Beyond the Logo: Inside the Middle-Class "Three Treasures" Phenomenon

Transcript:

Jonathan: This month being served on the hot pot table. Forget traditional luxury logos, the Chinese middle class is now flashing Arc'teryx jackets and Saucony running shoes as their new social currency. Meanwhile, homegrown Eastern scents are quickly dismantling Western fragrance empires with hyperlocal storytelling. And if your retail store or product isn't engineered for *chupian* or being effortlessly photogenic to East Asian consumers, you may as well not exist. This isn't just a shift in taste; it's a total rewiring of status, identity, and commerce in China.

Topic 1: The Middle-Class "Three Treasures" Realigning Luxury

Jonathan: So topic number one, it's about the evolution of the middle class and particularly the middle class "three treasures". We're looking here at how the definition of luxury has fundamentally mutated in China. We've moved away from the era of conspicuous consumption of luxury leather goods to what the internet calls the middle class three treasures, the *Zhong Chan San Bao*. Specifically, Arc'teryx, Salomon, and Lululemon are the brands. Premium functional outerwear and technical running shoes in many cases have completely replaced traditional signifiers of luxury such as handbags and high-end fashion. This is particularly important on platforms like Xiaohongshu. So Fan, let's unpack this. We're seeing these brands, even brands like Salomon, becoming status symbols in Greater China. While these challengers like Saucony and others are really growing in tier-one and tier-two hubs, my question to you is: what's happening here? How has social currency shifted away from those luxury brands and more into the space of outdoor wear and technical apparel?

Fan: To answer that, I would not say it's shifted away from those luxury leather goods. It's the same group of people that from Monday to Friday carry their Chanel bag, and then on the weekends they wear Lululemon and Saucony and just go to the mountain. But I think what's interesting here is that it has definitely been an active trend after Covid. Globally it's the same—people have the urge to reconnect with nature and just compensate themselves for being stuck indoors for that long. Paired with that, local governments realised it's an industry and an opportunity. So they also built more infrastructure, because before that it wasn't that popular. When there's no demand and no need, of course, you won't do anything about it. But right now there is a need, and so suddenly you see all of the tourism departments promoting their trails, or suddenly you have more ski resorts other than Zhangjiakou. Before it was just that mountain, and now it's everywhere.

Jonathan: Yeah. And it's interesting, isn't it? Because any brand that you buy—if you get into consumer psychology, particularly fashion and clothes—that's the ultimate signifier because it's what you're wearing. You can be seen very visibly to be wearing that. So if we unpack socially what's happened there, it's interesting that the same person might be Prada one day and then On Running the next, and the two aren't mutually exclusive. Perhaps in Western markets, ideas are much more entrenched where you think, "Oh, that person is a luxury brand buyer and that's sort of their tribe". Whereas in China—and this is one of the things I've always loved about living and working with China—people are highly adaptable. If there's something that they're into or that speaks to them, then they will wear that as a badge of pride, but those badges can actually change from day to day. So are we saying previously the general badge of pride that most people were craving was the "luxury, I can afford it" brand marker? What are they shifting towards saying now? Is it that they have leisure time and they are fit and healthy? What's the signifier of wearing these brands; what are they trying to tell people?

Fan: Both still exist. There is still a group of die-hard fashion lovers and art lovers that still follow Matthieu Blazy's new collections for Bottega Veneta and so on. But I just think that the whole outdoor category is quite a new thing for the overall China market. Because of that, there's a new community growing out. It's not necessarily saying that people shifted from one to the other, but there's a new community arising. Maybe before it was all very professional, but now they are semi-professional or not even professional at all. That's why the word *Zhong Chan San Bao* is not a good word; it is satire. It actually changed a few times already. Before this, it was Allbirds, Arc'teryx, and Lululemon. That was the *Liang Niao Yi Meng* (Two Birds and One Lemon). Then people realised Allbirds was an "intellectual tax," acting more like a tech company that publicly claimed to be a tech company. So right now, Salomon has filled that slot. If we unpack them one by one, Arc'teryx is originally from Canada. They are the truly professional option. Even among European alpine brands like Marmot or La Sportiva, they are professionally acknowledged as a hardcore outdoor brand. But once they got acquired by Anta, their positioning in China became "the Hermès of outdoor". That says a lot. Are they still professional and functionally nerdy? Yes, they are super hardcore. But that's exactly what people are buying into. They want to look hardcore without actually doing the hardcore part. It's about your posture of being hardcore.

Jonathan: That's really in keeping with when we were working on Canada Goose and doing their market entry. There was very much what we call the "Range Rover effect" or the Land Rover effect, which is: "I have this car, I could drive this car up a 45-degree slope through mud across the Siberian plains, but I don't—I drive it around Chaoyang in Beijing". That was the mentality, but it signifies something about you affording the best tools for the job. Canada Goose has an incredible product architecture, and at the very top was a parka designed for pilots flying over the North Pole. It had all of these design features like high-up pockets and a down rating that could go to minus 20. Arguably, having been in some pretty cold winters in Beijing, that is actually quite helpful for living in Beijing. But it was still gaining traction down in Hong Kong, Shenzhen, and Shanghai in the summer months. It's an indicator of a really high-quality performance product. So is that the shift—away from the intellectual tax of a wizened craftsperson making a leather bag with their own hands, and towards a highly switched-on, almost scientific operator who knows how to make the best performance wear? The money is still going into expensive things, but it's going into performance.

Fan: It's not a shift. If a person likes both at the same time, they still love them individually. So it's definitely not a total migration from Prada to Arc'teryx. Honestly speaking, Prada has fantastic outdoor clothing lines too if you think about it. It's about people trying to appear more effortless and caring less about materialism. For example, the people who are purchasing Arc'teryx and Salomon now, before this, their "must-have" equipment was probably a premium Canon camera, or specialised, functional bicycles. They always want to distinguish themselves from basic consumerism and materialistic individuals. They say, "Okay, I don't care about how I look, but I care about my equipment because I am the hardcore type". Even though there are really that many hardcore places to go to in China, or is there a massive culture to do that? Probably not that much. But they want to appear like that. *Beijing Lao Paoer* is a classic example in that general direction, but it has evolved into this new form. The current three treasures—Salomon, Arc'teryx, and Lululemon—are simply the pop-culture version of *Zhong Chan San Bao*. This group of people think they are pleasing themselves. It is a self-convincing mechanism: "If I dress like this, it says I can go to work in this outfit, but if I want to, I can just run straight into the mountains and deal with any conditions". Arc'teryx can definitely back that up, but Salomon technically cannot go to that extreme, even if they don't explicitly communicate that vulnerability.

Jonathan: Yeah, hearing you talk, I can clearly picture the individual you're describing. But it brings up a question: is this dynamic identical for both men and women?

Fan: Interestingly, yes. Outdoor communities—whether hiking, running, or cycling—are massive. But in China, it is always explicitly about community. It's not about heading out into the mountains completely alone; you are always participating in a collective. When you have a community, you have peers, and when you have peers, you encounter peer pressure. There starts to be a very silent, yet rigid code-of-conduct competition regarding who possesses the absolute best equipment, or what constitutes the standard baseline equipment within that tribe. Suddenly, people buy Salomon, but then Salomon isn't good enough anymore because users complain they are quite slippery on trails. So they quickly move on to chase after Hoka or Saucony. There is a continuous evolution of these treasures that the middle class is chasing after.

Jonathan: Yeah, that's fascinating because by the time a trend gets labelled as *Zhong Chan San Bao*, irony is fully baked in. You're looking at someone kitted head-to-toe in what sounds like a positive status marker. But its ubiquity mirrors how owning an LV handbag felt five years ago. It suggests that perhaps you aren't thinking for yourself; you're just looking at what everyone else is buying and ensuring you completely adhere to the uniform. So where do things go from here? If Lululemon is already becoming a bit *passé*—commercially they are still huge, but they aren't seeing the explosive growth they used to—is that an opening for brands like Alo Yoga and Vuori? They have the global scale and product ranges that fit China. Are they going to piggyback off this irony surrounding Arc'teryx, Salomon, and Lululemon to capture market share? What do you predict?

Fan: My gut feeling is that Lululemon will inevitably be replaced, especially considering the "bad luck" scandals they've encountered over the past few months. If we look back at how Lululemon started, their positioning toward Chinese consumers was acting as an "anecdote for your soul". It communicated self-care, paying attention to what you're actually feeling, and comfort. In reality, many people who bought Lululemon have never done a single yoga class. It simply became a uniform that represents the fact that you care for yourself. Originally, their "Supergirl" customer profile was a highly niche, well-fit, highly educated, high-income demographic, which is completely different from the mass audience they eventually harvested. It became everywhere. A few years back, major media outlets warned this ubiquity would kill them because their high-end image broke. When a luxury positioning like Arc'teryx, Salomon, or Lululemon shows up on individuals who don't even own a gym membership, the premium bubble bursts. Back to nowadays. Alo Yoga has been hovering around the China market for a long time with hiring loops and rumours of flagship stores in Shanghai and Beijing. But the exact day Lululemon hit a massive cultural scandal for using a Japanese taiko drum team on the Great Wall, Alo immediately posted their first official WeChat article: *"Hello China"*. I'll just leave that timing right there. Alo and Vuori represent an interesting evolution. Lululemon was about mindful self-care, but Alo is a highly "peacock" brand. They are obsessively focused on aesthetics and looking good, leveraging global mega-influencers like Kendall and Kylie Jenner. They focus on the visual output to such a degree that they are entirely willing to sacrifice elements of physical comfort and technical functionality. Vuori is the exact opposite.

Jonathan: Right, that means there's a distinct strategic gap in the market as long as you are explicitly clear about what you stand for. You can't be everything to everyone. Alo can't own the exact same mindfulness space that Lululemon locked down for a decade. But as we advise our clients: look at the strategic map, find the clear white space, and commit fully, especially if the consumer is migrating from point A to point B. And time and time again, we see a distinct segment of Chinese consumers who will happily sacrifice physical comfort for visual aesthetics.

Fan: Exactly, as long as you're outspoken about it. Alo never claims to use the most technical, stretchy fabrics for intense athletics; they just deliver great shapes and looks on highly attractive people. Vuori is the complete antithesis. They aren't shouting or being loud about "look at me," but they focus intensely on ensuring you feel exceptionally comfortable when you wear them. It is very restrained and comfort-driven, which manifests directly in their quiet market expansion and communications. They are moving in completely opposite directions, but they both have to thank Lululemon for opening up the macro market for them in the first place. However, Alo doesn't strike me as a brand focused purely on product engineering; it feels heavily like a hyper-funded money game. I am fascinated to see their roadmap.

Jonathan: Yeah, to wrap up here, talking about China being "behind" in retail trends is entirely laughable today because China is leading in so many distinct sectors of commercial innovation. China is neither strictly ahead nor behind; it is structurally different, operating with its own unique characteristics. That being said, I have watched individuals in my own circles in both London and Shanghai migrate directly from Lululemon over to Alo. They might not explicitly say they changed tribes, but Alo nailed an aesthetic that directly speaks to their current mood. This ability to read the aesthetic shift and understand the internal state of your consumer is critical in any market; it's a global phenomenon. So, if I had shares in Lululemon, it might be a strategic time to sell. I don't, but I wish I had held them over the last ten years. Fan, what are our overarching takeaways for brand directors approaching a market dominated by a legacy 10-year player? What do we learn from this layout?

Fan: Whether you are Lululemon, Arc'teryx, Salomon, or even Allbirds, if you care about your brand core as a professional entity with a distinct vision and mission—like Patagonia—you must be exceptionally careful about what your local commercial teams bring to you as a high-volume sales strategy. In many cases, when your short-term sales metrics look incredible for years, it actively begins to cannibalise and hurt your brand core. We see this clearly with Arc'teryx becoming the *Xiangniao* ("Mountain-Exploding Bird") via their wild marketing collaborations with active subcultures. They generated massive sales, but nobody in the room stopped to ask, "Wait, what was our original core mission again"? Salomon isn't entirely there yet, but they are already avoiding talking about their true core strength, which is trail running, because trail running is still a niche sport in China. They chose to become generic and say, "Okay, we are just general professional outdoor wear," which is a bit irresponsible to your consumer base. Every brand must constantly ask: who is your ideal customer versus who is your actual transactional customer? If the gap between those two universes grows too wide, your strategy is broken. Also, have you noticed that the overall colour palette of outdoor items has shifted from bright, visible neon tones to earthy, neutral colours? If you actually get into a real emergency on a mountain wearing these, nobody will ever find you.

Jonathan: That is an excellent point. It’s understated outdoors. Personally, I would very much like to be rescued, so I'll make sure to carry flares stitched into my neutral pockets. That’s one for the fashion scientists analysing the symbolism of colour season over season. It is significantly more muted than it used to be. Fascinating discussion, let's move on.

Topic 2: Inside East Asia's Homegrown Fragrance Explosion

Jonathan: Moving on to topic two, the fragrance explosion. We are currently witnessing a fascinating realignment in the East Asian olfactive space. Homegrown Chinese fragrance brands like To Summer (观夏) and Documents (闻献) are systematically dismantling the supremacy of legacy Western scent profiles. They are winning on hyper-localised storytelling rooted in traditional Chinese botany, tea cultures, and premium gifting rituals rather than Eurocentric clichés. At the same time, we are tracking an interesting retail arbitrage where middle-class Chinese travellers are heading to Japan and South Korea, fueled by favourable exchange rates and relaxed transit rules, to purchase hyper-niche regional brands like Shiro, Tamburins, and Nonfiction. Fan, I know this is a topic close to your heart. If you look at the consumer behaviour here, there is an evolution toward advanced scent stacking, non-alcoholic layering, and even real-time mixology formats as we saw in Taiwan using cocktail shakers in-store. What is it about this shift toward a localised Eastern olfactive universe that Western legacy brands are fundamentally failing to grasp? Are they missing this entirely?

Fan: The overarching structural topic here is *Wang Hua Xin Gan*—cultural self-confidence and finding your roots within your own heritage. For centuries, the entire fragrance industry was built, designed, and dominated by Western houses projecting their own colonial imagination onto Eastern cultures. Every legacy Western brand historically carried a line called "Oriental Musk" or something heavily spice-driven like cinnamon. They always framed the East as purely mysterious, exotic, and hyper-sexualised. That made sense when their historical understanding of the "Orient" literally stopped at the Orient Express in Istanbul, without travelling any further east into Asia.

Jonathan: Well, honestly, that is what makes it a poorly informed layout deeply tied to historic colonialism. On one side, legacy houses used "the Orient" as a vague, exotic shorthand to conjure up mystery because they couldn't generate it within their own boundaries. They just slapped an "Eastern" label on it, regardless of whether they were referencing Istanbul or Tokyo, which is horrendous.

Fan: Exactly. Think about Yves Saint Laurent's *Opium*—that was the definitive product that built its entire empire on that exotic Oriental narrative. But the East Asian culture of scent is historically rooted in *Xiang Gao* (scented pastes) or burning raw incense that naturally infuses into your clothing, which is a completely different universe from liquid Western perfume sprays. For decades, when local markets opened, consumers fell in love with Western status symbols like Chanel No. 5, Dior's Poison, or YSL's Opium. But today, the modern generation is asking: "Wait, where is our own culture"? We possess thousands of native botanical ingredients and complex sensory rituals that do not exist in the West. This homegrown fragrance boom is an active journey of cultural rediscovery and self-identification, which explains the meteoric rise of To Summer and Documents.

Jonathan: It is a profound structural shift. Previously, the Western brand held both the luxury prestige and the absolute narrative monopoly. French perfume automatically sold itself on themes of romance, allure, and overt sex appeal. They designed it for Western psychology and assumed it would map perfectly onto yours. It is incredibly refreshing that homegrown brands are rewriting this script. Traditional East Asian preferences lean toward minimalist, clean skin scents that cannot and should not be marketed through sexual provocation. It is far deeper and more nuanced than that.

Fan: Absolutely. In the nineties, owning a bottle of Chanel No. 5 was the ultimate statement, popularised by Marilyn Monroe's famous quote. But to a twenty-something consumer today, those classic profiles just smell heavy and overly powdery. The generation wants to represent their actual internal state through scent. I am personally thrilled to see this realignment because I have had enough of the repetitive scent notes that global conglomerates have recycled for years.

Jonathan: Right, every major house relies on the exact same base formulas—musk, oud, rosemary. They form the baseline of just two or three predictable flavour worlds. Whereas across Asia, local brands are introducing massive variety. When I was in Seoul recently, I met with Nonfiction—their aesthetic is beautifully clean, modern, and sharp, similar to Diptyque but entirely contemporary. Their retail outposts are packed with local consumers and massive waves of Chinese tourists. This is an intra-Asia travel phenomenon where consumers travelling between China, Japan, and Korea are seeking out shared cultural resonance and exploiting exchange rates.

Fan: The connection between China, Japan, and Korea is anchored in a deeply shared cultural similarity across our daily rituals, diet, and lifestyle habits, which is much closer than comparing Asia to the West. It explains why local consumers trusted Japanese and Korean skincare for years—not because it was cheaper than L'Oréal, but because those formulations inherently understood Asian skin barriers and conditions. Now, local Chinese brands have filled that gap completely. We appreciate each other's aesthetic nuances on a level that Western consumers struggle to grasp. For example, burning incense is a normal daily lifestyle habit for us, whereas to a Western consumer, it often triggers heavy, rigid associations with church life or boarding school. Japanese brands create these beautiful pocket matchbox incense sticks that burn for exactly ten minutes to instantly make you feel good, and consumers love that detail.

Jonathan: Yes, I bought some when I was in Seoul. It was a Japanese brand retailed inside a beautifully curated store. They had tea tree, lemongrass, and other sensory variants that smell incredible and feel highly evocative in a way you would rarely find from a Western legacy house.

Fan: Exactly, it maps to completely different consumer scenarios. Standard Western fragrance giants like Byredo or Penhaligon's follow a strict, predictable retail matrix: Eau de Parfum, followed by hand cream, body lotion, and a candle, because that matches Western consumer behaviour. Whereas if you analyse To Summer or Documents, their core product assortment quickly moves from fragrance directly into raw incense and scented lifestyle papers. It maps cleanly onto existing lifestyle habits.

Jonathan: So what is the explicit advice for a Western brand looking at this landscape? Should they start manufacturing incense and scented paper, or do they lack the cultural license to play in that space?

Fan: Definitely do not try to copy it directly. Look at brands like Rituals—they heavily market themselves as an "Asian" lifestyle concept using incense, but you must go deeper into the consumer mindset rather than lazily borrowing surface-level rituals. The Asian market is currently far more advanced and progressive in its olfactive storytelling. We moved past direct, heavy scents like Chanel's *Allure* or Dior's *Sauvage*. Then the market transitioned into the niche poetic era of Diptyque or Byredo's *No Man's Land*. Today, Chinese brands and select Western labels like Maison Margiela are engineering ultra-specific, scenario-driven surrounding imagery. I saw a local fragrance titled after the exact scent profile of *"being entirely alone inside a remote wooden cabin during a safe snowstorm"*, or *"sleeping soundly beside a mountain waterfall"*. It triggers instant personal recognition.

Jonathan: Right, it's a massive move away from the hyper-serious TV perfume advertisements of old. Modern US niche players are even bringing a layer of playfulness and subcultural irony into it. They design scents reminiscent of the exact hand soap used in a specific LA nightclub in the early nineties—creating an intense level of distinct nuance. Know your target audience and match that depth.

Fan: Exactly. I tracked another local launch titled *“Oscar Wilde's Rose”*—it immediately demands you use your own poetic imagination. This round, the Asian market is undeniably more progressive.

Topic 3: The Power of Chupian: Engineering Photogenic Retail

Jonathan: Our final core topic today focuses on an operational term that dictates absolute success or failure for any physical retail execution in China right now: *Chu-pian*. Literally meaning to produce a flawlessly engineered photo or to be effortlessly evocative for digital content creation. In China, your hardware, software, products, and physical spaces must be built from day one to be photogenic. On the software side, gatekeeper applications like Meitu XiuXiu or Daz dictate local beauty standards. On the hardware side, native tech giants like DJI and Insta360 have completely overthrown Western action camera legacy giants like GoPro by focusing relentlessly on smart-tracking, vlogging-first ecosystems that make content creation seamless. We've seen luxury players attempt to capture this *chupian* volume through setups like the Dior Cake Pop-Up or the Valentino Mini Dollhouse. But how can a global brand balance this algorithmic desire for traffic while ensuring it drives actual conversion and long-term brand loyalty, rather than just acting as a free tourist photo-op?

Fan: Number one: you must maintain absolute clarity on your global brand DNA. To be blunt, Givenchy’s recent localised breakfast campaign in China was treated as an absolute joke by consumers. Compare that to Prada’s wet market activation where they wrapped daily fresh produce in custom Prada branding. Prada's confidence came from a deep understanding of their own Milanese aesthetic universe; it felt effortless for them to execute. Not every brand can afford to copy that format. There are a million attention-grabbing, photogenic things happening in China daily, but you must ensure it’s the right strategic moment for your specific universe to step in. The Valentino dollhouse worked flawlessly because it was directly tied to their beauty product drops. But for Givenchy—why on earth should an executive expect a sophisticated consumer to line up to take a photo of a breakfast *baozi* dumpling simply because it has a Givenchy logo stamped on it? I still don't get it.

Jonathan: I can tell you how that corporate breakdown occurs. A senior executive sitting in Europe or the US is handed a localised creative pitch. They don't understand the market, but they rely on a generic, root-one shorthand: *"Baozi and dumplings are Chinese, our luxury logo is famous, let's merge them for a quick photo moment"*. It is incredibly frustrating because it is completely ill-informed and out of touch with the actual lifestyle of their premium Chinese audience. You would never stick a luxury brand logo onto a basic bread roll in London and call it an overseas marketing campaign.

Fan: Exactly. Look at Arc'teryx’s recent activation failure. Someone in a boardroom said, *"Let’s create a massive photo moment. Our DNA is the mountains. The grandest element in Chinese celebration is fireworks. Let's merge them together and detonate fireworks across a mountain landscape"*. They literally blew up a mountain for a digital photo. You have to stop and ask: what are we doing to our core DNA here? On a practical level, if you run an offline luxury event in China, your lighting standard must be flawless. Many Western heritage brands run setups with harsh overhead ceiling spotlights that make guests look incredibly compromised in photos. That is a disaster for a generation where everything—whether horse riding, dining, or mountain hiking—is fundamentally required to be beautifully documented. If the competitor's store next door is more documentable and engineered for *chupian* than yours, they win the foot traffic, full stop.

Jonathan: That brings us directly to Polène, a fascinating leather goods brand backed by LVMH's investment vehicle, L Catterton, some years ago, which is scaling rapidly in China. Their commercial revenue is climbing into the low-digit millions because their brick-and-mortar stores are meticulously engineered to look exactly like a high-end salon selling a £5,000 handbag, even though their products are highly accessible, priced around the £400 to £500 mark. Walking into that space gives the consumer immense face (*Mianzi*); you look and feel like an elite luxury buyer. They don't position themselves against standard mid-market players like Coach or Michael Kors; they match the experiential standard of Louis Vuitton or Chanel. Their *chupian* standard is built directly into every interior design corner, texture, and lighting fixture, allowing the space to withstand the scrutiny of a high-resolution camera phone seamlessly.

Fan: Exactly. Retail spaces must act as organic, silent content engines where every single detail can take the challenge of a smartphone camera lens. This is no longer an optional creative highlight; it is the absolute operational standard for physical retail in China.

Jonathan: That is a perfect place to wrap up. Brand directors must understand that *chupian* architectures aren't just about putting up a cheesy photo booth; it's about deeply calculating how a consumer flows through your physical universe and projects their status to the world. The Chinese consumer market is not slowing down uniformly; it is maturing, fragmenting, and rewarding extreme precision. Status is no longer found in loud, raw logos, but in wellness, depth, and curated lifestyle spaces.

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