



“Taste for Fast Cars and Whisky Casts China’s Women in New Light”

-Financial Times, July 5, 2011

The headline above will no doubt cause more than a few readers to do a double take. Sports cars and expensive scotch tend to be the conspicuous consumption choices of well-to-do men in their 40s and 50s. But China is a place where Western gender marketing stereotypes simply do not hold. Chinese women are major buyers of Scotch whisky and exotic cars, while Chinese men fancy high-end face creams and “man purses.”

The Financial Times reported that Johnny Walker is popular enough with Chinese women to alter the parent company’s marketing strategy. Diageo, the British company that owns the Walker brand, is taking a “gender bilingual” approach. Not to be outdone, Italian performance carmaker Maserati says that 30 percent of its sales in China are to women, compared to 2-5 percent in America and Europe.

At the same time, men represent 45 percent of the \$1.7 billion market for luxury bags and accessories in China, compared with 15 percent worldwide. Chinese men are very particular about their appearance and consider proper grooming and dress essential to career success.

I bring up these little anecdotes to make a very serious point. Consumer demand in the United States and Europe remains deeply depressed. While the retail economy has improved markedly from the pits of the financial crisis, retailers still have very little pricing power. They can move the merchandise, but only if they run perpetual sales.

We can’t expect conditions to improve any time soon. The primary driver of the world economy over the past thirty years—the American and European Baby Boomer generation—is now desperately trying to save as much as possible for retirement. Their children, the Echo Boomers, will be a major economic force to be reckoned with—eventually. But for now, they are still too young and their incomes are too low to compensate for the financial retrenchment of their parents. And no amount of fiscal stimulus, deficit spending, or quantitative easing is going to change this.

So what are we to take away from all this?

Companies, investors, and professionals who want to be successful during these difficult economic times need to look beyond their traditional comfort zones. Be prepared to try new techniques when the old ones that were reliable in the past no longer perform as expected.

The Western cosmetics and handbag companies who first targeted Chinese men—and the Scotch distillers and performance car makers that targeted Chinese women—were clearly operating outside of their normal comfort zone. But in doing so, they found profitable new ways to grow their businesses in an otherwise difficult economy.

We can’t all sell our wares in China, of course. But we can dip deep into that reservoir of creativity that makes the American capitalist system work.

Sincerely,

Jeremy E. Portnoff

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