

# Daigou Index 2021

An AI Analysis of the Impact of Daigou on the  
Market for Luxury Handbags in China.

**March 2021**





The COVID-19 pandemic changed the world of China luxury retail in 2020. With Chinese consumers unable to travel and the rest of the global market in turmoil, luxury brands were forced to double-down on China.

The growth-engine for luxury in China are Gen-Z consumers, who prefer to shop online and demand outstanding digital experiences. To meet this need, brands who had traditionally paid little attention to E-Commerce, opened flagship stores on platforms such as TMall.

Moving online, brands have found themselves in direct competition with luxury daigou (Chinese: 代购; pinyin: dàigòu; lit.: 'Surrogate Shopping'), grey-market merchants selling imported products at pricing often significantly cheaper than official listed prices. While always an annoyance, these daigou now have the potential to jeopardize the brand's all important digital strategy.

In Re-Hub's second report on Daigou, we evaluate the impact of these daigou and suggest strategies that brands can use to counter them.

# 28 Years Old

Age of the average luxury consumer in China

Source: Tencent & BCG, 2020

# Methodology

In order to assess the impact that daigou have on luxury brands we decided to again focus on handbags, the most commonly purchased luxury items from daigous. Reasoning for this is that they are light and are not seasonal, meaning they don't depreciate in value.

This study was undertaken over the month of February 2021, a period spanning two of the major shopping events for luxury products, Chinese New Year (11-18 February), and Valentine's Day (14 February).

- The Re-Hub team compiled a list of 5 of the most iconic and popular luxury bags in China in 2021
- Re-Hub, together with simplyBrand, utilized AI and Machine Learning algorithms to scan over 28,000 product listings from February 1st to 28th February 2021, on Alibaba's Taobao.
- simplyBrand's algorithms tracked the number of products sold, shipping location, pricing and approximation of consumer spending on these products over this period.



Daigou activity tracked for **5 iconic luxury handbags**, over February 2021, covering key retail moments of **CNY and Valentine's Day**.

# GUCCI

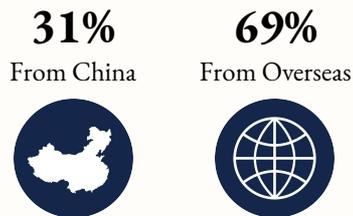
## MARMONT



The Daigou Index 2021

Number of products shipped :  
1,980

### Shipping Location



### Listings selling more than one item



### Price distribution of products sold (¥)



Consumer spending  
¥12,478,955



Number of products shipped :

300

### Shipping Location

31%

From China



69%

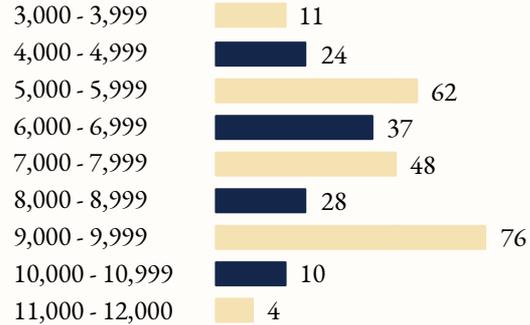
From Overseas



Listings selling more than one item

7%

### Price distribution of products sold (¥)



Consumer spending  
¥2,321,236

# BALENCIAGA HOURLASS



# CELINE BOX



The Daigou Index 2021

Number of products  
shipped :

532

## Shipping Location

27%

From China



73%

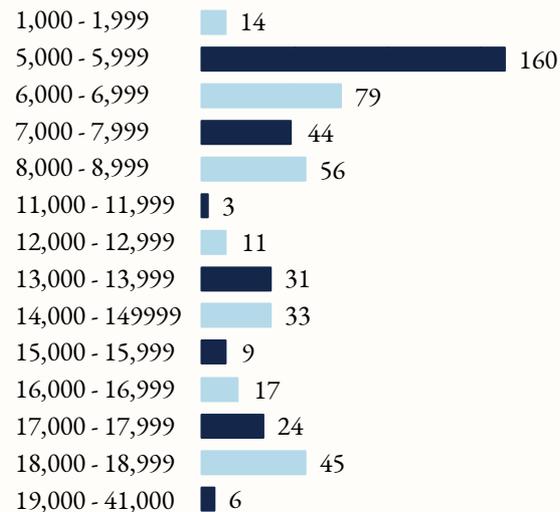
From Overseas



Listings selling more  
than one item

10%

## Price distribution of products sold (¥)



Consumer  
spending

¥5,100,436



Number of products shipped :

569

# LOEWE

## PUZZLE

### Shipping Location

24%

From China



76%

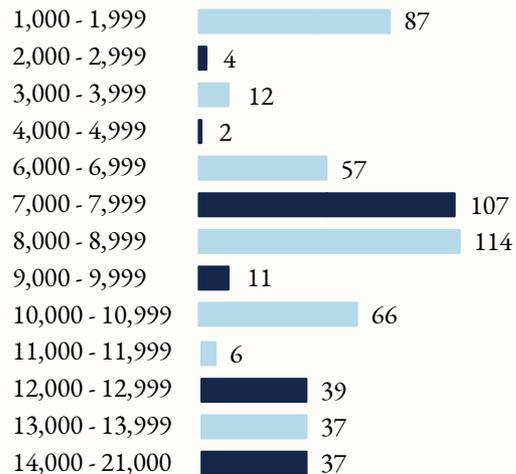
From Overseas



Listings selling more than one item

3%

### Price distribution of products sold (¥)

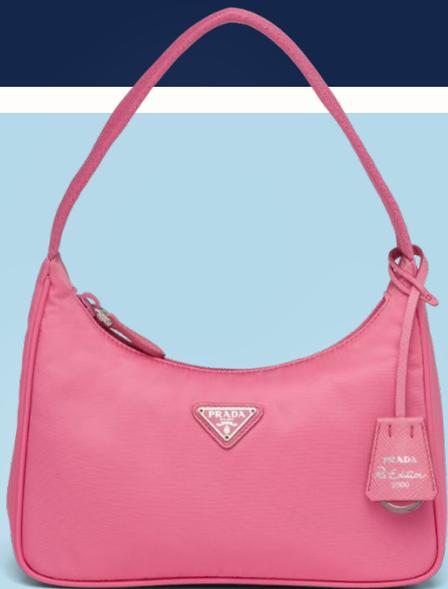


Consumer spending  
¥4,827,269



# PRADA

## HOBO



Number of products shipped :

553

### Shipping Location

22%

From China



78%

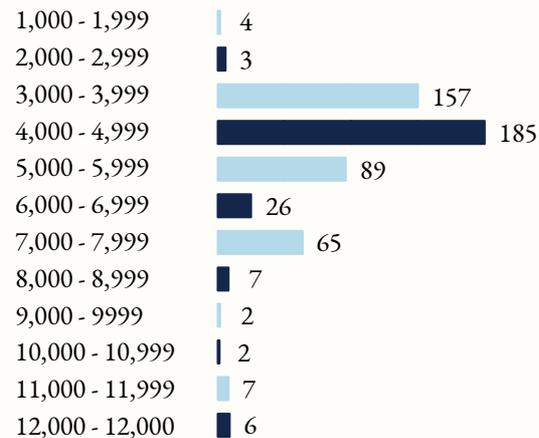
From Overseas



Listings selling more than one item

12%

### Price distribution of products sold (¥)



Consumer spending

¥3,156,903

# Key Takeaways



Total consumer spend on 5 tracked bags



Percentage of product listings recording one or more sales

The Daigou Index 2021

## 1. Brands Cannot Afford to Ignore Daigou

As luxury brands invest more in expanding their E-Commerce footprint in China, daigou can substantially disrupt revenue and branding efforts.

- ◆ For just five products, over a one month period, nearly **¥28 Million** was spent on a single platform, Taobao.
- ◆ Nearly **4,000** products were sold and over **28,000** products listed.
- ◆ For luxury brands, at the most basic level, this is a significant hit on their bottom line.
- ◆ The vast size of the daigou market and the lack of any control on pricing or control of brand image, create considerable disturbance to a brand's online luxury cachet and an obstacle for all further digital strategies.

## 2. Recorded Sales Only Tip of the Iceberg

The recordable data from Taobao does not represent the actual enormity of a vast and opaque daigou market.

- ◆ In total, approximately only **8%** of the products listed on Taobao, recorded one or more sales over the month of February, traditionally one of the key months in the luxury calendar.
- ◆ The vast number of product listings without sales, suggests most daigou transactions occur outside of major E-commerce platforms.
- ◆ Daigou utilize SEO techniques to game their search ranking on Taobao and then divert consumers to their own private channels, such as WeChat.
- ◆ For brands, this represents that a significant percentage of daigou transactions are hard to trace.

### 3. Brands Face Both a Daigou and Fake Products Problem

Luxury brands approaching the issues of daigou merchants selling their products, are faced with a complex double-headed problem.

- ◆ For the products tracked in this study, on average 77% of daigou merchants shipped goods from overseas and 23% from China.
- ◆ The majority of products shipped from China are priced significantly less than the brand's actual retail pricing. For illustration, the average price of a product shipped from China is ¥7,995 and ¥6,447 from overseas.
- ◆ The indication here is that it is probable that a large percentage of products shipped from within China are counterfeit.
- ◆ Daigou shipping from outside of China are generally at the upper percentiles of pricing, indicating that these are the more limited or higher-end products that overseas-based daigou specialize in.

# Key Takeaways

## Shipping Location

23%

From China



77%

From Overseas



# Suggested Strategies



## 1. Monitor and Take Action on Counterfeiters

Our pricing distribution analysis provides brands with a mechanism for identifying fake products and where they are coming from (channel, country).

While many of these sales are

unlikely to be converted into actual revenue, it is important for brands to control their brand image and quality assurance through taking proactive steps to control the counterfeit of its products.

## 2. Reattribute Revenues and Accordingly Amend Budgets

Daigou sales can lead to misattribution of revenues to overseas markets, when the consumption actually occurs in China. With the size of the China daigou market being estimated at \$57 Billion, this oversight can be considerable.

While holistically, daigou revenue is still being realized within the brand ecosystem, marketing and strategy budgets can be readjusted to better target the actual end-consumers in China.

# Suggested Strategies



## 3. Leverage Data to Optimize Merchandising and Customer Service

Our data shows that consumers often purchase products from daigou at pricing equal or higher to China retail pricing.

A reason for this is that consumers use daigou to purchase products unavailable on the China market.

Merchandising can utilize this data to better forecast stock allocation for coming collections, thus optimizing sell-through-rates and maximizing margins.

Additionally, consumers choose to purchase higher-priced items

from daigou when the customer service experience is superior to that offered by the brand.

Through analysis, brands are suggested to look at integrating these learnings into their own customer-service approach.

# We turn data into growth opportunities

Re-Hub helps Luxury and Beauty brands in Asia to generate growth opportunities using AI and data solutions.

We use AI to drive real business impact and generate competitive advantages for our clients at speed.



**Max Peiro**

CEO

[max@rehub.tech](mailto:max@rehub.tech)



**Yoyo Liang**

CCO

[yoyo@rehub.tech](mailto:yoyo@rehub.tech)

For more information, visit

**[www.rehub.tech](http://www.rehub.tech)**