Luxury
Summary:

• In 2016, China’s luxury goods consumption fell to the lowest since 2009, which was mainly due to the slowdown in China’s economy. By 2025, it is expected that Chinese consumers will contribute 44% of global luxury market value, which is equivalent to the total sales volume of the US, UK, France, Italy and Japan in 2016.

• Among all people searching for luxury goods, for age distribution, people aged 20-29 account largest for about 45% of the total population.

• The participation of luxury consumers in digital channels continues to increase, and brands will continue to increase their digital marketing-related budgets; some brands are testing and launching online channels (through branded websites or third-party platforms).
By 2025, the global market value of luxury goods will increase by 1 trillion yuan to 2.7 trillion yuan. It is expected that Chinese consumers will contribute 44% of this amount, which is equivalent to the total sales volume of the US, UK, France, Italy and Japan in 2016.

Chinese consumers’ Contribution to the Global Luxury Market Value (CNY trillion yuan)

Source: Mckinsey & Company, China Luxury Report 2017
In 2016, China’s luxury goods consumption fell to the lowest since 2009, which was mainly due to the slowdown in China’s economy. Among them, the total consumption of luxury goods such as watches, bags, and men's clothing dropped significantly.

Source: Bain & Company, China Luxury Market 2015
Mckinsey & Company, China Luxury Report 2017
Since 2015, China’s luxury goods consumption has shifted from first-time consumption to incremental consumption. Therefore, luxury investors should focus on fostering customer loyalty instead of focusing on developing new customers.

In addition, the consumption characteristics have also changed. The main consumers of luxury goods in China have changed from high-income people (annual household income of 100,000 to 300,000 yuan) to rich people (annual household income of more than 300,000 yuan).

Source: Mckinsey & Company, China Luxury Report 2017
Luxury goods that Chinese consumed in Hong Kong and Macao showed a decline from 2014’s 18% to 12% in 2015. Yet the consumption for luxury goods in Japan increased significantly. The price sensitivity of China’s affluent people has led them to prefer shopping in department stores, specialty stores and other official channels or duty-free shops.

Source: Bain & Company, China Luxury Market 2015
Mckinsey & Company, China Luxury Report 2017
6-8 years ago, rich people paid more attention to material quality and workmanship rather than brand awareness. Nowadays, brand excellence (namely the global popularity of the brand) has become the main factor impacting the consumers to purchase the luxury goods.

**TOP 5 Factors Impacting Customers to Purchase Luxury Goods**

1. Excellent Brand
2. Superior Material
3. Classic Style
4. Elegant Workmanship
5. Creative Design

Source: Mckinsey & Company, *China Luxury Report 2017*
When Chinese rich people decided whether to go abroad to buy luxury goods, their first consideration was price. In 2012, 60% of consumers were willing to accept a 20% spread, while only 20% of them can tolerate it nowadays.

**Chinese Rich People’s Consideration in Purchasing Luxury Goods Abroad**

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>80%</td>
</tr>
<tr>
<td>Novelty</td>
<td>75%</td>
</tr>
<tr>
<td>Choice</td>
<td>67%</td>
</tr>
<tr>
<td>Certified</td>
<td>64%</td>
</tr>
<tr>
<td>Quality</td>
<td>64%</td>
</tr>
<tr>
<td>Experience</td>
<td>55%</td>
</tr>
<tr>
<td>Service</td>
<td>49%</td>
</tr>
</tbody>
</table>

Source: Mckinsey & Company, *China Luxury Report 2017*
## Top 5 Luxury Brands in Mainland China

### Cosmetics, Perfume, Products for Personal Use
- CHANEL
- Dior
- Estee Lauder
- LANCOME
- LANEIGE

### Watches
- Cartier
- Longines
- OMEGA
- ROLEX
- Tissot

### Bags and Luggage
- COACH
- GUCCI
- HERMES
- LOUIS VUITTON
- PRADA

### Men’s Clothing
- Armani
- HUGO BOSS
- Burberry
- Dior
- Zegna

### Jewelry
- BVLGARI
- Cartier
- CHOW TAI FOOK
- Tiffany
- Van Cleef & Arpels

### Women’s Clothing
- Armani
- Burberry
- CHANEL
- Dior
- Max Mara

### Accessories
- Zegna
- GUCCI
- HERMES
- LOUIS VUITTON
- Montblanc

### Shoes
- CHANEL
- GUCCI
- LOUIS VUITTON
- Ferragamo
- TOD’S

Source: Bain & Company, *China Luxury Market 2015*
From January to December in 2015, Baidu generated 1.78 million searches for luxury goods every day. Among all people searching for luxury goods, for age distribution, people aged 20-29 account largest for about 45% of the total population.

**Age Distribution of People Who Searched Luxury Goods in Baidu**

Source: Baidu Index
Among all luxury consumers in China, upstarts accounted for the largest proportion, followed by metropolitan consumers and fashionistas.

Category of Luxury Consumers in China

Source: The Boston Consulting Group
With the rapid development of the Internet in China, the main way for consumers to obtain luxury goods information is mainly the Internet and applications, and the proportion is still growing. Among all Internet access, official websites and news websites were the most popular channels to obtain luxury information. However, Weibo and App has sprung up in offering luxury information.

### Access to Get Luxury Information for Mainland Chinese Consumers

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet &amp; App</td>
<td>78%</td>
<td></td>
<td>+3%</td>
</tr>
<tr>
<td>Magazine</td>
<td>31%</td>
<td></td>
<td>-4%</td>
</tr>
<tr>
<td>Friend</td>
<td>29%</td>
<td></td>
<td>+1%</td>
</tr>
<tr>
<td>Salesmen in Stores</td>
<td>20%</td>
<td></td>
<td>-2%</td>
</tr>
<tr>
<td>TV Ads</td>
<td>8%</td>
<td></td>
<td>-1%</td>
</tr>
<tr>
<td>Email</td>
<td>7%</td>
<td></td>
<td>-2%</td>
</tr>
</tbody>
</table>

### Internet Access to Get Luxury Information for Mainland Chinese Consumers

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Official Websites</td>
<td>60%</td>
<td></td>
<td>-10%</td>
</tr>
<tr>
<td>News Websites</td>
<td>37%</td>
<td></td>
<td>-4%</td>
</tr>
<tr>
<td>Weibo</td>
<td>31%</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>App</td>
<td>30%</td>
<td></td>
<td>+6%</td>
</tr>
<tr>
<td>WeChat</td>
<td>29%</td>
<td></td>
<td>+2%</td>
</tr>
<tr>
<td>Celebrity Blog</td>
<td>28%</td>
<td></td>
<td>+5%</td>
</tr>
<tr>
<td>BBS Forum</td>
<td>9%</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>Video</td>
<td>9%</td>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Bain & Company, *China Luxury Market 2015*
China's luxury consumers tend to be more willing to consume in entertainment industry. Compared with 2014, more consumers would choose experiential luxury consumption in 2015. Among them, the experiential consumption in luxury hotels and resorts accounted the largest proportion.

Source: Bain & Company, China Luxury Market 2015
An increasing number of high-end people, consumption upgrades, and China's norms for the luxury goods industry all contribute positively to the overall luxury goods industry in China.

Under the “Internet+” e-commerce pattern, the third-party luxury e-commerce and its value-added services will become the growth point for the consumption of the luxury clothing industry in China.

With the continuous innovation of science and technology and the continuous deepening of human cognition, health product innovation will be the development trend of high-end food.

Smart Home will become the growth point for luxury home furnishing.

Aircraft leasing will play a leading role in the future leasing market.

High-end tourism will become a consumption breakthrough in the tourism industry. Meanwhile, the customized route of high-end tourism is more in line with the consumers’ consumption concept.

Source: Zero2IPO Research, China Luxury Industry Report 2015
According to the data of Zero2IPO Group, in 2015, the overall investment in the domestic luxury goods industry was on the rise. Among them, clothes and entertainment still accounted for the largest proportions, reaching 55.2% and 24% respectively.

**Investment Scale in China’s Luxury Industry**

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (CNY billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3.4</td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
</tr>
<tr>
<td>2012</td>
<td>3.3</td>
</tr>
<tr>
<td>2013</td>
<td>3.4</td>
</tr>
<tr>
<td>2014</td>
<td>2.8</td>
</tr>
<tr>
<td>2015</td>
<td>3.8</td>
</tr>
</tbody>
</table>

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