



# Issue 7 | Luxury Market

## Executive Summary

**China's personal luxury goods market enjoys robust growth in 2017.** Sales of personal luxury goods in China rose significantly to 20 billion euros in 2017, representing a 15% yoy growth at current exchange rates and a 18% yoy growth at constant exchange rates. This notable rebound suggests that the domestic personal luxury goods market has returned to robust growth.

**Chinese millennial consumers continue to drive global luxury growth.** The growth of Chinese luxury spending in 2017 was driven by several factors, the major one being millennials accelerating their spending on luxury. Millennials in China, especially those from the fast-growing middle class, have stronger spending power and are more willing to spend than counterparts in other countries. It is expected that by 2024, millennials will account for 50% of China's personal luxury market.

**Luxury retailers team up with young Chinese celebrities to market their products.** Increasing numbers of luxury retailers are ramping up efforts to better engage with millennials, the most powerful consumer group in China's luxury market today. To woo young shoppers, brands and retailers are turning to young celebrities and influencers to market their products. They are also launching new product lines catering to younger tastes.

**E-commerce players crack the luxury market; yet Chinese luxury shoppers still prefer offline.** Eying the increasing demand for luxury goods online, e-commerce players such as Alibaba and JD.com have set up luxury e-commerce platforms targeting this segment. Despite the enthusiasm of Chinese consumers for online shopping, many still prefer purchasing luxury products at bricks-and-mortar stores. These enable them to see, touch, feel and try out products, as well as to enjoy high-end customer experiences such as refreshments, invitations to private lounges where goods can be previewed, and other customized services.

**Luxury players scramble to strengthen social commerce presence; WeChat Mini Program is gaining popularity.** Considering that social media and word-of-mouth are major sources of information for Chinese consumers, increasing numbers of international luxury players are striving to boost their social commerce presence as a way to market their products in China. During the Qixi festival (China's equivalent to Valentine's Day), which in 2018 fell on 17 August, many luxury brands used the WeChat Mini Program to offer products exclusively for the festival.

**International brands lower prices in China in response to tariff cuts by the Chinese government.** To encourage domestic consumption while promoting imports, the State Council announced in May 2018 that the country would reduce import tariffs on a range of consumer goods with effect from 1 July 2018. In response, some international brands have marked down their product prices in China by an average 3% to 5%.

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