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## China's Web Takes On a Luxury Look

By LAURIE BURKITT

**BELJING**—Searching for wealthy customers beyond China's urban areas, luxury-goods makers are opening shop in a new location: the Chinese Internet.

Emporio Armani led the way, opening online sales last week through its own website in one of world's fastest growing markets for luxury brands.

"This is a strategic move that will open up luxury to the entire nation," said Federico Marchetti, founder and chief executive of Milan-based **YOOX SpA**, which created the site for the **Giorgio Armani SpA** label. Mr. Marchetti said at a news conference that YOOX plans in the next year to open Chinese sites for three or four clients he didn't name.

**Dolce & Gabbana Srl**, **Ermengildo Zegna Holditalia SpA** and **Valentino SpA** are among the e-commerce company's 23 clients.

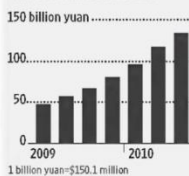
Other companies—including **PPR SA's Gucci**, **Burberry Group PLC** and Italian shoemaker **Tod's SpA**—say they also have plans to cash in on China's exploding population of online shoppers.

The decision by high-end brands to sell handbags and clothing directly to Chinese shoppers via the Internet marks an attempt to push deeper into a nation with consumers eager to mark their new wealth by buying flashy labels.

Luxury goods have been available for several years on the Chinese Web. But that generally has been through middlemen who offer an array of brands, many of them out-of-season, rather than directly from the labels. Western

### Webward

Chinese online retail sales



### Motivation for buying online



Survey of 1,100 luxury consumers, March-April 2010 in China, Hong Kong and Taiwan

Source: Analysys International (sales); Altabros Global Solutions and Ruder Finn



Federico Marchetti of YOOX, the creator of Armani's website in China.

And Chinese shoppers have embraced the Internet. E-commerce sales in China jumped to 134.2 billion yuan (\$20.1 billion) in the third quarter, doubling from a year earlier, according to Analysys International.

But many luxury brands are reluctant to sell through general retail websites for fear of poor quality control. The labels also worry they will erode brand value by selling in an environment where consumers typically go to find deep discounts. China's largest e-commerce site, **Alibaba Group's Taobao.com**, says it drew \$30 billion in transactions last year, largely by undercutting on prices.

YOOX offers customer-support services—online and by phone—as well as next-day delivery. Each item is tagged with a radio-frequency identification microchip that allows YOOX to track the product from a Shanghai warehouse to the consumer.

Han Xin, a human-resources manager for a state-owned insurance company in Suzhou, 66 miles west of Shanghai, said she is thrilled that luxury items are hitting the Internet. She can't wait for Chanel, her favorite brand, to go online, says Ms. Han, 30 years old.

"I'll be the first to try online shopping because I assume they'll have a wider selection than the physical stores and they'll probably be cheaper too," she said. She may be disappointed on the last point, since Armani and other companies say they plan to sell their products online in China at full price.

—Zhang Junting contributed to this article.

sites are available to Chinese shoppers only to a limited degree, in part because not all company sites offer shipping to China. Also, steep Chinese import duties discourage buying from vendors' overseas sites.

Competition between luxury retailers in major eastern cities such as Beijing and Shanghai is intensifying. Meanwhile, new wealth is being created fastest in central and western China, where the economy has been boosted by government infrastructure spending.

Fashion giants have scurried

in the past year to open stores in China's lesser-known cities, such as Hohhot, in Inner Mongolia, and Kunming, in Yunnan province, where few Western retail outlets had ventured before and mom-and-pop shops dominate the landscape.

Hinterland customers make up nearly 60% of the 15,000 to 20,000 people who buy designer labels each month from **Wooha**, a Beijing-based luxury e-tailer that started in 2006, said company founder Corey Lien. Distant customers also tend to spend more than shoppers in bigger

cities, who have more physical stores to choose from. **Wooha** said customers in Yunnan province spend an average of 3,865 yuan (\$580) per purchase compared with 1,836 yuan for customers in Beijing.

China is the world's second-largest market for luxury brands when counting purchases by Chinese consumers world-wide and is set to overtake Japan for No. 1 in a few years, according to consulting firm **Bain & Co.** Chinese sales of luxury products surged 20% to €9.2 billion (\$12.1 billion) last year, Bain said.



Agency: Frame-Photos/Getty Images