AMERICAN APPAREL BRANDS CRAZE IN HONG KONG

Ipsos Hong Kong
Thought Piece
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Since American traders moved to Hong Kong in 1842 following the First Opium War, American brands have proliferated to include Levi's, Calvin Klein, GAP and DKNY..

The enthusiasm for American apparel brands has continued with American Eagle Outfitters and 7 for all Mankind entering the market in recent years.

But the craze for American clothing brands soared with the grand opening of the Abercrombie & Fitch (A&F) flagship store in Aug 2012 in Central.

In keeping with the label's tradition, A&F flew in their hottest models hand-picked from global A&F stores for the opening debut where they flexed and posed for photo ops with Hong Kong's enthusiastic fans. For an entire week, crowds surrounded the shirtless A&F models parading around various districts in the city of Hong Kong and on top of double decker buses driving through Central.

YOUNGER POPULATION SHOW THE STRONGEST RESONANCE WITH AMERICAN BRANDS

American brands have consistently stood for freedom, independence; evoking the rugged west with the rebel as hero. This positioning seems compelling for a significant minority of Hong Kong's younger consumers. In a recent survey from Ipsos Hong Kong of 1000 consumers, 22% of consumers aged 15 – 34 liked American casual wear brands. Stylish and wholesome (aka down to earth) appeared to drive overall liking of American labels amongst consumers 15 – 34. Though 'fashionable' (72%) and 'youthful' (67%) score the highest among the 11 attributes asked, these did not have strong predictive influence on overall liking.

When buying American labels, this segment of consumers most strongly identifies with the 'comfort' (89%) and 'fit' (48%) attributes offered by the brands. Since comfort and fit come up as strong predictors for overall liking, it is not surprising that the youth (18-24) and working class (25-34) show strong affinity with American labels. Positive affinity for American brands has room to grow amongst Hong Kong consumers since only 10% of consumers 35+ show some feelings of liking with 29% indicating some dislike towards American casual wear brands.

Only 10% of consumers 35+ show some feelings of liking.

18-24, female

MPI = 12K
MHI = 40K

Working full time

University graduate
in first job

Lives with parents

Disposable income is
the entire salary

Favorite American brands:
A&F, Hollister, GAP

25-34, female

MPI = 30K
MHI = 60K

Working full time

Post-graduate education

Married with one child

Dual income family

Favorite American brands: Guess, True Religion

I have a favorite repertoire of brands that I visit whenever I go shopping. After having a child, I shop less frequently than when I was single. So, I don’t really look at the price tag. If I like it, I will buy it.

APPETITE FOR AMERICAN APPAREL LARGER THAN SPENDING

Along with other international brands, American brands command a price premium. Hong Kong youth are willing to pay, on average, 14% more for American brands compared to local brands (e.g., Bossini, Giordano). However, since HK youth perceive American brands to be priced at 2-3 times higher, coupled with a relatively low median monthly personal income of below HKD 5000, young consumers need to get creative about satisfying their appetite for American branded clothing.

In qualitative research, recent HK university graduates revealed that their parents or part-time work funded their clothing expenses. Young graduates also noted their preference for purchasing with discounts: seasonal sale, borrowing a friends’ VIP card or using a store staff discount.

BUILDING A CLOSER RELATIONSHIP WITH HONG KONG CONSUMERS

With the recent re-ignition of the passion for American labels, brands now face the task of deepening their engagement with Hong Kong consumers to gain more share of wallet. Several key drivers will shape consumer expectations and needs in the casual wear category.

Like their global counterparts, staying connected and proactive engagement are two key drivers in purchase decisions. As technology enables constant connectivity on-the-go via smartphone or mobile device, consumers expect equally smooth access on mobile as on PC1, as well as user-friendly websites and apps.

Looking across different customer segments, customers engage with brands in one of two ways. Active participation in conversation by the consumer takes place in social blogs, online forums or discussion groups. Consumers will contribute to topic threads, leave comments and share

experiences via product ratings/ reviews. But brands can also play an active role in shaping consumer expectations and perceptions. For example, Hong Kong consumers show openness for brands to actively get in touch with them via push notifications and seem willing to be synced in to receive information (news or non commercial information). Given the above trends, mobile shows great potential for brands to more proactively engage with target customers.

It might be worth considering alternative collections to bring younger consumers into the brand franchise

IMPLICATIONS

American brands have clearly hit the emotional sweet spot with younger and professional consumer segments. Given the rapidly expanding success of the high design high value brands like Zara and H&M, it might be worth considering alternative collections to bring younger consumers into the brand franchise by lowering the cost of entry for the 15-24 fashion conscious consumer.

The market has also seen several successful forays by luxury brands into the 30's consumer segment (DKNY, CK) which has the potential to not only expand the fan base but also to tap into larger disposable incomes.

With this two-pronged approach, American apparel brands can continue to grow in their appeal to the Hong Kong market.

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About Ipsos Loyalty:

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