

**Should Urban Outfitters (UO) buy from local brands in an effort to  
better adapt to the Chinese market?**

For:

Sam Aqua

URBN APAC Managing Director

By:

Jessica Lee 26931758

URBN CHINA Marketing Senior Intern

ENGL 301 99A Student

November 28<sup>th</sup>, 2020

No.301, South Jinhui Road,  
Minhang District, Shanghai, China

November 30<sup>th</sup>, 2020

Sam Aqua  
URBN APAC Managing Director  
Jingan District, Shanghai, China

Dear Mr. Sam Aqua:

Here is my report, an analysis on how Urban Outfitters China (UO) can better adapt to the Chinese market by buying and representing more local based fashion brands. During my preparation of this report, I have learned a great deal about the nature of Chinese fast-fashion brands and some current trends, as well as what young adults are looking from fashionable brands today. I believe my information will be beneficial to you in planning next steps for UO's entry into China. Thank you for your support and patience throughout this researching process.

Although Urban Outfitters has been a well-established and a very popular brand overseas, in China it could still use some more time and traffic to build up its brand name locally. An effective yet efficient way to gain reputation is by mass engaging with local consumers. In this report, you may find out more about the "what" and "how".

I've enjoyed my work on this project and would be happy to answer any questions you may have. Please feel free to email at [jessicalee6688@yahoo.com](mailto:jessicalee6688@yahoo.com) at any time.

Sincerely,

Jessica Lee

**Table of Contents**

*Abstract*.....4

*Introduction* .....5

*Data Section*.....6

**Current Situation of Urban Outfitters Attempting to Enter the Chinese Market**.....6

**Overview of the Chinese Fast Fashion Market**..... 7

**Competitors’ Performance in China** ..... 8

**Entry Difficulties** ..... 8

**Understanding the Market and the Consumer’s Desires**.....9

**Analysis of Survey Results**..... 9

**Breakdown of Interview Results** ..... 10

*Possible Solution* .....12

**Emphasizing on UO’s USP** .....12

**Directing Other Brands’ Traffic to UO**.....12

*Conclusion* .....13

**Summary** .....13

**Recommendations**.....13

*Works Cited*.....14

*Appendix A: Survey Questions*.....16

*Appendix B: Interview Questions*.....17

## **Abstract**

Struggling to set foot in the Chinese fast-fashion market, Urban Outfitters China must firmly establish its own unique selling point if it wants to remain in the mainland. Known for being a “brand of brands” (Survey, 2020), it is recommended that the company continues to emphasize on that idea by not only marketing the existing brands that it carries but recruiting more local brands from the mainland. It has been proven that local brands are on the rise across all of China at the moment (Tang, 2019, CGTN) and the audience here often shop from them too (Survey, 2020).

This report investigates UO China’s current struggle of entering the local market and proposes that they work with more local brands for increasing sales, gaining more brand awareness and relating closer to local consumers.

In conclusion, the following recommendations has been made for UO China to consider whether working with local brands would be beneficial to them entering China:

- Continuing to communicate Urban Outfitter’s own brand story, at the same time, promoting the idea that UO is a “brand of brands”.
- Continuing to try and bring in brands that would otherwise be sold under UO abroad.
- Buying in from more local based brands in attempt to adapt better to the local consumers’ taste.
- Collaboratively marketing with local brands so the communication is addressed to the other brands’ consumer base, too.

## Introduction

As a major fashion brand abroad, Urban Outfitters entered the Chinese market a lot later than its fashion competitors, such as Gap or Abercrombie & Fitch (Forbes, March 2012), which is creating entry difficulties as well as bringing limited traffic to the brand. UO products are also priced above its competitors in the fast fashion industry, suggesting a drawback for consumers when comparing similar products across different brands. Considering how other major fashion brands have been established in mainland for a while, UO needs to take certain actions that will help accelerate its growth in reputation and allow it to stand out amongst its competitors.

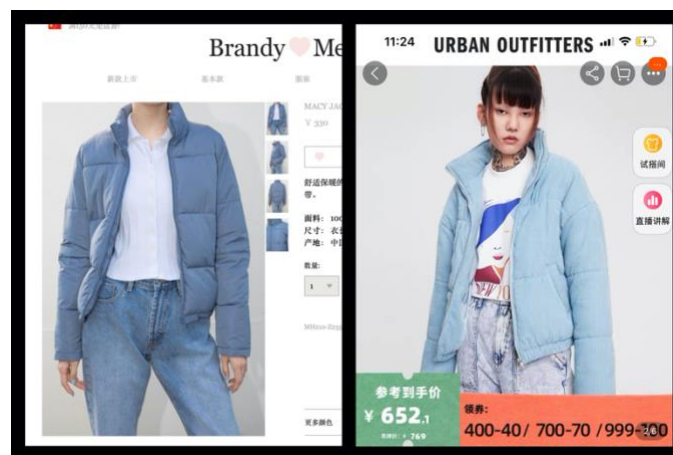


Figure 1: Brandy Melville (considered as UO's competitor) Macy Jacket priced at 330RMB (left) vs UO's Nolita Jacket priced at 652.1RMB (right)

Given the current situation, a feasible solution would be for UO to welcome local or Asian brands under its umbrella. Carrying local brand's products will allow UO to adapt to the local culture and taste, relating itself closer to the local consumers. Furthermore, it will allow them to direct traffic of the local brands they buy from, to its own store.

With that being said, buying from local brands could easily derail Urban Outfitters from its usual collegiate and casual style if not bought correctly. In order to determine whether this is the right decision for its entry and expansion into China, this report aims to evaluate UO’s current competitors in the market and discuss whether this decision is favored upon by its target audience (TA).

## Data Section

### Current Situation of Urban Outfitters Attempting to Enter the Chinese Market

As a buyer’s store, UO has a great variety of brands abroad (India Yaffe, 2019, Pop Sugar), but due to legal issues, many of them cannot be sold in mainland China (Adrian Zhou, 2020, Interview). Currently, Urban Outfitters is being closely associated to Zara and Brandy Melville amongst its TA’s conversations (survey, 2020).

What brand would you consider that’s similar to Urban Outfitters? (Check all that applies)

25 responses

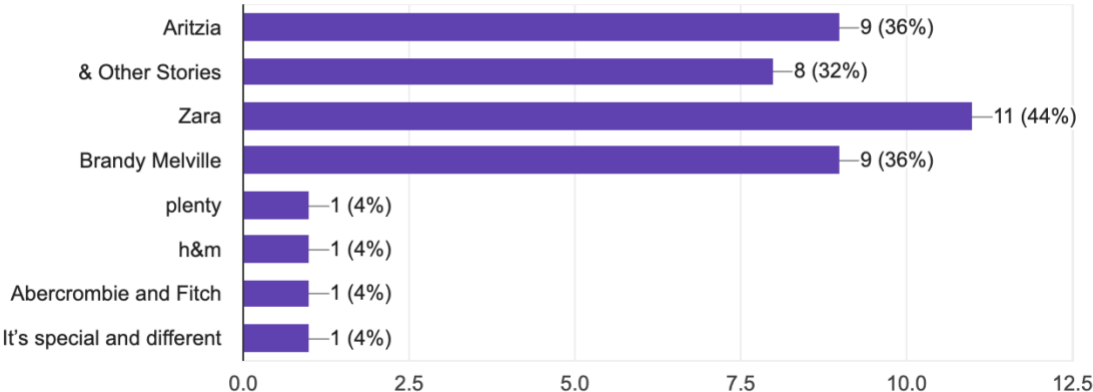


Figure 2: Brands that survey participants consider to be similar to Urban Outfitters

Yet, compared to Zara and Brandy Melville, Urban Outfitters does not have a price-point advantage that would draw consumers over from other brands. With it only being the second year it has entered the Chinese market, the Urban Outfitters name is not known by a majority of the local crowd either. This means Urban Outfitters must adopt its' own unique selling point (USP) or other features that can generate traffic to its brand or attract consumers to its store.

### **Overview of the Chinese Fast Fashion Market**

With the largest apparel market in the world, China has the most competitive fashion industry (Tang, 2019, CGTN). In addition to the innumerable foreign brands that have entered the Chinese market in early 2000s (Tang, 2019, CGTN), there are countless local fashion brands that are competing in the business. Having been in mainland for a while, most foreign fashion brands each have its own unique selling point and its own group of consumers who are familiar with them.

Well-known Swedish fast-fashion brand H&M, for instance, entered the Chinese market back in 2007 and has since become popular in the mainland for its trendy yet affordable price point (Parietti, 2019, Investopedia). Spanish brand Zara, on the other hand, strategizes on offering a higher number of available styles and products, refreshing its shelf with new styles once every two weeks (Petro, 2012, Forbes). Lastly, Brandy Melville has been one of the most popular fast-fashion brands in China this past year after numerous local celebrities has been spotted wearing the brand. All in all, it is safe to say that China already has a handful of fast-fashion brands each with its own specialty and loyal consumers. What the market do not need, is another fast-fashion brand without its own specialty or offering.

## **Competitors' Performance in China**

Back in 2019, Magnus Olsson, country manager at H&M Greater China markets revealed that in addition to the company's slowdown in growth, the rapid rise of e-commerce in China really hurt some of the foreign big brands (Tang, 2019, CGTN). More and more local businesses are now getting a chance to rise with products that are more fit to the taste of mainlanders. These local brands also know how to tackle China's fifth-tier cities while many foreign brands are only focused on the bigger cities (Tang, 2019, CGTN).

Seeing that both British fashion brand Topshop and American fashion brand Forever 21 exited the Chinese market back in 2019 (Jun, 2019, global Times), China is actually witnessing foreign brands going on a downward trend within the country whilst local brands are on the rise.

Although brands such as Gap and Hollister may be considered to be UO's competitors abroad (Forbes, March 2012), the list of competitors may very well be entirely different and much longer here in China with the existence of more local competitors such as I.T or Urban Revivo to name a few.

## **Entry Difficulties**

With the existence of large reputable foreign brands like H&M that entered the Chinese market decades ago and local brands such as Urban Revivo who relate closer to mainlanders, it is in Adrian Zhou's (UO CHINA Head Buyer) belief that Urban Outfitters is currently facing difficulties in being acknowledged by the market as well as its consumers.



“There are so many other brands here already that are cheaper, have a faster turnover rate of on-shelfing new styles, and have been in the country for so long it has a firm consumer base.” As Head Buyer, Adrian believes a wide variety of affordable brands will set UO apart from the rest of the fashion businesses. Without the brands, UO might just lose its intended audience (Petro, 2015, Forbes).

### **Understanding the Market and the Consumer’s Desires**

To learn more about the current fashion market and Urban Outfitters’ positioning in China, interviews were held with two senior management members of URBN CHINA (mother company of Urban Outfitters). Additionally, surveys were conducted to better understand consumers’ thoughts and opinions towards UO. With the collected data, a possible solution will be drawn together according to what the market is asking for and what UO can offer to the market.

### **Analysis of Survey Results**

Of the 27 survey participants, 81.5% are within Urban Outfitter’s TA age range meaning that the results of this survey are relatively credible should UO want to understand its TA with this survey. It should be noted, however, that 30% of the participants live outside of mainland China so their response may very well be limited when asked to provide insights towards the fashion market in China. When asked about how participants first got to know about UO, 72% responded with having passed by an Urban Outfitters’ physical store before (as shown in Figure 2), suggesting how offline stores are still a great way to gain traffic and the brand to gain awareness.

How did you first hear about Urban Outfitters, if you know of the brand? (Check all that applies)

25 responses

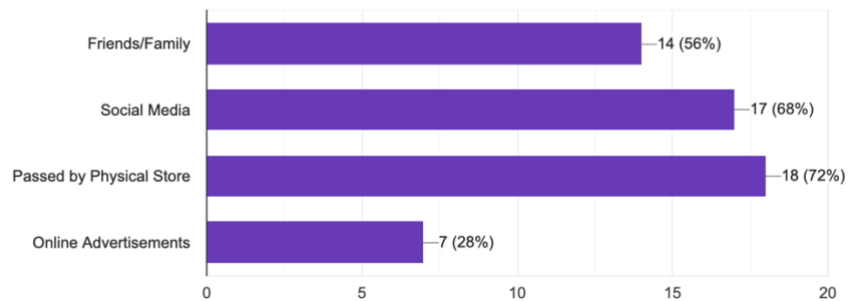


Figure 3: How participants first learnt of Urban Outfitters

Getting to know UO via social media received 68% which verifies Hayne’s belief that “digital remains the ‘largest opportunity’” in increasing “brand awareness among customers” (Burdo, 2018, Philadelphia Business Journal). A great majority, 88%, of the respondents are aware that UO carries other brands’ products and more than 90% having bought other brands’ products from UO before. From the information retrieved from the surveys, the company would ideally open a physical store to gain brand awareness and establish a strong presence within the country. However, if brick-and-mortar isn’t possible then the company should consider increasing the line of brands it carries for strengthening its USP and offering more options to its consumers.

### **Breakdown of Interview Results**

For further insights regarding the brand and the market, two interviews were conducted with Happy Gao (URBN CHINA Marketing Director) and Adrian Zhou (Urban Outfitters CHINA Head Buyer).

Having worked in the fashion business for almost a decade, Happy is a professional marketer who knows the fashion market very well. She joined URBN right when Urban Outfitters China was first being set up back in 2019. When asked about questions two and four (Appendix B), Happy mentioned that UO's offline stores (abroad) are definitely a strong presence that never fails to catch consumer's eyes. Similar to what Haynes had said in his interview (Burdo, 2018, Philadelphia Business Journal), the company originally had plans to set up stores locally in 2020 but everything has been delayed due to the outbreak of the pandemic. Having seen what other brands are doing and have been doing, Happy doesn't necessarily believe that the company must welcome a large amount of brands in order to do well. She believes UO's own line of products has its own story that can be told to consumers and with enough exposure by key opinion leaders (KOLs), UO will thrive in no time.

On the other hand, Head Buyer of UO CHINA, Adrian Zhou is interested to see the introduction of more local brands in UO since many of the brands offered by UO North America cannot be sold in mainland China due to trademark and import complications. Having worked in the merchandising department of another major foreign brand, Adrian has valuable insights into product buying. Speaking from previous and current experience, Adrian is convinced that once UO starts selling local brands, it will have a greater pool of consumers and become a lot more accessible as well as relatable for mainlanders. "This will most likely be our best solution before our store opens" is what he ended with.

## **Possible Solution**

According to Urban Outfitter's Chief Executive Officer (CEO), it was UO's intention to expand into China with a physical presence by 2020 (Burdo, 2018, Philadelphia Business Journals). However, due to COVID-19, the brick-and-mortar plans have been put on a hold (Happy Gao, 2020, Interview) so it is recommended that UO look for other methods to increase its brand awareness for the time being. A possible solution, therefore, could be to expand on the number of local brands it carries.

### **Emphasizing on UO's USP**

Looking at the data collected, it seems ideal for Urban Outfitters to introduce more brands to emphasize on its USP (Adrian Zhou, 2020, Interview). Evidently, UO's TA know UO carries products of other fashion brands and is attracted to the idea of it - they buy a lot more other brands' products than UO's own brands' products (Survey 2020), indicating their interest towards the brands UO carries. It is, therefore, suggestable that if UO were to increase its line of brands, it will see an increase in consumers and sales.

### **Directing Other Brands' Traffic to UO**

With more brands being added under Urban Outfitters, more traffic will be directed from the brands to UO. With a current concern being UO's lack of brand awareness in the mainland as aforementioned, the company could consider interacting or even collaborating with other brands as a way to exchange consumer pools. This way, the UO name can be learnt and spread by more people.

## **Conclusion**

### **Summary**

Whilst UO prepares for its first store opening in China, it should first build up its reputation in the mainland. To do so, it may consider introducing more local or foreign well-known brands under the UO umbrella. At the moment, it appears a concern lies with the trademark issue where brands may not be allowed to enter or be sold in China with its brand name. Without their brand name, they may lose their most valuable factor of being a brand sold under the UO umbrella. The increase in number of brands, however, can attract consumers with product diversity and brand variety – something that UO's TA are looking for and spend their money on. In conclusion, Urban Outfitters China should gain brand awareness by adding more brands into the family which then strengthens its USP and sets it apart from the rest of the fashion brands that have been established for longer in China.

### **Recommendations**

If possible, please kindly consider the following recommendations on how UO can better enter the Chinese market, especially by increasing their local brands' base:

- Continuing to communicate Urban Outfitter's own brand story, at the same time, promoting the idea that UO is a "brand of brands".
- Continuing to try and bring in brands that would otherwise be sold under UO abroad.
- Buying in from more local based brands in attempt to adapt better to the local consumers' taste.
- Collaboratively marketing with local brands so the communication is addressed to the other brands' consumer base, too.

## References

Bryant, T. “This Cult-Favorite Brand Just Hit Urban Outfitters” *Refinery 29*. 23 July 2018.

<https://www.refinery29.com/en-us/urban-outfitters-beauty-products>

Burdo, A. “Urban Outfitters Q3 Call: Plans to Expand in Europe, China & the Middle East” *Philadelphia Business Journal*. 20 November 2018.

<https://www.bizjournals.com/philadelphia/news/2018/11/20/urbn-anthro-free-people-tmall-china-israel-stores.html>

Forbes. 7 March 2012. <https://www.forbes.com/sites/narrativescience/2012/03/07/forbes-earnings-preview-urban-outfitters-2/?sh=3175c8591daa>

Gao, Happy. Interview. 24 November 2020.

Jun, X. “Foreign Fast Fashion Brands Face Falling Sales in China” *Global Times*. 13 May 2019.

<https://www.globaltimes.cn/content/1149687.shtml>

Lee, J. “Urban Outfitters China Consumer Research” Survey. Questionnaire. November 2020.

Parietti, M. “H&M vs. Zara vs. Uniqlo: What’s the Difference?” *Investopedia*. 25 June 2019.

<https://www.investopedia.com/articles/markets/120215/hm-vs-zara-vs-uniqlo-comparing-business-models.asp>

Petro, G. “Urban Outfitters Find its’ Identity – What it Means for Investors” *Forbes*. 22 September 2015. <https://www.forbes.com/sites/gregpetro/2015/09/22/urban-outfitters-finds-its-identity-what-it-means-for-investors/?sh=350b71f55b28>

Petro, G. “The Future of Fashion Retailing: The Zara Approach (Part 2 of 3)” *Forbes*. 25 October 2012. <https://www.forbes.com/sites/gregpetro/2012/10/25/the-future-of-fashion-retailing-the-zara-approach-part-2-of-3/?sh=4c8481907aa4>

Tang, L. W. “Are the heydays over for foreign fast fashion brands in China?” *CGTN*. 26 July 2019. <https://news.cgtn.com/news/2019-07-25/Foreign-fast-fashion-brands-in-China-are-the-heydays-over--IBPlg5CAfK/index.html>

Yaffe, I. “These are the 15 Brands Worth Shopping at Urban Outfitters” *Popsugar Fashion*. 1 December 2019. <https://www.popsugar.com/fashion/best-brands-products-to-shop-at-urban-outfitters-46889411>

Zhou, Adrian. Interview. 25 November 2020.

## **Appendix A: Survey Questions**

<https://forms.gle/n5xHq4XDgcf8tSe6>

I am a third-year Sociology student at UBC engaged in a technical writing course. The purpose of this survey is to collect primary data for an investigation that aims to understand the Chinese fast fashion market so recommendations can be made for how Urban Outfitters can better adapt to this fast-paced market. The final formal report will be presented to the General Manager of Urban Outfitters China as well as the Buying and Marketing Directors. Ultimately, the data gathered from this survey will provide valuable insights for UO in understanding what are the trends and preferences in the market right now. This voluntary survey contains 10 multiple-choice and short-answer questions and should take no longer than 5 minutes of your time. Your



responses will remain anonymous and I would greatly appreciate it if you could participate.

Thank you.

1. What is your age?
2. Which city in China do you currently reside in?
3. Have you ever heard of the brand Urban Outfitters?
4. How did you first hear about Urban Outfitters, if you know of the brand?
5. Use three words to describe Urban Outfitters:
6. Are you aware that Urban Outfitters carries other brands' products?
7. If so, what brand(s) have you purchased from Urban Outfitters before?
8. Which fast-fashion brands do you usually shop at?
9. What brand would you consider that's similar to Urban Outfitters?
10. Are there any local from-China brands that you like or shop from? (Please name if any)

### **Appendix B: Interview Questions**

1. What is your job title and how long have you been on-board with Urban Outfitters China?
2. What do you think is Urban Outfitter's unique selling point?
3. How do you think Urban Outfitters is currently adapting to the Chinese market?
4. What are some practices you think Urban Outfitters can adopt to increase its awareness in the Chinese fast fashion market?
5. What are some solutions you think are appropriate for helping Urban Outfitters' slow growth?
6. What do you think about Urban Outfitters buying from local brands and carrying their items? Any advantages and/or disadvantages?

