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MARKETING AND MANAGEMENT STRATEGY OF PRADA IN THE
MARKET OF CHINA

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Abstract

China has a much longer history of luxury consumption by its upper class than the western world, as can be readily seen in the many Chinese and Western museums displaying Chinese bronzes, ceramics and paintings. But as for now, after China's reform and opening up in 1978, Chinese people are gradually getting wealthy and afford to enjoy the luxury goods. Despite that Europe and the U.S. are usually considered as the traditional main market for luxury sales, Asia is beginning to be recognized as a growing market in this commercial area. Growing at a pace far surpassing expectations, spending by Chinese consumers on luxury products now exceeds that of any other country in the world. Having left past Japan's luxury market which until recently was the world's largest luxury consumer country, China has become the paramount leader of growth in this sector, with purchases by Chinese both at home and abroad accounting for over one-quarter of the global total.

In the Chapter 1, I presented a brief introduction of the concept and characteristics of the luxury industry and a comparison of the European and Chinese luxury market.

Then in the Chapter 2, my study describes the marketing and management strategy of luxury brands utilizing 4P's marketing mix. I have concentrated on the case of Prada with its history and development process. I used the SWOT analysis to examine the strength, weakness, threat and opportunities of Prada.

In Chapter 3, my study attempts to investigate the characteristics of Chinese luxury market and the behavior of Chinese luxury consumers. My research identifies the types of Chinese consumers. The founding generation who missed the opportunity made by the open reform in 1978, the cultural revolution generation who continued their education after the cultural revolution and were able to take advantages of the opportunities in 1980s and

1990s, and the upwardly mobile generation who were better educated and better paid in the 21th century and are able to purchase luxury goods. At last, I present the most important young emperor generation who play a crucial role in the Chinese luxury consumer nowadays.

As a world famous brand, Prada is an Italian fashion label who specialize in luxury goods founded in 1913. Facing the typical Chinese buyers' behavior and the phenomenon of daigou and counterfeit purchase, I analyzed Prada marketing mix strategy in China with product, price, place and promotion following by the e-marketing.

In the Capitolo 5, I conducted a survey using a questionnaire to examine the behavior and attitudes of Chinese consumers towards luxury brands especially Prada, attempting to figure out suggestions that may be useful for the Prada development in mainland China.

Astratto

La Cina ha una storia molto più lunga del consumo di lusso rispetto al mondo occidentale, come si può facilmente vedere nei numerosi musei cinesi e occidentali, ci sono sempre i bronzi cinesi, ceramiche e dipinti fatti dalla classe superior cinese. Ma, dopo la riforma della Cina e l'apertura nel 1978, i cinesi stanno gradualmente diventando ricchi e permettersi di godere dei beni di lusso. Nonostante che l'Europa e gli Stati Uniti sono generalmente ancora considerati come i mercati principali e tradizionali per le vendite di lusso, l'Asia sta cominciando ad essere riconosciuto come un mercato in crescita in questo settore commerciale. Crescendo ad un ritmo di gran lunga superando le aspettative, la spesa da parte dei consumatori cinesi sui prodotti di lusso ora supera tutti i paesi nel mondo. Dopo aver saltato passato mercato del lusso del Giappone, che fino a poco tempo era la più grande campagna di lusso consumatore mondiale, la Cina è diventata il leader supremo di crescita di questo settore, con gli acquisti da parte cinese sia in patria che all'estero, pari a

oltre un quarto del totale mondiale.

In Capitolo 1, ho presentato una breve introduzione del concetto e delle caratteristiche del settore del lusso e un confronto tra il mercato europeo e cinese di lusso.

Poi nel Capitolo 2, il mio studio descrive la commercializzazione di una strategia di gestione di marchi di lusso che utilizzano marketing mix di 4p. Mi sono concentrata sul caso di Prada con il suo processo storia e lo sviluppo. Ho usato l'analisi SWOT di esaminare la forza, debolezza, minacce e opportunità di Prada.

In Capitolo 3, il mio studio tenta di indagare le caratteristiche del mercato del lusso cinese e il comportamento dei cinesi come consumatori di lusso. La mia ricerca identifica dei tipi di consumatori cinesi: La Generazione dei Fondatori che hanno perso l'opportunità resa dalla riforma aperto nel 1978, La Generazione di Rivoluzione Culturale che ha proseguito gli studi dopo la rivoluzione culturale e sono stati in grado di prendere vantaggi delle opportunità nel 1980 e 1990, e La Generazione in Ascesa che erano più istruiti e meglio retribuita nel 21 ° secolo e sono in grado di acquistare beni di lusso. Alla fine, vi presento la più importante Generazione di Imperatore che sono i giovani che svolgono un ruolo cruciale nel consumatore lusso cinese di oggi.

Come un marchio di fama mondiale, Prada è un marchio di moda italiana che si specializza in beni di lusso fondata nel 1913. Di fronte al tipico comportamento buyer cinesi e il fenomeno del daigou e l'acquisto di contraffazione, ho analizzato la strategia di marketing mix di Prada in Cina con il prodotto, il prezzo, il posto e promozione , e in seguito è il e-marketing.

In Capitolo 5, ho condotto un sondaggio con un questionario per esaminare il comportamento e gli atteggiamenti dei consumatori cinesi verso i marchi di lusso in particolare Prada, cercando di capire i suggerimenti che possono essere

utili per lo sviluppo di Prada in Cina.

Conclusion

At present, domestic and international academic worlds have no precise definition of luxury. In economics, luxury is often defined with respect to the necessity. With the rise of household incomes, the demand of this kind of product is growing rapidly. Thanks to the globalization and internationalization of the economic and cultural fields, there has been the concept of international luxury goods because now the models for high-end products are almost the same for the whole world. Therefore all the luxury companies focus on the marketing strategy of its products. Marketing Mix is the combination of different marketing decision and it is usually used by the companies to market the products and services. First of all it need to identify the market and collect the basic information, the next step is the direction of market programming and to decide on the strategy to satisfy the needs of the customers and the challenge of the competitions. The marketing mix offers a best combination of all marketing elements and than the companies could be able to realize goals such as profit, sales volume, market share, return on investment. The marketing mix contains four elements: Product, Price, Place, Promotion.

The marketing mix is a group of controllable variables that the companies can use to influence the buyers responses. Then the proper marketing manager decides the level of marketing expenditure in order to archive marketing objectives of the firm.

The one of the most worldwide famous luxury brand Prada has expanded its sales in all around the world and the mainland China luxury market has become one of the most important market of Prada. Chinese luxury goods industry is increasingly with immense business opportunities, the market capacity is enormous. Chinese luxury consumers have much spending power with brand

loyalty and the demand for luxury products has increased rapidly in the past 10 years. As there isn't real luxury domestic brands in China, Chinese luxury lovers made a great contribution for the international luxury brands. Chinese consumers have strong preferences for shopping luxury goods overseas. Chinese visitors had spend as much as 209 million RMB on luxury goods overseas in 2014¹. Chinese luxury consumers have become more and more mature. Luxury consumers increasingly for low-key, unique products instead of those with conspicuous logos. At the same time, they also show more interest in home grown luxury products that emphasis loco craftsmanship and culture. Due to the big discrepancy and relatively fewer choices of luxury goods in China, "daigou" is gaining popularity. Around 15% of Chinese luxury goods spending in 2014 was realized through "daigou" channel. At the same time, benefiting from the establishment of pilot zones for cross-border e-commerce and free trade zones, as well as the emergence of new "haitao" methods, which means shop overseas online, more consumers will buy luxury products via e-commerce platforms. Social gifting is an essential part of Chinese culture. However, many people believe that lavish spending on gifting is always associated with corruptions. Indeed, the Chinese top leaders have identified fighting corruption as their top priority. As part of the anti-corruption campaign, in July 22, the State Council promulgated the Regulations on the Affairs and Administration of the Government Agencies effective 1 October 2012. According to the regulations, government agencies are prohibited from purchasing luxury goods. As the new leadership in Chia pledged to increase efforts on curb corruption, it is generally expected that the anti-corruption drive will slow down corporate gifting-gifting, there by weakening the demand for luxury goods. This policy has definitely decreased the spend for gifting which was driven by men. Nowadays, women in China are more independent and have higher spending power than before. Many of them have a strong appetite

¹ http://www.iberchina.org/files/Luxury_market_China2015.pdf

for luxury and are keen to reward themselves with luxury products. Apart from the rise of female consumerism, the youth population, particularly the “post-80s and 90s” generation and the second generation of the country’s wealthy, elite, is another major population driving luxury consumption in China. This group possesses a distinctive set of values and buying preferences. They are ready to splurge on luxury products. Although they may not be able to afford luxury goods themselves, they receive substantial financial support from their parents and grandparents. In my study utilized a questionnaire named- behavior and attitudes of Chinese consumers towards luxury brands especially Prada, I identified that although wealthy Chinese consumers in tier 1 and 2 cities are becoming more discerning, the luxury consumers from three-tier cities still are willing to buy the luxury products with famous brand and high quality as they are not prepared to spend much of their income on luxury consumption. But people from three-tier city also have started to develop a good knowledge of brands. many of them are beginning to appreciate the brand’s heritage and their purchasing decisions are often based on the rich cultural heritage associated with the brand.

As more wealthy Chinese consumers choose to shop luxury products abroad, some luxury brands have started to cut their prices in China with a hope to drive part of the overseas spending back to the country. Prada is one of those brands, in order to adjust their pricing strategies in China in the near future. Chinese consumers are now used to getting product information, if not buying luxury products online, many luxury retailers have set up their online platforms. This is one of Prada’s weakness. Though Prada concentrated much on its boutiques’ decoration and in-store service experience, it is still crucial to improve the official website of Prada in China. In order to better control brand image and oversea expansion, Prada have started opening more directly-operated stores, buying back franchises from local partners and taking stakes in other China retail partners. As many luxury retailers have made their

entry into the lower-tier cities, it is expected that tier 3 and tier 4 cities will be important growth drivers in coming years as the citizens' income is still in rise, it will be a excellent opportunity also for Prada.

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