Chinese economy. Source: https://en.wikipedia.org/wiki/Zhou_Enlai, accessed 26th September 2020

Historically, the heart of the Chinese gold mining industry is the Shandong province, in particular the Zhaoyuan county⁵⁷ is well known for its abundant gold deposit and the presence of 68 mines. Together with Shandong, also Henan, Jiangxi, Yunnan and Inner Mongolia constitute the top five gold-producing provinces.

The year 2013 marked a turning point for the country which, besides being the world's first producer of gold, also became its first consumer, surpassing India. This led to an impressive rise on gold jewellery expenditure in China, accounting for 30% of global jewellery demand (WCG, 2014). The impressive increase in gold consumption has been founded on a combination of economic, demographic and cultural factors.

As showed by the World Gold Council in Figure 11, the gold jewellery and investment

Figure 11. China's gold demand by sector (data between 2010-2019). Source: World Gold Council (2020)



sectors have both become vital to China's gold market, accounting for 62% and 24% respectively of Chinese gold demand in the past decade.

Focalising on the first sector, WCG affirmed that nowadays: "Jewellery forms the bedrock of demand in China."⁵⁸ Indeed, the Chinese market is almost entirely dominated by plain, 24-karat⁵⁹

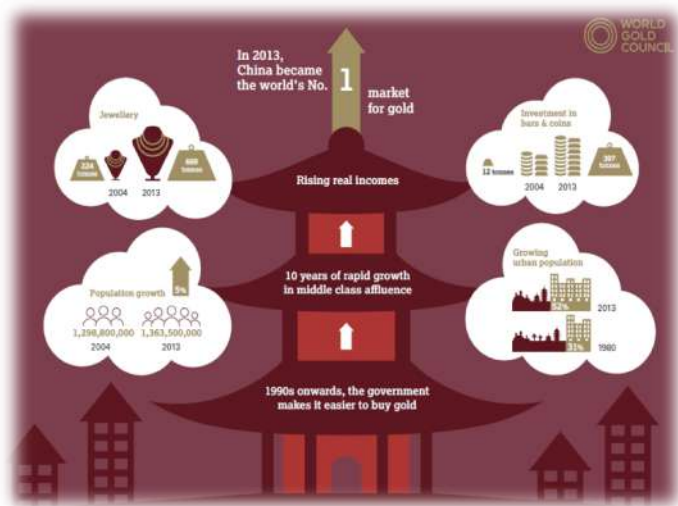


Figure 10. Source: <https://www.gold.org/goldhub/research/chinas-gold-market-progress-and-prospects>

⁵⁷ Zhaoyuan is a county-level city within the prefecture of Yantai, in Shandong Province. Zhaoyuan is well known for its abundant gold deposit and production. In 2002 it was named "China's Gold City" by China's gold association. Source: https://en.wikipedia.org/wiki/Zhaoyuan,_Shandong, accessed 26th May 2020

⁵⁸ Cheng, A., *China's gold market: progress and prospects*, (2014), World Gold Council, <https://www.gold.org/sites/default/files/China%20gold%20market%20%20progress%20and%20prospects.pdf>, accessed 14th April 2014

⁵⁹ The term "karat" refers to gold's fineness, which is based on parts out of 24. This means that pure gold is 24 parts gold—or 24-karat gold. Gold that is 75% pure—18 parts gold and six parts an alloying metal or metals is defined as 18-karat gold. "K" is the abbreviation for karat; it is important to not confuse "karat" with the term

products (known as 足金 zújīn in Putonghua or Chuk Kam in Cantonese), accounting for 85% of gold jewellery sold on the Mainland.

In addition to traditional plain gold jewellery, the market is also made up of 18-karat (K-gold in China) and gem-set products⁶⁰, which respectively account for 12% and 3% of the Chinese market volume (World Gold Council, 2014). In fact, even though 24-karat gold items still dominate China's jewellery market, gold has also made inroads into the gem-set jewellery market and in bridal jewellery.

Moreover, especially in first-tier cities, there is a flourishing market high fashion 18-karat jewellery, with a substantial export volume as well as a growing demand locally from younger consumers. The World Gold Council's report states that, instead of the traditional 24-karat solid gold jewellery, young Chinese consumers are increasingly opting for more innovative pieces, such as 3D hard gold jewellery and lighter weights offered in these categories. Jewellery in 22-karat gold, which benefit from looking like 24-karat items without being as soft, is also gaining momentum in the market.

2.3.2 Platinum Jewellery

China is also one of the largest markets in the world for platinum jewellery. Nowadays, Guo Hua and Cai Shi Kou department stores are two successful sellers of platinum jewellery in Beijing.

According to a report released by the Platinum Guild International (PGI)⁶¹, this precious metal accounts for 70% of China's platinum demand and about twelve million items are sold on the mainland annually (HKTDC Research, 2019). However, in recent years demand for platinum has declined (-13,5%)⁶², both due to a renewed preference to buy gold and to the impact of COVID-19 on global market.

(note follows) "carat," which refers to a measure of gem weight. Source: "Jewelry Essentials", (2019), *The Gemological Institute of America* (GIA)

⁶⁰ Gem-set is a category of 18-karat jewellery in China which incorporates both diamonds and the more expensive coloured stones growing in popularity from a very low base. Source: <https://www.gold.org/sites/default/files/China%20gold%20market%20%20progress%20and%20prospects.pdf>

⁶¹ Platinum Guild International (PGI) is a marketing organisation created in 1975 with the vision to develop the global platinum jewellery market as a new demand source for platinum. Since 1997, PGI has invested US\$150 million into the Chinese market to promote the precious metal, an investment that has yielded a US\$4.3 billion net return to the platinum industry. Source: <https://platinumguild.com/about-pgi/>

⁶² P., *Platinum Jewellery Business Review 2020 (Web Presentation)*, (2020), Platinum Guild International, <https://platinumguild.com/2020-platinum-jewellery-business-review/>, accessed 20th May 2020

According to the Platinum Guild International (PGI)'s quarterly Business Review, this metal owns one of the most valuable attributes a brand could possibly want: love. The Chinese new generation of brides and grooms view platinum's natural white color and durability as the ultimate representation of modern love (*Platinum Bridal Sales 'Strong' in China* | Gold News, 2018), symbol of eternal commitment. For this reason, we are witnessing a growing trend to purchase platinum jewellery feature with gemstones, especially diamonds, for the bridal market⁶³.

Given the maturity and consolidation in the use of platinum for wedding purposes, one of the main PGI's contemporary challenges is to expand the platinum brand beyond the traditional Chinese bridal market, repositioning it in the consumer's mind as the rarest metal for life's meaningful moments.

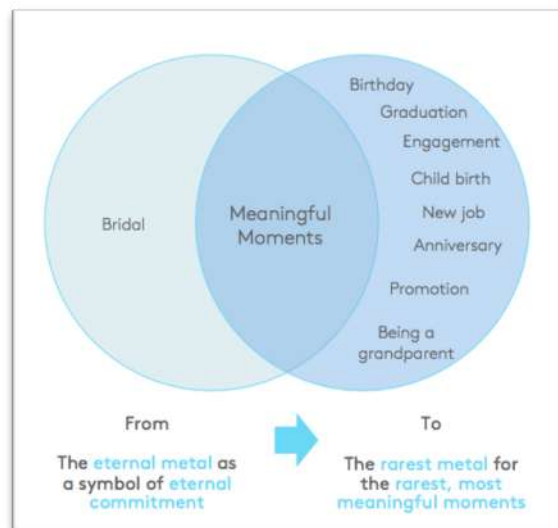


Figure 12. Repositioning the platinum brand to expand beyond bridal. Source: Platinum Jewellery Business Review, 2020

2.3.4 Diamond Jewellery

According to De Beers' Diamond Insight Report (2019), Greater China (including Hong Kong) has seen phenomenal growth in diamond sales over the last three decades and it is now

⁶³ The wedding market is the main one for jewellery sales in China, accounting for about 50% of consumers' jewellery sales. In 2017, more than 10.6 million Chinese couples got married, and numbers are expected to remain at least at this level for the next few years. As jewellery items are seen as essential components of traditional Chinese weddings, the jewellery market is sure to benefit from the increasing popularity of marriage. Source: <https://hkmb.hktdc.com/en/1X002MMK/hktdc-research/China%E2%80%99s-Jewellery-Market>, accessed 8th July 2019

the world's second largest diamond consumer, after the United States: in 2019 sales of diamond jewellery in the US accounted for 90%, compared to 10% of China⁶⁴.

As cited by the leading diamond mining Alrosa, the year 2020 started well for the diamond sector. However, given the spread of the pandemic with ensuing quarantines and declining economic conditions, it was inevitable that also demand for luxury items such as diamonds would have declined.

In early March as Covid-19 impacted the Chinese market, De Beers, the global second-largest diamond producer, registered a 28% decline in sales⁶⁵. But despite the fact that the mid-term outlook remains uncertain, due to continued geopolitical instability and strong signs of an unavoidable recession, overall, diamonds have steadily increased as a share of China's comprehensive jewellery market.

This growing interest in diamonds has mainly come from a much more exposure to Western culture, especially among China's modern consumers who are influenced by books, films and television, often involving heroines and romantic leads, receiving or wearing a diamond ring. As a consequence, in order to celebrate an engagement proposal or wedding, younger Chinese couples have also started to adopt the Western-style tradition of selecting commitment diamond jewellery, which includes diamond engagement rings and diamond wedding bands for women (De Beers Group, 2019).

Although the country still represents a new market for diamonds, the proportion of Chinese brides who acquire a diamond engagement ring has increased rapidly to 47% and continues on an upward course. Diamond earrings, pendants and necklaces are equally chosen nearly as often as for celebrating anniversaries.

In fact, as De Beers (2019) pointed out: *"No other gem is a potent symbol of love and commitment as a natural diamond."*⁶⁶

⁶⁴ Linde, O. et al., *The Global Diamond Industry 2019*, (2019), AWDC and Bain & Company, https://www.bain.com/contentassets/e225bceffd7a48b5b450837adbbfee88/bain_report_global_diamond_report_2019.pdf

⁶⁵ G., *Impact of Covid-19 on the diamond market*, (2020), Mining Technology, <https://www.mining-technology.com/comment/diamond-market-covid-19/>, accessed 20th April 2020

⁶⁶ *THE DIAMOND INSIGHT REPORT 2019: DIAMONDS AND LOVE IN THE MODERN WORLD*, (2019), De Beers Group, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/insights/the-diamond-insight-report-2019.pdf>

A report released by Rio Tinto in 2012, revealed that Chinese consumers no longer consider diamonds as a purely store of wealth or for bridal motives, but they are expressing an ever-growing desire for trendy and Western-inspired diamond jewellery.

Therefore, only by keeping up with changes in the Chinese society, the demand for diamonds will continue to prosper on the Mainland.

2.3.3 Silver Jewellery

China is the world's largest silver jewellery manufacturer. Since 2006, silver domestic demand has been powered by young Chinese consumers in first- and second-tier cities, who are looking for affordable and fashionable styles and abandon the bulky traditional designs for weddings and birth celebrations. Recently, consumers in rural areas have opted for silver jewellery as a lower-cost alternative, to white gold and platinum, laying the basis for a broader competitive scenario within jewellery consisting of platinum and silver; rhodium-plated silver jewelry has also become popular, being similar in the look to platinum.

To meet the requirements of a huge and diversified Chinese consumer market, particularly for entry level customers, domestic manufacturers have produced silver variants of gold jewellery at affordable prices.

2.3.5 Colored Gemstones Jewellery

In recent years, especially since 2010, China's consumption of jewellery has expanded to colored gemstones, reaching the highest retail sales in first- and second-tier cities. As consumers in the third- and fourth-tier urban districts also own more discretionary income, their retail consumption of colored stones is substantially increasing as well.

Nowadays, luxury goods consumers in China turn to precious gemstones jewellery mainly for investment purposes, or simply for their personal interest.

While jadeite remains one of the country's most popular gem materials, many dealers of the sector reported that Chinese buyers are interested in a wider variety of colored stones than in the past years. Ruby and rubellite tourmaline (Figure 13) are two gems which have been enjoying a strong demand in China in the recent years, recording skyrocketing prices

since red is traditionally a popular color in the Chinese market as a symbol of good fortune, success and joy. Other red and pink gemstones such as spinel, garnet, rose quartz, and red jasper also appear to be of considerable attraction on the market.

Other colors of gemstones are also in demand. For instance, multicolored tourmaline jewellery (in particular green and blue) along with blue color gems like sapphire, aquamarine, blue topaz, blue to violet tanzanite and even more unknown ones like cat's-eye siliminate are gaining popularity in the Chinese marketplace.

This demonstrates that Chinese consumers have become more aware of all the gemstone gamut which is now available to them at any budget.

However, one of the biggest challenges facing the Chinese colored gemstone industry, for both exports and domestic consumption, is related to sourcing material (Tao Hsu et al., 2014). China's middle-class consumer's demand of colored gemstones has driven both their market prices and their prestige up. As China's natural colored gem resources are scarce, meeting its huge demand is getting tough, and several international dealers are having problems to replenish their inventory, thus mainly depending on imported goods.

The increase in prices for many varieties of colored stones has triggered a fierce

competition in the industry, but it has also brought some positive global effects. As an example, some mines that were not previously economically viable (such as rubellite mines in Brazil) are now able to operate.

Therefore, if on one hand gold and diamonds have long been considered an insurance against fluctuation and depreciation of paper money, on the



Figure 13. China has become a consumer of rubellite tourmaline from sources around the world. Source: *Gems & Gemology* (2014)



Figure 14. Blue and green tourmaline, from Paraiba (Brazil), are increasingly in demand in China. Source: *Gems & Gemology* (2014)

other, within the Chinese domestic market, attention is gradually being shifted towards the commercialization of precious gemstones. With these assumptions, the market for colored gemstones seems to be destined for an even brighter future.

2.4 China's role as a global hub for jewellery manufacturing

China is not only the second largest jewellery consumer market in the world, but it is also its main manufacturing center.

Chinese jewellery manufacturing began to develop in the late 1980 and early 2000, following a significant increase in demand for jewellery from consumers who had more disposable income to spend on luxury products. This has led China to implement a series of political actions with the aim of facilitating its production and marketing.

The result brought by these measures gave rise to a more flexible gem and jewellery trading policy, as well as the creation of special areas dedicated to the production of jewellery, mainly localized in proximity of the Special Administrative Region of Hong Kong⁶⁷. As a highly developed free-market economy, characterised by low taxation, absence of custom tariff on importations, great openness to trade and foreign investments and a well-established international financial market, Hong Kong definitely represents one of the largest and most open commercial entities in the world. In the Cantonese city it is still possible to find the major jewellery retailers at advantageous prices, since Hong Kong, strategically located next to the gates of China, is an example of an economy based on free exchange of goods and services. However, the manufacturing facilities have been increasingly moved to Mainland China, by means of building factories and plants or outsourcing to benefit from lower labor costs and the potentiality of the internal market.

China's wide supply of natural and human resources as well as the relatively competitive production costs have indeed attracted local producers and foreign investors to cover demand from both domestic and international markets.

⁶⁷ Hong Kong (Chinese: 香港; pinyin: Xiāng gǎng) is a metropolitan area and a Special Administrative Region of the People's Republic of China located in the eastern Pearl River Delta by the South China Sea. After a long history as a British colony, Hong Kong was reverted to mainland China in 1997. As a special administrative region, Hong Kong maintains separate governing and economic systems from that of China under a principle of "one country, two systems" policy, enjoying a high degree of autonomy. Source available from: https://en.wikipedia.org/wiki/Hong_Kong, accessed 8th July 2019

Three major gem and jewellery manufacturing clusters have formed along the east and southeast coasts of China, most of which are concentrated in the Guangdong province, at the center of the Pearl River Delta, particularly in the cities of Guangzhou (Panyu and Huadu districts) and Shenzhen.

In fact, given the ideal geographical location and a close connection to Hong Kong, since the early 1980, the city of Shenzhen has become one of the major jewellery manufacturing and trading center on mainland China for global jewellery players. As reported by Shenzhen Gold & Jewelry Association, since September 2017, the total value of jewellery manufacturing and processing in Shenzhen reached approximately 150 billion yuan (about US\$23.4 billion), whereas the wholesale and retail trade volume reached approximately 45 billion yuan (about US\$7 billion)⁶⁸.

When talking about jewellery manufacturing, other than Shenzhen, one cannot fail to mention Panyu which, over the past thirty years, has also gradually become one of China's main jewellery manufacturing centers and to some extent, it is also reputed one of the best on the continent.

In addition to the historic Pearl River Delta cluster, later other two were set up: the Yangtze River Delta cluster which involves the Zhejiang and Jiangsu Provinces with Shanghai as the main jewellery manufacturing hub in this area and the Bohai Coastal Region cluster, which covers Shandong and Hebei Provinces.

Sharing resources, reducing costs and mass promotion offered by each clustering help to increase the competitiveness of the local industry (85% of these districts' production is destined for the Chinese market, while the remaining is exported). China is also the world's largest cultured freshwater pearls producer, accounting for over 90% of global production



Figure 15. Chinese jewellery manufacturing clusters.

Source: <https://www.gia.edu/gia-news-research/panyu-legendary-manufacturing-hub-global-gem-jewelry-industry>

⁶⁸ JNA Publication, CHINA Market Updates 2018, (2018), UBM Asia Ltd., <https://www.jewellerynet.com/uploads/ebook/CMU/2018-V5/CMU/assets/common/downloads/JNA-December-2017.pdf?uni=25de3022d1f3baa886ad275120b82aa3>

(JNA Publication, 2018). The country's major pearl-producing areas is located in the county-level city of Zhuji in Zhejiang Province. Other cultivation areas include also Jiangsu, Shanghai, Anhui, Jiangxi, Hunan and Sichuan.

2.5 Leading jewellery brands in the Chinese market: national and international players

Overall, China's jewellery market is currently dominated by foreign companies with a long-established brand history and superb design technology. The reason which has led many of the international jewellery behemoths to enter the mainland market from the end of the twentieth century, is due to the huge potential of China's as a jewellery-consuming nation, for the purposes previously described. Therefore, it has become crucial for the brands of the industry to build a strong awareness in this geographic area.

To provide a general overview of the international mid- and high-range jewellery firms operating in the Chinese marketplace, the following players can be named (Table 1).

Top International jewellery brands	Estimated number of physical stores in Greater China
Cartier (卡地亚)	37
Bulgari (宝格丽)	51
Tiffany & Co. (蒂芙尼)	34
De Beers (戴比尔斯)	6
Chaumet (尚美巴黎)	18
Chopard (萧邦)	41
Piaget (伯爵)	41
Van Cleef & Arpels (梵克雅宝)	17
Boucheron (宝诗龙)	3
Buccellati (布契拉提)	3
Damiani (戴美安妮)	15
Pomellato (宝曼兰朵)	9

Graff (格拉夫)	4
Harry Winston (海瑞温斯顿)	5
Mikimoto (御木本)	9
Swarowski (施华洛世奇)	400
Pandora (潘多啦珠宝)	170
APM Monaco	200

Table 1. Active international jewellery brands in China. Source: personal data re-elaboration from "China Market Updates 2018", UBM Asia Ltd

Moreover, as Asia represents a great market share in the jewellery sector, a number of Hong Kong-owned brands, most notably Chow Tai Fook and Chow Sang Sang cannot be ignored.

Brands originating from Hong Kong	Estimated number of outlets in China
Chow Tai Fook (周大福)	2,000+
Chow Sang Sang (周生生)	400+
Luk Fook Jewellery (六福)	1,500+
ENZO Jewelry	200+
Tse Sui Luen Jewel TSL (謝瑞麟)	300+
3DG Jewellery (金至尊珠寶)	300+
Qeelin	28+

Table 2. Active Hong Kong jewellery brands in China.

Source: personal data re-elaboration from "China Market Updates 2018", UBM Asia Ltd

The arrival of so many foreign companies in the Greater China has inevitably triggered a competition for market shares with local Chinese brands, which are mostly mid-to-high-end brands targeting middle-class consumers. Compared to foreign brands, Chinese domestic jewellery companies are younger with no more than a hundred-year history and the products are sold at a more affordable price.

Mainland Chinese brands	Estimated number of outlets in China
Lao Feng Xiang (老鳳祥)	1,000+
China National Gold Group (中国黄金集团公司)	2,000+
Chow Tai Seng (周大生)	2,500+
Darry Ring (DR 求婚钻戒)	100+
I DO Hiersun (恒信)	600+
Ideal Jewellery (爱迪尔珠宝)	500+
Lao Miao (老庙黄金)	100+
Caibai Jewelry (菜百首饰)	20+
Zbird (钻石小鸟)	15+
Diamend (戴梦得)	100+
Jaff (捷夫珠宝商城)	20+

Table 3. Active local jewellery brands in China.

Source: personal data re-elaboration from "China Market Updates 2018", UBM Asia Ltd

However, even though domestic companies are making their way into the market, there is still a huge gap with foreign brands, especially in terms of product design, as already stated in paragraph 2.1. Some industry insiders believe that Chinese brands cannot compete with the heritage and the track record of Western brands, while others argue that China simply needs to rediscover its own history of craftsmanship and aesthetic. With this second more optimistic outlook, jewellery products are considered to be one of the categories having the strongest prospects for success in China⁶⁹.

As far as sales channels are concerned, the physical distribution network adopted by internationally recognized jewellery brands in China is divided into retail (directly operated boutiques) and wholesale (multi-brand jewellers, department stores, franchisees and distributors). At present, foreign jewellery players have firmly occupied the high-end jewellery market of Chinese major urban areas, but they have also begun to increase their presence

⁶⁹ KPMG and TNS, (*Luxury experiences in China - A KPMG study*, (2011), KPMG. <https://assets.kpmg/content/dam/kpmg/pdf/2011/05/Luxury-experiences-in-China-201105.pdf>

into second- and third-tier cities, supported by well-equipped local franchisees. Cartier, for instance, is stepping up its expansion in second-tier cities, such as Chengdu and Nanjing. However, the maintenance of a substantial control over the product supply chain remains one of the crucial parameters for this business (Fashionbi, 2016, pers. comm.)

Besides physical retail, online retail sales have also seen an extraordinary rise over the last few years and gradually both international and domestic jewellery brands have started to move into e-commerce to take advantage of this booming demand. Chinese diamond brands like Zbird.com has expanded rapidly on the Mainland and worked hard to build customer confidence on online purchases, while Chow Tai Fook and Chow Sang Sang have their own B2C e-commerce platforms. But despite the explosive growth of e-commerce across China, the primacy of the market is still dominated by traditional brand-name jewellery stores. It should be noted that, the current state of the jewellery sector in the Chinese digital market will be the core analysis of the next chapters three and four.

Overall, attending gem and jewellery trade fairs still represents the most effective mean of keeping up to date with the latest market development trends on the jewellery sector both in China and beyond. Trade shows give the opportunity to network with other trade professionals, build business contacts, compare the products and prices of many different suppliers, present new collections and attract potential customers. Among the most important Mainland jewellery fairs there are: China International Gold, Jewellery & Gem Fair of Shenzhen, which is the largest and most successful trade fair ever held in Mainland China during the spring period, as well as Shanghai's China International Jewellery & Gem Fair in autumn. The Hong Kong International Jewellery Show (HKIJS), Asia's Fashion Jewellery and Accessories Fair and Hong Kong Jewellery & Gem Fair (June/September) also deserve to be mentioned, since more than 70% of sales⁷⁰ in Hong Kong is originated from the purchases made by Chinese tourists.

⁷⁰ Italian Trade Agency, *Hong Kong: il mercato della gioielleria*, (2019), ICE, <https://www.ice.it/it/sites/default/files/inlinefiles/NOTA%20MERCATO%20GIOIELLERIA.pdf>

2.6 Chinese jewellery consumers profile and relative purchase behaviors

As previously ascertained, when we talk about jewellery in China, we cannot refer to a single market, but multiple markets with a very large target audience. This includes:

- **Women.** Chinese jewellery consumption is mainly dominated by females (63%)⁷¹, and the market is highly competitive. A strong emerging phenomenon is taken place: females with increasing spending power purchase jewels (especially diamonds) for themselves. Traditionally diamond is one of the most classic gifts for fresh wedding couples. However, nowadays over 25% of Chinese women earn more than their respective husbands: taking pride in their financial independence, they enjoy rewarding and pampering themselves for their hard work, buying their own diamond jewellery from time to time. In order to adapt to this shifting female consumer's profile, many domestic and international jewellery brands have introduced new collections geared towards women, often available at slightly lower prices. For instance, Piaget added some affordable watches to its Possession Collection, targeting women entrepreneurs and their different roles in today's society.
- **Millennials.** According to WGC research of 2016: *"A feature of China's cultural evolution is the shift from a collective society into one which permits and encourages the discovery and expression of the individual."*⁷² Modern Chinese consumers seek to distinguish themselves from their peers and thus purchase exclusive and personal products. This is especially the case of Chinese Millennials consumers, who desire social acceptance and, at the same time to showcase their individuality. While older generations considered luxury jewellery brands as "a badge status" where a few classic products served as universally-recognised status symbols, Chinese millennials and Gen Zers put more value in daily wear jewellery as a means of self-expression. This group of young consumers has prompted a radical change in China's jewellery retail landscape. Therefore, jewellers have started to launch innovative products series with fashionable and cultural elements embedded: Tiffany & Co. or also Pandora, for

⁷¹ Edith, S., *JEWELRY IN CHINA: A MARKET FULL OF NEW INTERESTING TRENDS FOR BRANDS*, (2020), MarketingToChina.Com, <https://www.marketingtochina.com/jewelry-in-china-a-market-full-of-new-interesting-trends-for-brands/>, accessed 15th July 2020

⁷² Wang, R., *China's jewellery market: new perspectives on consumer behaviour*, (2016), World Gold Council, <https://www.gold.org/goldhub/research/china-jewellery-market-new-perspectives>, accessed 1st December 2016

instance, are very popular in China because they have introduced personalised and creative products lines suited to the tastes of the young Chinese consumers.

This new and powerful generation is characterized by an “always connected lifestyle”, in which experiences are always shared through their smartphones and social media. In this sense, gold jewellery faces particular pressure from technology (smartphone/wearables) and fashion, as Chinese millennials show a greater propensity to spend their disposable income on them.

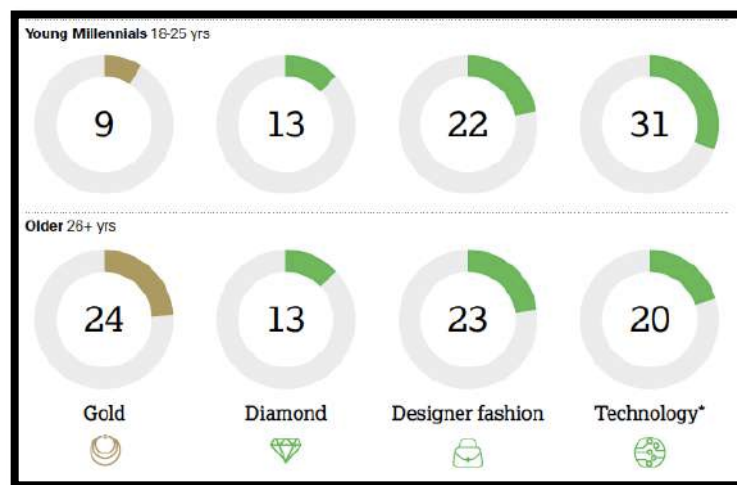


Figure 16. Percentage of respondents by age and products selected for purchase if given RMB 5,000.

Source: World Gold Council, 2016

- Men.** The Chinese men’s market is also another important target audience for the sector, which includes rings, tie clips, cufflinks and belt buckles. Not to mention that among the Chinese male clientele (age group 30-44 years), about 67% wish to own diamonds (Edith, 2020). Younger men, instead, have shown an increasing interest in accessorising themselves with statement and fashion jewellery in recent years. However, this consumer group is still underserved by jewellery brands, thus the potential offered is huge. One brand that is taking action in that sense is Cartier, trying to raise interest among male buyers in China’s luxury market. Therefore, it launched in 2016 a Chinese advertising campaign with actor Lu Han to celebrate the “Juste Un Clou” bracelet (Torre, 2019). With such a young movie star, Cartier aimed at targeting young male audience in an elegant and sophisticated manner.

- **Children.** In accordance with Chinese traditions, people donate jewellery to children, especially bracelets and necklaces, as a symbol of good luck and to wish them a healthy and happy life. In response to this demand, many jewellery companies have started to introduce a variety of kids' products. For instance, Chow Tai Fook has also collaborated with Disney and Marvel in recent years to attract parents to buy playful jewellery items for their children.

From a general point of view, two interesting trends have emerged by numerous researches (i.e. WCG and Gentlemen Agency) on the change of Chinese jewellery consumer's profile:

1. Consumers' views on jewellery differ across tier cities. In a vast country with more than 1.4 billion of population, consumer behaviors and buying jewellery preferences can vary from city to city. In recent years, competition has been particularly fierce in first- and second-tier cities, because even though the traditional ownership and purchasing of gold jewellery still dominate in these major urban centers and in the domestic jewellery market in general, however, within this ever-changing environment, an increased demand also for gem-set, platinum and diamond jewellery is making in-roads. In lower-tier cities, by contrast, this competition is not present, as consumers tend to buy high-caliber 24 karat gold jewellery mainly for wealth preservation purposes.

Therefore, the aspiration for diamond and platinum jewellery is also likely to be mirrored in lower Tiers, as trends evolve and the demand in more sophisticated urban centres such as Beijing, Shanghai and Guangzhou, will approach maturity.

2. China' jewellery market digitalisation. Today's overall Chinese consumers have become far more knowledgeable about the products they purchase, in comparison to the past and this is partially due to a better sellers' disclosure and an easier access to product knowledge through different resources, especially online channels (the focus of next Chapter Three and Four).

CHAPTER 3. China's online jewellery scene and digital strategies for growth

3.1 The reshape of luxury by the Chinese digital ecosystem

It was no love at first sight between luxury and digital. Until few years ago, luxury brands were still hesitant about getting involved in online communication and sales. It is well known that luxury products assign prestige status, distinguishing themselves for excellent quality, high price, highly exclusive and symbolic character, as well as for the emotional component involved, that accompanies the act of purchase and ownership of the luxury item. The Internet, instead, is based on the principles of democracy and accessibility which, at first glance, seem to be in contrast with the characteristics of luxury above described.

With the fear of losing the price premium power linked to its uniqueness and, consequently, the profit margins, the luxury industry has always acted more prudently than other categories. Concerns about the perception of online products' quality image and presentation were also often raised, as it results almost impossible to provide the same kind of personalised customer service and tactile shopping experience, as in brick-and-mortar stores. On the contrary, all online luxury brands end up looking alike and consumers' purchases are mainly driven by the research of price convenience, leading to a banalization of the luxury concept (Truong et al., 2009).

Therefore, being afraid of spoiling the "luxury dream", brands have repeatedly wondered whether or not it was worth establishing their own digital presence. However, with recent year's technological advancements and changing consumer's habits, that way of thinking has evolved. If at the beginning even consumers were reluctant to buy luxury goods through e-commerce channels, in this digital day and age, they consider the online presence of a brand as an almost taken for granted basic attribute.

In the light of this change of course, an increasing number of luxury brand players have recognised the importance of the Internet as a very powerful tool of communication and they decided to encourage the digital presence, with the aim of strengthening their reputation and

brand identity through a more contemporary and innovative approach, to the point that, according to a report by McKinsey, about 80%⁷³ of luxury sales are now digitally influenced.

The presence on a local e-commerce platform, in addition to being reachable through all channels (physical, virtual or mobile) is no longer seen as a choice, but rather as a necessity by most luxury brands. This is all the more crucial if the reference market is a large and highly digitalised nation like China.

China is indeed far ahead of Western countries in terms of digitalisation and it boasts a unique digital environment. In a few years, it has become the first market to refer to as for the latest digital trends; a role which was historically associated with the USA.

As evidenced by Statista (2020) and “The 45th China Statistical Report on Internet Development” released by China Internet Network Information Center (CNNIC)⁷⁴, with an Internet population of around 900 million up to March 2020, a total of 1.61 billion active mobile connections⁷⁵, China is one of the most digitalised countries in the world. It is worth noting that the diffusion of the Internet still has a substantial potential growth in Greater China, since currently only 59% of the Chinese total population is actually digitalised (Fondazione Italia Cina & CeSIF, 2019).

Regarding online shopping, as of 2019, China’s virtual shoppers reached 713 million and the volume of online purchases topped U\$D 1.8 trillion⁷⁶. Within the overall retailing sector, the luxury one has been characterised by the highest growth compared to all other countries in the world. Bain & Company (2019) and CPP-Luxury (2020) sustains that digitalisation will continue to fuel luxury spending in China, as social networks have

⁷³ Dauriz, L., *Luxury shopping in the digital age*, (2018), McKinsey & Company, <https://www.mckinsey.com/industries/retail/our-insights/luxury-shopping-in-the-digital-age>, accessed 8th January 2018

⁷⁴ The China Internet Network Information Center or CNNIC (Chinese: 中国互联网络信息中心; pinyin: zhōngguó hùlián wǎngluò xìnxī zhōngxīn) is the administrative agency responsible for Internet affairs under the Ministry of Industry and Information Technology of the PRC. Since 1997, the CNNIC has periodically released reports concerning the status of Internet development in China, including information on Internet users’ characteristics, infrastructures and most used online services. Source: https://en.wikipedia.org/wiki/China_Internet_Network_Information_Center, accessed 27th August 2020 and Hu, L. (2020), “International Digital Marketing in China: Regional Characteristics and Global Challenges” (First Edition), Palgrave Pivot, <https://doi.org/10.1007/978-3-030-38160-8>

⁷⁵ East Media, *Estratto X Rapporto Annuale CeSIF* (No. 10), (2019), Fondazione Italia Cina & CeSIF, <http://www.east-media.net/wp-content/uploads/2019/08/Estratto-Rapporto-Annuale-2019.pdf>

⁷⁶ Ma, Y., *Topic: E-Commerce in China*, (2020), Statista, <https://www.statista.com/topics/1007/e-commerce-in-china/>, accessed 17th September 2020

flourished⁷⁷, and the young consumer base is naturally hyper-connected both at m-commerce and e-commerce level.

As far as China's luxury goods sales channels are concerned, traditional offline ones are still those preferred and they are expected to remain the most important touchpoint⁷⁸ in the near future (estimated 88% in 2025)⁷⁹. Even though online luxury sales channels account for only a small portion of the total volume, nevertheless, they have been gaining momentum with a high-speed growth in the recent years. According to Secoo and Deloitte's report "China Luxury E-commerce Whitepaper 2017", the share of luxury goods sales through online channels is predicted to reach 13% by 2021. An incredible result if we think that not even ten years ago was the country's contribution to e-commerce only 1%, as demonstrated in Figure 17. McKinsey in its "China Luxury Report 2019" also estimated that by 2025 it will account for an eighth of China's 1.2 trillion RMB luxury market.

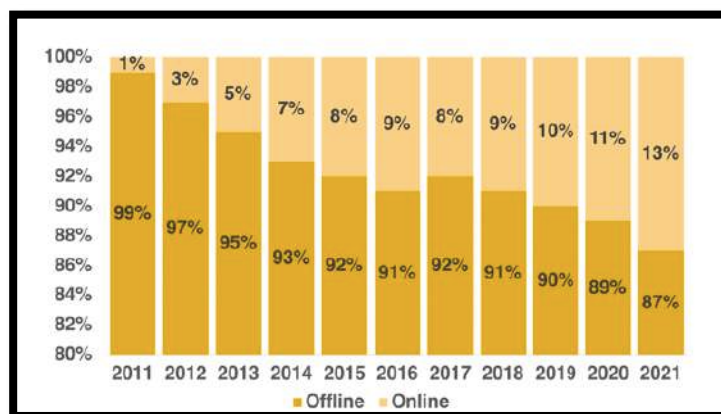


Figure 17. Percentage (Forecast) of luxury goods sales in China based on channel (2011-2021).

Source: WALKTHECHAT, 2019

Therefore, online retailing gives opportunities for foreign firms to sell their products on the Mainland, but also enormous challenges. Owing to its traffic volume data and the huge

⁷⁷ Active users on Chinese social networks are +15 million, corresponding to 1.5% of the population and a penetration of 72%. Source: East Media, *Estratto X Rapporto Annuale CeSIF* (No. 10), (2019), Fondazione Italia Cina & CeSIF, <http://www.east-media.net/wp-content/uploads/2019/08/Estratto-Rapporto-Annuale-2019.pdf>

⁷⁸ Customer touchpoints are critical interactions where customers and business engage to exchange information, provide service, or handle transactions. Source: <https://experienceinvestigators.com/customer-touchpoint/>, accessed 13th May 2020

⁷⁹ McKinsey Greater China's Apparel, Fashion and Luxury Group, *China Luxury Report 2019: How young Chinese consumers are reshaping global luxury*, (2019), McKinsey & Company, <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/how%20young%20chinese%20consumers%20are%20reshaping%20global%20luxury/mckinsey-china-luxury-report-2019-how-young-chinese-consumers-are-reshaping-global-luxury.ashx>

number of digital users, China is in all respects a macro-region in the world of web, with lots of internal rules that differentiate it from other countries. In fact, as the academic researcher and professor Lala Hu (2020) claimed:

The Chinese Internet sector is dominated by domestic firms (i.e. Tencent, Alibaba), which are characterised by different consumer interactions and features, while Western platforms are blocked. Moreover, a main role is played by the national culture, which influences, on the one hand, firm's online communications strategy, and on the other hand, consumer perception of websites and other digital content.⁸⁰

Thus, in China the influence exerted by the national culture strongly affects how firms should convey their brands, products and services on communication channels, from traditional to digital media (Lala Hu 2020).

Chevalier et al. (2012) have also mentioned that China is a Communist country, which exercises strict control over media contents and images through the so called "Great Firewall"⁸¹, preventing Chinese Internet users from connecting to certain Western websites such as Google, Facebook, YouTube and Twitter (Lala Hu, 2020).

Also, from the consumer's perception side, it is relevant to keep in mind that, while the Chinese public prized Western products and lifestyle, it also remains sensitive to some traditional symbols and values of their own culture, especially related to Confucianism (Checchinato, 2011).

Therefore, international high-end companies should be prepared to adapt themselves to a highly regulated and strictly censored environment, characterised by monopolistic prices and unlikely liberalization hypothesis.

However, the successful experience of many luxury brands in China has shown that, despite the restrictions, it is possible to communicate effectively its own brand's values and messages in the Middle Kingdom. The key factor is having an in-depth understanding of the market and its local dynamics meanwhile respecting the country's cultural tradition. This capability remains one of the main challenges for luxury brands when entering in the Chinese market and it will determine their future success or unsuccess.

⁸⁰ Hu, L. (2020), "International Digital Marketing in China: Regional Characteristics and Global Challenges" (First Edition), *Palgrave Pivot*, <https://doi.org/10.1007/978-3-030-38160-8>

⁸¹ The Great Firewall of China (GFW, Chinese: 防火长城; pinyin: Fánghuǒ Chángchéng) is the combination of legislative actions and technologies enforced by the People's Republic of China to regulate the Internet domestically. Its role as the most sophisticated Internet censorship system is to block access to selected foreign websites and to slow down cross-border internet traffic. Source: https://en.wikipedia.org/wiki/Great_Firewall, accessed 25th September 2020

In order to build their brand images and enhance their attractiveness, many players in the luxury goods sector have already developed digital capabilities which conform to China's political and cultural implications. Their objective is twofold: connect and interact with Chinese consumers, by strongly leveraging on different digital channels and marketing actions and then convert this established trust relationship in terms of sales and profit.

In order to proceed in this direction, they are increasingly focusing investments in omni-channel integration⁸², e-commerce and digital marketing, as it is believed that these three represent the priority areas where the greatest opportunities exist.

3.2 Luxury jewellery industry embraces the Chinese digitalisation

The double-digit growth mainly in online sales of luxury garments and bags categories, has also spurred high-end jewellery to embrace the potential offered by Chinese online shopping, albeit more slowly. In fact, even though the personal luxury goods market has benefited from a higher online penetration than most other luxury segments (Bain & Co., 2020), the so-called "hard luxury" category, encompassing high-end watches and fine jewellery, has been slower to undertake the digital transformation.

In 2016, the online purchase ratio of jewellery was lower than 5%⁸³ of the industry total, with substantial variations across regions, brands and types of jewellery. The reason lies in the fact that, as a high-involvement category driven by sensory experience, consumers have always preferred to buy expensive items, like unique gem and jewellery pieces, in brick-and-mortar stores, since they are perceived as more reliable and they provide the opportunity to touch and feel the merchandise firsthand. The authenticity of jewellery and watches has always been the most common barrier to the online purchase of this product category (Pwc, 2017).

However, given the fact that luxury sales are now powered by China, jewellery houses were further encouraged to invest money and resources in the Chinese digital environment.

⁸² Omni-channel retail (or commerce) is a multichannel approach to sales that focus on providing seamless customer experience whether the client is shopping online from a mobile device, a laptop or in a brick-and-mortar store. Source: <https://www.bloomreach.com/en/blog/2019/07/omnichannel-commerce-for-business.html>, accessed 18th June 2020

⁸³ *China Luxury E-Commerce Whitebook 2017*, (2017), Secoo & Deloitte <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/cip/deloitte-cip-china-luxury-e-commerce-whitebook-en-180424.pdf>

The forced isolation led by the outbreak of this year's pandemic, also led jewellers to rely even more on online sales to support their businesses: the Chinese Government data indeed reveals that online retail sales of jewellery from January to May 2020 rose 4.5% year on year⁸⁴.

Therefore, China's online jewellery market has evolved significantly over the past decade, with the advent of new business models and channels (JNA, 2020).

Nowadays, within the country, the merging of online and offline is particularly pronounced and it is translated into omnichannel strategies to market gems and jewellery. Based on the concept of "website + experience store" (HKTDC Research, 2019), traditional jewellery retail is now complemented by online flagship stores, a presence on online shopping platforms, a strong engagement in social media activities and/or videos, live streaming campaigns with the support of influencers and celebrity endorsements. It is thought that this e-commerce online-to-offline (O2O) model could be the way forward to success for jewellery companies in the Chinese digital landscape.

In addition, Internet and mobile technology are integrated into both B2C sales and B2B transactions. Traditional retailers actively use the mobile network technology, big data, digital supply chain and even blockchain, in order to constantly upgrade their business processes, while enhancing physical stores through new retail smart terminals.

As far as domestic jewellery brands are concerned, Chow Tai Fook Jewellery Group Ltd, for instance, installed O2O's hubs called "Cloud Kiosks" in first- and second-tier cities, aiming at connecting online orders at stores through its e-commerce platform. Chow Sang Sang Holdings International Ltd, instead, established its official e-commerce platform in 2001 and then entered the online marketplaces like Tmall and JD.com in 2010.

International jewellery brands, like Bvlgari and Cartier for instance, have also followed suit: by the time significant numbers of Chinese consumers became affluent enough to buy haute joaillerie and the Internet was already developed, they quickly moved to digital spaces such as Tmall and on other Chinese online platforms.

Therefore, as online sales show an increasingly important relevance in the jewellery industry, digital marketing has also seen a surge. The development of data analytics facilitates

⁸⁴Informa Markets Jewellery, *Decline in China's jewellery sales slows in May*, (2020), *Jewellerynet.Com* - JNA *IV* 洲珠宝, <https://jewellerynet.com/en/jnanews/news/23858>, accessed 18th June 2020

the elaboration of business and digital marketing plans to better target audience and generate higher sales, based on Chinese consumers' purchase patterns and preferences.

In the light of economic uncertainties, the wave of new entrants boosting interest in the sector and a proliferation of online businesses, a distinctive trait which could help jewellery companies to differentiate themselves from competitors, gaining visibility and enticing the clientele to keep buying their products, consists in selecting the most appropriate digital channels to convey their own message. In this way, they are able to develop the right online sales and the marketing initiatives on them, thus allowing to best implement their omnichannel strategies best.

3.3 Digital marketing in China: the dawn of a new era in jewellery business

“A good digital marketing strategy is one that empowers your brand, but a great digital marketing strategy is one that empowers your consumer.”⁸⁵

This statement holds particularly true for the jewellery industry, where the customer is the king or queen. Historically, luxury jewellery brands have implemented their marketing strategies based on offline physical store experience and traditional media formats such as print (i.e. glossy magazines and newspapers) and out of home (billboards and catchy windows).

Today, though, they are diverting substantial resources away from classical communication tools towards the digital domain. The reason is that, through online media, jewellery companies can convey information, shape their brand identity, drive store visits, elevate the brand image and build the customer's relationships. All this can be pursued through the adoption of ad hoc digital strategies to attract the Chinese consumer.

Given its highly mobile and social nature, as well as the increased penetration of online retail year on year, digital marketing has become the new cornerstone for acquiring customers and facilitating sales in China. According to Bain & Co., from 2015 to 2018, the marketing budget devoted to digital in Greater China increased from 35% to 60-70%⁸⁶.

⁸⁵ Raman, N., *Digital marketing for Jewellery: A complete guide*, (2020), Social Beat, <https://www.socialbeat.in/blog/digital-marketing-for-jewellery-a-complete-guide/>, accessed 13th May 2020

⁸⁶ Lannes, B., *What's Powering China's Market for Luxury Goods?*, (2019), Bain & Co, <https://www.bain.com/insights/whats-powering-chinas-market-for-luxury-goods/>, accessed 18th March 2019

Therefore, since the use of new digital media in the Middle Kingdom has become an imperative, the core question for jewellery brands is about “how” (not “if” anymore) to set out their online strategies in this unique digitalised environment.

Yet, before evaluating which the most suitable digital instruments to adopt in the Chinese context could be, both in terms of channels and marketing, there are two preliminary phases to consider. One is more general but extremely important: jewellery brands first of all have to ask themselves what they actually want to achieve in the digital realm.

Economic	Strategic	Psychological
<ul style="list-style-type: none"> • Profit • Margin • Sales / Revenue • (Market Share) 	<ul style="list-style-type: none"> • Quality Leadership / Best-in-class • Industry Authority • Eliminating Competition 	<ul style="list-style-type: none"> • Cognitive: Knowledge, Perception • Affective: Emotional, Attitudinal • Conative: Behavioral, Intention
Cognitive	Affective	Conative
<ul style="list-style-type: none"> • Attention / Awareness • Product / Brand Knowledge 	<ul style="list-style-type: none"> • Interest • Desire / Dream • Attitudes / Image: <ul style="list-style-type: none"> • Prestige • Brand Legitimacy • Authenticity • Identification / Loyalty 	<ul style="list-style-type: none"> • Purchase (Intention)

Figure 18. Objectives of digital luxury marketing. Source: *Luxury goes digital: how to tackle the digital luxury brand-consumer touchpoints* by Klaus Heine and Benjamin Berghaus, 2013

Figure 18 presents the possible objectives of a digital luxury marketing campaign proposed by Klaus Heine and Benjamin Berghaus (2013). Similar to traditional campaigns, digital ones cover economic, strategic and psychological objectives. Typical economic objectives obviously include obtaining high-volume sales and profit, while strategic objectives, for instance, are said to be the leading authority in their category. Psychological objectives are then subdivided into cognitive (awareness about a brand or product), affective (attitudes toward a brand) and conative (behavioral purchase intentions). Generally, a typical affective objective of luxury companies, thus also of jewellery, is to make people dream about a brand (Dubois and Paternault, 1995), given the aura of exclusivity and magic that this high-end sector plays in the collective imagery. This intent will be further examined when analyzing online advertising in paragraph 3.3.4.

Alongside the setting out of their own digital campaigns’ objectives, another primary goal for brands operating in China’s digital environment is that of understanding what the Chinese customer purchase decision journey is, since it simultaneously migrates between

online and offline channels. Indeed, Chinese behavior patterns are now turned upside-down by the application of new technologies and contemporary communication means (Biagi, 2019).

As the American consulting firm McKinsey & Co. pointed out (2019):

Being relatively new to luxury, Chinese consumers are constantly tapping various forms of content as they strive to improve their awareness of the market. At every touchpoint, from e-commerce to in-store, consumers are seeking to pick up information about the latest luxury products, the celebrities who promote them and the lifestyles they embody.⁸⁷

RedFern Digital, a Chinese Digital Marketing Agency, also highlighted that Chinese consumers encounter at least eight touchpoints before they make a purchase.

Being particularly digitalized, thus the main points of contact with luxury companies are online (55%)⁸⁸. In this sense a crucial role is played by brands' official websites, the role of influencers and the engagement on social networks. The latter represents a key touchpoint connecting the other elements.



Figure 19. The Chinese consumer touchpoints with brands. Source: East Media, 2020

In this perspective, the buying behaviour in the jewellery sector is even more complex, since there is a high degree of emotional involvement during the decision-making process.

Online purchases in the luxury jewellery category are rising significantly, especially among young millennials, since the online experience provides them with opportunities to share with others and the potential to purchase personalised, distinct products. Blogs, social

⁸⁷ McKinsey Greater China's Apparel, Fashion and Luxury Group, *China Luxury Report 2019: How young Chinese consumers are reshaping global luxury*, (2019), McKinsey & Company, https://www.mckinsey.com/~/_media/mckinsey/featured%20insights/china/how%20young%20chinese%20consumers%20are%20reshaping%20global%20luxury/mckinsey-china-luxury-report-2019-how-young-chinese-consumers-are-reshaping-global-luxury.ashx

⁸⁸ *WHAT WORKS: BRANDING CONCEPTS IN THE CONTEXT OF CHINA* [Slides], (2020), Daxue Consulting, <https://daxueconsulting.com/wp-content/uploads/2020/08/Branding-concepts-in-the-context-of-China-by-daxue-consulting.pdf>

media and celebrity endorsement are particularly significant sources of inspiration for them, followed by the word-of-mouth and in-store browsing (Wang, 2016). E-commerce is also gaining traction in the jewellery sector (see paragraph 3.3.6)

Even though online sales of jewellery on Chinese e-commerce platforms are not yet developed compared to other personal luxury goods categories and 90% (McKinsey & Company, 2019) of purchases are still made in-store, however, online channels have become important for the new generation of Chinese consumers in receiving information on jewellery items before making their purchases offline.

Therefore, comprehending this complex and multifarious customer journey allows jewellery brands to elaborate a complete digital experience that addresses the possible online touchpoints between the Chinese customer and the jewellery company. On the one hand, it enables to meet and even exceed the consumer expectations, thus contributing to build a positive Internet-Word-of-Mouth (IWOM)⁸⁹; on the other hand, it also helps to enhance the brand image and increase users' engagement (RedFern Digital, 2020).

Once defined either the digital strategy objectives and assumed Chinese consumer's online purchase discovery process, it is now time for jewellery brands to focus on several digital marketing techniques, which should be designed in a systematic manner according to their own strategic objectives, needs and characteristics (Secoo & Deloitte, 2017).

The following paragraphs will discuss about each of the major and possible working areas of digital luxury marketing that jewellery brands can adopt to succeed in the Chinese market. Comprehensively, the strategies proposed in this research are those which should be among any company's goal list looking to enter the Chinese market, that is to say, the establishment of a brand-owned Chinese website, Search Engine optimisation, sales on e-commerce platforms, advertising campaigns, storytelling, influencer and social media marketing. Each strategy is accompanied by brief concrete examples, to further support what was expressed from a theoretical point of view. The jewellery brands, chosen by way of example, refer to Table 4 in the Appendix to the chapter, which is the result of a personal analysis aimed at investigating the presence of international high-end jewellery brands on the main Chinese digital channels.

⁸⁹ Internet-Word-of-Mouth communication (IWOM) is any positive or negative statement made by actual or potential customers about a product or company which is made available over the Internet to multiples of people and/or institutions.

Source: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.453.4915&rep=rep1&type=pdf>

3.3.1 Building the brand-owned Chinese website

In the words of Heine et. al (2013): “*The official website is a brand-building tool that reflects a brand’s vision and stories.*”⁹⁰

Nowadays, all major luxury brands, including jewellery, have already set up their own international online webstores, providing worldwide delivery, multi-language accessibility and a comprehensive customer service. Moreover, all top international jewellery brands operating in China have also developed a Chinese version of their independent websites, with localized domain (i.e. .cn or .com.cn) purposely designed for the specificities of the Chinese market in terms of platforms, graphic content and services. Indeed, this type of online channel is considered a very important digital asset in the domestic luxury market, being one of the first stop for most Chinese affluent consumers when they search for information about a brand.

Gaining visibility among Chinese consumers through the creation of a localized brand-owned website is essential for branding in China and it should offer a digital experience aligned with the Chinese users’ tastes and their habits as well as a responsive layout (90% of access is from mobile devices)⁹¹. It is also important that the website is based on a Chinese hosting because, in this way, it will open faster (thus guaranteeing a better user’s experience) and will provide advantages for indexing in local search engines (see paragraph below).

Most of the luxury jewellery brands analysed in Table 4 share a common structure for their Chinese online websites. They provide an exhaustive and clear overview of typical areas of interest, such as their products and collections, brand’s story, references and press clippings, retailers and contact details. Each section comprises multiple landing pages with in-depth information about certain products. An example is the “fine jewellery” section (高级珠宝 Gāojí zhūbǎo), present in almost all jewellery brands' Chinese version websites devoted to even more exclusive pieces with a high artisanal value. In this section, shoppers can closely examine the meticulous craftsmanship behind each item.

They also behave as e-commerce portals, hosting their online store. In this sense, customers generally have options to shop by product category (men/women jewellery and watches series, engagement collections, and other product categories adjacent to their core

⁹⁰ Heine, K., Berghaus B. (2014), “Luxury goes digital: how to tackle the digital luxury brand–consumer touchpoints”, *Journal of Global Fashion Marketing*, 5:3, 223-234, DOI: 10.1080/20932685.2014.907606

⁹¹ East Media, *Estratto X Rapporto Annuale CeSIF (No. 10)*, (2019), Fondazione Italia Cina & CeSIF, <http://www.east-media.net/wp-content/uploads/2019/08/Estratto-Rapporto-Annuale-2019.pdf>

products such as perfumes, gifts, sunglasses, leather goods, eyewear, furniture, etc.) or by collection filter. In the second case, Tiffany & Co., for instance, pushes its collections filtered by artists' names like Paloma Picasso and designer Elsa Peretti, giving instant access to the collection by such type. Some of the brands also offer the purchase option based on recommendation (i.e. Chaumet and Cartier).

After choosing the jewellery category or collection, the next step is to select the material of the jewellery product and the gemstone (some brands provide the list of gems, other brands invite to choose the colour or the cutting method — like Chaumet — and offer the product type accordingly). Gender and pricing filters are also displayed.

Figure 20. Bvlgari's Chinese official website homepage. Source:

<https://www.bulgari.cn/zh-cn/>

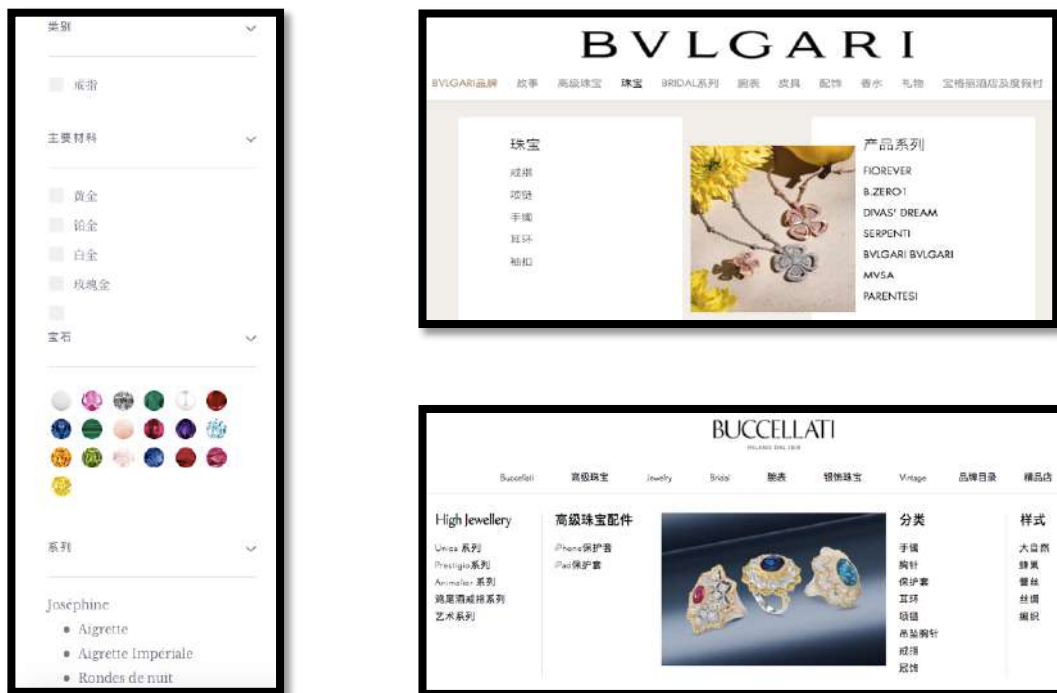


Figure 21. Chaumet's product filter by cutting

methods, colours and collections. Source:

https://www.chaumet.com/zh_hans/jeweller/v/rings

Figure 22. Buccellati's fine jewellery section. Source:

<https://buccellati.com.cn/zh-hans>

Another peculiarity of the Chinese official website, which is quite common to all jewellery brands analysed, is the footer part of their webpages, in which users can directly have access to the brands' Chinese social media accounts (i.e. WeChat and Weibo).

Therefore, the establishment of a Chinese official website with the brand name as the domain one allows to deliver a pleasant user experience, which include products' sales and presentation, an exclusive space for interaction and customer service, as well as the possibility to directly convey and promote its own brand identity and image in a consistent way. Moreover, it gives jewellery companies complete control of platform and design content, as well as the ability to charge full price (Bain & Co., 2019).

However, the caveat is that, exactly for the high level of flexibility and independence, large-scale investments are required in the initial phase and in the subsequent period.

3.2.2 Search Engine Optimisation and Search Engine Marketing

Another important digital marketing tool for jewellery companies, (closely interrelated to the previous one), is the implementation of Search Engine Optimisation (SEO) and Search Engine Marketing (SEM) strategies, which aim at increasing the website traffic by strengthening visibility on popular search engines. In the case of China, with a 69% of market share (Fondazione Italia Cina & CeSIF, 2019), Baidu is the most popular search engine to work with: it is the Chinese equivalent of Google; thus, it gives priority to websites in the Mandarin language.

Like Google, Baidu operates as an internet service provider, offering online advertising and marketing activities in a wide range of apps and services that are part of its own ecosystem. It also supports companies by providing a service called Baidu Brand Zone, a sort of mini website which appears at the top of the Search Engine Results Page (SERP)⁹² after carrying out researches about a brand through certain keywords. Data from "High-end Jewellery Watch Baidu Search Industry Report" revealed that the search for general keywords related to jewellery is 56%⁹³, higher than brands' keywords; this suggests that Chinese users pay more attention to materials and product categories. In the first case,



Figure 23. Tiffany & Co. on Baidu's mobile interface.

Source: Baidu.com

⁹² Search Engine Results Pages (SERP) is the listing of results that are returned by the search engine in response to a keyword query. Source: https://it.wikipedia.org/wiki/Search_engine_results_page, accessed 5th July 2020

⁹³ Group M 群邑, Baidu 百度, *Gaoji zhubao wan biao baidu sousuo hangye baogao 高级珠宝腕表百度搜索行业报告* (High-end Jewellery Watch Baidu Search Industry Report), 互联网数据资讯网-199IT.com, July 2019, <http://www.199it.com/archives/842578.html>

diamond is the most searched precious material, whereas, in terms of categories, ring is still the most popular, followed by bangles. Data also showed obvious seasonal fluctuations: the search volume of high-end jewellery in December, May and August increased significantly, meaning that during national festivities, such as the Chinese New Year, 520 and Qixi festival, precious metals are chosen for gift purposes (see Chapter four).

Therefore, given the growing relevance of the Chinese luxury market, being present on Baidu is essential, in order not to take the risk of remaining “virtually invisible in China”⁹⁴. In many ways it can be a very powerful communication tool, which requires minimal investment. It is advisable for high-end jewellery companies to optimize their website through these two techniques, if they wish to appear on the first page of the most used search engine in China.

Yet, Klaus Heine and Benjamin Berghaus (2013) claimed that: “*Many still neglect SEO in China, only about 40% of western prestige brands come up first on Baidu when searching for their English brand names.*”⁹⁵

However, it is highly recommended to include SEO and SEM actions as an integral part of any digital marketing strategy in China, since they enable companies to improve their brand identity and awareness online: brands such as Piaget, Van Cleef & Arpels, Cartier and Tiffany & Co. have already acted towards this direction.

3.3.3 The importance of digital storytelling

It is worth noting that a digital marketing strategy cannot only rely on social media, SEO and other digital tools, unless it is backed up with a compelling storytelling (Heine & Berghaus, 2014, p. 229).

From a general point of view, storytelling represents the art of telling a story, as it is already perceivable from the literal meaning of the word, which is made up of the two English terms of story (“history”) and telling (from the verb “to tell”).

⁹⁴ L2’s Prestige 100 China IQ Report: Digital Competence Critical For Luxury Success, (2011), Jing Daily, <https://jingdaily.com/l2s-prestige-100-china-iq-report-digital-competence-critical-for-luxury-success/>, accessed 18th May 2016

⁹⁵ Heine, K., Berghaus B. (2014), “Luxury goes digital: how to tackle the digital luxury brand–consumer touchpoints”, *Journal of Global Fashion Marketing*, 5:3, 223-234, DOI: 10.1080/20932685.2014.907606

Storytelling is the cornerstone of content marketing⁹⁶, as it consists in the brands' transmission of a "packaged" message within a story to a specific target audience (Cassanmagnago, 2020). Therefore, storytelling is a real communication technique that aims at engaging a group of readers or listeners. Once their interest and emotional involvement are grabbed through the narrative, it results easier to drive them to take the desired action, whether it is for a purchase, a donation, a click or simply for increasing trust and loyalty in those who are communicating.

The message can be shared by using experiences, history or behavioral trends and it can be used either for traditional advertising or across digital strategies. Indeed, the recent huge changes in technologies have created further opportunities to engage in meaningful conversations (Beauloye, F. E., 2018), thus enabling fine jewellery brands to create and share their own stories digitally. The art of storytelling has always been a paramount in particular to luxury brands, as it allows to prove their uniqueness, to remain relevant and, finally, to preserve their special position in consumers' mind. By communicating through a storytelling approach, luxury finds its reason to exist because of the strong emotional triggers which able to arouse in purchase behaviors (Fashionbi, pers. comm. 2016). These emotions might be related to social identity, self-fulfillment, research of beauty or simply pursuing a lifestyle. Regardless of any type of emotion involved, luxury is able to emphasise it more than anything else.

High-end jewellery and luxury brands frequently have the richest and suggestive stories to communicate, in terms of heritage and tradition, desire, craftsmanship and beauty, but also stories about sustainability and other behind-the-scenes details. In this context, digital offers the potential to convey these narratives in a more contemporary and innovative way to the new affluent Chinese consumers.

As a matter of fact, besides the basic functional attributes of products, nowadays Chinese consumers are constantly looking for appealing narratives surrounding items and how they come to life through stories. Therefore, connecting with consumers emotionally through a well-constructed narrative has become even more important as it can be a digital marketing technique, which sets a brand apart in an increasingly competitive marketplace.

⁹⁶ Content marketing is a strategic marketing technique that involves the creation and sharing of online content that does not explicitly promote a brand but is intended to stimulate interest in products or services to a targeted audience online. Source: https://en.wikipedia.org/wiki/Content_marketing, accessed 11th September 2020

In China, WeChat (paragraph 3.3.7) is doubtlessly an optimal tool for implementing an effective storytelling action towards the Chinese audience. In fact, the social network allows brands to create a company account, in which, among the many available features, we find the possibility of publishing newsletters, or text posts with visual elements, such as images or videos, which have a strong impact on the user's imagination and generate an emotional reaction greater than the one brought about by a simple textual element. Chinese users love to enjoy these detailed and exhaustive contents, which are closer to small articles rather than to classic posts.

The fine Italian jewellery house of Bvlgari, for instance, has proved to be one of the most successful jewellery brand in mastering the art of digital storytelling in China. Indeed, the jewellery company in 2019 won the “Top Story-Teller” Brand Innovation and Marketing Award released by Luxe.co. The prize has been awarded as a result of Bvlgari's SERPENTIFORM jewellery exhibition, inaugurated last April 2019 in Chengdu, the capital of the Chinese province of Sichuan.

There, Bvlgari presented its exhibition to the Chinese public, tracing a journey through the symbolic universe of the snake, which has always been the distinctive icon of the Maison. In order to do so, it exhibited a selection of jewels from the brand's historical archive, surrounded by works of art belonging to various eras; from clothes, design objects and digital projections.

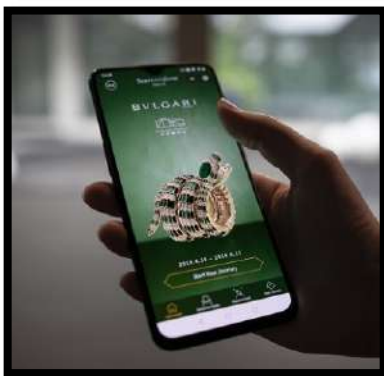


Figure 24. Bvlgari's SERPENTIFORM online campaign on WeChat. Source: <https://www.engage.it/social/bulgari-lancia-mostra-serpentiform-in-cina/190100>



Figure 25. Bvlgari's SERPENTIFORM offline exhibition in Chengdu, China. Source: <https://www.lvmh.com/news-documents/news/bulgari-presents-serpentiform-exhibition-at-chengdu-museum-exploring-the-symbolism-of-the-snake-through-art/>

To promote its offline exhibition, Bvlgari used the WeChat social platform and in particular its Mini Program tool to bring visitors closer before the event, accompany them throughout the visit and engaging them to play a fun game online, which consisted in a treasure hunt inside the exhibition spaces to unlock additional content such as an exclusive set of stickers referred to the Serpenti collection.

Thanks to Bvlgari's ability to build an online and offline storytelling leveraging the artistic and cultural symbolism of the snake, deeply rooted both in Western and Eastern historical civilizations, this brand exhibition has obtained profound resonance among Chinese consumers (over 870,000 visitors)⁹⁷. In view of this success, other jewellery brands like Cartier and Tiffany & Co. have also followed suit, by promoting their offline exhibitions through WeChat last year.

Finding points in common between its own brand identity and the local culture, Bvlgari was able to establish a sincere emotional connection with Chinese luxury consumers, thus driving them to a complete exploration of the brand spirit, history and core values in a coherent and powerful way. This example suggests that jewellery brands have to develop their own story in a very human way, drawing inspiration from their past, their heritage, their values and speaking directly to their consumers' hearts.

All the communication channels have to be interrelated, thus enabling the brand to be perceived as a unique entity, like a real person. The essence goes deeper than the identity: it takes the mood into consideration, as well as the vibe and the emotional feelings (Fashionbi, pers. comm. 2016).

As Patrick Pruniaux, President and CEO of Kering Swiss Watchmaking Maisons Ulysse Nardin & Girard-Perregaux, sustained in an interview with Digital Luxury Group:

What is also very important is related to the values of the brand, what matters is the 'why'. You have to create the reason why people should buy your products, why is the brand message important and what is the message behind it. [...] The main typical challenge by building such narrative is probably to be disconnected with your own story, with who you are. You don't have to transform yourself, but you have to continue an history that had started a long ago, so you need to have a lot of respect for what has been done but you need also to adapt it to the present time.⁹⁸

⁹⁷ Varpi, C., *Bulgari lancia la mostra Serpentiiform in Cina su WeChat*, (2019), Engage.it, <https://www.engage.it/social/bulgari-lancia-mostra-serpentiiform-in-cina/190100>, accessed 6th June 2019

⁹⁸ DLG / Luxury Society, *Reshaping Luxury: The state of luxury e-commerce (full episode)* [Video], (2019), Vimeo, <https://vimeo.com/357816982>

Therefore, innovating and keeping up with the times is crucial for the hard luxury industry and more and more companies of the sector are following the trend of embracing the technique of storytelling as an integral part of their whole digital marketing strategy for the Chinese market.

With its countless cultural symbols, elements and stories, not only can China bring a rich creative inspiration to brands, but also provide a wider space of imagination to establish a more innovative interaction between the brand and the users.

3.3.4 Online advertising

Advertising is at the forefront of international marketing and communication strategies, being an important tool which reflects the cultural values of consumers and, at the same time, influencing their behavior and beliefs (Checchinato et al., 2014, p. 262).

In the case of China, spending on traditional media advertising (especially newspapers and magazines) has been shrinking over the recent years: television is the only traditional advertising medium which still maintains a considerable market share. However, nowadays the advent of Internet has broken all the rules of communication (Checchinato et al., 2014, p. 262). In fact, even though in the luxury sector print magazines still play a relevant role globally, digital media is believed to be more effective at raising online and offline sales; therefore, investing in jewellery advertising and its intrinsic value through the various Chinese on-line channels is now indispensable for building Chinese customer relationships.

There are several options for international jewellery companies to vehiculate their advertising messages to the Chinese audience: social media, online banner through e-commerce sites, search engines and short video advertising are currently among the top four largest segments in the online advertisement market in China.

Online advertising is similar to print advertising in that it provides a visual message (Vescovi, 2016) going beyond a classic communication instrument as it is more interactive and present additional advantages like the use of audio and video capabilities. Indeed, video advertisements are becoming one of the most effective online communication tools for luxury jewellery players to advertise in China. The reason is that digital marketing through high-impact videos comes with a lot of creative freedom, due to the luxurious and charming features of the product in question. Moreover, well-made video ads can contribute to positive luxury perceptions and also have the benefit of fostering electronic word-of-mouth (hereafter,

e-WOM). After an initial loss of ground in the first half of 2020, the Chinese online advertising market has now returned to pre-Covid levels, showing encouraging growth estimates compared to 2019 (+ 22.7%⁹⁹ year-on-year). Therefore, jewellery brands are increasingly making heavy use of video ads, as they are more eye-catching and offer the ability to display a jewel from a multiple perspective, compared to the traditional banner ads. Moreover, they can be placed across social media, e-commerce and video-streaming platforms, guaranteeing a high online coverage of the market. Nowadays about 80%¹⁰⁰ of the Chinese internet population watch videos online on Youku, Tudou, Baidu Video and Tencent Video: the most used video sharing platforms in China.

Owing to digital and social changes which took place over the recent years, Chinese consumers are increasingly discerning about advertising, they no longer accept a single univocal message on all digital channels, but they expect an original and relevant content which differs across platforms, tailored to their researches.

With an intense competition pervading the current business environment, differentiation is always the key to success (Sharp & Dawes, 2001) but no longer only in terms of product, but most of all in terms of “emotional differentiation” (Schmitt, 1999).

In this perspective, the luxury jewellery industry represent the business sector which is naturally capable of generating emotional experiences and of fostering consumer’s aspirational desires. Indeed, the advertising content of luxury industries mainly aims at promoting the beauty ideal¹⁰¹ (Greer, 1999) and the importance of dream.

An example of an advertising campaign which finds the best application of the dream-evoking strategy through the video format, is represented by “Les Visages de Qeelin”, a brand video released on Youku to celebrate the 15th anniversary of the renowned Sino-French fine jewellery brand.

⁹⁹ CIW Team, *China advertising market overview in H1 2020 (updated)*, (2020), China Internet Watch, <https://www.chinainternetwatch.com/31087/online-advertising-market/>, accessed 15th September 2020

¹⁰⁰ Banks, R., *The Best Ways to Advertise Your Business in China*, (2017), Medium, https://medium.com/@rachel_86615/the-best-ways-to-advertise-your-business-in-china-7d4426736f6, accessed 20th March 2020

¹⁰¹ The beauty ideal is a social construct that physical attractiveness is among a woman’s most important assets and something to which women should aspire. Source: Checchinato, F., Colapinto, C., & Giusto, A., (2014), *Advertising in the luxury sector in China: standardisation or adaptation? A comparison between China and Italy*, *The Globalization of Chinese Business*, 241–264, <https://doi.org/10.1533/9781780634494.2.241>



Figure 26 and 27. Screenshots of "Le Visage de Qeelin" 2019 Qeelin's campaign on Youku.

Source: https://v.youku.com/v_show/id_XNDA4MDkyNTYzMg==.html

Intriguing and sensual, the video captures for its magic and dreamy atmosphere. The use of a neutral background aims at conveying a message that the product is the real protagonist of the campaign and the use of black and white colors reinforces the idea of sophistication. The model portrayed is a beautiful Chinese solitary woman who wears the brand's jewellery pieces and interacts with them through a delicate and refined gesture, emphasizing the contrast between the playfulness of the artistic designs and the exquisite workmanship with high-quality gemstones.

The present digital adv campaign is a successful example because not only remains it faithful to the communication strategy adopted by luxury brands, but it also leverages those cultural and symbolic values which belong to the Chinese cultural heritage, thus establishing an emotional connection with the Chinese target audience.

3.3.5 Influencer marketing

With the advent of the bloggers' era and the exponential surge of social media since 2000, the influencer phenomenon in China has become a fundamental part of the companies' business strategy and a powerful marketing tool which is growing its appeal also in the jewellery sector. From a business point of view, Influencer Marketing can be defined as: "A *direct-to-consumer approach that uses social media channels and tactics to promote and sell*

goods. [...] It essentially involves a company indirectly obtaining access to an influencer's audience through his or her online channels."¹⁰²

In popular media parlance, Influencers are a group of Internet-savvy individuals who are tasked to promote and market the products of various brands by exerting their influence over potential buyers, posting content on digital platforms.

This promotion technique has proven to be extremely effective in China because, as a result of its collectivistic and hierarchical society, consumers place a lot of trust in online personalities. In fact, the XI CeSIF Annual Report "China 2020: Scenarios and prospects for businesses" released by the Italy China Foundation in collaboration with East Media suggests that 92% of Chinese consumers trust and follow influencers' recommendations when evaluating the authenticity of a brand online. It is also remarkable that 83% of Millennials are influenced by these celebrities and key opinion leaders (KOLs)¹⁰³ in their purchasing choices (Fondazione Italia Cina & CeSIF, 2019).

An influencer marketing campaign, implemented both on social media (Weibo, WeChat, but also Douyin, Little Red Book etc.) and e-commerce platforms (Taobao/Tmall), can be the most effective method to influence the purchase decision-making process of Chinese consumers.

As advertising through local faces and top celebrities can be a successful tactic to pervade the Chinese market, due to their wider reach and high engagement rate, it is possible to increase the popularity of the brands being advertised, leverage the personal connection with their fanbase to convey the brand's message, raise awareness, promote a new product or event, improve the brand's reputation, and drive sales towards a specific goal. They also serve as a means to contextualize luxury products in daily life, thus enabling them to be perceived as more accessible to the new base of Chinese luxury consumers (McKinsey & Company, 2019).

¹⁰² Informa Markets Jewellery, *The Influence of Influencers*, (2020), Jewellerynet.Com - JNA 亚洲珠宝, Vol. 422, https://jewellerynet.com/uploads/ebook/jna/2020/Issue422_July2020/v2/

¹⁰³ KOLs stands for Key Opinion leaders and in China within this category falls a series of important personalities who operate either in the social media realm or not. Singers, movie stars, tv hosts and supermodels, are some examples other than bloggers and influencers nicknamed 网红 (wǎng hóng, online celebrities). Nevertheless, there is one key difference between KOLs and influencers or online celebrities: the former are known as experts focused on products and services that are relevant to their field of expertise, while the latter are more similar to influencers in that their content is hugely based on viral trends. Source: <https://www.here-cc.com/kol-vs-influencer-key-differences-and-why-it-matters/>, accessed 21st April 2020

However, in order to generate customers' follow-up, maximise profits and the power of word-of mouth advertising, the image of the selected testimonial must be appropriate for the brand value. The choice cannot be made taking into account only the number of followers, but there are other elements to consider such as the level of trust between KOL and final client, the level of coherence between KOLs' values and personality and the brand identity; lastly the tone of voice has to be aligned with the communicative style of the brand.

Once the criteria above described are met, the type of collaboration must be determined, based on the brand's specific goals.

There are various types of partnerships to opt for: influencers in China usually review products and are involved in interviews, digital and offline events and creative collaborations. They can also take part in the creation of capsule collections or be appointed as brand ambassadors.

Major successful luxury brands operating in the Chinese marketplace have recognised the added value and increased sales that such a practice bring to their products.

Therefore, they are frequently adopting the procedure of selecting and establishing fruitful collaborations with well-known Chinese celebrities suited to particular products and cherished amongst the online target audience.

This holds particularly true for the fashion and beauty industries, which have already benefited from the influencer's marketing in an unprecedented way, while the jewellery sector has yet to fully exploit this business potential.

According to the B2B online platform JewelleryNet.com: *"One reason is that fine jewellery does not sell as quickly as the latest lipstick or skincare product. Trust and authority are critical in marketing and communications in the jewellery world."*¹⁰⁴

As also the author Zhuoxuan Peng pointed out, KOLs are useful in introducing a brand but, when it comes to luxury jewellery: *"They are not the final or the most important point for validating a purchase"*¹⁰⁵.

This suggests once again the fact that Chinese consumers still value the process of seeing and touching in-person the product, especially when they are looking for expensive jewellery.

¹⁰⁴ Informa Markets Jewellery, *The Influence of Influencers*, (2020), Jewellerynet.Com JNA - 亚洲珠宝, Vol. 422, https://jewellerynet.com/uploads/ebook//jna/2020/Issue422_July2020/v2/

¹⁰⁵ Peng, Z., *Why China's Gen Zers are Crucial for Luxury Jewelers*, (2019), Jing Daily, <https://jingdaily.com/why-chinas-gen-zers-are-crucial-for-luxury-jewelers/>, accessed 4th December 2019

However, influencers have also gradually started to enter the Chinese jewellery scene: Boucheron, Cartier, Piaget, Pomellato, Chopard and so on are increasingly investing in Influencer marketing campaigns, enlisting Chinese KOLs and celebrities who best fit their product offering.

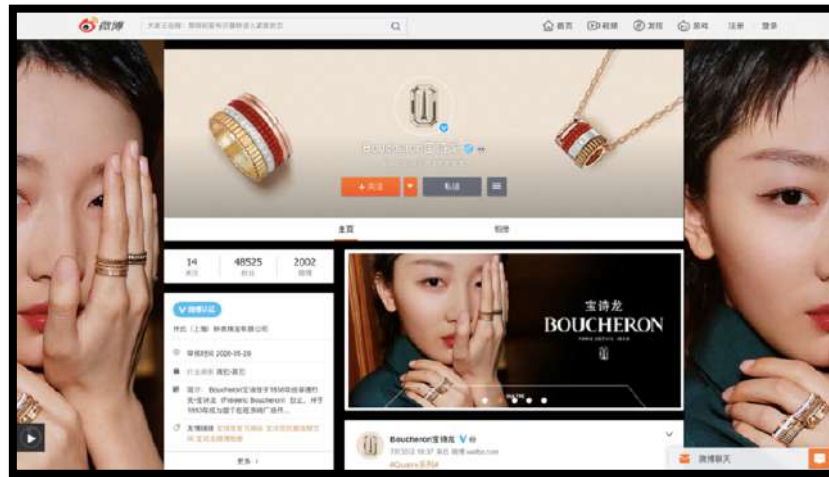


Figure 28. Boucheron's official account on Weibo portraying the movie and television actress Zhou Dongyu (周冬雨) enlisted as brand ambassador. Source: Boucheron Weibo official account

As shown in Figure 28, Boucheron for instance, tapped the Chinese actress Zhou Dongyu 周冬雨 as the face of the newest edition of its timeless Quatre collection. In the view of the French jewellery brand, the actress's natural ability to express sensitivity, intensity, passion and freedom correspond to the four pillars of the Maison's commitment: to showcase the multifaceted beauty of its wearer¹⁰⁶.

To conclude, jewellery companies wishing to take advantage of this influencer marketing trend on the Chinese Mainland should identify suitable influencers to cooperate with, in order to publish sponsored content that showcases the brand's essence to a new audience.

¹⁰⁶ Reporters, S., *STYLE Edit: Boucheron taps actress Zhou Dongyu to launch its Quatre Red Edition*, (2018), South China Morning Post, <https://www.scmp.com/magazines/style/watches-jewellery/article/2166246/style-edit-boucheron-taps-actress-zhou-dongyu>, accessed 2nd October 2018

3.3.6 The current state of luxury jewellery e-commerce in China

«In other countries, e-commerce is a way to shop, in China it is a lifestyle»¹⁰⁷

Jack Ma, founder of Alibaba

When it comes to the digital world in China, the e-commerce sector cannot be overlooked because it represents not only a sales channel, but also a great opportunity for displaying information and promoting your own brand. According to East Media agency's data, with one billion consumers shopped online in 2019, China remains the world's first e-commerce market. In early 2020, one out of two Chinese users made online transactions, almost all netizens (93%) frequently visited retail websites and 78% of them have made an online purchase in the last month (Fondazione Italia Cina & CeSIF, 2019).

This rapid increase of e-commerce in China has forced traditional retailers to focus on its unique features, leading to the development of integrated multi-channel sales strategies, in which virtual stores and platforms complement each other.

Moreover, e-commerce plays a uniquely important role in gathering information: 80% of Chinese consumers aged between 20 and 40 use e-commerce platforms to research and learn about jewellery products, and 60% then buy them on the Internet (Edith, S., 2020).

Therefore, luxury jewellery brands in addition to having their owned e-commerce channels, are now also strengthening their presence on Chinese third-party online shopping platforms. In this sense, they can choose to work with a myriad of online retailers and marketplaces that complement the luxury industry.

Overall, online luxury shopping in China mainly refers to business-to-customer (B2C) platforms, which involve independent brands' websites and also multi-brand in-season online stores. In the first case, luxury brands directly invest in their own e-commerce capabilities by setting up their official website either domestically or internationally (see paragraph 3.1) selling only specific luxury products, which is independently responsible for purchases, storage and logistics (Rovai, 2016, pp. 1–3). In the second case, the Chinese luxury digital

¹⁰⁷ Prickett, K., *In China, eCommerce is a Lifestyle*, (2014), Prospress, <https://prospress.com/chinas-ecommerce-lifestyle/>, accessed 18th September 2014

market offers a wide range of both local and international multi-brand e-commerce platforms which act as "cooperator" channels, giving brands some control on their virtual stores while allowing them to benefit from the platform's steady flow. In the local context examples are Tmall (天猫) with its luxury e-commerce section called Luxury Pavilion and JD.com (京东) along with WeChat Commerce, while Farfetch and Yoox Net-A-Porter are the main international e-commerce platforms also operating in China. Some of them are generalists, others more specialised, offering a wide selection of premium and luxury products: from fashion items, watches and jewels to lifestyle and household goods. Still other shopping platforms have formal contracts with international luxury brands overseas, making them more reliable in the eyes of online luxury shoppers. That is the case of Kaola (考拉海购) representing China's first cross-border import retail e-commerce portal.

In response to the growing demand for luxury goods within the country, the Chinese online luxury market is now also characterized by the presence of a series of minority platforms that particularly attract both Chinese luxury shoppers and brands, as they provide another option for businesses to market and sell their products. They are less effective for enhancing brands' visibility, but extremely useful from a strategic point of view for targeting niche and highly targeted markets. These small number of specialised e-tail operators are represented by vertical e-commerce platforms selling luxury products and offering selective series and items with heavy discounts (Bain & Co.). Secoo (寺库) and 5lux.com (第五大道奢侈品网) are the two main actors operating in this field.

When it comes to the current state of luxury jewellery e-commerce in China, few jewellery brands have chosen to establish a comprehensive presence across China's various online sales channels and the number available in mainstream and vertical platforms continues to be modest, as it can be seen in Table 4 in the appendix to the Chapter. This trend is also confirmed by Gartner L2's Digital IQ Index: Luxury China 2019 report, which underlined that: *"High-end jewellery players still prefer control over their e-commerce experience and customer relationships, with DTC site and WeChat brand-owned stores, remaining the most popular channels for selling online."*¹⁰⁸ In the meantime Tmall and JD.com B2C multi-brand e-tailers still lag behind. However, this year's coronavirus outbreak has accelerated the use of

¹⁰⁸ DIGITAL IQ INDEX: LUXURY CHINA 2019 EXCERPT, (2019), Gartner L2, <https://www.gartner.com/en/marketing/research/luxury-china-2019>

e-commerce, leading to a 71%¹⁰⁹ increase in jewellery sales on the latter two key platforms as well.

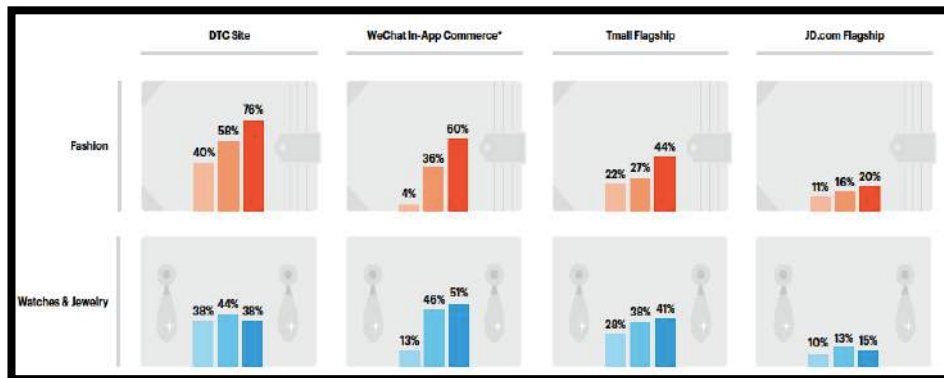


Figure 29. Luxury E-commerce Adoption by platform

Source: Gartner L2

At the current situation, amongst the 16 fine jewellery brands analysed in Table 4, the most active ones in terms of online sales and a broader presence in the Chinese e-commerce ecosystem are: Cartier, Chopard, Tiffany & Co., Van Cleef & Arpels, Bvlgari, Chaumet and Piaget, covering from eight to five e-commerce platforms. Besides their owned sales channels (DTC site and WeChat store), these seven jewellery Maisons have also already set up their own virtual shops both on domestic mainstream B2C platforms like Tmall and/or JD.com and on luxury e-commerce verticals such as Secoo and 5 lux.com, but also on the cross-border international platforms like Kaola, Tmall or JD Global.

Boucheron, De Beers, Pomellato and Qeelin, instead, cover an average of four e-commerce channels, whereas the online sale of other well-known jewellery brands is only circumscribed to international e-commerce platforms, that is Net-a-porter and/or Farfetch China (i.e. Buccellati), or it is limited to certain product categories (i.e. Mikimoto), or even nonexistent, as in the case of Harry Winston, Graff and Damiani.

Therefore, it is now becoming the norm for international jewellery brands being present also on third-party e-commerce platforms, given the fact that, besides entering in contact with a wider audience, they also allow them to gain access to a broader range of services, experiences and logistics.

¹⁰⁹ Hall, C., *If You Aren't Already Selling Jewellery in China, Now Is the Time*, (2020), The Business of Fashion, <https://www.businessoffashion.com/articles/professional/if-you-arent-already-selling-jewellery-in-china-now-is-the-time>, accessed 26th August 2020

Having observed that the local luxury e-commerce channels mostly adopted by jewellery brands are Tmall with its Luxury Pavilion, JD.com, Secoo, 5lux.com and the cross-border one of Kaola, it is useful to further examine them, in order to understand how jewellery brands can best leverage those sales channels in terms of promotion and digital marketing campaigns.

3.3.6.1 Local generalist platforms: Tmall (天貓) and JD.com (京東)

Over the last two decades, e-commerce giants Tmall (partner of Alibaba Group Holding) and JD.com (part of the Tencent group), have been in a continuous battle with each other for the title of the leading online retailer in China. To date, Tmall, with over 80 million monthly active users and 61,4% of market share¹¹⁰, continues to be ahead of JD.com, which instead accounts for 334.4 million active users and 24,2% of market share (East Media, 2020).

From a general point of view, they are both two multi-category e-commerce platforms, which sell extensive product and brands' ranges, charging an annual fee and sales commissions based on category. However, their positioning is slightly diversified: Alibaba's Tmall aims at being a more exclusive and official outlet for luxury brands, while JD.com is more specialized in the 3C industry¹¹¹ (Computers, Communications and Consumers Electronics), it has now expanded its reach from everyday electronics retailer to a more comprehensive e-commerce platform.

Yet, when it comes to the luxury sector, Tmall and JD.com tend to be more matched, as they seek to offer an increasingly similar service to luxury brands, such as additional customer service, delivery, marketing and branding expertise to labels who collaborate with them. Moreover, they both offer the possibility to set up different kinds of direct-sale stores formats: from graphically customizable single-brand's flagship stores to online outlets.

In the case of Tmall, luxury brands have a variety of segments to choose from: in addition to Tmall Classic and Tmall Global (the cross-border channel), the platform also offers more luxury-tailored digital spaces, such as The Luxury Pavilion and the newest online outlet

¹¹⁰ Confindustria Vicenza, *E-commerce in Cina: dalle piattaforme alle diverse strategie, quali opportunità per i brand italiani* [Video], (2020), YouTube, <https://www.youtube.com/watch?v=ua2S2ufLF9A>

¹¹¹ Hu, L., (2020), *International Digital Marketing in China: Regional Characteristics and Global Challenges* (1st ed. 2020 ed.), Palgrave Pivot, <https://doi.org/10.1007/978-3-030-38160-8>

called Luxury Soho¹¹². These two additional online sales channels within Tmall ecosystem provide a more controlled and selective environment to luxury brands that are onboard on the platform, thus conveying a more luxury shopping experience from both the consumer's and the brand's perspective.

In the meantime JD.com, in response to the introduction of the Luxury Pavilion, has also established in 2017 its own luxury extended version, called "Toplife". However, in 2019, the platform dedicated to JD.com's fashion and luxury brands has been absorbed by the UK-based high-end fashion e-tailer Farfetch, with which JD.com had increasingly been working closer with.

Indeed, a path towards the luxury digital domain, similar to the one followed by the two e-commerce giants, can also be seen through their partnerships with leading luxury fashion e-tailers Net-a-Porter and Farfetch respectively. The collaboration with these two global brand-authorized channels offers further exclusive shopping experiences: from packaging to shipping and a better communication with targeted, highly valued consumers (Wu, 2020).

Second to Tmall, Jingdong enjoys a very good reputation in terms of product quality. In fact, the mantra that inspires its policy is "quality first"¹¹³, through which it exerts a strict control over inventory, thus reducing the presence of counterfeit products. Moreover, JD.com also boasts the most accurate and fast logistics system.

Among the 16 international jewellery firms analysed in Table 4, Cartier and Chopard are the only ones which have so far established their own online flagship stores on both Tmall's Luxury Pavilion and JD.com.

However, their product portfolio available on these two platforms is different: Cartier chose to sell a wide range of jewellery, timepieces and its latest collections through its Tmall's flagship store, while on JD.com, the French jeweller offers only its design watches' collections. In the case of Chopard, instead, the brand set up the same kind of flagship store both on Tmall and JD.com, presenting its entire jewellery and watches lines.

¹¹² Tmall's Luxury Soho is an initiative launched in April 2020 which includes out-of-season items from low-priced brands. Accessible through Mobile Taobao and the various flagship stores of the brands on Tmall, this new platform wants to communicate with Gen Z buyers who are entering the world of luxury. Source: <https://www.mffashion.com/news/livestage/luxury-soho-nasce-il-primoutlet-online-di-tmall-202005071109166829>, accessed 8th April 2020

¹¹³ A., *Come vendere online in Cina: 10 piattaforme per distribuire i tuoi prodotti*, (2020), East Media, <https://www.east-media.net/come-vendere-online-in-cina-10-piattaforme/>, accessed 15th May 2020

Therefore, in order to figure out which of the two online platforms may be more suitable for the sale of jewels and provide a better user-experience to Chinese affluent customers, it is useful to take the Chopard's case as an example, making a brief comparison between its two virtual stores' similarities and differences.

Figure 30. Mobile interface of Chopard's flagship store on Tmall Luxury Pavilion.
Source: Tmall Luxury Pavilion



Figure 31. Mobile interface of Chopard's flagship store on JD.com.
Source: JD.com



At first glance, Chopard's flagship store both on JD.com and Tmall presents a similar kind of virtual format, from laptop to mobile device. In the homepage customers have options to shop the brand by product category or by collection. It is interesting to note that, while Tmall just presents the latest six new brand's collections, JD.com offers a more exhaustive purchase choice: from classic collections to newly launched limited editions.

It also proposes two other sections: one based on recommended jewellery and the other on a special line of items worn by the brand ambassadors. On JD.com, customers can also shop based on the material of the jewellery product and the gemstones.

Moreover, the two platforms offer some promotions and the possibility to apply pricing filters when choosing products. The strategy of mixing slightly lower prices with the highest priced merchandise is particularly effective, because Chinese users are mostly price sensitive and search for discounts and convenience in their purchases.

From the online visual merchandising point of view, jewellery items are presented in a curated and clear-cut manner on both platforms, providing their crisp pictures from multiple perspectives, relative information about their maintenance and additional services, such as complimentary engraving and embossing, gift-wrapping, customized card services and a dedicated customer service. In their footer part, they both provide a brief summary about the Maisons' identity and history, aiming at enhancing brand awareness.

After this brief analysis, it emerges that, overall, Tmall and JD.com share a common structure for their e-commerce B2C websites and offer a similar premium experience for jewellery brands and their high-end clientele.

Both Chopard's flagship stores are well-designed and provide high-quality content, which ensures an immersive user-experience in the world of the brand, a little bit more emphasized in Tmall's flagship store, due to the heavily use of advertising videos and enticing product images that grab the attention of the viewers. While, in the case of JD.com, the overall digital setting results more static.

However, in terms of narrative and product description, JD.com offers a more detailed and technical content, while Tmall is characterised by a content which leverages those emotional and cooler elements that better resonate with younger luxury digital consumers.

From an aesthetical point of view, JD.com is based on a classic layout which conveys an idea of authenticity and reliability while lacking fashion genes, especially in the laptop version. Tmall, instead, is sleek, user-friendly and it is perceived as a trendy e-commerce environment.

Therefore, it is highly recommended for international jewellery brands to strengthen their presence on Tmall and JD.com, as these two platforms come with built-in infrastructures that enable a brand to quickly enter China's vast market, by providing unique digital marketing and sales tools. An example is the rollout of various shopping festivals (i.e. Tmall's Super Brand Day ¹¹⁴ or JD.com's 618 Shopping Festival) offering fixed promotions to encourage consumption and create new shopping habits.

In Tmall's specific case, other benefits offered concern engaging consumers through cutting-edge features, from livestreaming, augmented reality, interactive 3D technologies, to virtual icons and flexible payment solutions.

However, the drawback is that, both the two e-commerce giants adopt an invitation-policy, where only qualified brands can have access. Moreover, it should be noted that in order to have success on these platforms, jewellery brands must have a dedicated digital marketing strategy and a large available budget, since their reach is enormous and requires huge investments.

¹¹⁴ Introduced in 2015, the Super Brand Day is a campaign driven by Tmall which spotlights selected brands for Chinese consumers. Each participating brand has a 24-hour period to offer unique experiences, promotions, flash sales and special offers on the Tmall storefront. Source: <https://www.prnewswire.com/news-releases/marriott-international-to-debut-on-alibabas-tmall-super-brand-day-300686075.html>, accessed 25th July 2018

3.3.6.2 Local luxury verticals: Secoo (寺库) and 5lux.com (第五大道奢侈品)

Owing to the targeted user's experience, in recent years a robust growth for luxury-oriented vertical multi brand e-commerce websites has taken place in the Chinese market, which provide retail prices with discounts and promotions: Secoo and 5LUX.com are the best cases in question.

Secoo Holding Limited was founded in 2008 by Richard Rixue Li and it is one of the largest Chinese online multi-brand luxury B2C platforms operating in Asia. The company was listed on the NASDAQ Stock Exchange in September 2017. In 2019, Secoo's gross merchandise volume (GMV) registered an impressive increase of 71.3% year-over-year to RMB13.8 billion, attracting a total of 1.22 million¹¹⁵ (67.5% growth).

The company is specialized in online sales of a wide selection of authentic upscale products such as men and women clothing, footwear, jewellery, watches, bags and accessories of over 3,800 overseas and domestic brands. Additionally, to meet the Chinese consumers' growing desire for a high-end lifestyle, the platform also provide luxury cars (i.e. Bentley and Porsche), as well as yachts and private jets. Over the years, Secoo has successfully adopted an online-to-offline (O2O) model which has made it a trusted and authentic luxury products retailer. Its integrated system consists of an online platform (Secoo.com website and mobile application) and the offline "Experience Centers".

The online platform allows consumers to easy select products, place orders and conveniently complete the payment process on the website with efficient methods, such as WeChat Wallet or Secoo Check.

Offline experiential centers instead consist essentially in physical boutiques which serve as a complementary channel, through which wealthy costumers can experience the purchase process first-hand. There are currently eight offline stores located both in Mainland China (Beijing, Shanghai, Chengdu, Xiamen, Changsha and Qingdao), as well as in Hong Kong and Milan.

¹¹⁵ *Secoo Reports Unaudited Fourth Quarter and Full Year 2019 Results*, (2020), Secoo Holding Limited, <https://www.globenewswire.com/news-release/2020/04/30/2025095/0/en/Secoo-Reports-Unaudited-Fourth-Quarter-and-Full-Year-2019-Results.html>

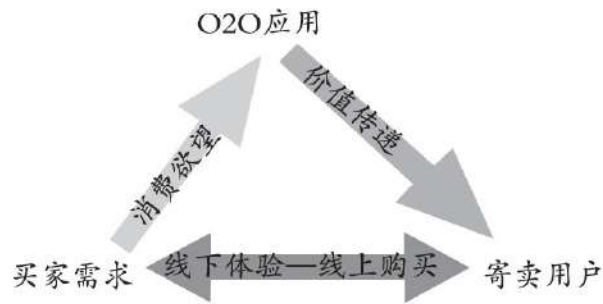


Figure 32. Secoo's O2O model.

Source: <https://oversea.cnki.net/kns/detail/detail.aspx?FileName=JSZJ201806007&DbName=CJFQ2018>

Together with Secoo, 5LUX.com is also one of the biggest high-end B2C e-commerce platform in China. Launched in 2009 by the sisters Sophie Sun and Sun Duofei, the website currently turns over RMB 500 million a year in sales¹¹⁶ and it is growing at nearly 30% a year¹¹⁷, fueled by almost 4 million active users. Sometimes also called as China's online "Fifth Avenue", 5LUX works as an aggregator (Mauron, 2018): the site offers a selection of luxury items ranging from clothing and jewellery to food, wine, hi-tech and home furnishing sourced from authorised dealers and brands, guaranteeing the product authenticity. Basically, 5LUX.com helps brands to set up their virtual store on the platform, giving them the freedom to have full control in terms of store and product's layout, images, messages and so on.

Similar to Secoo, 5LUX.com also supports an O2O business model, where customers can either order online and have the product delivered to them, or they can choose to pick up the order from the brands' stores themselves, indulging in the designer atmosphere. Even though it does not hold any physical inventory, the platform is in charge of logistics and delivery of all items.

Besides more than 1300 international high-end luxury and fashion brands retailing on the platform, like Louis Vuitton, Rolex, Gucci, Bally and Chanel, 5LUX.com also hosts many other renowned but more accessible brands like Coach, Kenzo and Tod's, since the company's final goal is to meet the Chinese middle-class customers' higher lifestyle standard needs.

¹¹⁶ A., *Top 5 E-Commerce Platforms to Sell Luxury in China*, (2019), SEO China Agency, <https://seoagencychina.com/top-5-e-commerce-platforms-to-sell-luxury-in-china/>, accessed 15th July 2019

¹¹⁷ *Sophie Sun and Sun Duofei, 5Lux.com* [Video], (2020), Channel New Asia (CNA), <https://www.channelnewsasia.com/news/video-on-demand/tycoons-china/sophie-sun-and-sun-duofei-5lux-com-1242114>

Based on this business philosophy, the vertical platform offers exclusive year-round discounts between 20-80% on over 1000 premium and luxury brands, in order to incentivize the online purchases of Chinese new rich consumers. Moreover, like in the self-owned websites, 5LUX.com offers a dedicated section to gifts.

When it comes to the luxury jewellery, almost half of the companies analysed in Table 4 are present on both luxury e-commerce verticals, with a greater presence on Secoo rather than 5lux.com. Tiffany & Co. and Bvlgari, for instance, have chosen to sell their items on these two vertical platforms rather than on Tmall and JD.com, previously analyzed. The explanation could be that, despite their efforts and upgraded services, some jewellery brands are still not entirely comfortable to work with generalist marketplaces, since their businesses in China have to some extent suffered from the counterfeit phenomenon (Pan, 2017). On the contrary, vertical platforms are considered as a relatively reliable source of authentic luxury items.

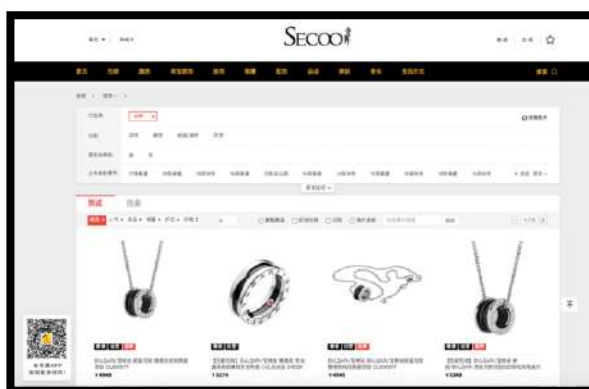


Figure 33. Bvlgari's interface on Secoo from laptop device. Source: Secoo.com



Figure 34. Bvlgari's online store on Secoo from mobile. Source: Secoo APP

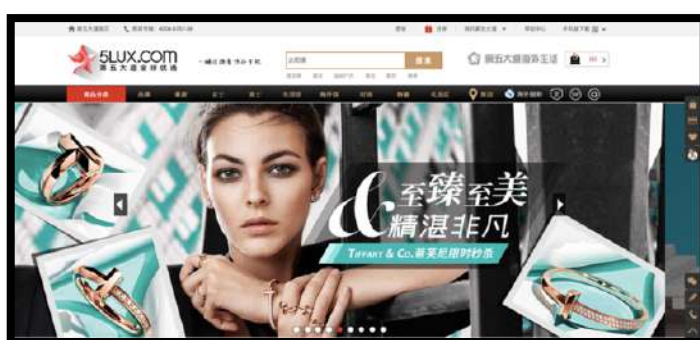


Figure 35. Tiffany & Co.'s advertising banner on 5Lux.com. Source: 5Lux.com

Regarding Secoo platform, it should be pointed out that there is a remarkable difference between its laptop and mobile version (Figures 33 and 34). On desktop interface, Secoo presents itself as a more traditional and minimalist luxury e-commerce platform with a

clean layout, through which users can access to the jewellery section via the homepage, divided by product categories and brands. Once selected the desired jewellery brand, a new page opens displaying its entire collections available. Jewellery items can be filtered by popularity, quantity of goods available, discounted pieces and price. The merchandise is accurate and updated to the brands' latest collections.

On the mobile interface, instead, jewellery brands can set up their own 品牌馆 (pǐnpái guǎn) literally translated as “Brand Pavilion”, which provides an exhaustive overview of the brand’s merchandise and conveys a more aesthetical and user-friendly appeal. While, 5lux.com’s interface is the same on both desktop and mobile versions, and it offers to brands the possibility of creating their own flagship stores, as Bvlgari and Tiffany & Co. did.

In terms of online advertising and promotion, it can be said that 5lux.com is more creative: it is a Chinese-style website which heavy resorts to the use of images, colors and visual stimuli in their advertising banners and sidebars. This does not happen in Secoo, especially in its desktop version, while the mobile one is more captivating.

However, 5LUX.com’s product categories, filters and collections are much more limited compared to Secoo. Furthermore, in the *footer* section of each product, it is also possible to leave comments, post products’ pictures and/or read customer feedbacks about jewellery pieces. This technique is very effective, because it helps to enhance electronic word-of-mouth marketing. Furthermore, both platforms offer luxury goods identification, maintenance services and refund policies.

To conclude, the highly specialized nature of these luxury vertical marketplaces can bring to high-end jewellery brands some advantages:

- Specific products and detailed information
- Precise targeting of existing luxury users' tastes / habits
- Greater consumer loyalty
- A community of consumers active in word-of-mouth about products
- Better control over counterfeiting’s issues

However, it should be noted that, since vertical platforms are nascent compared to the more generalist ones (Tmall and JD.com), they require more time to increase traffic and brand’s visibility.

As far as Secoo and 5LUX.com are concerned, there are no huge differences between the two and they can be both adopted as viable online sales channels. It is up to the jewellery

brand in question to evaluate which is the most suitable according to its business model and goals.

3.3.6.3 Cross-border platforms: Kaola (考拉海购)

Along with rising incomes and the lingering perceptions that overseas products are of higher quality compared to domestic ones, a growing number of Chinese buyers are purchasing exclusive luxury goods through cross-border e-commerce platforms. The growth of cross-border e-commerce presents huge opportunities for foreign brands, especially for those that lack the scale to establish physical operations in China.

Indeed, as opposed to local e-commerce channels, online cross-border platforms allow overseas brands to sell directly to the final customer, without the need for a physical store on site. It is also an excellent channel for those retailers who want to launch their full-scale operations in the Middle Kingdom: they can test the market, collect and analyze data on Chinese customers and then plan their strategies.

When choosing a Chinese e-commerce platform, brands typically opt for Tmall and JD.com, which are not always the right choice, due to their high investment's costs and application requirements, as previously mentioned. Therefore, China also has several cross-border platforms with lower entry barriers and millions of users: Kaola is one of them.

According to the domestic consulting agency iiMedia, NetEase Kaola ranked first in the cross-border e-commerce (CBEC) import market, with a 27.7% market share as of 2019, followed by Tmall Global (25.1% market share) and JD.hk (13.3%)¹¹⁸.

Originally launched by the Chinese gaming company NetEase in 2015 and purchased by Alibaba in 2019, Kaola focuses on selling high-quality and reasonably priced “western” products to middle-class Chinese consumers.

Even though, the most sought-after foreign products sold on Kaola mainly consist of cosmetics, beauty and baby products, as well as packaged foods and household commodities, however, it is also possible to find jewellery brands like Tiffany & Co., Van Cleef & Arpels and Cartier, to name but a few.

¹¹⁸ *Alibaba acquires NetEase Kaola*, (2019), FUNG BUSINESS INTELLIGENCE Asia Distribution and Retail, https://www.fbcgroup.com/sites/default/files/NetEase_Kaola_report.pdf

When typing one of these brands' name in the search bar of the homepage, users are redirected to the specific section, where on top of the page they can find a brief presentation of the brand and its history. In the lower part, instead, all the available products are displayed. When a specific jewel is selected, a new webpage shows up close-up images, a short description and the price of the same. Further information and image of the item are also shown below, along with pictures and information of the self-operated or third-party retailer, which the chosen jewel comes from. At the end of the page, a particular attention is devoted to the product's authenticity and to the shipping and delivery of goods. No jewellery brands' online flagship stores are available on Kaola.

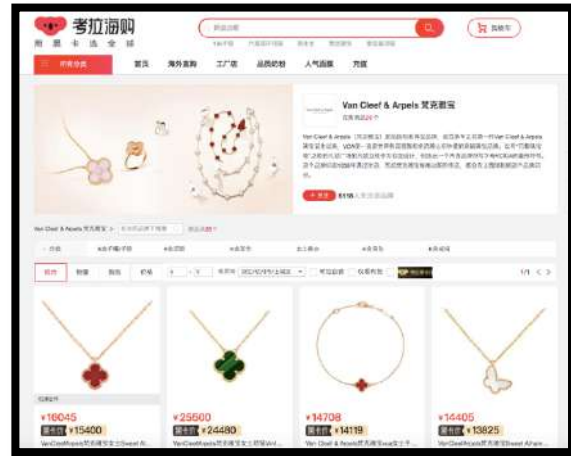


Figure 36. Desktop interface of Van Cleef & Arpels' jewellery products sold on Kaola. Source: Kaola.com

Using media resources of its parent company NetEase, combined with the platform's marketing capabilities, Kaola.com can help jewellery enterprises to strengthen their brand credit, enlarge their influence, enhance the cohesion and the consumers' loyalty.

3.3.7 Social media marketing: Wechat (微信), Weibo (微博) and Little Red Book (小红书)

Though the online presence of jewellery brands on e-commerce platforms is still handful, it is not the same case on Chinese social media. Table 4 in the appendix highlights that all the jewellery brands analyzed have already opened their official accounts both on WeChat and Weibo, the two most valuable Chinese social platforms, as well as efficient channels to promote and sell jewellery products.

Launched by Tencent in 2011, WeChat or 微信 (Wēixìn, "short message" in Chinese) is currently the largest messaging and social media app used in China. Data from East Media

spotlight that this versatile channel gathers 78% of Chinese netizens, with a number of monthly active users of 1.08 billion and 1.5 millions of brands existing on the platform¹¹⁹.

Apart from its initial and basic functions, such as text and voice messaging, pictures, videos or links shared with their own contacts, WeChat has quickly extended its features, evolving in an “all in one app” that covers a wide range of additional activities: from following public pages, reading articles, bookings, venue search, to mobile payments for online and offline transactions at physical stores (Lala Hu, 2020).

Even for companies WeChat proves to be a powerful ace in the hole. In fact, brands can create official and verified accounts, through which they increase followers and attract potential ones, sale their products, but also produce lead generation¹²⁰ to the website. They can also share detailed articles delivered directly to the user’s feed section, thus keeping followers updated on brand news. Every brand is free to decide the layout of their WeChat posts and integrate different media, for instance, GIF images, video, infographics, etc.

Another point in favor is the possibility of establishing collaborations with KOLs (Key Opinion Leaders) inside WeChat, aimed at creating advertising content in the form of newsletters. When it comes to advertising, there is certainly plenty of choice. Brands can implement online advertising campaigns in a variety of ways: one is through WeChat Moments functionality, where the ads, in the form of text with images or short videos, are viewable for users within six hours. Cartier, for instance, was the first jewellery brand to advertise through WeChat moments. Other possibilities are the WeChat account promotion, article banner ads and more recently WeChat Mini Program ads.

Indeed, among the newest features introduced within the WeChat ecosystem, there are Mini-Programs: mini-apps which offer several services to active users (now around 600 million), acting as open and interactive spaces, where a brand can communicate with its followers¹²¹, thus strengthening the relationship between the two. The services provided by

¹¹⁹ East Media, *Estratto X Rapporto Annuale CeSIF (No. 10)*, (2019), Fondazione Italia Cina & CeSIF, <http://www.east-media.net/wp-content/uploads/2019/08/Estratto-Rapporto-Annuale-2019.pdf>

¹²⁰ In marketing, lead generation is the initiation of consumer interest or enquiry into products or services of a business. Leads can be created for purposes such as list building, e-newsletter list acquisition or for sales leads. The methods for generating leads typically fall under the umbrella of advertising, but may also include non-paid sources such as organic search engine results or referrals from existing customers. Source: https://en.wikipedia.org/wiki/Lead_generation, accessed 23rd September 2020

¹²¹ Fu, C., *Breaking Down WeChat Advertising For Luxury Brands*, (2020), Jing Daily, <https://jingdaily.com/breaking-down-wechat-advertising-for-luxury-brands/>, accessed 27th May 2020

Mini-Programs are, for instance, to shop directly from WeChat store¹²² (maybe by benefitting of coupons and discount codes), gain access to the company websites, play mini games and experience augmented reality. Therefore, WeChat is now arguably the social network tool of choice for the jewellery industry (JNA, 2020) and its Mini Program function has already been widely used by brands such as Cartier, Bvlgari, Tiffany & Co., Chaumet and Piaget to name but a few, offering gift cards, personalized products, promotions, group purchases and smart customer service.

Gartner L2's Digital IQ Index: Luxury China report 2019 found that: *"51% of watch and jewellery brands had WeChat stores as of April 2019, a number that increased dramatically since 2018 with the rise of WeChat's Mini Program feature"*¹²³.

Therefore, WeChat is definitely the most strategic channel and a must-have platform both for private users and organisations, including jewellery operating in the Chinese market.

Whilst, Weibo 微博 (Wēibó, which literally means "micro-blog") is China's largest information portal, launched in 2009 by the Chinese media corporation Sina. According to data from Statista, the number of Chinese users on the platform has continued to increase since 2017, reaching 398.4 million in 2020. Often referred as "the Chinese Twitter", since many functions recall the ones of Jack Dorsey's social network (Lala Hu, 2020), Weibo is actually much more. In addition to "traditional" social activities, such as sharing posts, photos, videos, external links, files and instant messaging, it also allows to follow certain topics via hashtags (#), create microblogs and surveys, gaming activities, search for information, promotions and suggestions. Like Twitter, Weibo accounts can be private or public, the latter mainly used by media, companies or KOLs to interact with their followers.

Thanks to its characteristics, Weibo has a strong ability to reach a high general audience, rewarding "one-to-many" communication rather than "one-to-one" like WeChat, which instead mainly targets small group of consumers. Given its versatility, accessibility and great popularity, it represents an indispensable digital tool for a marketing communication strategy. The reason is that, a proper use of Weibo can improve brand awareness and the visibility of events and promotions, maintaining consumer loyalty and launching contests

¹²² WeChat offers the possibility for brands to create their own online boutique with the complete functionality of a normal store through which brands can sell products within the app.

¹²³ *Luxury brands are now connecting and selling to millions of customers through WeChat Mini-Program E-Shop.* (2018), WeChatAgency.Com, <https://www.wechatagency.com/news/luxury-brands-are-now-connecting-and-selling-to-millions-of-customers-through-wechat-mini-program-e-shop>

which involve celebrities and KOLs; it can also contribute to the positive element of word-of-mouth.

In the jewellery category, all major luxury jewellery brands have already turned to Weibo platform. According to Gartner L2: “Official celebrity brand ambassadors drove 78% of all engagement for watch and jewellery brands, despite appearing in only 7% of brand’s posts.”¹²⁴ Among the 16 brands analysed in Table 4, Cartier leads in terms of followers, accounting +1,630,293 active fans, followed by Bvlgari (+1,397,108) and Tiffany & Co. (+1,005,742).

The content generally posted by these jewellery brands on Weibo varies from product promotion through captivating stories, images, GIF and videos which describe its function, craftsmanship and the concept behind it, store openings, PR events involving celebrities (i.e. red carpet events), topics or special activities that build closer interactions with followers such as invitation to branded events or lucky draws (FDKG Ltd, 2016).

Last but not least, besides the huge popularity of WeChat and Weibo, a great potentiality in terms of online promotion and sales for jewellery brands is also represented by



Figure 37. Example of post published by Pomellato on its Little Red Book's brand account.
Source: Little Red Book APP

the relatively new social media and e-commerce platform Little Red Book, also known as RED (Chinese: 小红书, pinyin: Xiǎohóngshū). Created by Miranda Qu & Charlwin Mao in 2013 as an experience-sharing platform for overseas purchases, it later started to engage in e-commerce by sourcing products directly from abroad and allowing brands to set up storefronts.

Little Red Book consists in a highly community- and content-driven platform, where users share photos and videos of products they have liked or have bought, write posts and tag items in the pictures that link to e-commerce listings. The content can go viral via word-of-mouth and also through KOLs' posts.

In this way Little Red Book combines the typical features of social networks with those of the traditional e-commerce marketplaces. A strong advantage is related to the fact that, even on this platform

¹²⁴ Gartner L2, DIGITAL IQ INDEX: LUXURY CHINA 2019 EXCERPT, (2019), <https://www.gartner.com/en/marketing/research/luxury-china-2019>

the registration is not mandatory, therefore everyone can view the posts, exchange advice and creating a great engagement with the published content.

According to Fung Business Intelligence (2019), at present there are more than 220 million registered users on this social-commerce platform, most of which are women (90%), Millennials and Gen Zers (60%). This consumer base perfectly matches with the target audience of international jewellery brands operating in the Chinese market, where the consumption of jewels is predominantly dominated by women and younger generations, as already explained in Chapter two.

Thus, Little Red Book offers great sales and marketing opportunities for jewellery brands. Half of those analysed have already embraced the potential offered by this social-commerce platform, also because, among its functionalities, it offers that of live streaming¹²⁵, which is crucial for the jewellery sector. Indeed, one the biggest challenge for jewellery companies when going online has always been to inspire trust in customers. Through videos and live collaboration with the KOLs, companies can obtain reliability from consumers, who see in real-time what they are purchasing.

Therefore, mastering social media in China has also become vital for jewellery brands and they should continue to capitalize on Chinese platforms like WeChat, Weibo and Little Red Book, in order to connect with their consumers, strengthen their reputation, increase their stake in the market and generate sales.

¹²⁵ Live streaming is the real-time recording and transmission of audio and video content to a viewer. It was primary born in China within the gaming industry, but it has gradually expanded to many other fields such as entertainment, cuisine, information and more recently to shopping. The emergence of livestreaming as a leading digital tool for e-commerce is one of the biggest trends of 2020 in China and is proving to be a lucrative sales channel for jewellers. Source: <https://www.east-media.net/live-streaming-comunicazione-cina-2020/>, accessed 21st May 2020

	Brand-owned website.cn	Social platforms				Mainstream B2C e-commerce				Global leaders				Luxury verticals	
		WeChat	Weibo	Little Red Book	JD.com	Tmall	Alibaba		Net-a-Porter	Luxury leaders		Secoo	Local leaders		
							Tmall Luxury Pavilion flagship store	only perfumes		Farfetch	only watches & eyewear		Shux.com		
Cartier - 卡地亚	✓	✓	✓	✓	✓ Flagship store (watches)	✓	✓	only watches & eyewear	only watches & eyewear	✓ Flagship store	✓ Flagship store	✓	✓		
Bulgari - 宝格丽	✓	✓	✓	✓	limited	✓	only perfumes	X	only eyewear	✓ Flagship store	✓ Flagship store	✓	✓		
Tiffany - 蒂芙尼	✓	✓	✓	✓	✓ Flagship store	✓	X	X	only eyewear	✓ Flagship store	✓ Flagship store	✓	✓ Flagship store		
Chaumet - 尚美巴黎	✓	✓	✓	X	✓ (JD Global)	X	X	X	X	✓ Flagship store	✓ Flagship store	✓	only watches & eyewear		
Chopard - 萧邦	✓	✓	✓	✓	✓ Flagship store	✓	✓	✓	✓	✓ Flagship store	✓ Flagship store	✓	only watches & eyewear		
Praget - 柏爵	✓	✓	✓	X	X	✓	✓	✓	limited	only watches	✓	✓	X		
Van Cleef & Arpels - 梵克雅宝	✓	✓	✓	✓	X	✓ (Tmall Global)	X	X	✓	✓	✓	✓	✓		
Boucheron - 宝诗龙	✓	✓	✓	X	X	only perfumes	only perfumes	✓	✓	only eyewear	✓	✓	X		
Buccellati - 布契拉提	✓	✓	✓	X	✓ (Net-a-porter flagship store)	X	X	✓	X	X	X	X	X		
Damiani - 戴美安提	✓	✓	✓	X	X	X	X	X	X	X	X	X	very limited		
Graf - 格拉夫	✓	✓	✓	X	X	X	X	X	X	X	X	X	X		
De Beers 戴比尔斯	✓	✓	✓	X	X	✓	X	X	X	✓	X	X	X		
Pomellato 宝曼兰朵	✓	✓	✓	✓	X	X	X	✓	✓	flagship still not active	✓	✓	X		
Mikimoto 御木本	✓	✓	✓	X	only cosmetics	✓ (Tmall Global)	X	X	X	only cosmetics	X	X	X		
Harry Winston - 海瑞温斯顿	✓	✓	✓	X	X	X	X	X	X	X	X	X	X		
Qeelin	✓	✓	✓	✓	X	X	✓	X	X	✓ Flagship store	✓	✓	X		

Table 4. International fine jewellery brands' participation on the main Chinese digital platforms.

Source: personal elaboration

CHAPTER 4. Case studies on Chinese festival-related digital campaigns

This conclusive chapter provides multiple case studies about specific digital marketing campaigns carried out by some international high-end jewellery brands during two of the most important Chinese festivities: China's Lunar New Year and Valentine's Day (Qixi Festival).

These national events were selected as they represent two times of the year in which major jewellery brands, operating in the Chinese market, roll out new digital initiatives to reach their consumers in gift-giving mode. Moreover, festival-related campaigns are a great way to raise awareness and boost sales (Es Fih, M. 2018), especially for the jewellery sector. In fact, jewellery sales within the country are very much influenced by the Chinese festival market, since local people have the habit of purchasing jewellery for gift purposes to celebrate anniversaries and festivals. This trend has reached fever pitch in the year of the pandemic. A consumer sentiment survey conducted by Platinum Guild International (PGI) and the Sinus Institute finds that: "*Gift-giving occasions in 2020 are particularly important for jewellery, as people want to show their appreciation for their loved ones in the wake of unprecedented health, social and political crises.*"¹²⁶

After a careful analysis of the 16 jewellery brands' digital performances listed in Table 4, the Chinese New Year and Qixi festival-related campaigns of four jewellers — Tiffany & Co., Cartier, Piaget and Chopard — have been selected as the most emblematic examples, in terms of creative experience and resonance achieved among the Chinese online audience. Moreover, their expertise was also recognized by their high positions held in Gartner L2's "DIGITAL IQ INDEX: LUXURY CHINA 2019"¹²⁷ annual ranking. Among them, Cartier earned the label of "digital genius".

¹²⁶ Hall, C., *If You Aren't Already Selling Jewellery in China, Now Is the Time*, (2020), The Business of Fashion, <https://www.businessoffashion.com/articles/professional/if-you-arent-already-selling-jewellery-in-china-now-is-the-time>, accessed 26th August 2020

¹²⁷ The report Digital IQ Index: Luxury China published annually by Gartner L2, ranks the digital IQs of prestige brands operating in China. Sources: Heine, K., Berghaus B. (2014), "Luxury goes digital: how to tackle the digital luxury brand-consumer touchpoints", *Journal of Global Fashion Marketing*, 5:3, 223-234, DOI: 10.1080/20932685.2014.907606

It is possible to observe their relevant online marketing activities through an analysis of their publications on different digital channels, particularly on WeChat, Weibo and Tmall Luxury Pavilion.

4.1 Digital marketing practises for the Chinese New Year

Chinese New Year, also known as the Spring Festival or Lunar New Year (春节, Chūn jié), is arguably the most important festivity in the Chinese lunar calendar, very similar to Christmas in the western world. The 2020 Chinese New Year started on 25th January, kicking off the year of the Rat and beginning another rotation of the twelve Chinese zodiac signs.

In the course of this two week-long holiday period, millions of Chinese people travel back to their hometown for family reunions (Statista, 2020) and they celebrate the arrival of the new year by eating, vacationing, shopping and other leisure activities. In 2018, Chinese consumers spent 926 billion yuan (\$146 billion)¹²⁸ on shopping across several categories, such as fashion and luxury, food and groceries, health and beauty. These purchases are increasingly happening online year over year and the penetration rate of online shopping on platforms like Tmall or Taobao during the Chinese New Year is rather high, especially in the urban area.

Given these premises, the Chinese New Year also offers golden opportunities for the jewellery industry, as: *“Buying ‘something gold’ is a long-standing new year tradition in China”*¹²⁹. Moreover, driven by year-end bonuses, Chinese consumers’ purchasing power is usually at the highest before the Lunar New Year. This is supported by the World Gold Council 2019 global consumer research findings, which indicates that: *“Higher incomes lead to higher gold consumption”* (ibid.). Consequently, the weeks leading up to the Chinese New Year are often the busiest gold buying ones, as more consumers choose to purchase the precious metal to bring others and themselves fortune.

According to the National Bureau of Statistics, in the past two decades gold retail sales, including gold bars, coins and jewellery, have been on average higher in the month of December (Jia, 2020).

¹²⁸ Chitrakorn, K., Suen, K., *Chinese Consumers Spent \$146 Billion Over Spring Festival*, (2018), The Business of Fashion, <https://www.businessoffashion.com/articles/china-edit/chinese-consumers-spent-146-billion-over-spring-festival>, accessed 5th March 2018

¹²⁹ Jia, R., *Chinese New Year: what does it mean for China’s physical gold market?*, (2020), World Gold Council (WGC), <https://www.gold.org/goldhub/gold-focus/2020/01/chinese-new-year-and-china-physical-gold-market>, accessed 20th January 2020

During the Chinese Lunar New Year, gift-giving culture is an important tradition. To mark this special occasion, elders usually hand out to juniors red envelopes called “hongbao” 红包 (Hóngbāo, translated as “red pack” in Mandarin) which contain “lucky money”, or other valuable gifts such as gold. The hongbao practice has a long history tracing back to ancient China times and nowadays, given the country's high level of digitalisation, these red envelopes have been conveniently converted into digital format.

The increasing relevance of Chinese spending power in contemporary global luxury-goods market is now even more driving trends and influencing collections. Therefore, fine jewellery brands are increasingly capitalizing on cultural festivities, by launching promotional campaigns that honor the Lunar New Year.

According to Flare, a Canadian fashion magazine: *“The commodification of Lunar New Year isn’t anything new, but it has definitely become more and more popular among Western retailers over the past few years.”*¹³⁰

For brands launching marketing campaigns during this period, it is important to adopt a comprehensive cross-platform strategy, which takes into account the relevant types of content and demographics on each platform and that avoids cultural missteps.

Overall, to get the most out of Chinese New Year sales, five actionable tips can be proposed:

- 1) Leveraging strong emotions that surround the atmosphere of the Chinese New Year.** Emotional drivers are particularly powerful in China amid the Lunar New Year. This festivity is associated with prosperity, family and the loved ones. Therefore, it is advisable to tap into these feelings when realising a digital marketing campaign at such important time of the year so as to emotionally engage the audience.
- 2) Focusing on customers’ lifestyles.** Chinese consumers prize businesses which connect meaningfully with their lifestyles. For instance, during that time of the year, Chinese families tend to travel together and young people are likely to receive virtual hongbao. Therefore, it is important to create a content that is relevant to those lifestyles in which the Chinese audience reflect itself.
- 3) Creating highly shareable content to spread on Chinese social media in view of the holiday.** By encouraging Chinese social media users to engage with their own product

¹³⁰ Chung, M., *I’m Sick of Retailers Capitalizing on Chinese New Year*, (2019), FLARE, <https://www.flare.com/fashion-beauty/chinese-new-year-products/>, accessed 5th February 2019

online and share the content, online sales are likely to skyrocket around the Lunar New Year. It is also a surefire way to draw in new customers during this big spending period.

- 4) **Involving the year's Chinese zodiac animal.** In the Chinese calendar, each year is associated with one of the twelve zodiac animals. Ignoring the specific associations that Chinese consumers attribute to these animals could appear inauthentic. Since 2020 is the year of the rat, hard luxury brands, for instance, have included rat imagery or some characteristics of the rat in their marketing campaigns. It is also extremely relevant to find out how different animals are viewed in the Chinese zodiac. The rat is usually associated with shrewdness, intelligence, fortune, creativity and optimism.

Let us examine how the two jewellery brands selected, Tiffany & Co. and Chopard, have interpreted and communicated these characteristics in a meaningful manner in their digital campaigns this year.

4.1.1 The case of Tiffany & Co.

The history of Tiffany dates back to 1837, when Charles Lewis Tiffany and his friend John B Young set up the company's first store in New York City. From an initial small stationery and fancy goods store, it quickly became a go-to emporium for fashionable ladies in search of jewels and timepieces. However, its huge popularity came in the early twentieth century, under the artistic direction of Louis Comfort Tiffany, son of Charles Lewis Tiffany. The luxury jewellery retailer also became famous thanks to Truman Capote novella "*Breakfast at Tiffany's*" of 1958, later adapted as a 1961 movie of the same name, starring the actress Audrey Hepburn.

One unmistakable trait that has remained constant since the very beginning is the distinctive Tiffany Blue Box: widely regarded as the most recognizable and coveted packaging in the world for the turquoise colour of its box with the white satin ribbon.

Today, Tiffany & Co. has become a synonym of elegance, outstanding craftsmanship and innovation. The American jewellery brand has sustained a strong, double-digit growth for the past several years¹³¹. As of 2019, the company operates a total of 326 stores around the world (Statista, 2020).

¹³¹ Wei, H., *Tiffany opens biggest Asian store in Shanghai*, (2019), Chinadaily.Com.Cn, <https://global.chinadaily.com.cn/a/201912/20/WS5dfc0820a310cf3e3557f5e7.html>, accessed 20th December 2019

Regarding the Asian Pacific market, Tiffany has strengthened its presence and investments, especially in Greater China, over the last years and its business direction within the Chinese market is to provide an omnichannel retail experience to core consumers and attract the new generations at the same time.

As far as the digital is concerned, the company was one of the first top luxury jewellery brands to embrace the potential offered by online sales and promotion in China. Alessandro Bogliolo, Tiffany's CEO since 2017 in an interview with Fortune Character Magazine, affirmed that: *"Tiffany operates in the e-commerce field in a pure and rigorous way by only selling at full prices in the brand's own channels, offering no discounts on sales at multi-brand retailers."*¹³²

The CEO also continued saying that, as the luxury e-commerce environment in China has matured, the brand has officially launched e-commerce services on Tiffany.cn, while selling, at the same time, its core jewellery series in the flash mode through e-commerce platforms such as Net-a-porter and Tmall Luxury Pavillion. In addition, the brand is also very committed with the WeChat platform, which serves as an online communication vehicle to convey its voice, to open pop-up stores, custom workshops and implement innovative marketing actions.

4.1.1.1 Tiffany & Co.'s Chinese New Year campaign on WeChat

To celebrate the year of the rat, the American jeweller launched a limited-edition of its Tiffany T collection centered on a splendid and refined pendant in yellow gold with diamonds and carnelian.

For the digital promotional campaign, the brand published a total of six posts on WeChat, starting to inform the Chinese customers from the beginning of November 2019.

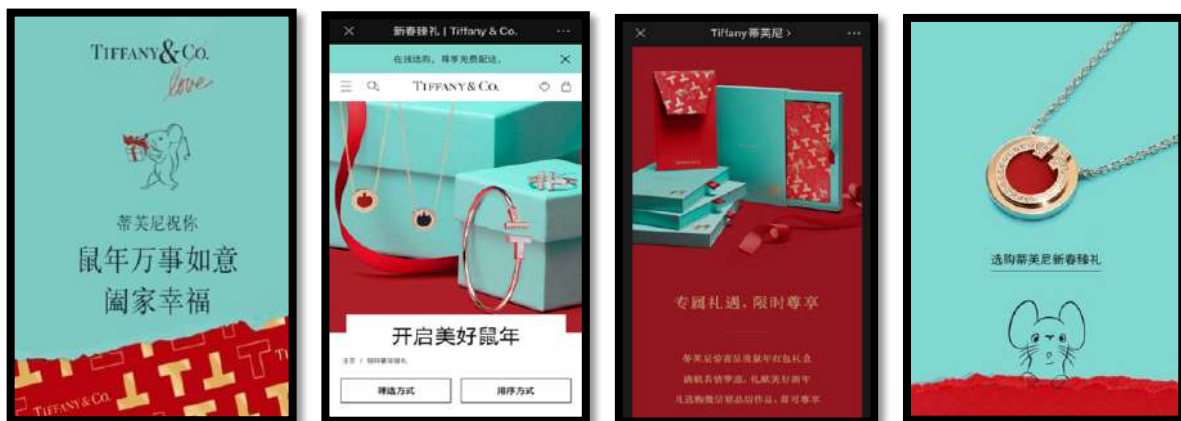
The posts integrated short videos, GIF and textual images placed vertically in sequence. The shared content pertained a brief description of the products and new year blessings, but also close-up product images in the carousel advertising format, allowing readers to swipe horizontally and view the entire collection available. Moreover, the product images were linked to Tiffany & Co.'s official Chinese website as well as to the Mini program function. All

¹³² Peter, *Yao ke zhuanfang | difuni bainian fengge chuanqi, kaiqi zhanxin pianzhang* 要客专访 | 蒂芙尼百年风格传奇, 开启崭新篇章 (Yaok interview | Tiffany's legendary style opens a new chapter), Yaok Group, July 7, 2020, <https://mp.weixin.qq.com/s/v4EvkrUI8nLGsQS60n2mrw>

the three posts remained faithful to the brand identity by keeping its iconic turquoise color. However, the brand did not ignore the local traditions and presented the new products for the Spring Festival in red and gold frames.

In addition to traditional Chinese colors, Tiffany & Co. also depicts the rat in positive settings, taking it center stage. The brand’s mascot of the New Year Campaign is called Charlie, as presented by the brand in one of the posts, whose mission is to give everyone an exclusive holiday surprise, which is contained inside the iconic gift blue box.

The figure of the rat is hand-drawn, thus conveying the idea of being in a cartoon. This imaginary is further emphasized in a short video published in one of the three WeChat posts, in which this curious and playful little mouse accompanies the viewer throughout a discovery journey of Tiffany New Year gift ideas. On the same WeChat post, products’ pictures were displayed below the video and were linked to the brand’s online store.



Figures 38-39-40-41. Tiffany & Co.’s Chinese New Year 2020 posts on WeChat.

Source: Tiffany & Co.’s WeChat official account

Moreover, Tiffany launched stylish mobile wallpapers with rat and gift blue boxes patterns that users can directly upload from the WeChat post. It also released branded red envelopes (hongbao) for its customers, available in paper format, not in a virtual one.

Lastly, the brand has set up a special *footer* for its New Year- related WeChat posts with the link of the dedicated Mini-Program and the QR code¹³³ of its official WeChat account, to facilitate users follow the brand’s public account.

¹³³ The QR code, that is a two-dimensional barcode extremely adopted within the WeChat ecosystem that acts as a bridge between one page and another. Once scanned, the QR code is directed to connect with another account, an official page, an e-commerce or a mini program. Source: https://en.wikipedia.org/wiki/QR_code, accessed 22nd September 2020

4.1.1.2 Tiffany & Co.'s Chinese New Year campaign on Weibo

Amid this festivity, also on Weibo the jewellery brand published New Year greeting posts and information about its special collection: three in total.

The textual and visual images of the campaign adopted on WeChat were also replicated on the brand's Weibo page, with the difference that, while on WeChat users can shop the products directly from the app, on Weibo luxury brands usually do not sell the products, but they link the content to the official website and online store. Such web links named 网页链接 (wǎngyè liànjīē) can be added in the profile description, in the slider, or, in the Weibo content (Fashionbi, pers. comm. 2016). In fact, in Tiffany & Co.'s Weibo posts, at the end of the products' description the brand added the web link to its official online store and there is also the WeChat QR code, which allows traffic to jump directly from Weibo to WeChat Mini-Program for sales.



Figures 42-43. Tiffany & Co.'s Chinese New Year 2020 posts on Weibo.

Source: Tiffany & Co.'s Weibo official account

In terms of content, the intent of the brand was to promote its collections, converting traffic from communication to sales, rather than educate users or narrate a story. Usually, product promotions' posts do not generate a high impact on Weibo. Indeed, these posts have reached a maximum of 20 shares and 200 likes, which is very low, if compared to other posts with celebrity photos that have a higher resonance on the platform.

4.1.2 The case of Chopard: *The Artisan of emotions*

Founded in 1860 in Sonvilier, Switzerland, by Louis-Ulysse Chopard, the brand stands for innovation, quality craftsmanship and authenticity. Under the Scheufele family, who bought the company in 1963, Chopard experienced an unprecedented development.

The company considers Asia as the focus of its growth, with Greater China as the main contributor. Chopard's Co-President and Artistic Director Caroline Scheufele recognises that the Chinese consumers increasingly value the design and quality of products. In an interview with China Daily, she affirmed that: "*China is still a newer market compared to the others with regard to sales of luxury watches and jewelry.*"¹³⁴

In recent years, the brand has concentrated its efforts on the Chinese digital domain, establishing a wider presence on various social and e-commerce platforms.

The last new entry in this sense has been represented by the launch of its exclusive flagship store on JD.com in 2017, which marketed its China e-commerce debut.

Renowned for its creativity, high level of vertical integration and its state-of-the-art technology, Chopard has become one of the leading names in the high-class jewellery and watch industry.

4.1.2.1 Chopard's Chinese New Year campaign on WeChat

The 2020 capsule collection products and the relative marketing campaign for the Chinese New Year carried out by Chopard is among those that received the highest appreciations from Chinese consumers. Each year the Swiss watch and jewellery brand releases an astrology-inspired watch that pays tribute to the next Chinese zodiac sign and this year was no exception. The Maison came up with a collection that glorifies, with emotions and symbolism, the cultural heritage of their Asian clientele (Achim, 2019). The centerpiece of this year's execution shows a golden-hued rat depicted prominently on the dial, using the ancient Japanese art of Urushi painting¹³⁵. The rat sits on an ear of corn (which represents abundance) and it is placed upon a stunning midnight blue background with stardust.

¹³⁴ Ting, D., *Luxury watchmaker points to Asian market to drive growth*, (2018), Chinadaily.Com.Cn., http://www.chinadaily.com.cn/hkedition/2016-10/18/content_27089919.htm, accessed 18th October.

¹³⁵ Urushi is a natural Japanese lacquer used to paint on three-dimensional lacquered objects. Source: <https://en.wikipedia.org/wiki/Urushi-e>, accessed 3rd October 2020

Available in 88 limited edition pieces (a lucky number in Asian cultures), it has been crafted in collaboration with the Yamada Heiando Studio, a group of artisans that are renowned for the ancestral Japanese craft of Urushi.

Regarding the online marketing campaign on Chinese social media, Chopard published three posts on its WeChat account. The first more focused on the introduction of the timepiece with frames predominately in black and gold to remind the colors of the masterpiece.

Through the art of visual and textual storytelling, the brand illustrated the dial craftsmanship process, also portraying the artist Minori Koizumi at work. Scrolling horizontally the carousel of images, readers can view the most salient moments of realization: letting the customer play an active role in discovering the story behind the production of these unique creations, it is extremely effective to enhance brand awareness and build perceptions in the Chinese consumers' minds. Whilst, the other two posts are in the traditional colours of the Lunar New Year: red and gold.



Figures 44-45-46-47. Chopard's Chinese New Year 2020 posts on WeChat.

Source: Chopard's WeChat official account

WeChat content includes textual and GIFT images about the jewellery pieces excerpted from a video posted on Chopard's official website. The short video features symbols to represent the Chinese Spring Festival, such as spring flowers and fruits, symbolizing abundance and prosperity, a rat in gold colours and the Chinese character of 福 (fú, "happiness").

The last post, released on 25th January, shows an e-hongbao with new year blessings that users could directly open tapping the screen. Once opened, the 18-karat rose gold L.U.C. XP Urushi Year of the Rat timepiece appears. Both hongbao and the product images lead to the homepage of Chopard online store, while the mini program function does not seem to be adopted by the brand.

One last interesting aspect about Chopard marketing campaign on WeChat, is related to the customer service. In the *footer* part of New Year's posts, the brand directly interacts with its followers and replies to their queries. Moreover, Chopard also did a lucky draw inviting users to leave a comment under the posts to express their wishes for the new year of the rat. The lucky winners have been selected and privately contacted by the brand to receive a special gift.

4.1.2.2 Chopard's Chinese New Year campaign on Weibo

Chopard published in total six posts on Weibo during the Spring Festival. The same kind of content as on WeChat is also replicated on this social platform: both the new jewellery collection and the story behind the craftsmanship process of the precious limited-edition timepiece are presented. Together with the description of the products, the brand heavily adopted the video advertising technique to contextualise the items within a Chinese New Year-style background.

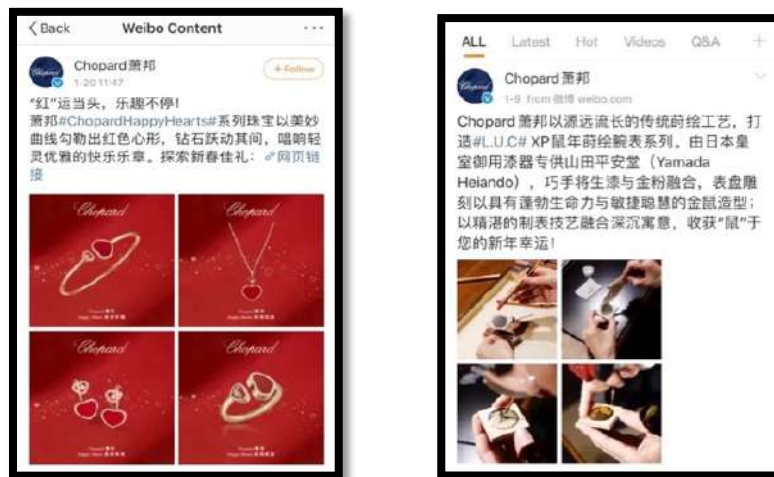


Figure 48-49. Chopard's Chinese New Year 2020 posts on Weibo.

Source: Chopard's Weibo official account

These posts obtained much more following than those realized by Tiffany & Co. for the Chinese New Year. In fact, Chopard best post containing new year greetings and the preview

of the L.U.C. XP Urushi Watch reached 1.6 thousand likes. For its social media campaign on Weibo, the brand launched two hashtags: #ChopardHappyHearts# and #L.U.C# to create social buzz. Under the products description, Chopard also attached the web link (网页链接) to its official website.

4.2 Digital marketing practises for Chinese Valentine's Day

Valentine's Day In China, better known as the Qixi Festival (七夕节 Qīxì jié)¹³⁶, takes place on the seventh day of the seventh lunar month, usually August, and it has been deeply rooted in the Chinese tradition since the Han Dynasty (206 BC-AD 220)¹³⁷. In fact, this folkloristic festival is based on the forbidden love story between a cowherd, Niu Lang, and a weaver fairy girl from Heaven, Zhi Nu, who were able to meet once a year, by crossing a celestial bridge shaped by a flock of magpies.

In modern China, the day is treated as a celebration of love and romance, similar to the Western concept of Valentine's Day. Chinese lovers and couples exchange gifts and some youngsters like to join traditional activities in ancient Chinese costumes.

As the push for e-commerce intensifies, efforts to capitalize on this festival and reach a highly connected and Internet savvy audience through digital channels have grown increasingly sophisticated over the years¹³⁸. In particular, Chinese Valentine's Day is commonly recognised as a key jewellery buying occasion, especially for diamonds which are seen as a way of expressing love.

Subsequently, Qixi has become a major shopping and retail event in the Middle Kingdom, as well as a key marketing opportunity for luxury labels. From special, limited edition releases, to collaborations with celebrities, some of the leading global jewellery brands are

¹³⁶ It should be noted that, in addition to Qixi Festival which is considered the official and more traditional Chinese Valentine's Day, there are actually other four Valentine's celebrations in China: the Lantern Festival (元宵节, Yuánxiāo jié), the 520 Festival (五二零节, Wǔ'èr líng jié) the "White" Valentine (白色情人节, Báisè qíng rén jié) and the Western Valentine's day (情人节, Qíng rén jié). Source: <http://www.radioitaliacina.com/news/item/3006-quanti-san-valentini-cinesi-conosci>, accessed 14th February 2019

¹³⁷ Corder, R., *Jewellers can feel the love in China with Qixi Festival promotions*, (2019), WatchPro, <https://www.watchpro.com/jewellers-can-feel-the-love-in-china-with-qixi-festival-promotions/>, accessed 6th August 2019

¹³⁸ Hall, C., *Luxury Brands Cash in on Chinese Valentine's Day*, (2017), Luxury Society, <https://www.luxurysociety.com/en/articles/2017/08/luxury-brands-cash-chinese-valentines-day/>, accessed 28th August 2017

running more and more digital creative campaigns to benefit from this lucrative marketing opportunity.

According to MarketMeChina, there are several online initiatives that Western brands can merge together in order to devise a successful multi-channel marketing strategy for Valentine's Day:

- Prepare an emotional, compelling and aspirational social media campaign that works across different platforms, such as WeChat, Weibo, Little Red Book and which resonate with the target Chinese audience through storytelling, heart-warming imagery and meaningful messages.
- Opening a WeChat mini store, branded and illustrated with Valentine's Day graphics.
- Integrating game elements to actively engage young Chinese shoppers.
- Launching a Baidu Pay Per Click (PPC)¹³⁹ campaign to ensure adverts are placed on the right platforms.
- Releasing digital Valentine's Day cards to share with their contacts, providing also a link with discounts for users.
- Collaborating with a KOL for a brand sponsorship/partnership arrangement, with the aim of promoting the offering to the audience and growing in terms of reach and customer base.
- Crafting exclusive items as part of a limited release line, to generate desirability and provide Chinese buyers with something special and an "out-of-box" gift idea.
- Hosting an event or a specific activity in offline brick-and-mortar stores, to drive interested buyers to experience the products in person.

Cartier and Piaget are the two most representative examples of jewellery brands that have adopted a cross-platform strategy in their love-themed digital marketing campaigns in China. Besides having advertised their product lines on their self-operated online stores, implementing a good SEO and SEM strategies on Baidu, they also have heavily promoted their

¹³⁹ Baidu pay per click (PPC) or 百度推广 (Bǎidù tuīguǎng) in Chinese, is a method of online promotion for which payment is based on results. With Baidu PPC, a small investment can rapidly bring a large volume of potential customers to a business, effectively raising the business's sales volume and brand recognition. Source: [https://www.nanjingmarketinggroup.com/baidu-ppc-faq#:~:text=Baidu%20pay%20per%20click%20\(Baidu,sales%20volume%20and%20brand%20recognition.,](https://www.nanjingmarketinggroup.com/baidu-ppc-faq#:~:text=Baidu%20pay%20per%20click%20(Baidu,sales%20volume%20and%20brand%20recognition.,) accessed 15th July 2016

special collections through social media marketing, mainly on Wechat and Weibo. On the e-commerce front, instead, they opted for Tmall Luxury Pavillion.

Therefore, in the following conclusive sections, the focus will be on their digital campaigns on the three social and e-commerce platforms above-mentioned.

4.2.1 The case of Cartier: “How Far would you go for love?”

Officially known as Société Cartier, the highly regarded French jewellery and watch design house was founded by Louis-François Cartier in Paris, in 1847. The company remained under family control until 1964, while nowadays it is a wholly owned subsidiary of the Swiss Richemont Group, the second biggest luxury conglomerate after LVMH. The Maison boasts a long history of sales to royalty and celebrities. In 1902, King Edward VII of Great Britain, referred to Cartier as: “*The jeweller of kings and the king of jewellers*”¹⁴⁰; issuing a royal warrant to the prestige brand. Through decades, Cartier has been acclaimed as one of the most prestigious jewellery manufacturers in the world.

Besides its high reputation as a jewellery maker, the brand is also well-known for the finest quality in watchmaking: this is a real important asset for Cartier China (卡地亚, Kǎdìyà). Indeed, watchmaking has become part of Cartier DNA and its timepieces are highly popular upon Chinese luxury consumers.

The French jeweller manages more than 200 stores in 125 countries and its entry in the Chinese market took place in 1992. After almost thirty years, it now owns 37 stores on the Mainland and the Chinese luxury goods market has become vital for the brand. According to the official annual report, the Richemont group including Cartier generated incomes for 4.3 billion euros in Asia in 2018, accounting for 40% of the group total profit.

The brand continues to develop its expansion strategy in China, particularly within the digital field. In fact, it has built a strong presence on Chinese social media and last January 2020, the company also stipulated a partnership to sell its products within the Tmall e-commerce marketplace, thus further contributing to improve the Chinese brand image of Cartier China.

¹⁴⁰ Wikipedia contributors, *Cartier (jeweler)*, (2020), Wikipedia, [https://en.wikipedia.org/wiki/Cartier_\(jeweler\)#cite_note-0-4](https://en.wikipedia.org/wiki/Cartier_(jeweler)#cite_note-0-4), accessed 21st September 2020

Overall, there is no independent presence on each of these platforms. On the contrary, Cartier exploits them to communicate its identity and launch digital campaigns, especially festive ones, offering a possible assortment of personalized products in gift format.

4.2.1.1 Cartier's Chinese Valentine campaign on WeChat

Ahead of last August's Qixi Festival, the French luxury brand Cartier published three posts on WeChat. The first aimed at promoting the brand latest edition of the international campaign: *"How far would you go for love?"*, a project that started ten years ago to celebrate and explore the everlasting idea of falling in love.

For this ultimate edition, the Maison Cartier entrusted the French director Cédric Klapisch with the creation of a short movie which captures the story of an epic once-in-a-lifetime love (Khoo, 2020). Through the lens of the French film director, we witnessed to a couple's timeless road trip: from declarations, to arguments and consequent reconciliations, the journey has not always been straightforward, on the contrary, studded with pitfalls and complicated moments. Yet, thanks to the perseverance of a strong feeling which did not cease, it continued to endure over time.

The intimacy and emotions of every important step of this love story is remembered by the subtle, never intrusive presence of a Cartier creation: from the iconic Love Bracelet and the Trinity ring, to Ballon Bleu de Cartier and Tank watch.



Figures 50-51-52. Cartier's posts on WeChat for the Qixi Festival 2020. Source: Cartier official WeChat account

The romantic video has not been published in Cartier's first Valentine post on WeChat. However, once opened, followers were invited to rotate the smartphone from the vertical to the horizontal position to join couple's "journey of love" (开启爱的旅程, kāiqǐ ài de lǚchéng), offering an immersive and interactive experience to the users.

The whole content refers to the short movie's most touching moments through GIF and static images, where users could also swipe down each picture to view other ones in sequence. All pictures alternated with short and captivating textual messages concerning love and feelings, always accompanied by Cartier's iconic rings, necklaces, earrings and watches from Love collection, Diamant Legers, Etincelle de Cartier, Santos-Dumont and Ballon Bleu de Cartier, Trinity collection and Cartier Destinée. Each specific's image of the product is linked to Cartier's special store on its WeChat account.

In the second post, the brand continued to promote its "How far would you go for love?" campaign, aiming more at the Chinese audience. Indeed, to celebrate the arrival of Qixi Festival on 25th August 2020, Cartier posted a one-minute long video showing a variety of couples in romantic settings and groups of friends, both of Chinese and Western nationality, in particular a man and a woman holding hands, two young women lying on the ground together and two young men riding bicycles: all wearing Cartier's tri-color rings bands.

These creations presented in the Valentine-themed advert are part of Cartier's "Trinity" ring collection, which in the video's caption are described by the brand as representative the "bond of love" because of their tri-color circle intertwined.

In the lower part of the video, animated and static images excerpted from the short film were shown, together with the products of the Trinity collection.



Figures 53-54-55-56. Cartier's posts on WeChat for the Qixi Festival 2020. Source: Cartier official WeChat account

Overall, the layout of Cartier's posts on WeChat conveys the idea of a digital narrative space where the infographic is sober, classy and it appeals to emotions.

The latest article published on WeChat features four Asian celebrities appointed as brand ambassadors. The personalities involved for the Qixi campaign are the Chinese singer and actress Victoria Song 宋茜, the Chinese dancer and rapper Zhennan Zhou R1SE - 周震南, the hongkonghese singer and musician G.E.M 邓紫棋 and the rapper, singer and dancer Jackson Wang 王嘉尔.

The post presents a graphic part with editorial images excerpted from flash videos by different celebrity endorsement, who were asked to answer what their attitudes towards love was, a textual part and a “call to action” to direct users to landing pages for purchasing products.

These short interviews were published on Weibo, while on WeChat the article merely depicts the quotes of the brand ambassadors inserted in a graphic overlay of three elements. In the background animated GIFs, in the middle static images and in the foreground a slideshow of products on a transparent backdrop, which users could swipe horizontally to overview the entire product collection and to be directed to Cartier’s WeChat boutique, in order to proceed with the purchase. All this textual and visual framework created a fluent and organic composition.

The jeweller has also set up a special *footer* section to link the followers to recommended articles, previously posted by the brand on its official WeChat account. It also provides the links to other social media channels (Weibo and Little Red Book) and information about its customer service contact number. Moreover, the brand invites to visit the flagship store on Tmall Luxury Pavilion to browse more product collections.

4.2.1.2 Cartier’s Chinese Valentine campaign on Weibo



Figure 57. Cartier’s posts on Weibo for the Qixi Festival 2020. Source: Cartier official Weibo account

For the Qixi 2020 promotional campaign on Weibo, Cartier has published regularly a total of eight posts, in which the text content was combined with short videos.

The first post proposes the same video advertisement “*How far would you go for love?*” available on WeChat. The three following posts include video shootings and product promotion: in two of them, the brand launched the hashtag: #挚爱无垠# (zhì'ài wúyín, translated as “Love is boundless”), to virally promote the brand’s limited edition on the platform. Moreover, Cartier’s Weibo content does not link to the online store, but it invites users to shop the advertised products directly on Tmall Luxury Pavilion.

The week before the festivity, Cartier published one post a day with short video interviews featuring the four previously mentioned Cartier China brand ambassadors. These four posts were very successful and obtained over one million reposts, especially the one in collaboration with G.E.M 邓紫棋, which has been viewed 4.9 million times and reached over 176,000 likes and 85,000 comments.

In another post, Cartier released the same video also available on WeChat promoting its “Trinity” collection. However, this advertisement sparked a heated debate among Chinese netizens on the social media platform: many viewers, whose relationships between the people depicted were not explicitly defined, interpreted the video as if it showed same-sex couples alongside heterosexual couples. The top comment on Cartier's Weibo post was made by a follower who wrote: “*I feel like this supports LGBT*”¹⁴¹, to which hundreds of other Weibo commentators replied with messages of support and praised the refreshing change of imagery from the French jeweller.

Nevertheless, this enthusiasm was quickly dashed when added captions by the brand on Tmall’s flagship store tried to persuade viewers that there were no same-sex couples involved and the image of the two men cycling together was described as depicting “father-son” love¹⁴².

This caption raised a widespread disbelief and disappointment among many online users on Weibo, counting over 1,200 comments and nearly 5,100 likes: several people

¹⁴¹ LGBT is a term which stands for lesbian, gay, bisexual, and transgender. Source: <https://en.wikipedia.org/wiki/LGBT>, accessed 22nd September 2020

¹⁴² Cartier's 'father-son' valentine draws derision in China, (2020), The Straits Times, <https://str.sg/JhfH>, accessed 13th August 2020

disputed the depiction of the relationship between the two, arguing that they seem to share a "romantic vibe".

Overall, it goes without saying that, of the eight posts shared by the brand, the ones that received the greatest following were those featuring celebrity endorsements and the one-minute video advertisement with the Chinese male pair portrayed.

However, looking at social listening, this controversial social marketing campaign does not seem to have affected the brand's popularity, possibly due to Cartier's recent heavy investments in the Chinese market, including the opening of an online store on Tmall Luxury Pavilion platform, which we are going to further explore in the following paragraph.

4.2.1.3 Cartier's Chinese Valentine campaign on Tmall Luxury Pavilion

The promotional and communication campaign on Tmall Luxury Pavilion is immersive and interactive: it gives large space to the festival providing shoppers with more personalized recommendations and greater content variety.

Once opened, the homepage of Cartier's flagship store shows Jackson Wang, one of brand's ambassadors, in the foreground wearing the promoted jewellery and watch pieces.

Four images scrolled horizontally in an automatic sequence at the top of the homepage, highlighting four collections with their related links: Pasha de Cartier, Clash de Cartier rings, Santos de Cartier watch and the 2020 sunglasses collection.

By swiping down, four videos of the brand ambassadors played automatically, a caption informed about the exclusive and time-limited services offered by the brand for certain products, such as a love gift box, from three to six months interest-free installment, a secret order and an exclusive packaging. In the *footer* section, Cartier also invited users to join the membership programme to access to exclusive privileges offered by the platform such as brand activities (i.e. lucky draw), premium pre-order and the possibility to enjoy dedicated customer service.

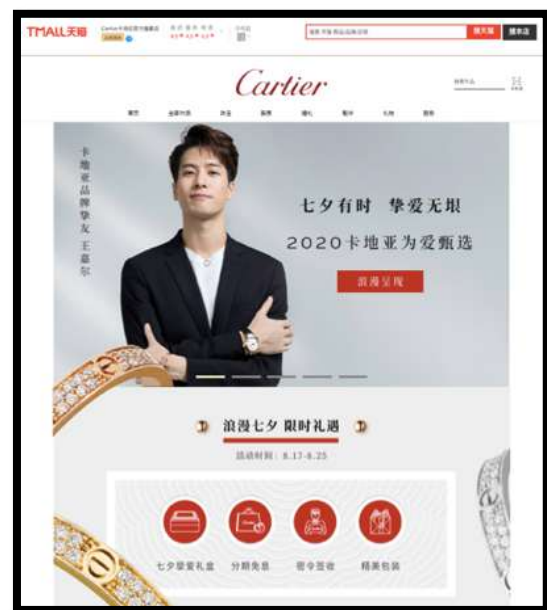


Figure 59. Cartier's flagship store on Tmall Luxury Pavilion. Source: Tmall



Figure 60. Footer section of Cartier's official flagship store on Tmall Luxury Pavilion.

Source: Tmall

Regarding the last option, frequently asked questions are listed with relative answers concerning payments, stock, shipping, place of origin, receipt, packaging, purchase limit, replacement and return, after-sales service, size, washing and maintenance, privacy, etc. Customers can easily communicate with the brand through the support mechanism, which provides a tailored consulence service.

Browsing through the various landing pages of Cartier's virtual boutique on the luxury e-commerce platform, the products appear fluid and well arranged, with the same price as that of the official website. The layout is clean and elegant and it mainly communicates through captivating pictures and videos that highlight the design, the creativity and personality of the products and the brand itself.

4.2.3 The case of Piaget: "Turn for the Extraordinary Love"

Piaget is a Swiss luxury watchmaker and jeweller which was founded in 1874 by Georges Piaget, in the village of La Côte-aux-Fées. At the beginning, it was mainly a manufacturer focused on the design and production of watch movements: its timepieces were built for other companies which placed their name on them. Starting from the mid-twentieth century, the founder's grandsons, Gérald and Valentin Piaget, registered the brand as a trademark. Since then, the manufacture began to produce and market its own creations. Consequently, the family name became an international brand, which is currently a subsidiary of the Swiss Richemont group.

Since its birth, Piaget has been adhering to the brand spirit of "*Always do better than required*", integrating significant know-how and unlimited creativity into each work of art, whether it be jewellery or watches.

Over the last 140 years, the brand has always kept up with the times, blending luxury heritage with innovation and being able to resonate across different age generations. In addition to existing clientele, who continue to appreciate Piaget's classic collections, today the brand also aims at appealing to a new younger generation of clients. In fact, the watches and jewellery fit different tastes and styles, ranging from a more attainable luxury that one can wear daily, to high-end pieces for special occasions.

Therefore, as the Managing Director of Asia Pacific Matthieu Pougin affirmed, part of Piaget's strategy is to capitalise on their brand DNA, that is watchmaking expertise and their historic collections, while putting increasing emphasis and innovation on jewellery.

Besides introducing new timepieces in the iconic Piaget Altiplano range, as well as relaunching the Possession and Polo S watches, the brand constantly comes up with new collections and updates of their ranges, in order to offer its clients an extensive and exceptional array of products to choose from.

Given the fact that, nowadays the luxury clientele expects a high-value and personalised experience, Piaget has far understood that innovative ways of communication and the delivery of the highest quality client services at every touchpoint with the brand are required.

Unlike Baby Boomers, many Millennial luxury consumers expect to interact with brands across a range of digital platforms, rather than only through traditional channels. As a result, Piaget constantly invest in digital development to grow especially in APAC countries, which represents one of the most strategic market for the company. As an example, the jewellery brand has set up e-commerce channels in China such as the recent launch of its official flagship store on Tmall Luxury Pavilion, as well as a digital presence on Net-a-Porter.

Matthieu Pougin, in an exclusive interview for Retail in Asia, declared that: *"Digital is key in Piaget's communication strategy, especially through social media platforms."*¹⁴³ The presence on social media enables the brand to reach a wider audience, leveraging storytelling to showcase its creativity and to raise awareness of the rich assets of the Maison. Moreover, Piaget also collaborates with carefully selected influencers, friends and brand ambassadors, who share the same values and aesthetics, hence developing ongoing relationships with them.

These are just few online practises that Piaget is currently implementing to continuously surprise and delight its Chinese clientele, ensuring a memorable experience and making the brand incredibly desirable.

¹⁴³ E., *EXCLUSIVE INTERVIEW with Piaget: where heritage meets innovation*, (2019), Retail in Asia, <https://retailinasia.com/in-people/interviews/exclusive-interview-with-piaget-where-heritage-meets-innovation/>, accessed 12th February 2019

4.2.3.1 Piaget's Chinese Valentine campaign on WeChat

Since the early July 2020, the Swiss high-end jewellery and watch brand Piaget has published a total of seven posts to promote its collection for Chinese Valentine's Day.

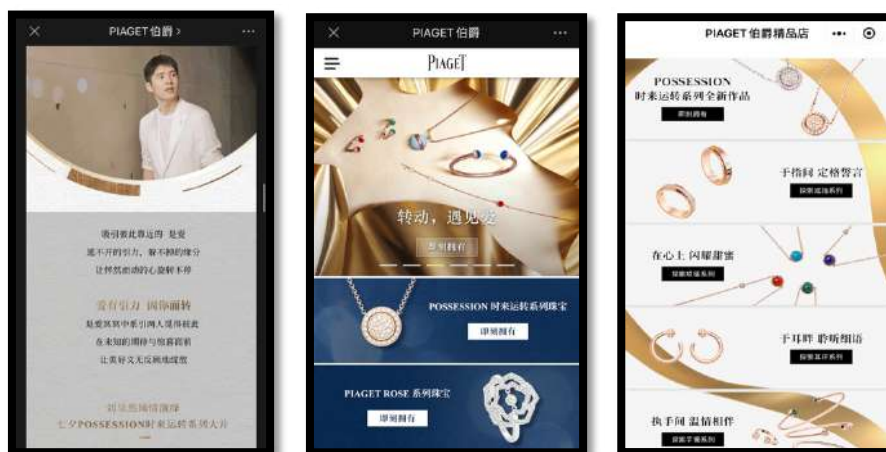
The digital campaign featured the Chinese actor Liu Haoran 刘昊然 (Turbo Liu), who was appointed as Piaget's brand ambassador, to celebrate the thirtieth anniversary of its Possession collection, which has always captivated for its playful spinning elements that awaken the sense of touch. The actor was involved in a photoshoot and in a video campaign named “爱有引力，因你而转” (ài yǒu yǐn lì, yīn nǐ ér zhuǎn, translated as “*Turn For Extraordinary Love*”) for the promotion of a pendant and a bangle from the Possession collection, available in limited edition on Tmall Luxury Pavilion.

In this short movie Liu Haoran and a Chinese actress interpret the role of two young lovers, who are initially distant from each other but, after touching the Piaget jewels they are wearing, they start to feel a sort of irresistible attraction that pushes them to chase and look for each other.

In the first two posts, the face of the new Piaget's brand ambassador was introduced to the Chinese audience. His official debut took place in the form of a riddle, featuring selected images from the advertising video that portrays the actor from behind with some Piaget pieces, without showing his face, the images were also accompanied by textual clues. At the end of the post, Chinese users were invited to guess who the brand ambassador in question was by leaving a comment. The five commentators who answered correctly were selected by the brand to receive a personalised gift. Liu Haoran's face was revealed in the following post, unveiling the details of the collaboration.

As the festival approached, the posts became more and more aimed at promoting the updated pieces from Possession collection. The majority were available on Piaget's WeChat Store and through the dedicated Mini-Program. Other two jewellery pieces, that is, the Possession pendant in rose gold, set with a green malachite bead and the open gold bracelet (thirty years anniversary) of pavé diamonds were only launched exclusively online via Tmall Luxury Pavilion.

The first was just in limited edition for the Qixi Festival, while the latter is still available for purchase.



Figures 61-62-63. From the left to the right side: Piaget's WeChat post, official WeChat Store and Mini-Program for the Qixi Festival 2020. Source: Piaget Official WeChat account

In addition, in these latest posts, the brand has also included codes called 淘口令 (táokǒulìng, "passwords") that users could copy on the Taobao platform, in order to participate in the Grand Debut of the limited edition for the Qixi Festival, and gain access to a scheduled live broadcast with the presence of the brand ambassador Liu Haoran.

Piaget repeatedly invited users to leave their comments in the *footer* part of the posts to win special gifts. Another example is that readers were encouraged to write a declaration of love to Liu Haoran and the two followers who dropped the most convincing comments could win an album exclusively signed by the actor.

Moreover, in the *footer* of Piaget's WeChat articles, the brand added the links for redirecting users to recommended articles, its WeChat boutique and the Tmall Luxury Pavillion official flagship store. Driving traffic directly to Tmall allowed the brand to optimize the user journey from content seeding to shopping.

Followers can also directly gain access to a boutique reservation, where they can check the list of the nearest Piaget brick-and-mortar stores and book an appointment.

4.2.3.2 Piaget's Chinese Valentine campaign on Weibo

Piaget has been very active in promoting the Qixi 2020 campaign on Weibo social platform, publishing a total of 25 posts.

In three of them, the brand has followed to some extent the same strategic promotional line adopted on WeChat: riddles were created to let users guess about Piaget's brand ambassador identity, inviting them to share the post with their own circle of friends and

contacts and try to recognise him. On July 20th, the brand awarded five followers who guessed correctly, providing them with a special gift.

While these identity clues were all in one single post on WeChat, on Weibo the brand published one at a time in two different posts. It also launched the hashtag #伯爵中国区品牌大使# (Bójué zhōngguó qū pǐnpái dàshǐ, “Piaget China Brand Ambassador”) which was discussed over 106,000 times, gaining great resonance among Chinese netizens.

By the time the name of the actor was revealed in the third post, the brand tagged the official Weibo Account of the brand ambassador Liu Haoran as well as its Super Talk Web Community named 超话 (Chāo huà): a network buzzword whose abbreviation stands for “Super Topic”¹⁴⁴. It is a feature commonly used by celebrities, as it gathers related posts shared by other users (mostly fans), similar to a hashtag (Brizzo, 2020). For instance, since Liu Haoran is an actor, the super topic under his name includes several discussions, pictures and videos related to him. The brand also launched the hashtag #POSSESSION #时来运转系列# (Shíláiyùnzhuǎn xìliè) to promote the collection.

From the fourth post onwards, the real promotion of the collection for the Qixi festival began. Each Weibo Warm-up post involved short scenes excerpted from the original Possession one-minute film. The brand heavily made use of hashtags. In addition to those already mentioned, #爱有引力 , 因你而转# and #天猫小黑盒# (Tiānmāo xiǎo hēi hé) were added. The first hashtag refers to the name of the campaign launched for the Qixi Festival, while the second recalls to Tmall HEY Box¹⁴⁵ which is a strategic tool released by Tmall to test and present new high-quality products online and offline.

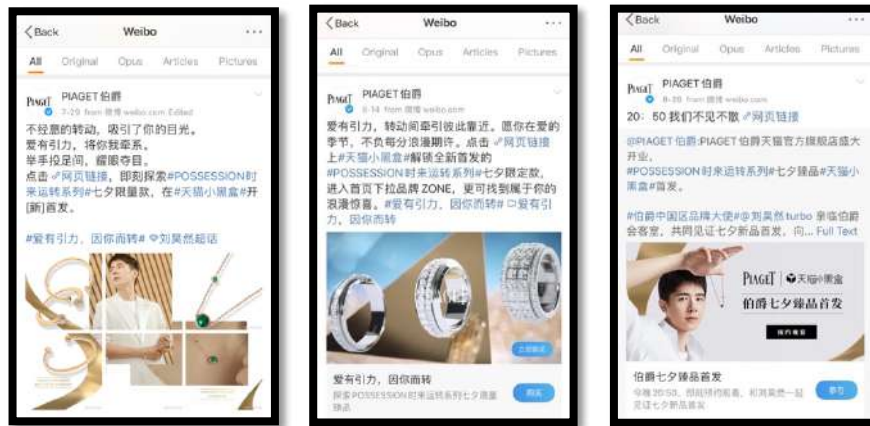
The brand also attached the link of Piaget’s official flagship store on Tmall, inviting users to immediately access to it, to unlock the ending scene of “爱有引力 , 因你而转” love story and to overview the romantic gifts selected by the brand.

All sales scripts, videos and advertising messages on Piaget's Weibo posts incorporated call to actions, to push the Chinese audience to make certain activities. Some of them immediately led to the brand’s ZONE on Tmall Luxury Pavilion, while others allowed users to

¹⁴⁴ 超话 (Chāo huà, “Super Topics”) is a feature launched by Sina Weibo to let users discuss about a certain topic and post relevant content to the page. It can provide more valuable information than a standard hashtag. In fact, unlike a hashtag, a “Super Topic” has its own page with dedicated moderators. Source: <https://nealschaffer.com/sina-weibo-marketing-increase-engagement/>, accessed 27th July 2020

¹⁴⁵ Tmall HEY BOX is a tool introduced in 2017 by Tmall. Basically, through this channel, brands can leverage consumer insights to speed up their product development. Source: <https://www.alizila.com/tmall-launches-new-gateway-for-product-debuts/>, accessed 16th April 2019

participate at scheduled live streaming sessions on mobile Taobao App, where Piaget set up a virtual live broadcast room. The day of the festival, this digital space welcomed special guests and celebrities, including Liu Haoran, who was invited to broadcast live the debut of Piaget's precious products.



Figures 64-65-66. Piaget's content on Weibo for the Qixi Festival 2020. Source: Piaget official Weibo account

After the product debut, users were invited to share on Weibo the photo of their favorite Piaget's items and give the reason why they chose them: four best reviews were selected by the brand and they received a gift.

Another interesting activity to foster users' engagement was to frequently comment and share Piaget's Weibo posts with the hashtag #爱有引力，因你而转#， by answering some questions like *"the ending that fascinates you more?"*, *"three words to describe Liu Haoran"*, or even *"what is the surprise in love?"*. Two lucky winners were selected by Piaget to attend a special viewing experience at 23rd Shanghai International Film Festival which consisted in two tickets for the premiere of the film *"Detective China Town 2"* featuring the actor Liu Haoran.

4.2.3.3 Piaget's Chinese Valentine campaign on Tmall Luxury Pavilion

As we have seen, the joint content marketing strategy on both WeChat and Weibo by Piaget has mainly acted as a means to direct users to shop the promoted products on Tmall Luxury Pavilion. In fact, on this e-commerce portal the brand has concentrated most of its digital initiatives during the Qixi Festival 2020.

The advanced technology of the platform has allowed the brand to communicate its identity through the support of short videos and other interactive modes, such as live streaming, delighting customers with an incomparable user experience.

The original and high-quality content of Piaget's flagship store conveyed the idea of audacity and creativity, thus ensuring an increase in the conversion rate of the brand. The layout is completely different from the official Chinese standalone online store. Amid the Qixi Festival, the virtual boutique on Tmall was completely redesigned for the event to highlight each week's new product debuts.

Once opened, the homepage showcased an immersive full-screen video experience depicting some jewellery pieces of the Possession Collection: the main focus line of the promotional campaign, followed by other ones such as Limelight Gala, Piaget Rose, Piaget Sunlight, Piaget Polo and Piaget Altipiano. In the heading of the homepage, various advertisements about the Grand opening ceremony for the Qixi Festival were displayed, together with the live streaming session also advertised on Weibo and the Valentine's campaign featured with Liu Haoran as brand ambassador.

The product pages were enriched with images and high-definition videos that showcased the items both statically and in motion from multiple perspectives. Besides the possibility to shop the brand by product category, gender or by historic and popular Piaget's collections, customers had also the chance to pre-order some jewellery and watches selections before their official debut for the festivity. By clicking on single products, they were presented on a white background or worn by models.

In the *footer* part of the flagship store, there was also a product recommendation section which illustrated the whole story of the brand.



Figure 67-68-69-70. Piaget's flagship store for the Qixi Festival 2020 campaign on Tmall Luxury Pavilion. Source: Tmall

By scrolling down, a particular emphasis was devoted on the promotion of the Grand Opening Ceremony held by the brand: a big multi-phase strategic virtual event, in which promotional sales and product releases took place with scheduled deadlines.

The activities carried out amid this period of time ranged from the pre-order of new products to an important live streaming appointment which took place on 25th August, the day when the Qixi Festival took place. The live streaming session was broadcast from the exclusive Piaget's Lounge on Taobao and consisted in a pre-launch of the Possession pendant and bangle. This roundtable livestream was opened by Mathieu Delmas, Managing Director of Piaget China, who introduced the history and identity of the brand and personally presented the jewellery pieces to online viewers. The event then continued with other special guests such as the brand ambassador Liu Haoran, who attended to drive buzz by entertaining users and gifting some of them with signed albums and greeting cards, a jewellery box in limited edition for clients who spent a certain amount, or a portable jewellery bag. The livestream was highly praised by Chinese netizens and reached over one million total views.

Coming back to Piaget's flagship store, for a limited period of time, the brand also offered additional customised services such as interest-free installment, free gift packaging, love-themed gift cards, personalised bookmarks from Rose collection (just the night of the livestreaming session) and engraving service.

Overall, Piaget offered an immersive and interactive omnichannel digital experience, integrating several efficient marketing techniques such as the use of influencers, engaging and playful storytelling, video advertising, GIF and textual images followed by call to actions, livestreaming and gaming capabilities to grab the attention of the young Chinese audience in discovering the brand and its product offering.

CONCLUSIONS

Over the last fifteen years, the Chinese market has developed into the leading consumer of luxury goods and services, increasingly driving consumption of the high-end jewellery sector as well. According to Statista, in 2020 the revenue in the jewellery segment amounts to US\$17,961 million and the market is expected to grow by 4.2% year-on-year.

Although the recent economic setbacks of the Coronavirus have heavily affected the domestic and global sales, mid- and long-term prospects for the industry continue to show great growth potential. In fact, the strong demand from China is set to remain the industry's growth driver and several reports, from McKinsey & Co. to Fung Business Intelligence and Bain & Co., still agree that by 2025, the Middle Kingdom will account for 65% of global luxury spending, driven by rapid urbanization, a burgeoning middle class and a younger generation of sophisticated shoppers, who are becoming increasingly confident in purchasing luxury goods online.

In the light of these future encouraging trends, China's importance as a jewellery-consuming nation is expected to continue in the upcoming years. However, understanding how to capitalise on this renewed demand and opportunity is crucial for many foreign jewellery houses.

Until a few years ago, they relied exclusively on physical boutiques to attract their high-end clientele, feeling a sort of mistrust towards online sales. But remaining in that "comfort zone" did not prove to be particularly beneficial, as it led to a proliferation of underground businesses of luxury fakes, as well as to a condition of isolation in the eyes of many Chinese digital savvy consumers. Therefore, if the jewellery brands wanted to grab a share of this lucrative market, they had no choice but to start venturing into its complex and multifarious digital ecosystem.

In addition to theoretical contributions, several managerial implications for international luxury jewellery firms can be drawn from the findings of this research:

1. Understanding China's digital landscape and Chinese netizens' behavior.

Compared to Western online markets, China is a country with different cultural approach and visual habits nothing alike: an aspect that should not be underestimated, since it obviously has profound repercussions also in the world of communication. Tiffany & Co., Chopard, Cartier and Piaget have already figured that out, followed by others such as Bvlgari,

Chaumet, Buccellati. Around the Qixi Festival and Chinese Lunar New Year, some of these brands gave maximum vent to their creativity proposing high-level digital campaigns for local users by using traditional or popular Chinese elements in graphics, releasing capsule collection products for the festival, interesting copywriting, etc., while others simply referred to the festivities in subtler ways, limiting themselves to a greeting card or some blessings. Thus, jewellery brands are strongly advised to localize and develop marketing materials specifically for the Chinese netizens without lacking cultural sensitivity.

2. Trends in the specific sector (jewellery) and behavioral characteristics of its relative target consumers in the Chinese context.

When dealing with China's jewellery market, practitioners of the sector should know that it is a highly competitive environment and they have to keep up to date on the latest trends, so that their digital campaigns and promotions remain relevant to their industry and to their potential customers.

Gold consumption has traditionally been predominant among the Chinese consumers, whose prevalence is constituted by women. Nevertheless, this has begun to change in recent years with gold jewellery facing stiff competition in first-tier cities from gem-set or other jewellery products, like diamond and platinum. Diamond jewellery, in particular, is demanded by Chinese females, who desire to receive them primarily for bridal motives. In this sense, creating an emotional marketing campaign is a smart option for selling jewellery to this type of shoppers, especially during some Chinese festivals like the Qixi one. But it is not just love-themed gifting that is proving popular among women. In fact, there is also a new trend for self-purchasing jewellery, due to the growing number of independent female shoppers. For women who buy diamonds for themselves, jewellery brands should adapt their product line, deviating from the messages based on love and promoting the female empowerment. In addition, personal expression has become an important part of the consumer journey in China, driven by younger generations who are becoming far more knowledgeable about gemstones and jewellery. They express a keen sense of both value and brand trust and they have become more open to contemporary and Western designs and materials. Therefore, high-end jewellery brands from Tiffany & Co. to De Beers are reshaping their digital marketing campaigns, focusing on individuality and self-expression to win Millennials' hearts.

3. Define the strategic purpose.

Before implementing their online sale strategies on the chosen digital platforms, jewellery brands have to fix their own strategic purpose. The objectives of digital campaigns can be different: enhancing brand awareness, increasing sales, building the customer's loyalty, etc. In reference to the case studies previously discussed, the main objectives were essentially to increase profits and gain authority among the Chinese consumers. To achieve these goals, a common advertising practice to jewellery companies is that of conveying the exclusiveness in their product offering, followed by the new tendency to communicate openness, connection and self-expression to leverage the Chinese young consumers' deep motivations and aspirations. In this way, the jewellery brands analysed were able to cleverly convert to sales the traffic brought by communication.

4. Selection of the right business model and channels management.

With respect to the digital marketing strategy of luxury jewellery brands, the common practice is to select more professional platforms where they can implement an integrated and harmonized communication strategy. However, each activity must be planned according to the target audience and the internal features of each media channel, differentiating the type of content.

To recap, brand-owned channels (official website, WeChat and Weibo brand account) offer the richest experience, the highest flexibility in terms of content, a comprehensive ownership of customer data and a total control over CRM.

Being one of the most authentic consumers' source of information, a state-of-the-art website serves primarily as a digital business card for a brand and it is essential for implementing integrated marketing campaigns. Chinese language localization and a mobile version of the website are also extremely important. At the same time, being active on social media to promote products and enhance brand awareness is a must in China's digital world. Jewellers can seek to take advantage of Weibo to communicate the brand DNA, promoting exclusive partnerships and sharing product catalogues, whereas WeChat's one-to-one communication perfectly matches with one of the most important factors of luxury jewellery brands: exclusivity; this makes it the ideal platform to connect with their customers more intimately and conveying a privileged and exclusive feeling. Other social media platforms like Youku might work better to suggest the brand's story and values, without any direct reference to sales.

When it comes to jewellery online purchase, the leading luxury e-commerce platforms currently comprise: DTC (direct to consumer) websites, the brand-owned WeChat store and pop-up ones through Mini Program, dedicated luxury channels in large local marketplaces such as Tmall and JD.com's flagship store or cross-border ones like Kaola and vertical platforms such as Secoo, 5lux.com.

Tmall's flagship store in particular is a useful promotional tool and a valuable online advertising space. In fact, besides being an additional sale channel, setting up a flagship store on Tmall can be used as a virtual showroom, providing greater visibility and increasing brand awareness.

Its tailored sub-platform Luxury Pavilion is expressly designed for the Chinese high-end clientele, allowing companies to benefit from the aura of exclusivity. In addition, as we have seen in the case of Cartier and Piaget, during shopping festivals and cultural festivities, the Pavilion upgrades its mobile layout for a stronger personalization and an engaging content for the Chinese consumers. This is possible thanks to the introduction of the new Tmall Flagship Store 2.0 format, which has allowed the two jewellery brands to almost autonomously customise and design their virtual standalone boutique with a layout that fits their needs best.

Lastly, domestic luxury verticals such as Secoo and 5lux.com share the advantage of precisely targeting luxury buyers, as opposed to Tmall and Jingdong. These two vertical e-commerce platforms are highly specialized and have better control over counterfeiting issues. The drawback is that, since vertical platforms have had a shorter history of development within China, it requires time to increase traffic and encourage the word-of-mouth marketing.

5. Partnering with KOLs, influencers and celebrities to promote the brand.

The key to customer's acquisition largely depends on the vehiculation of the brand's messages via key influencers and celebrities, who exerted the most compelling impact on consumers.

In fact, these personalities are an extremely important touchpoint in the purchase decision making journey of Chinese consumers. For instance, take Swiss watchmaker and jeweller Piaget's decision to enlist Chinese celebrity Liu Haoran 刘昊然 as its brand ambassador. According to the company, the actor inspires its consumer's target and influences new ones with his talent, success and vibrant personality. He is considered the representation of a modern Chinese gentleman, who embodies the unstoppable fighting spirit of the younger Chinese generation and the strong willingness to constantly go beyond its own

boundaries. Therefore, the actor's personality and values ties in perfectly well with the Maison's belief: "*always do better than necessary*" and that of being audacious in every choice, as Piaget is known for its audacious designs. Therefore, working with KOLs to market and spread news about the brand and its products can help drive sales. On Weibo, for instance, the use of celebrities' pictures is a huge success factor, especially for the jewellery category, where wearing the products of the brands is shared with their followers.

6. Content marketing.

Besides balancing a smart use of influencers with pure marketing initiatives, it is also extremely important to create distinctive and localized content to appeal to the desired readers.

It is all about telling stories in such a way that it adds true value and relevance to an audience, enabling to create an emotional and personal connection with it. This holds particularly true for the jewellery category: there are few purchases in life that are able to "emote" more than jewellery, as individuals buy it to mark significant dates in their lives.

Each jewellery purchase has a backstory, which can be exploited online by leveraging on the emotional connection between the client and the precious piece involved, rather than just focus on the product. For this reason, also resorting to an evocative language to make the customer attentive to the history of the jewel is fundamental. This is even more relevant in the Chinese market, where users pay closer attention to the company's storytelling and brand image. Thus, the use of a storytelling approach to communicate the jewellery brand's history and its intrinsic values through all the channels is an essential way to gain recognition and build meaningful bonds with their own Chinese consumers.

A great way to do so, for instance, is by answering frequently asked questions in an engaging way, like Piaget during the launch of its Qixi Festival campaign, or sharing creative videos and images of the production process of an hard luxury item, as in the case of Chopard for the Chinese Lunar New Year: taking users behind the scenes aims at generating the buyer's interest and rise their brand awareness.

One last creative way can be that of Cartier for the Chinese Valentine's Day campaign, that is, getting the brand ambassadors to talk about certain topics on social media, in that case love, to create a circulation of relevant content and directly engage users in the discussion. By doing so, users are no longer just consumers but also contributors, involved in first-person to live a pleasant and engaged digital experience.

7. Online customer care services.

Fine jewellery brands have a very specific and niche type of consumer base. Therefore, developing online customer-care features for the Chinese clientele and providing a special purchasing experience (i.e. different delivery choices, gift options) is considered to be one of the key elements in jewellery retail business. All the brands analysed offer wide contact options to the visitors, especially on their own Chinese websites, WeChat official account posts and on Tmall Luxury Pavilion. They also provide a flawless after-sale service (i.e. multi-channel exchange and refund), which contributes to positive CRM and customer's loyalty.

8. Finally, it is essential to define a **clear measurement framework** to constantly monitor the effectiveness of the marketing strategies on each channel. In the event that marketing efforts are not paying off, a corrective plan needs to be devised to readjust the marketing measures. Real-time, data driven, consumer insight tools that support a rigorous strategy execution are crucial.

In conclusion, what emerges from the present study is that, although still limited in number, the most highly recognised international jewellery players have already stepped up their digital efforts in China, ramping up investments in e-commerce and social media, widening their product offerings and working closely with celebrities and influencers, to better suit local tastes and preferences. Overall, the quality of digital marketing strategies operated by jewellery brands in China has become higher and higher, balancing between brand tradition, marketing creativity and localization.

Looking ahead, the prospect for fine jewellery industry consists in a full synergy between online (websites, social media, e-commerce platforms) and offline channels (pop-up stores, boutique redesign and personalized customer service). Thus, the adoption of an innovative omnichannel approach is indispensable for successfully marketing high-end jewellery and for establishing winning and long-lasting relationships with the Chinese clientele.

However, the results of the study are not completely exhaustive, as there is no one-size-fits-all approach to such a fast-paced and heavily digitalised market like the Chinese one: what is certain is that, evolving with the times is vital to jewellers' survival.

With my personal contribution on this still not widely explored topic, I hope to propose new areas for academic research to focus on.

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