

## **Business Analysis**

**Should supreme increase the product sales in Chinese market in order to increase their profit?**

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# **Should supreme increase the product sales in Chinese market**

## **in order to increase their profit?**

### **Introduction**

Nowadays, the first thing that comes to mind when it comes to fashionable logo is Supreme. In 1994, Supreme was born on the streets of the United States where skateboarding culture was prevalent, and at first it only served the consumers of the skateboarding community. Until 2004, Supreme began to expand, opening a second store in Los Angeles. Supreme now has just 11 stores worldwide. The intersection between Supreme and various fields has become increasingly close, entering a stage of rapid development, which also means that Supreme no longer belongs to that small group of people.

As we all know, Supreme has no stores in the Chinese market, so the circulation of its products is mainly in the secondary market. Supreme took the Chinese market by storm in 2017. One big reason is the popularity of the music variety show "Rap of China" in the summer of 2017. High audience rating brings high exposure. Supreme items on contestants' bodies also appear frequently. Young people who like to pursue trends gradually become new fans of Supreme. However, the limitation of the sales of their items actually make Chinese consumers hard to purchase it. In this case, more and more items are sold in secondary market and the price of it begin to rise rapidly. Supreme is well aware of the social truth that "scarcity makes the most". No matter how popular a product is, it will never be released again in its lifetime. Supreme make good use to limit the supply to make its product more exclusive. This lead people become much more desire to the Supreme's product.

Thus, to satisfy the Chinese consumers' want, should Supreme increase the product sales in Chinese market in order to increase the profit?

## **4Ps of Supreme**

### **Product:**

The new products of Supreme are divided into S/S spring/summer season and F/W autumn/winter season. When they are released every Thursday, the official will never say what will be released. Supreme has released a number of strange products since its inception that have made its target market even bigger. It has already released bricks, baby bottles, mobility scooters, bicycles, water bottles and more. The product is provided each week and the varieties of product is sold out each week. Although the consumers have no need to buy those kind of strange product, they still purchase them for collecting.

### **Places:**

There are also restrictions on purchasing channels. At present, there are only official channels and third-party channels such as buyer's store. The numbers of offline stores of Supreme is less than 15. This actually makes it more difficult for consumers to buy in other areas. It's even harder for Chinese consumers to purchase the item online. The official website is available only for the IP from Europe, Japan and North America can be snapped up through the official website. The only way for the Chinese consumers to buy is the buyer's store which may have a much higher price than in the official stores.

### **Prices:**

The price in the secondary market of Supreme is really high but Chinese consumers have no choice to buy it in secondary market. For example, a T-shirt can be sold for only a few hundred dollars, and it is not uncommon for a T-shirt to sell for several thousand dollars. And a Box logo dress is like wine: the earlier it goes on sale, the more it costs. So you don't have to worry about getting the highest price, because there's a consensus in the community that Supreme's prices never end. This also makes the clothes that you throw away after wearing or change when you don't like them have the value of speculation and collection.

**Promotion:**

Supreme's true entry into mainstream culture came in 2011 with a collaboration with Lady Gaga. Since then, supreme launch to much more market. In addition, the historic collaboration between Supreme and LV in July 2017 also made the brand famous. At the same time, the popularity of a large number of popular stars also led Supreme to attract many new users from China in this year. Supreme has been doing co-branded products with different brands, which have consistently been among the best sellers. From the beginning, when Supreme needed to work with other brands to expand its reputation, it has become an aspiration for other brands to work with Supreme now.

**Tools:**

In order to explore whether Supreme's marketing strategies are effective or will bring bad effects to Supreme, SWOT analysis can be a good choice to reflect the advantages and disadvantages of their strategies. I also chose to conduct a questionnaire survey about a second-hand market store raised by my friend in a popular brand clothing assembly street, Xinle Road in Shanghai. They sell supreme and they can represent the secondary market of China. I'm going to ask them a few questions about Supreme's strategies of limiting sales and what they think about the high prices in the second-hand market. In my opinion, the consumers of Xinle Road can definitely represent the ardent fans who buy Supreme, so their opinions are representative. I will also explore all the merchants on Xinle Road, trying to know their financial report, so that we can analysis the sales of the whole second-hand market. Also we can get to know the demands of Chinese consumers and if supreme has big demand in china and it cost high in secondary market. And should they increase supply which can meet the high demand of Chinese consumers.

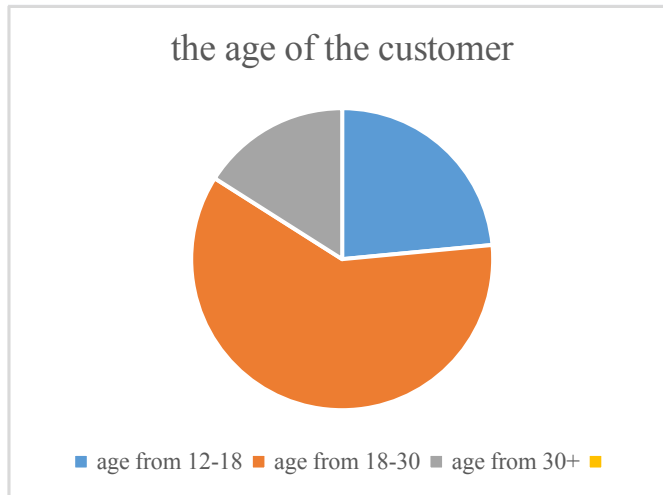
## SWOT Analysis for Supreme

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Make their brand value much higher</li> <li>2. To make their item to be more precious</li> <li>3. more younger have opportunities to purchase it</li> <li>4. Increase the interest of the customer</li> <li>5. The promotion is “cheap” and targeting the young people</li> <li>6. They can increase the brand awareness</li> <li>7. Few goods left and few loss</li> <li>8. Strong brand</li> <li>9. Business network</li> </ol>	<ol style="list-style-type: none"> <li>1. They may lose some loyalty customer</li> <li>2. The limitation may make the customers lose patient to wait for their product</li> <li>3. Some of the consumer may fell in buying Supreme in second-hand market instead of official because it’s convenient</li> <li>4. Lose the customer who would directly purchase because of the limitation of sales and direct store</li> <li>5. Can’t afford for it</li> <li>6. The limitation makes the fake</li> <li>7. no direct sales</li> </ol>
Opportunities	Threat
<ol style="list-style-type: none"> <li>1. Can expand their offline store in different country</li> <li>2. Make the Supreme promotion to a wider places and attract varieties of people</li> <li>3. Promoting in another platform which may attract customer which is for the other special goods</li> <li>4. A partnership with the second-hand market stores</li> <li>5. Increase profit and sales</li> <li>6. Expand production</li> <li>7. Build new store</li> <li>8. Create online platform in china</li> </ol>	<ol style="list-style-type: none"> <li>1. Their places can be replaced by other brand which doesn’t limit the products</li> <li>2. The secondary market can be a big threat because the secondary market is the leader</li> <li>3. Fake product may occur when it’s hard to buy</li> <li>4. The rapper is not reliable</li> <li>5. KOL is not stable in China</li> <li>6. The government in china does not support social subculture</li> <li>7. Political tensions and trade war</li> <li>8. anti American sentiment</li> </ol>

I think Supreme's approach cuts both ways. Through SWOT, we can see that it is necessary for Supreme to enter the Chinese market in order to prevent fake goods and ensure sales volume. Supreme will also face many threats if it enters the Chinese market. The first and most serious question is whether the government recognizes Supreme. For example, Winnie the Pooh, a cartoon show for young children, was banned for a time because of political issues related to its portrayal. Supreme's products represent fashion, so its designs sometimes have the potential to attract government attention. This is something Supreme needs to pay attention to. When Supreme enters the Chinese market, the brand value of Supreme will continue to improve. It does not need to spend too much on publicity for the already famous brand when it enters the Chinese market.

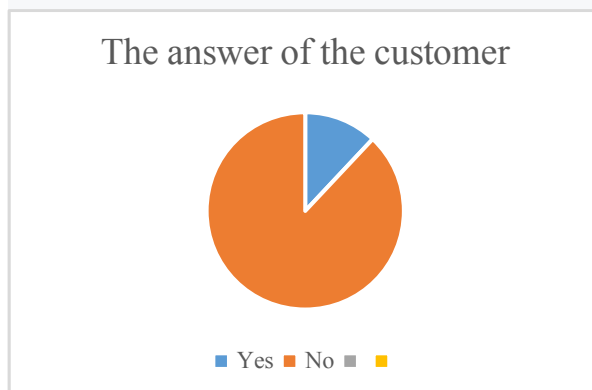
## Primary research :The result of the questionnaire and the interview

(200 customer of my friend's shop do this survey)



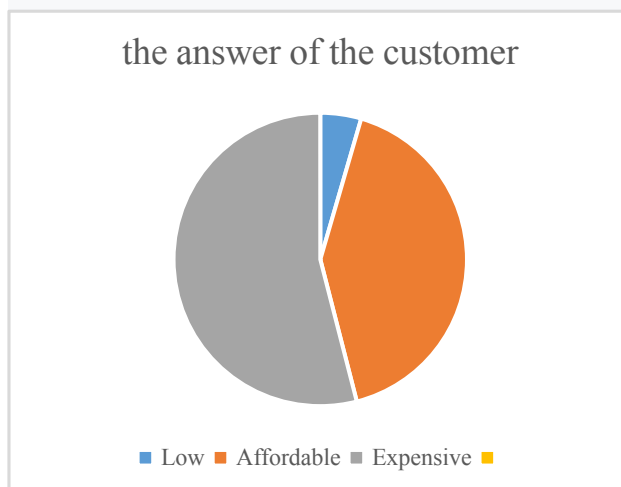
There is totally about 200 people finished the questionnaire and this is a general age distribution. And according to this graph, we can know that the people who always purchase Supreme in China is aged from 18-30. This means most of the target market of the people is young people.

Are you satisfy the strategies Supreme limit the supply and the ways to buy in official?



We can know that a large sum of the customer doesn't satisfy the strategies of Supreme. According to some interviews, a large sum of them reflect that they want to enjoy the feel shopping in an official way and also they don't know if the product in second-hand market is true or not

What do you think about the higher price of the second-hand market comparing with the original price?



We know that the general situation of pricing of Supreme is always higher than the product's original price. And according to the customer of China who purchase in second-hand market, most of them still think the pricing of the items is high, though some of the customers can afford it. This is a really bad influence to the market



## **Evaluation of another primary research:**

### **Interview with the boss of buyer's store and consumers:**

Through interviews with them, I fully understand the limitations of customers and merchants on Supreme's products and the advantages and disadvantages of not joining the Chinese market. We can know that the trend of the sales of Supreme is decreasing. It not only because of the new entry of other brand but also because the customer is losing patience. We can know that most of the customers is aged from 18-30. They don't have too much spare time to concern about a fashionable item , though they like this hip hop and fashion culture. In this case, they might feel like to continue loving what they like but in a convenient way. And their affording ability is limited as well, so they might choose a more quickly and cheap way. This is a big elements which makes other new entry brand become more competitive. What's more, due to the target market's characteristic, young generations are more willing to try young blood brand. This can represent their characteristic as well.

## Conclusion

It's obvious that the Supreme strategies is not a wise choice, though it can represent their brand value. Although Supreme has been very successful, its limited availability of merchandise has resulted in low sales of what it can sell. it will make the customer from other places lose patience. And also the bad influence of second-hand market can make the customer no longer purchase it. For Supreme, China is a very promising market. Chinese customers have a huge demand for Supreme, so Supreme should have more direct sales in China. Therefore, they should open their official website and even offline stores to China, which will help them bring in huge sales while maintaining their brand identity. As for me, I suggest Supreme to expand their market widely and increase the supply of its products. They have to attract and serve for more people. In this case, they can earn more money and make their brand live longer among the competitive market.

Of course, there are risks in expanding the market in China, they may be limited by some government policies or due to some anti-American sentiment caused by the decline of sales. They can put some thought into designing content that responds to Chinese government and policy. Of course, they can also find some re sellers or retailers in China to cooperate, to provide customers with more sales experience. Online shopping is very popular in China itself. So online sales are also very popular.

## Supporting documents

### 1.A interview to the customers who purchase Supreme

- How do you think of the items of Supreme?

- The product of Supreme is really fashionable and it can make me feel the hip hop culture. However, there is too limit in the market and it's hard for all the customer to purchase the products. And we all know that the product is limited and we can't buy it in a convenient way. Thus, we have no choice to buy it at a higher price in second-hand market.

-If there is some other brand which is even easier to buy and more fashionable, would you like to choose it instead of choosing Supreme?

- Yes, of course. I think a large sum of customers would choose it as well. Because in my opinion, trying a new thing is a cool thing for me. And also, I am a student. I can't spend too much time and money on those items. I am willing to try a more convenient way to purchase a cheaper and more convenient brand.

### 2.A interview to the manager of a second-hand store

- Is there any changes of the sales of the Supreme? What do you think about the reason to lead this ?

- When I decided to open a second-hand shop, it was the best time for me. Because most of the people and younger generation would like to try this new things for them. Because of the limitation of Supreme, our shop and second-hand market is the only way for Chinese to buy Supreme. At that time, we really got a big profit. What's more, some of the earlier items of Supreme can be sold in nearly million RMB.

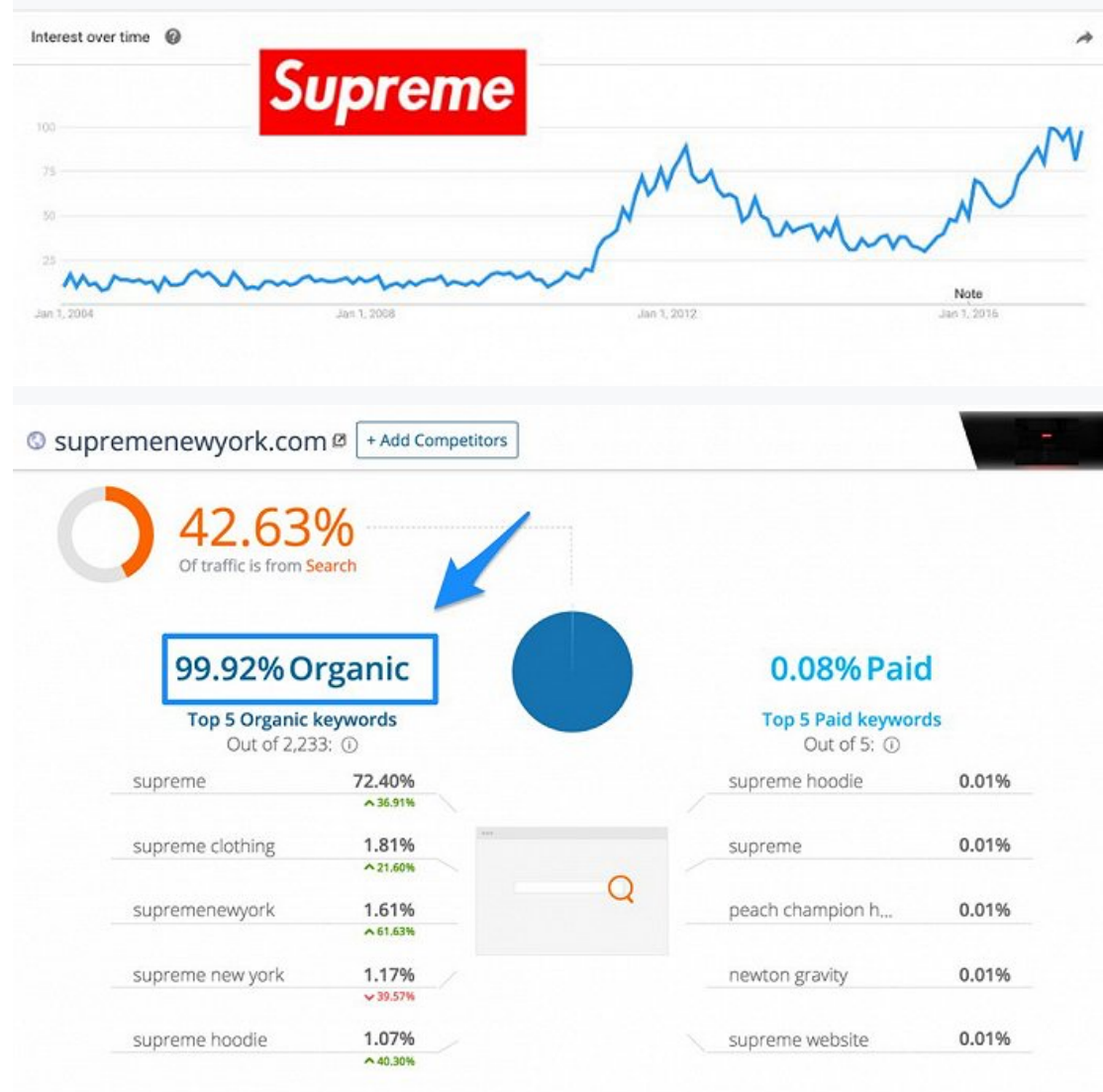
However, the sales of Supreme trend is seemed to decrease these years. The reason is that more and more fashionable brand start to enter China market. It's convenient for the customer to buy in an original price and in an official way. Their supply is huge so that all of the customer can purchase it. As you can see, our store also have the items of the new brand as well.

3.The questionnaires which conducted and ask the people on Xinle Road,Shanghai their opinion about the ways of Supreme marketing strategy(already shown in the past pages)






4.Journal publications <How did Supreme become a "desire-making machine" for young people?><https://fashion.chinadaily.com.cn/a/202009/02/WS5f4f028aa310084978422af0.html>

<How did Supreme become a "desire-making machine" for young people?>

5. Google trends of the interest of people to Supreme



6. The product of one season of Supreme

Brick	Kate Moss 10th Anniversary Tee	Supreme x Nike Dunk Low Pro SB	Paisley Shirt	Supreme x Jeff Koons Skateboard Deck
				
Retail: \$30 Resale: \$110	Retail: \$30 Resale: \$1,000	Retail: \$65 Resale: \$1,500	Retail: \$128 Resale: \$300	Retail: \$180 Resale: \$16,000

## 7. Traffic Sources of Supreme

