

## LUXURY LEVI'S BOOM IN CHINA

When Kitty Young, general manager of Levi Strauss & Co.'s Chinese operations, brought the brand to China five years ago, not only was denim a minor category in Chinese apparel retail, but the cost of a pair of 501 jeans was exponentially higher than the \$5 asking price of its competitors.



"Chinese cities are buzzing with a love of luxury product — just look at the number of fake bags on the street," Young said. "When we entered the Chinese market in 2002, we figured, let's go for gold and position ourselves as luxury. It was not an obvious choice. After all, a pair of our 501 jeans are more expensive than a full-size refrigerator in China."

Of the 1.3 billion Chinese people, 60 million in the top 100 cities are classified in the high income bracket, estimates Young, who added that average per capita income in big cities is \$4,000, which is equivalent to \$10,000 in purchasing power. Before Levi's entered the market, denim was seen as "an offshoot product" in China, where it made up only 20 percent of casual pant sales, according to Young.

Still, the petite and enthusiastic Young has made Levi's the number-one denim brand in China.

Part of that success has stemmed from Levi's decision to control its own retailing, rather than wholesale. In the first year, the company opened 30 stores, and in five years has grown tenfold to 300 today. "In the first six months, we noticed traffic was good, but business was not good," Young said. "Six months later, both traffic and business were good, because kids who had come in the beginning had saved six months of their salary to buy a pair of jeans."

She added the premium-priced denim sold better than the entry-premium-priced denim. "We found that if they were going to save for six months, they would rather save for seven months to get the very best," Young said. "It's a status symbol they are buying."

To convey the luxury lifestyle, Levi's dictates a uniform retail format to its franchisees. "We say how our franchises operate," Young said. "There's not democracy in China. We control retail and how it works."

Levi's also has pop-up stores "put up overnight in unusual places," not only to generate sales, but also to serve as marketing vehicles to create connections with consumers, according to Young.

Another example of where sales and marketing overlap is Levi's partnership with Alvanon Body Scan, a collaboration that invites people to be scanned for their measurements, and to get a recommendation for certain fits. The single scanner scans an average of 600 people a day. The 16,000 body scans that have been taken this year help Levi's understand regional body type differences, said Young. In addition, they quadruple both foot traffic and sales in the area during road shows.

"I am a bottom line-driven person," Young said. "I do not allow any marketing initiatives without sales results."

— W.B.