DAIDOU
Can A Complex Story Be Told Without Words?

JIANI ZHENG
DAIGOU: CAN A COMPLEX STORY BE TOLD WITHOUT WORDS

Thesis Presented
by
Jiani Zheng
to
The Department of Art + Design

In Partial Fulfillment of the Requirements for the Degree of Master of Fine Arts

Northeastern University
Boston, Massachusetts
April, 2017
A new figure in the luxury market is called Daigou. Through Daigou, customers can enjoy a wider range of product choices and purchase foreign goods at a lower price and higher quality than domestic goods. Therefore, the first question arises when Daigou changes the traditional retailing model of the business market. The market adds another stakeholder into the transaction process. The thesis question is: can a complex market be told through icons?

The thesis analyzes the market of Daigou. Based on my research, the study exposes the process of the market system. The experiments are trying to answer the thesis questions.
I would first like to thank my thesis advisor, Professor Nathan Felde, Information Design and Visualization, Northeastern University. Professor Nathan Felde was always helping whenever I ran into a trouble spot or had a question about my research or writing. He consistently allowed this paper to be my work, but steered me in the right direction whenever he thought I needed it.

I would also like to thank a reader who was involved in guiding the research project, Professor Miso Kim. Without her passionate participation and input, the study could not have been successfully conducted.

Finally, I must express my very profound gratitude to my parents and my work experience for providing me with unfailing support and continuous encouragement throughout my years of study and the process of researching and writing this thesis. My accomplishment would not have been possible without them. Thank you.

Jiani Zheng
CONTENT

Abstract
Acknowledgments
Contents

CHAPTER 1 Introduction
1.1 What is Daigou?
1.2 What is the Problem?

CHAPTER 2 State of The Art
2.1 Reveal Deception and Corruption
2.2 Existing Visualization of Daigou
2.3 What Builds Trust?
2.4 Personal Experience
2.5 Study of Icons/Wordless
2.6 The wordless workshop

CHAPTER 3 Conceptual Framing
3.1 Concept

CHAPTER 4 Initial Experiment
4.1 What is the System of Gray Market?
4.2 System Graph of Daigou
4.3 Daigou behavior

CHAPTER 5 Second Experiment
5.1 Business Model
5.2 Creating Application
5.3 Visual Lexicon

CHAPTER 6 conclusion
95
Daigou can make items deliverable to a client's country through the international post, express mail, or other means. I was introduced to the term when I worked at Saks Fifth Avenue as a member of the retail staff. The company warned all sales staff of Daigou, that is, people who were not the final consumers but who participated in a transaction as a third party. The manager emphasized that these individuals would come individually and purchase large amounts of luxury goods such as handbags repetitively.

While working at Saks Fifth Avenue, I developed a personal interest in understanding this “grey market,” a “loud” secret in the Chinese culture.

According to my observation, Daigou is an insecure market system to both buy and sell luxury goods.
WHAT DAIGOU CAN DO

1.1 WHAT IS DAIGOU?

In the past, a Chinese traveler would often buy a few extra items abroad for friends or family. However, the massive demand in China and the price discounts for buying certain items abroad have begun to encourage certain individuals to focus on Daigou as a business where they buy abroad and import directly. Although potentially questionable, this business model may work because the shoppers are using their personal allowance to bring in goods duty-free.

As international students travel more frequently, many now buy goods on behalf of customers from home when they return for school holiday; these students net large commissions on each purchase. Because they are international students, language translation is typically not a problem for them.

Most of the Daigous use social media platforms like Weibo and WeChat to sell to their extended networks. Because the market does not have any specifications and regulations, Daigou can be a very insecure way to buy the luxury goods.
1.2 WHAT IS THE PROBLEM?

The gray market is entirely based on trust. This thesis has the goal of revealing to customers, especially Chinese buyers, how the Daigou system works using information design. Information design can detail the planning of complex information that is to be provided to a particular audience to meet specific objectives. One of the main characteristics of information design is that it translates complex systems and processes into simple and visual models that would help any audience understand the complexity of the gray market.

Over 20,000 Daigou are operating from Hong Kong, and China is still the largest consumer of luxury goods in the world. But the country’s high import taxes on foreign luxury goods means these products can be anywhere from 30 to 60 percent more expensive in Shanghai or Beijing than in global fashion capitals like New York, London, and Paris. Of the more than $80 billion in purchases of personal luxury goods by Chinese consumers last year, two-thirds were made outside China. According to the China Research Center, the Daigou market was worth ¥74.4 billion (about $12 billion) in 2013 and is forecasted to exceed $18 billion in 2014.\(^1\)

There are thought to be over 20,000 Daigous existing in the US and China, with an annual revenue of $15 billion.

The main audience of this thesis is Chinese which are a language barrier and a trend-sensitive young population who prefers visual information over verbal information. By having experimented of “Can a complex story be told with only symbols?” Daigou offers a more competitive price because it does not have high tariffs and costs for physical stores. Furthermore, it is universally agreed it does not pay China’s cost that products from the original source offer higher quality than those produced or partially manufactured in the home country. In this case, domestic buyers prefer buying overseas goods through Daigou rather than imported products sold in stores.

In “The Influence of Daigou on Economy and Trade in China” by Hou Zefeng in City Economy Magazine, he discussed the three characteristics of Daigou and gave an analysis of the reason Daigou has those three characteristics. The paper is an excellent introduction to the concept of Daigou and explains indirectly why this character is so popular in China. According to Zefeng, Daigou has significant influence on China’s economy, especially the retail market. In recent years, Daigou has been rapidly growing with the development of electronic business. It is walking in the gray belt of policies, but the vast market space from luxury items to daily necessities such as milk powder makes it a significant force people cannot ignore in China’s retail market. It makes people’s shopping more diverse because Daigou can solve problems concerning an area, policy, language, and so on.

According to an estimation from The Wall Street Journal, Daigou is a gray market of retail goods importation whose market scale has reached 75 billion RMB. The article available at WN.com uses data to reveal the huge share of Daigou in the retail market in China. The data is from The Wall Street Journal, a famous and authoritative newspaper, so the data are very reliable and persuasive. It also helps to discuss the advantages of Daigou in China’s retail market. The article might have been better with data from traditional retail to form a contrast for a more natural transition to the next part of the paper.

Daigou brings considerable economic benefits but also a heavy strike to China’s domestic traditional retail market. In 2013, the luxury trade volume in China reached $116 billion. However, the share of physical stores only occupied $28 billion, with a 3 percent growth rate. More importantly, that same year, Daigou’s volume of luxury sales grew at a rate of 30 percent (Figure 1). These facts show the following aspects:

• The first is the strengthening of information symmetry, which means the mask of expensive domestic goods being much cheaper than foreign ones was revealed.
• The second one is the failure of “hunger marketing.”
• The third one is that the lower price of Daigou
In the article “The Influences of ‘Daigou’ on Luxury Retail in China” written by Cheng Siyao, a doctor at Peking University, the author describes Daigou’s influences on specific aspects and illuminates statistics to reveal contrasts of growth between Daigou and the domestic traditional retail industry.

In this essay, the author mainly analyzes the contrast of an academic method with favorable data to argue that the boosting of Daigou brings a great rush to the domestic retail market. It also gives strong theoretical evidence for this paper to analyze the negative effects of Daigous on China’s retail market.

The flourishing of Daigou also motivates the government to make better policies about international commerce, including the laws of tax and customs. On the one hand, there is management vulnerability due to the incomplete tax system. Commonly, Daigou carries goods through “human flesh,” which means people will take the goods as they travel back home, so tax is avoided. In this case, tax erosion is caused. On the other hand, such sales are usually conducted on the Internet. The market makes it very difficult for Daigou’s regulators to gain evidence for tax purposes. In this case, it is very easy for Daigous to avoid tax. Consequently, prices are much lower than the same goods domestically.
2.1 REVEAL DECEPTION AND REVEAL CORRUPTION ON DAIGOU

To include more research about how Daigous operate, this thesis includes visualizations that have tried to explain this topic. However, there are few, and those that do exist tend to be very superficial. Most of the graphs only show the top, most popular luxury brands sold every year in percentages.

An example is Figure 2-3. It only gives a name of the brand and different prices between China and the United States. The price difference is shown using percentages. In this way, there is no information and visualizations to explain the market system, but there are still many people who choose to believe that this market is systematic.
To include more research about how Daigous operate, this thesis includes visualizations that have tried to explain this topic. However, there are few, and those that do exist tend to be very superficial. Most of the graphs only show the top, most popular luxury brands sold every year in percentages.

An example is Figure 2-3. It only gives a name of the brand and different prices between China and the United States. The price difference is shown using percentages. In this way, there is no information and visualizations to explain the market system, but there are still many people who choose to believe that this market is systematic.

Figure 2. Brand’s different prices between China and the United States.
Figure 3. Chinese internet users payment services.

---

**Chart of the Day**

22 FEBRUARY 2017

1 in 3 Use WeChat Pay in China

Mobile Payment Services
% of Chinese internet users who have used the following services to pay for an item

- Alipay: 39%
- WeChat Pay: 33%
- Apple Pay: 9%
- Xiaomi Mi Pay: 2%
- Huawei Pay: 1%

*Question: Which of the following services have you used to pay for an item or service using your phone? Source: GlobalWebIndex Q1 2016. Base: 7,933 Chinese internet users aged 16-64."
2.3 WHAT BUILDS UP THE TRUST RELATIONSHIP BETWEEN CUSTOMERS AND DAIGOU?

Many young Chinese who study abroad have joined the Daigou business due to high profit margins in the short term. Although the marketing mix strategy for Daigou services varies, online marketing management approaches have become main points in their value-added products and services strategy. As the Daigou services are operated by individuals or agents, they have no brand in the market. However, as most luxury products come from world-class brands and products, customer satisfaction can be established in the process of promotion due to brand effects. Most importantly, Daigou agents are often personal friends or friends of friends recommended through word of mouth (Stothers & Christopher, 2007). Combined with online promotion strategies, Daigou services can be regarded as professional agencies that achieve a successful business.

Figure 4 is an interview about trust with 25 Chinese people who had experiences with Daigous. Moreover, there was a very trusting relationship between them and Daigous.
However, as a new approach to managing the interaction with current and potential future clients, how to build the trust relationship between Daigous and their clients has been developed for mutual benefit in various ways. In general, there are two primary modes of customer relationship management.

Traditionally, CRM aims to establish direct communication to create and nurture a healthy relationship with a client, which is considered the fundamental approach to the ongoing success of a business. For example, in customer purchasing, sales may greatly influence preferences that represent certain brands or companies in the process of communication between sales and customers. In general, traditional CRM not only means that the customers are likely to keep doing business with certain companies or individuals in the long term, but also the chances of that customer recommending the particular company, brand, or products to others are significantly enhanced (Watson, 2003).

In practice, the process of conveying information from customer to customer by oral communication is defined as word of mouth (WOM) by which a speaker’s personal experiences and opinions can involve information about a certain brand, product, and service. In the past, storytelling was the common form of WOM communication, when one customer related a real event or one made up to others.

The events referred to some occasions where one person purchased some new or brand from overseas market through the particular channel. Around the beginning of 2009, because overseas studying is considered “a big event” in some cities in China, international students became the center of attention of their peers at school and the community where they live.

Therefore, for most inventory, Daigou services have adopted this type of promotion approach to increase sales profits, as WOM plays important roles in oral communication with customers. Daigou services can customize their offerings for each customer through peers’ descriptions, which help potential customers to understand well the brand, product, and service with which customer satisfaction can be increased.

MODERN CRM

However, with the significantly growing number of international students, more Daigou services provided by agents and individuals have emerged in the market and e-market, leading to options to achieve more profits from social media’s momentum in marketing strategies. In other words, Daigou has faced significant challenges that traditional CRM with WOM among social contacts has limited the sources to promote a customer base. Especially non-inventory Daigou services rely on e-marketing strategies that could help customers from all over the world perceive they have a purely business relationship with Daigou individuals or agents. It seems to turn over the
traditional mode of promotion by designed tools that help Daigou marketers become accessible on all customers’ favorite networks. This means that the trust relationship between Daigous and customers mainly relies on electronic WOM communication instead of traditional WOM, in which consumers share statements via the Internet, including Weibo, WeChat, and websites.

Most of the time, Daigous release relevant promotion information from non-commercial communicators or representatives of a certain brand, product, or service through two-way communication to add the credibility of person-to-person or person-to-group communication on social networking platforms. In recent years, the introduction of the electronic referral marketing strategy has significantly impacted service evaluations and brand index enhancements. When customers pass along a company’s marketing message or their product or service evaluations to their close friends such as classmates and roommates living in the community, different communication channels have been solidly established in the potential market.

In doing so, Daigou marketers may not learn more about their target audiences and how to best cater to their needs, but they could receive feedback, purchasing requirements, or order information from different places across the world. The far-reaching consequences of e-word of mouth (eWOM) include not only an expanding customer base, but also motivating customer purchasing behavior, customer satisfaction, trust, and brand commitment. Therefore, the trust relationship between Daigous and customers mainly depends on eWOM's reach and impact. Thus, from consumers’ perspectives, what they purchase may not be directly from the Daigou marketers or agents. However, they trust the individual product, service, or brand that they have sufficient information and achieve effective communication with the marketers from social networks and instant messages, which forms the primary drivers for their decision-making in the purchasing process.

THE LIMITATIONS OF DAIGOU
Richins and Dawson (1992) pointed out that eWOM may lead to favoritism within individual customers, resulting in dissatisfaction among others because eWOM is anonymous in nature. In contrast to eWOM; traditional WOM is public in nature because the sender of WOM can formulate a series of recommendations to others. Moreover, as eWOM is typically executed via social media, personal experiences, consumer cognitive, and behavioral may not be positively or fully expressed in social media, which may result in negative impacts on customer decision-making.
2.4 PERSONAL EXPERIENCE
AN UNSUCCESSFUL EXAMPLE OF DAIGOU

CASE 1.

This case happened to me. One of my friends made a post about her life with her in pictures wearing a dress. Soon after, a stranger posted about personal business on Weibo. One marked the price, but there was a picture of the clothes from my friend. My friend quickly posted not to grant any photos to the stranger or believe any of those posts.

Screenshots of Daigou misused a normal Instagram user's personal picture.
CASE 2.

In early March 2017, I decided to trade with a purchasing agent in Boston. In the beginning, I consulted a friend to find a bargain. I got his WeChat account, the total of their own WeChat to her friends invited. Ten minutes later, she replied to me. She was very polite, and I greeted her and asked if she could help.

The following is my conversation with her.

J: Do you have this bag?
Ms.Fei: Yes! Let me ask my salesman if they have it in stock. First, give me 500$ deposit, I will purchase as soon I got back from salesman.

J: $1785 in total? (the original price $2200)
Ms.Fei: Yes, send me your address for shipping information.

J: I live in Boston, may I pick it up in person? How can I pay?
Ms.Fei Transfer from Bank of America.

Four weeks later, I contacted her again. She said the package had been sending out. Until now I was still waiting for the package...

On her information page it says:
“USPS domestic courier, no responsible for the loss.
Each box wrapped with $200 insurance, after send our, loss or damage I am not responsible.
Once you have sign the package, if damaged, the company does not take responsible.”
The issues of this case are that Daigous are not systematic and do not show accountability. They are all numbers and texts. During the research, one of the designers named Xu Bing used icons to tell a story. Xu Bing is a Chinese artist who has lived in the United States for eighteen years. Currently, he is residing in Beijing. Xu Bing’s works have been exhibited at the National Gallery of Canada, the National Gallery of Australia, and South Africa, London, New York, and other places. During the Cultural Revolution, Xu Bing began self-engraving to create new Chinese characters. In three years, he engraved a total of more than 4,000; people cannot understand the Chinese characters (Tianshu “Book from the Sky”). (Figure 4)

This work is printed on a large paper with his new words, hanging so it covers the exhibition field, ceiling, and four walls—an area of about 300 square meters. Placed on the floor are 120 sets of four Chinese traditional wire-bound books; the book is also printed with the Song version of the style, printed with these Chinese characters nobody can understand. The first exhibition of Shi Jian Ji was

Figure 5. “Square Word Calligraphy” (1994).

Xu Bing’s Chinese characters were a modern art theme in the first work. Subsequently, he developed a “new English calligraphy” education system. New English calligraphy is the use of the calligraphy style in which all the English words in Chinese characters are written as “square words.” In 1996, Xu Bing changed the form of the exhibition for the opening, so visitors can sit down and actually). He even opened a new English calligraphy classroom system in the United States for many schools to allow students to use contemporary art in the form of contact with another culture.

Since then, Xu Bing no longer rigidly adheres to the form of Chinese characters. He uses a variety of expressions to write 112 pages of “from point to point” (also known as “book” and “book corresponding”). The use of emotions in the book shows 24 hours in the typical life of a single office worker, described as a massive social system in which a small molecule behaves and thinks.

**BOOK OF GROUND**

Book: From Point to Point (Figure 6) is a book with a variety of logograms language and symbols written for fun to record a typical 24 hours in the life of a modern city white-collar worker. In a sense, this is a strange novel. After seven years of material collection, artist Xu Bing scrutinized the concept, tested, rewrote, adjusted, overthrew, and came back, finally
This book caught my attention because data visualization is an ever-evolving language made from signs, icons, and images found in public and formed into sentences, paragraphs, and finally stories. The intentions of this artwork moved me because, while the effort of producing this language continues indefinitely, it demonstrates a desire for communication beyond words. These examples inspired my understanding of the icon. The icon can be systematic; visualization is never singular. Each icon should always be designed together with others; that is the reason they are systematic. Moreover, they can be visual; they are straightforward and easy to attract people that are willing to engage with information.

Fig 6. Book of Ground, Xu Bing, 2017

“Wordless Workshop” was a comic strip begun in 1954 by Roy Doty. His idea was to provide solutions to household issues using various series of these wordless comics.

When it started, it featured limited gender roles, but these changed gradually over the years until 2015.

For over 40 years, Doty’s cartoon illustration work has been used on packaging designs and book covers, as well as in campaigns and on television. He also illustrated more than 170 children’s books.

His style is a more complex line, it has flexibility to make little mistakes in the drawing.
Fig 8. Wordless Workshop


Fig 9. Seasons greetings machines


From the book "Wordless Workshop" by Buzz Dixon and "Seasons Greetings Machines" by Roy Doty.
FRANS MASEREEL

Frans Masereel was a painter and graphic artist, mainly in France. Also known as the world's greatest woodcut artist, the wordless novel Passionate Journey was his masterpiece. He was influenced by Lyn Ward, an American artist and storyteller who used wooden engravings.

In his work, Masereel used an emotional and expressionistic style to create wordless stories that took the form of allegory, satire, or social criticism. Most of his illustrator's characters wear simple, passive expressions, with enormous contrast lent by the use of black and white.
Lynd Kendall Ward created a series of wordless novels using wood engraving. Through his use of engraving tools, he could make deep inscriptions, endowing his images with weight and depth.
MORSE CODE

Morse code is a method of transmitting information using dots and lines, as well as clicks, which can be easily understood through listening and watching.

Long before the cell phone was invented, people were using Morse code to communicate with each other. The system was invented by Samuel F. B. Morse, an electronic telegrapher, in the 1830s. In the past, Morse code could only be translated into numbers and then back to words. It was then expanded to include letters and punctuation.

When the radio was invented, Morse code became very important in maritime shipping to help with the transmission of messages at sea.
The Braille alphabet, invented by Charles Barbier, is a written system for people who are blind or visually impaired. It can be read with the fingers. Braille is not a language and is different from Morse code. Braille is a code by which many languages, such as English, Spanish, Chinese, and so on, can be understood by its users.

Braille symbols are formed within units of space known as braille cells. A full braille cell consists of six raised dots arranged in two parallel rows, each having three dots. The dot positions are identified by numbers, from one through six. In total, 64 combinations are possible using one or more of these six dots. A single cell can be used to represent a letter, number, punctuation mark, or even a whole word.

Fig 13. Braille Alphabet
MARINE FLAGS

These flags are international signals used to send short messages between ships at sea. There are sets of flags of different colors and shapes, which can be used either individually or in combination. Each has its own meaning.

One-flag signals are urgent and common signals. Two-flag signals are maneuvering signals. Three-flag signals are for points of the compass, relative bearings, standard times, verbs, and punctuation, as well as general code and decode signals. Four-flag signals are used for geographical signals, names of ships, bearings, and so on. Five-flag signals are those relating to time and position. Six-flag signals are used when necessary to indicate north, south, east, or west in latitude and longitude signals. Seven flags are used for longitude signals containing more than 100 degrees.
This is a system of visual signals using hand-held flags that contain information. It is read from a distance; the information is transmitted using different flag position. The modern semaphore system uses two short poles with square flags, as shown below:

These symbols and signs were designed for worldwide use, such as in airports and other transport hubs.
In the past, numerous international and local organizations had devised symbols to guide passengers, but there was no system of signs that could communicate complex messages and accommodate different ages of cultures.

AIGA and DOT compiled an inventory of symbol systems that have been used in various locations worldwide, from airports and train stations to the Olympic Games. (aiga.org)
The Noun Project are making icons that are freely downloadable. They collect numerous icons, with new ones being added every day by the creator of the community. They simplify communication without words around the world.

Fig 17. Noun Project Icons

“Noun Project - Icons for Everything” Noun Project - Icons for Everything.
Isotype is used to visualize social and economic relations, especially for uneducated persons, to facilitate their understanding of complex data. It was created by Otto Neurath.

The symbols used give clarity of expression and scientific precision, and use an international picture language to convert information into a figure for use in a statistical chart. This can represent a certain quantity.

Fig 18. Men getting married in Germany in a year
CHAPTER THREE
Conceptual Framing

3.1 CONCEPT

This thesis did not seek to visualize Daigous; instead, this work tries to be the first one using icons to visualize this system and its numeric and textual data. In this process, using icons makes it easier and helps my audience to understand the Daigou system. To visualize this system, a set of icons were used. It will help me to talk about understanding Daigous and the story behind them. Because of the lack of information, the data used were collected from my experiences to express the uncertainties of the business and its profitability.

By using our , we express the entire grey area of business and its profitability. Visualization will be used to inform my audience and help them understand the current Daigou phenomenon. The audience spans the international community, and icons break the language barrier in such a simple and straightforward way.
4.1 WHAT IS THE SYSTEM OF GRAY MARKET

To better understand the Daigou operation, I researched for more information on the grey market to find the similarities and differences between Daigou and the grey market. To make sense of the grey market system, we have to take an example of a grey import vehicle to show the process and important elements that influence the operation of the grey market in a certain luxury market. Many producers apply STP strategy regarding segmenting the world market to target customers and reposition themselves in the international luxury market. However, differentiation strategy based on territory, product, and price can create a demand for grey import vehicles. For example, some customers require national standards such as corrosion protection standards to meet local regulations. Parts and services are especially difficult to obtain because imported luxury cars are different from the versions sold through the new car dealer network in the national market. Up until now, the official policy of both luxury manufacturers and local agents has been unable to address such underlying problems due to the massive sea freight fee for parts, necessaries, and managerial costs.
This Lamborghini Countach entered the United States market with lower prices than those released with official and revolutionary designs before 1987. However, with the increases in importing luxury cars, the US government removed ended the grey market in 1988, making gray market suppliers well run with reasonably priced, even after transport expenses. Grey market luxury cars provide consumer access to models never officially released.

### 4.2 SYSTEM GRAPH ON DAIGOU, WHO BENEFITS?

Daigou, which implies “buying on behalf,” refers to the channel of commerce in which an overseas person purchases luxury goods for a customer in mainland China because prices for luxury goods are 30 to 40 percent greater in China (Nissanoff & Daniel, 2006). The result is a great increase in demand for Daigou services. Since China is open to the world, approximately 80 percent of Chinese luxury purchases are made abroad.

According to a survey in 2015, more than 35 percent of Chinese consumers purchase luxury goods online through Daigou. Unlike grey market suppliers, Daigou services are mainly derived from Chinese consumers concerned about unsafe problems in food products, whereas the same grey market is due to China’s high import tariffs on luxury goods. However, do not usually have foreign manufacturers’ profit margins because the government may criminalize private contracts between manufacturers and dealerships, which may lead to severe

---

**Fig. 19. Price increase over 5 years of luxury bag**

30% - 40%, this gap would be Daigou's profit.
consequences for trading. It may include monetary penalties known as chargebacks, the loss of future inventory, or even termination of their franchise (Nissanoff, 2006). Unlike the grey market, Daigou services have little risk. In contrast, operations are due to retailing or individual behavior supported by overseas shoppers. Therefore, it does not require personal or business contracts between the Daigou seller and those luxury companies. From this, it can be seen that sales of luxury bags in China are much more expensive than in Europe or in the United States. Accordingly, international students have an advantage to produce a Daigou market.

These data reflect the growth rate of luxury prices in the past five years, respectively, five luxury brands and different price exchange rates. This graph shows the conversion of the exchange rate, with the unit being U.S. dollars (Figure 9).
4.3
DAIGOU BEHAVIOR AND BENEFIT

A Chinese woman dressed in Stella McCartney platform brogues, tight jeans, and a black Chanel backpack walks around the shop floor. She is glued to her iPhone, juggling half a dozen WeChat messages with her clients. Ms. Pei is a professional Daigou: an overseas shopper who buys luxury items like watches, jewelry, clothes and cosmetics for mainland Chinese. Today one of her buyers is considering a £860 Dior ‘Diorosphère’ chain necklace with a gold finish, while another wants a £1,500 Céline bag.

Most luxury stores do not allow photos or videos of the products for fear of counterfeiters, so Ms. Pei is constantly updating her clients on the price, color and product details with calls and live messaging. The chatting is endless and all part of the service. She spends at least 20 minutes at Céline while they search for a different color of the bag and the buyer dithers. Once she gives the go-ahead for the purchase, Ms. Pei arranges the sales-tax exemption, buys it on her card, packages it up and posts it. She does this for a fee she will not disclose, although Daigou commonly charge the commission of 5 to 15 percent (Figure 10).
According to a survey in 2014, the value of Daigou services in luxury goods increased from USD $8.8 billion to $12 billion. (Figure 11. From 2014 to 2017)

Nearly 60 percent of consumers have made at least some luxury purchases through parallel channels they knew as ‘Daigou’ rather than from brands or department stores, according to a study by Bain & Company, a global consulting firm. Over 20,000 Daigou are operating between the US and China.

**THE VALUE OF DAIGOU SERVICES IN LUXURY GOODS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Daigou in $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$9 billions</td>
</tr>
<tr>
<td>2017</td>
<td>$12 billions</td>
</tr>
</tbody>
</table>

Fig 22. Value of Daigou in $
5.1 BUSINESS MODEL

To explore how much opportunity lies behind Daigou, how to operate in the market must be discussed first, which can lead to reliable data on the value of Daigou. From managerial perspectives, there are two types of Daigou that are popping up everywhere to take advantage of China's e-commerce boom.

The first one is the zero-inventory business model that allows Daigou agents or individuals to start looking for customers first, and then to source certain luxury products in overseas countries based on specific customer demand. The potential customer base includes mainly the Daigou’s friends who live in China, ex-classmates, and local contacts in China. In practice, the Daigou conducts more pragmatic moves to expand market share and win a better reputation and sales. For example, many major brands owe a significant portion of their social media marketing and engagement to Daigous. It greatly improves customer loyalty and traditional WOM marketing efforts.

The 4P strategy for the zero-inventory Daigou model includes the following:

*Product strategy*
Zero-inventory Daigou can provide diverse products by expanding contacts with multiple brands. Most world-class brands encourage Daigou. Services releasing online promotion strategies in these online
channels allow them to communicate with Chinese consumers directly.

**Price strategy**

Zero-inventory Daigou are services, either individuals or agents, that can provide various pricing strategies to their customers due to duty-free and imported tax reduction.

**Promotion strategy**

Although zero-inventory Daigou services are easy to clone in the market, it has been riding on the wave of China’s e-commerce explosion because of online social media advertising strategies used on different platforms such as Weibo, Weixin, and QQ.

**Distribution strategy**

The limitation of zero-inventory Daigou services is that, as it seeks customers in advance, delivery time may last longer than the Daigou’s inventory.

The second one is the inventory business model that allows the Daigou agents or individuals to source more luxury goods in the market to import to customers once the transaction occurs. This type of business model allows Daigou services to establish long term cooperation relations with world-class brand manufacturers.

The 4P strategy for the inventory of a Daigou model includes the following:

**Product strategy**

A Daigou’s inventory can differentiate products based on market segmentation. As China is a big country with a very large population, Chinese consumers’ demands for luxury products can be partially or totally different, which may not well be understood by luxury goods manufacturers.

**Price strategy**

The inventory of Daigou services can obtain much profit margin, as it can obtain luxury goods at wholesale prices.

**Promotion strategy**

In practice, the inventory of a Daigou service is hard to clone in the market because it requires certain capital to create a customer base in the initial stage. However, it brings a competitive advantage to establish solid customer loyalty towards the specific brands being dealt with.

**Distribution strategy**

As inventory service is available, Daigou services can deliver luxury goods once the order is on.
5.2 CREATING AN APPLICATION

My proposal is to make a mobile phone application because the community cannot live without mobile phones. The application would help the user to inform more people and receive information on the Daigou market. Most of the customers are Chinese, and this would work in China to make Daigous easily accessible. This application is easy to access, and the visual language will be easy for users to understand. When the phone turned for a horizontal view, customers can explicitly compare the difference between the boutique store and the daigou, though the colors blue and orange help make the distinction. Every annotation is displayed when the customer performs each step. This allows the customer to have instructions to follow. A balance scale is used to measure trust, and each screen shows the different weights they trust. The green box measures the price the user will pay. Each big green box represents $1,000; the smaller green box represents $10. Customers can see the price change at every step.
These last two interfaces are the most important for the customer because when the goods have been shipped out, everyone is looking forward to the item’s arrival. But the scales onscreen show the blue part of the boutique store is getting increasingly heavy, while the orange part is increasingly light. This represents that the Daigou’s trust has been decreasing. The last interface is the time to announce the answer. As the customer of the boutique store, you received the items you wanted, while the costumer of the daigou did not get the items, because of illegal tax evasion as well as no declaration. You will be punished.

By using the green box to measure the price that you will pay and it also shows your cost. Each green box represents $1000; smaller green box represents $10. As costumes can see the price change in every steps.
This visualization uses a symbol to show the system. I am using this to explain the system and processes visually. The blue area is the information that key customers need to know regarding a comparison between regular trading and purchasing trade. The green box represents the price change.

The goal is to support users’ decision making by adding prices and dangers at each point and by showing a comparison of the path of buying from the store and the path of buying from Daigou beside each other so people can compare.

Every green dollar represents the price change of each point. Each green box represents $1,000; the smaller green box represents $10. Customers can see the price change at every step. The red arrow is the place to start, with the manufacturer. The price starts to change when the bag is sent to the boutique store. The grey part of this whole visual map represents the grey market. Showing the grey market system allows a comparison between Daigous and the grey market. The similarity is that the bags are unauthorized or hidden to customers. After all the research that I have done, this is the system and ecology of the Daigou's market. It is also based on my own judgment and analysis.
VISUALIZATION USING ICONS ONLY II.

The goal of this second visualization map is to use more icons and fewer words. Using new icons such as:

- Commission
- Transfer
- Shipping
- Delivery
- Searching

When there is less text, icons become essential indicators.
The last experiment is trying to use icons only to explain the system of the market.
The following list is used to show the icons and their explanations. First, color is used to distinguish between different markets, such as Daigou (orange), the official store market (blue), and the grey market (grey). It is simple and easy to understand, with the icon to represent people and objects. Finally, the pointed arrow shows each step and process. The green box represents the flow of value of each luxury bag.
REGULATED MARKET

DAIGOU MARKET

GRAY MARKET
In conclusion, Daigou remains an insecure market for consumers that is profitable for the seller. Although it is the fastest way to make money for international students who study abroad, regulation is missing in this market. Facts have shown that Daigou may provide one with a very low price, but that person will incur financial risks. For example, one may not receive an intended package, or it may be damaged and received one to two months after it was expected. The articles included suggested that the negative effects of Daigou on China’s retail market outnumber the positive effects.

In one experiment, icons were used to describe Daigou system, I also proposed a process to help customers become more aware of the Daigou market’s risks.

This thesis established that icons are a means to transmitting a complex story. This can help the international community understand the story Daigou and potentially eliminate unnecessarily risks and illegal rewards in the marketplace for luxury goods.

The traditional of wordless story telling in strong as the examples reveal, but could further explore and exploit this universal visual language.
BIBLIOGRAPHY

‘Daigou’ Agents Help Chinese Get Luxury Goods for Less

On the floor with the daigou, China’s overseas shoppers
https://www.ft.com/content/0e0e6a36-330c-11e6-bda0-04585c31b153

The Story Behind People Who Buy Luxury Handbags For A Living
Venus Wong-July PM- Best Clogs • Editors’ Picks • Fashion • Trend Tracker - http://www.refinery29.com/china-luxury-handbag-mules


Exporting new luxury cars is lucrative, legally questionable,


Ray Collins & Ximing Sun, (2010), China’s grey channels as access points for foreign food products to the Chinese domestic market, China information, vol: 24.1 pp. 61-74.


Exporting new luxury cars is lucrative, legally questionable, 2014, July 22, Automotive News.


Ray Collins & Ximing Sun, (2010), China’s grey channels as access points for foreign food products to the Chinese domestic market, China information, vol: 24.1 pp. 61-74.


