

# LUXURY MARKET

China Retail Snapshot

Asia Distribution and Retail

April 2016





Note: Photos in this report are from official websites and official social media accounts, and freepik, if not otherwise specified.

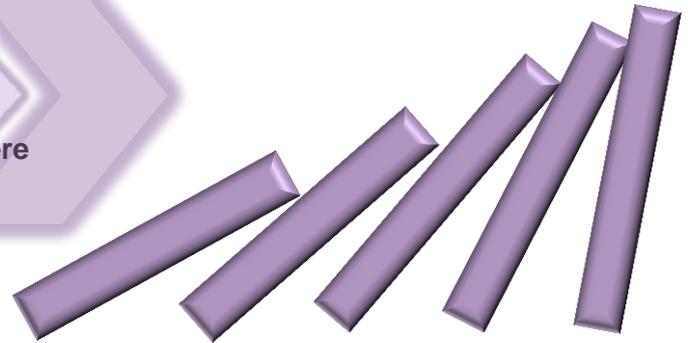
## 2015 WAS A TOUGH YEAR FOR CHINA LUXURY'S MARKET

Luxury's sales down 2% yoy to 113 billion yuan

Negative growth for 2<sup>nd</sup> year in a row

NEGATIVE GROWTH FOR 2<sup>nd</sup> YEAR IN A ROW

- ✓ Slowdown in economic growth
- ✓ Chinese government's ongoing campaign against corruption and extravagant spending
- ✓ Majority of luxury purchases by Chinese consumers were made overseas



# MAJOR TRENDS AND DEVELOPMENTS OF CHINA'S LUXURY MARKET

## SUMMARY

1 Luxury products for children become new growth point



2 Women and millennials are the leads in China's luxury market



3 Chinese luxury shoppers prefer spending abroad



4 Demand for “diagou” services wanes on increasing popularity of online shopping

5 Chinese luxury shoppers in pursuit of luxury “experience”



6 Chinese government is eager to boost domestic luxury sales



# COMPETITIVE LANDSCAPE AND STRATEGIES OF LUXURY PLAYERS IN CHINA

SUMMARY

1 Leveraging **digital media** to roll out marketing campaigns



2 Revising store-opening strategies



3 Launching **China-themed** products and **tailor-made** services for Chinese customers



4 Expanding into **F&B**, **real estate** and **beauty** sectors



5 Reaching out to **online luxury** shoppers

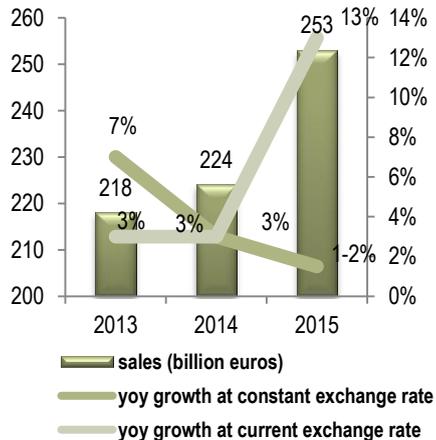


# CHINA LUXURY MARKET POSTED NEGATIVE GROWTH FOR 2<sup>ND</sup> YEAR IN A ROW

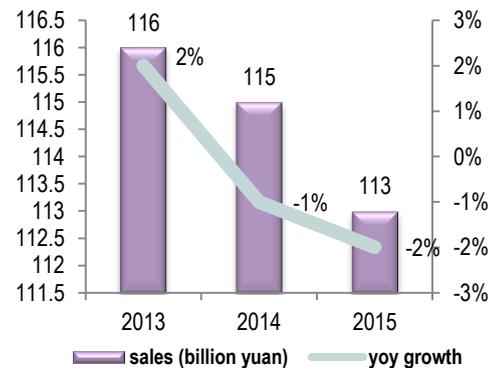
## OVERVIEW

- **Global luxury spending** reached **over 250 billion euros** in 2015, an increase of 13% from 2014; yet, the **real growth** moderated to **only 1% to 2%**, signaling a lower sales growth in the global luxury market.
- In **China**, the growth of luxury sales **contracted by 2% to 113 billion yuan** in 2015, a **negative growth** for the **second year in a row**
- The contraction is attributed chiefly to the continuing government efforts to rein in extravagant spending and economic slowdown, coupled with a drop in yuan as well as the stock market crash in 3Q15.

Global luxury sales, 2013-2015



Mainland China luxury sales, 2013-2015



Source: "Luxury Goods Worldwide Market Study." 21 December, 2015. Bain & Company  
 Source: "2015 China Luxury Market Study." 20 January, 2016. Bain & Company

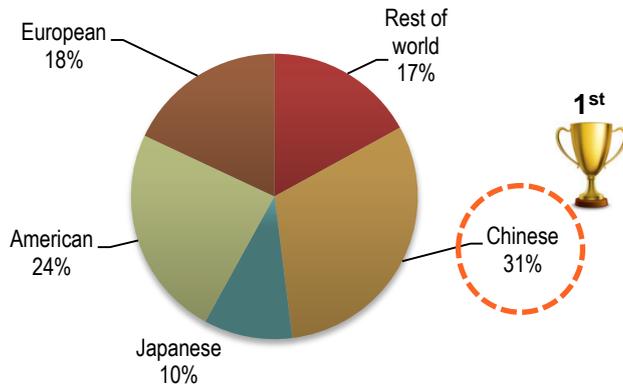
# CHINA'S LUXURY SPENDING REMAINS A KEY DRIVER OF GLOBAL LUXURY MARKET

## OVERVIEW

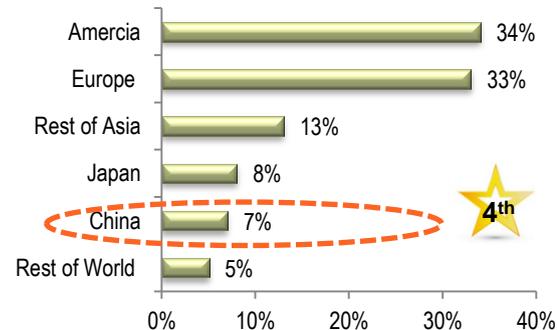
- Albeit a dip in luxury spending, China is still a major powerhouse of global luxury growth.
- According to Bain & Company, **Chinese consumers** remained **the world's largest consumer** of luxury goods and accounted for **about 31% of global luxury purchases** in 2015, ahead of the Americans (24%), and Europeans (18%).
- **China** was also the **fourth largest luxury goods market** in 2015, taking up **7%** global luxury sales, just behind Europe, the U.S. and Japan.
- Meanwhile, **Chinese shoppers** continued to spend far more abroad than in their home country in 2015, with **over 70%** of their **luxury purchases made overseas**, especially in Europe, owing to the devaluation of the euro which created temporary favourable price gaps for Chinese luxury shoppers.



Global luxury sales by consumer nationality, 2015



Global luxury sales by region, 2015



# SALES OF MEN'S APPAREL AND WATCHES TUMBLED, WHILE WOMEN'S APPAREL SHOWED STRONG MOMENTUM

## OVERVIEW

- Among the major luxury product categories, the growth rates of **women's apparel**, **jewellery**, **cosmetics**, **perfume** and **personal care products** were more resilient in 2015, up by **10% yoy**, **7% yoy** and **5% yoy** respectively in **2015**. However, sales of **men's apparel** and **watches** recorded negative growth rates of **-12%** and **-10%** respectively.

### Market share of China's luxury growth rates by category, 2015

	Compound annual growth rate		
	2012- 2013	2013- 2014	2014- 2015 (est.)
Cosmetics, perfume and personal care products	10%	7%	5%
Watches	-11%	-13%	-10%
Leather goods	5%	0%	-5%
Men's apparel	-1%	-10%	-12%
Jewelry	5%	2%	7%
Women's apparel	10%	11%	10%
Shoes	8%	8%	2%
Accessories	8%	0%	-6%
Total	2%	-1%	-2%

Source: "2015 China Luxury Market Study." 20 January, 2016. Bain & Company

# SALES OF MEN'S APPAREL AND WATCHES TUMBLED, WHILE WOMEN'S APPAREL SHOWED STRONG MOMENTUM

OVERVIEW

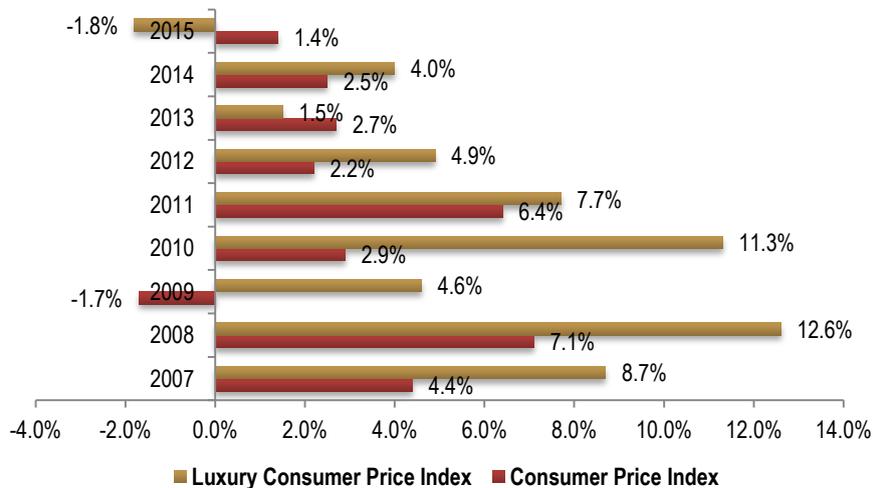


Source: "2015 China Luxury Market Study." 20 January, 2016. Bain & Company

# LUXURY CONSUMER PRICE POSTED NEGATIVE GROWTH FOR FIRST TIME IN NINE YEARS

- **Hurun's China luxury consumer price index (LCPI)**, which measures the price increase in selected luxury products in China, **dropped 1.8% yoy in 2015**, the **first negative growth** since the debut of the index in 2007. Moreover, the LCPI was lower than the consumer price index in 2015, indicating weaker demand for luxury goods in China.

Annual changes in luxury consumer price index and consumer price index in China, 2007-2015



# A NUMBER OF LEADING LUXURY PLAYERS RECORDED STAGNATED SALES GROWTH IN 2015

- The past few years have proved to be hard for many luxury players in China. The **ongoing anti-corruption campaign** and **economic slowdown** have dented the extravagant spending of Chinese consumers, thereby **clouding the outlook for luxury brands**.

## Performance of selected luxury retailers in 2015

Brand	Performance in 2015
	Impeded by the economic slowdown in China, the company recorded a 4% yoy revenue decline in Asia-Pacific region (excluding Japan) at current exchange rates and a 16% yoy decrease at constant exchange rates in fiscal year 2015.
	The company recorded sales growth in all global regions with the exception of Asia. Sales in China, Hong Kong and Japan also posted negative growth.
	The silk and textiles sector of the company posted negative growth in 2015 as a result of slowing sales in Greater China as well as the year-end terrorist attack in France.
	The company's wine and spirits business performed well in the U.S. and Japan. However, the continued destocking by distributors in China weighed on its sales of higher-grade cognac, especially in the first half of 2015.

# CHINESE CONSUMERS SHOW INCREASING PREFERENCE FOR CROSS-BORDER ONLINE SHOPPING

## OVERVIEW

- **Cross-border online shopping** is taking off among Chinese consumers. In 2015, the Chinese made around **12% of their total luxury purchases** via cross-border e-commerce websites\*.
- The growth in cross-border e-commerce shopping was mainly driven by an increase in the number of **cross-border e-commerce shopping websites** as well as a **wider acceptance of payment methods** commonly used by Chinese consumers such as **UnionPay** and **Alipay**. According to the Ministry of Commerce, China currently has around 200,000 foreign trading companies using more than 5,000 cross-border e-commerce platforms to carry out businesses in China, with the majority of companies engaged in personal electronics, fashion and accessories businesses\*\*.
- In the **1Q15, total cross-border e-commerce transactions in China surpassed 2 trillion yuan, a leap of 42.8% yoy**. The transaction value of cross-border e-commerce is projected to take up about 20% of the country's total import and export value in 2016, surging more than 30% yoy.

\*"2015 China Luxury Market Study." 20 January, 2016. Bain & Company.

\*\*"Cross-border e-commerce to boost foreign trade for China." 16 January, 2016. China Daily.

[http://www.chinadaily.com.cn/opinion/2016-01/16/content\\_23114000\\_2.htm](http://www.chinadaily.com.cn/opinion/2016-01/16/content_23114000_2.htm)

# CHINESE TRAVELLERS LEAD THE WORLD IN TAX-FREE SHOPPING

OVERVIEW

- **Chinese travellers** took the **top spot in global tax-free shopping in 2015** and accounted for **30% of the world's total duty-free sales**, ahead of the Middle Eastern, Russian, American and Indonesian travellers, according to Global Blue\*.
- Thanks to **weak euro** and **high tariffs** on imported goods in their home country, **Chinese travellers spent 16% more on tax-free shoppers in 2015** compared with 2014. Chinese tax-free shopping burgeoned in 1Q15, reaching an apex of 122% yoy growth in March 2015 and a 89% yoy growth in June 2015. The Eurozone also witnessed a 75% yoy upsurge in Chinese spending in 1Q15\*\*.



\*"Global Blue December data: top five globe shopper spending patterns." 27 January, 2016. Global Blue.

<http://corporate.globalblue.com/press-centre/global-blue-december-data-top-five-globe-shopper-spending-patterns/>

\*\*"Chinese travellers are key to 'sixth continent' of duty-free shoppers." 3 February, 2016. Jing Daily.

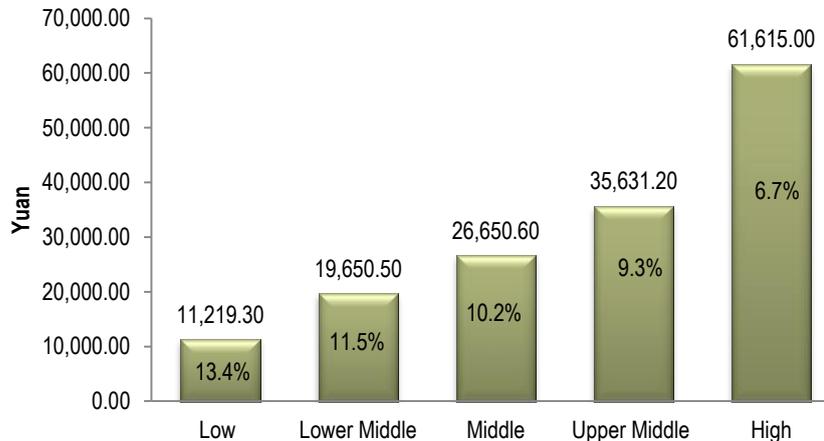
<https://jingdaily.com/chinese-travelers-are-key-to-sixth-continent-of-duty-free-shoppers/#.VspbHpBungA>

# RAPID GROWTH IN HOUSEHOLD DISPOSABLE INCOME

## OVERVIEW

- Household disposable income in China has grown continually over the years. According to the National Bureau of Statistics (NBS), **middle income, upper middle income and highest income** segments all **registered strong growth** at annual growth rate of **10.2% yoy, 9.3% yoy** and **6.7% yoy** respectively in 2015. These groups of individuals often have a voracious appetite for luxury goods and are the **biggest spenders** on luxury products.

Urban household disposable income per capita by income group, 2015

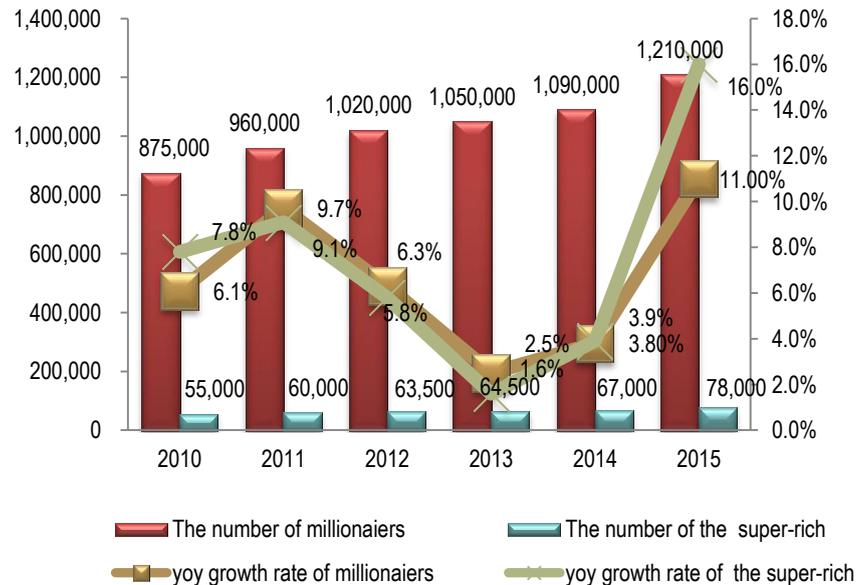


# NUMBER OF WEALTHY INDIVIDUALS BALLOONS, HITTING RECORD-HIGH SINCE 2010

## OVERVIEW

- According to Hurun Wealth Report 2015, there were **1.21 million millionaires** and **78,000 super-rich** individuals in China as of May 2015, **surging by 11% yoy** and **16% yoy** respectively, **an all-time high** since 2010.
- The growth rates were much faster in 2015, due chiefly to the **burgeoning stock market** in China in 1H15. Among all the regions, **Beijing** had the **highest number of millionaires** in 2015, followed by Guangdong, Shanghai, Zhejiang and Jiangsu.

Number of millionaires and super-rich individuals in China, 2010-2015



# TREND #1 LUXURY PRODUCTS FOR CHILDREN BECOME NEW GROWTH POINT

## TRENDS

- The introduction of the “**two-child policy**” starting 1 January 2016 is set to provide growth momentum for Children’s luxury products in China.
- According to Credit Suisse, the new policy will bring about three to six million additional babies per year in China, a population boost of 17% to 33% from the current 16.5 million new-born babies per year. The new born boost is estimated to bring **an additional consumption of 120 million to 240 million yuan per year from 2017**, around 4% to 9% of total retail sales in China\*.
- To grip a larger market share in the lucrative market, some luxury brands have enriched their children’s wear product offering, while others have enhanced their marketing efforts by sponsoring popular TV shows.



Italian fashion house **Salvatore Ferragamo** has recently launched a mini-selection of girls' shoes in two classic ladies' designs in Shanghai\*\*.



American luxury retailer **Ralph Lauren** has invited Angela Wang, the daughter of a celebrity couple in China, who gained fame in a Chinese reality TV show “Where are we going, Dad?”, to take part in the Fall 2014 Ralph Lauren Children's Runway Show in New York\*\*\*.

\*“Lonely child got company: Abandon one-child policy, 17-33% demand increase from new born boost.” 30 October, 2015. Credit Suisse.

\*\*“Designer brands for children.” 20 July, 2015. China Daily.

[http://europe.chinadaily.com.cn/business/2015-07/20/content\\_21328783.htm](http://europe.chinadaily.com.cn/business/2015-07/20/content_21328783.htm)

\*\*\*“Designer brands for children.” 20 July, 2015. China Daily.

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# TREND #2 WOMEN AND MILLENNIALS ARE THE LEADS IN CHINA'S LUXURY MARKET

## TRENDS

- The **government's clampdown on lavish personal spending** and **excessive gift-giving** by officials have **significantly impacted** the luxury spending on **men's apparel** and **watch** items over recent years, paving the way for the **financially independent female consumers** to pick up the slack in luxury spending in China.
- Dominated by female luxury shoppers, a number of categories, including **women's apparel, jewellery, cosmetics, perfume and personal care products** contributed almost **50% of total luxury spending** and registered **robust growth between 2013 and 2015** albeit the ongoing anti-corruption drive, according to Bain & Company.
- According to a report by Gfk\*, a total of **109 million Chinese travelled overseas in 2015, spending about 1.5 trillion yuan. Half** of China's outbound travellers are **aged 15-29 years old** - the **millennials**, while over 37% are aged 30-44 and 10% are 45-59.
- The report also shows that **66% of Chinese millennials** belong to the **high income bracket**. Compared with their predecessors aged 50 and above, these young and wealthy consumers are more **willing to spend** money to indulge and pamper themselves; they are also **less price sensitive** and becoming the **biggest purchasers of luxury goods in Asia Pacific**.

*\*\*"Chinese tourists spend 229 billion USD in 2015." 14 January, 2016. Gfk.*  
<http://www.gfk.com/insights/press-release/chinese-tourists-spend-229-billion-usd-in-2015/>

# TREND #3 CHINESE LUXURY SHOPPERS PREFER SPENDING ABROAD

TRENDS

- Chinese tourists have taken more **shopping trips overseas** in recent years.

Number of Chinese visitor going to the U.K.\* and France\*\*



- 185,000** in 2014 vs 89,000 in 2009
- 90,000** in 1H15, up **28%** yoy



- Up **60%** yoy in January to October 2015



*\*"Chinese visitors to Britain soars by 28% in first half of 2015." 12 January, 2016. China Daily Europe.*

*[http://europe.chinadaily.com.cn/world/2016-01/12/content\\_23054204.htm](http://europe.chinadaily.com.cn/world/2016-01/12/content_23054204.htm)*

*\*\*"Number of Chinese tourists to France expected to reach 2 million." 30 November, 2015. China National Tourism Administration.*

*[http://www.cnta.gov.cn/xxfb/jdxwnew2/201511/t20151130\\_753647.shtml](http://www.cnta.gov.cn/xxfb/jdxwnew2/201511/t20151130_753647.shtml)*

# TREND #3 CHINESE LUXURY SHOPPERS PREFER SPENDING ABROAD (CONT'D)

TRENDS

- The boom in Chinese tourist arrivals is partly attributed to the **relaxation of visa rules** in some countries.
- In addition, **depreciation of euro** and **Japanese yen** has also created favourable exchange rates for yuan, thereby prompting more Chinese tourists to take shopping trips abroad.



**Measures by the French government to streamline visa application process for Chinese tourists**

- ✓ To offer more multiple-entry visas valid for five years
- ✓ To establish visa-processing agencies in China outside of its embassies or consulates in the country\*\*.



**Relaxation of visa rules by the U.K. government**

- ✓ Extended the pilot scheme which allows Chinese tour operators to use the European Schengen form to also apply for UK visas
- ✓ Lowered the price of a multiple-entry two-year visitor visa for Chinese tourists to 85 pound from the previous 324 pound\*.

\*"U.K. to relax certain visa rules for Chinese tourists, will help luxury retailers." 21 October, 2015

<http://www.wsj.com/articles/u-k-to-relax-certain-visa-rules-for-chinese-tourists-1445423832>

\*\*"Visa policies are relaxed for visitors from China." 2 July, 2015. The State Council of China.

[http://english.gov.cn/news/international\\_exchanges/2015/07/02/content\\_281475138828778.htm](http://english.gov.cn/news/international_exchanges/2015/07/02/content_281475138828778.htm)

## TREND #4 DEMAND FOR “DIAGOU” SERVICES WANES AMID THE INCREASING POPULARITY OF ONLINE SHOPPING

TRENDS

- **Online luxury sales** have been **growing rapidly** in China at the expense of “diagou” services. With increasing confidence in online shopping, **Chinese luxury shoppers** are now more **attracted to cross-border e-commerce websites** than “diagou” services when it comes to purchasing luxury products.
- A report by KPMG\* in 2015 suggested that **45% of luxury shoppers in China purchased over half of their luxury goods online, up 28%** versus 2014. Moreover, **75% to 95%** of respondents showed a **willingness to buy most of luxury categories online**, including apparel, leather goods, cosmetics, jewellery, watch and wine.
- The **product authenticity guarantees** provided by cross-border shopping websites have also given diagou merchants the cold shoulder as authenticity is not always guaranteed when transactions are made with unauthorized sellers.

\*“China’s Connected Consumers – When 10,000 Chinese Shop... Insights from a 2015 Survey.” July, 2015. KPMG.

# TREND #4 DEMAND FOR “DIAGOU” SERVICES WANES AMID THE INCREASING POPULARITY OF ONLINE SHOPPING (CONT'D)

TRENDS

- The **import tax reductions** coupled with **luxury retailers’ moves to realign prices** between overseas and China have also dented the demand for diagou services.



With effect from **1 January 2016**, the **tariffs for some imported daily consumer goods**, including bags, suitcases, apparel, scarves, blankets and sunglasses have been reduced moderately.

- ✓ The **import taxes for some clothing, footwear and suitcase** items have been **lowered** to 8% from 16%, 12% from 24% and 10% from 20% respectively\*.



Some **luxury retailers** have **closed their retail pricing gaps** between the European and Asia markets by lowering prices in Europe and raising prices in Asia.

- ✓ French luxury brand **Chanel** announced in March 2015 that the company would raise prices in Europe by 20% while slashing prices in China starting April 2015 to make prices more equal globally\*\*.
- ✓ LVMH’s watch division **Tag Heuer**, luxury fashion houses **Dior** and **Prada** also made similar pricing adjustments following Chanel’s move\*\*\*.

\*“2015 China Luxury Market Study.” 20 January, 2016. Bain & Company.

\*\*“Chanel to slash prices in China; a way out for online luxury retailers?” 20 March, 2015. iResearch.

<http://news.iresearch.cn/content/2015/03/247813.shtml>

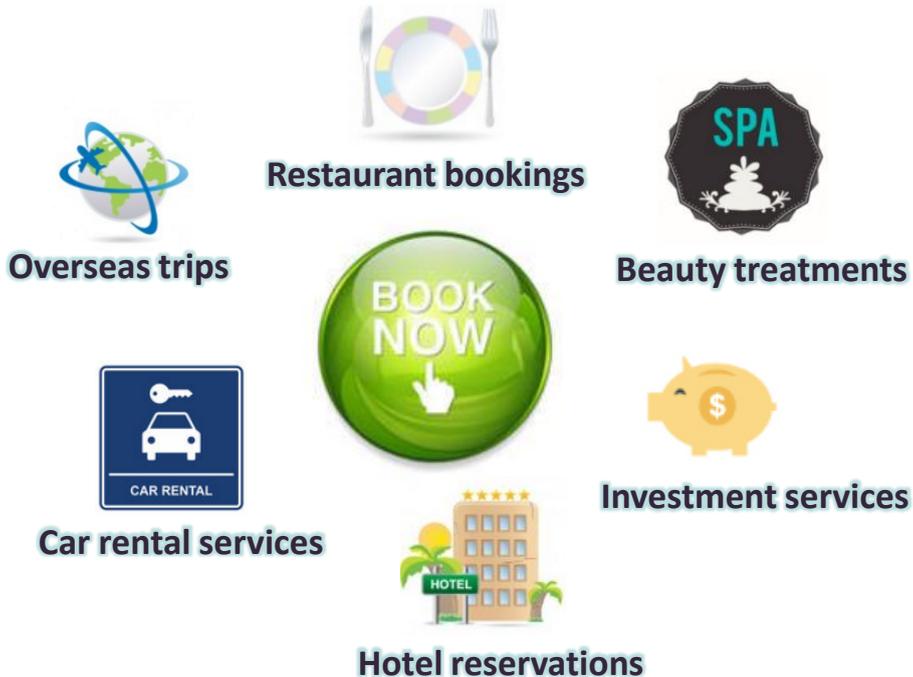
\*\*\*“Chanel’s China price outs: Should other luxury brands do the same?” 20 May, 2015. Jing Daily.

<https://jingdaily.com/channels-china-price-cuts-should-other-luxury-brands-do-the-same/>

# TREND #5 CHINESE LUXURY SHOPPERS IN PURSUIT OF LUXURY “EXPERIENCE”

TRENDS

- With increasing exposure to luxury goods and services through different media channels, **Chinese consumers** have been **drifting toward experiencing luxury** and away from simply owning a luxury product.



# TREND #6 CHINESE GOVERNMENT IS EAGER TO BOOST DOMESTIC LUXURY SALES

## STRATEGIES

- Facing **lofty tariffs** on luxury items in their home country, Chinese consumers have held back their luxury spending in China and continued to do most of their **luxury shopping abroad**.
- Recognising **domestic luxury sales are losing** to overseas countries, particularly the rapidly growing duty-free businesses around the world, the Chinese government has introduced a number of **policies to address the issue**.

### E.g. Doubling domestic duty-free allowance

The Chinese government announced in January 2016 that it will **double the duty-free allowance to 16,000 yuan** for mainland nationals at Duty Free Group's shopping mall in Hainan\*.



### E.g. Lowering import taxes for some daily consumer goods

With effect **from 1 January 2016**, the **tariffs for some imported daily consumer goods**, including bags, suitcases, apparel, scarves, blankets and sunglasses have been reduced moderately.

- ✓ The **import taxes for some clothing, footwear and suitcase** items have been **lowered** to 8% from 16%, 12% from 24% and 10% from 20% respectively\*\*.

\*"Hainan duty free hits \$842m as allowance doubles." 31 January, 2016. *The Travel Retail Business*.

<http://www.trbusiness.com/regional-news/asia-pacific/hainan-duty-free-842m-as-allowance-doubles/100793>

\*\*"2015 China Luxury Market Study." 20 January, 2016. Bain & Company.

# STRATEGY #1 LEVERAGING DIGITAL MEDIA TO ROLL OUT MARKETING CAMPAIGNS

## STRATEGIES

- Riding on the boom of the e-commerce sector in China, many luxury retailers in China are **making huge digital marketing efforts** to increase brand equity. One of the most commonly used digital marketing tools is **WeChat**, a text and voice messaging mobile app developed by Tencent. The total number of **monthly active users of WeChat reached 650 million** as at the end of September 2015, representing a **yoy growth of 39%\***.
- Given the large number of **WeChat** users in China and a strong engagement of Chinese consumers with digital media, many luxury retailers have been actively using it as a **tool to promote their latest products and interact with their consumers**. Apart from using WeChat, luxury retailers have also launched **official websites** in Chinese or used **micro-blogging site Sina Weibo** to interact with Chinese consumers.



\*"Tencent announces 2015 third quarter results." 10 November, 2015. Tencent.

[http://210.6.198.34/ich\\_flag/www.tencent.com/en-us/content/at/2015/attachments/20151110.pdf](http://210.6.198.34/ich_flag/www.tencent.com/en-us/content/at/2015/attachments/20151110.pdf)

# STRATEGY #1 LEVERAGING DIGITAL MEDIA TO ROLL OUT MARKETING CAMPAIGNS (CONT'D)

STRATEGIES

Types of digital media initiatives adopted by selected luxury brands

Brand	WeChat	Sina Weibo	Official website in China
Armani	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Blancpain	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Burberry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bvlgari	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cartier	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Chanel	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Chaumet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dior	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fendi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Gucci	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Louis Vuitton	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Montblanc	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Piaget	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Salvatore Ferragamo	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tiffany & Co	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Versace	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ermenegildo Zegna	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



= Transactional

- **Slump in local demand** as more Chinese luxury shoppers purchase abroad has caused a string of **luxury shop closures** in China. For example, **Prada, Armani** and **Burberry** respectively shuttered 16, five and four stores in China over the past two years\*.
- In March 2016, **Hugo Boss** also announced to close 20 of its 145 stores in China and undergo **extensive makeovers** to the remaining stores in the country\*\*.
- **Louis Vuitton**, which closed three of its stores in China in 2015\*\*\*, is expected to shut more unprofitable stores across the country, the company has also announced plans to **upgrade** and **relocate** some of its current stores in China so as to optimise the quality of its store network\*\*\*\*.

\*"Just why are Louis Vuitton and other high-end retailers abandoning China." 3 December, 2015. SCMP

<http://www.scmp.com/news/china/money-wealth/article/1886443/high-end-retailers-china-no-longer-have-luxury-time>

\*\*"Hugo Boss to review store growth, close some outlets in China." 10 March, 2016. The Irish Times.

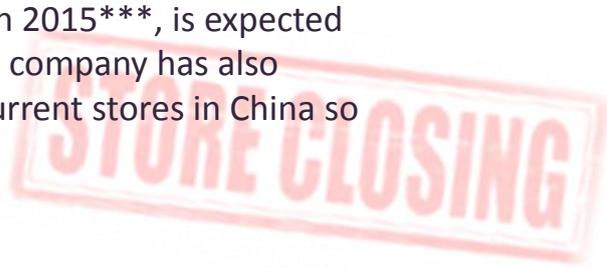
<http://www.irishtimes.com/business/retail-and-services/hugo-boss-to-review-store-growth-close-some-outlets-in-china-1.2568189>

\*\*\*"Is time running out for luxury in China?" 25 January, 2016. CKGSB Knowledge.

<http://knowledge.csgsb.edu.cn/2016/01/25/branding/is-time-running-out-for-luxury-in-china/>

\*\*\*\*"Louis Vuitton struck by China's luxury dip and shutter stores." 17 November, 2016. Fashion United.

<https://fashionunited.uk/news/retail/louis-vuitton-struck-by-china-s-luxury-dip-and-shutters-stores/2015111718370>



# STRATEGY #3 LAUNCHING CHINA-THEMED PRODUCTS AND PROVIDING TAILOR-MADE SERVICES FOR CHINESE CUSTOMERS

## STRATEGIES

- Considering Chinese consumers making a majority of their sales, global luxury retailers, not least in the U.S. and Europe, are exerting their efforts to woo affluent Chinese shoppers with **China-themed products** such as, zodiac-themed items, as well as providing **tailor-made services** and events for Chinese customers.

## bloomingdale's

U.S. upscale chain department store operator **Bloomingdale** launched a series of services and products for Chinese consumers during the **2016 Lunar New Year** Holiday in February 2016\*:

- ✓ **Mandarin-speaking** customer services;
- ✓ **Art** installations featuring the Lunar New Year;
- ✓ The Year of Monkey **special-edition** tote bag;
- ✓ Gift card prizes in red envelopes tailored to **Chinese New year gift-giving traditions**;
- ✓ Simplified **Chinese-language directories** and shopping guidebooks



\*"Department stores across global mark Chinese New Year with pop-ups and shopping perks." 25 January, 2016. Jing Daily.  
<https://jingdaily.com/department-stores-across-globe-mark-chinese-new-year-with-pop-ups-and-shopping-perks/>

# STRATEGY #3 LAUNCHING CHINA-THEMED PRODUCTS AND PROVIDING TAILOR-MADE SERVICES FOR CHINESE CUSTOMERS (CONT'D)

STRATEGIES

The Year of Monkey special-edition product collections launched by selected luxury retailers

**PRADA**



**LOUIS VUITTON**



**Dior**



**Salvatore Ferragamo**



**Vivienne Westwood**



**PIAGET**



# STRATEGY #4 EXPANDING INTO F&B, REAL ESTATE AND BEAUTY SECTORS

## STRATEGIES

- To cash in on Chinese customers' strong fascination towards high-quality services and products, luxury players have begun to expand **beyond their core fashion businesses** into **F&B, beauty and real estate** sectors in China.



Burberry opened its first beauty salon – Burberry Beauty Box in China at Shanghai's Grand Gateway in August 2015\*



Vivienne Westwood Café was unveiled at Shanghai's K11 Art Mall in April 2015\*\*



Armani has also paired up with China's property developer Smart Hero Group to develop a luxury residential project in Beijing, scheduled for completion in 2017\*\*\*

\*"Burberry opens debut beauty salons in Hong Kong and Shanghai" 4 August, 2015. Fashionmag.com.

<http://cn.fashionmag.com/news/burberry-bo-bai-li-mei-rong-zhuan-mai-dian-deng,557180.html#.VupwgUJ96Uk>

\*\*"Luxury brands break into food business to reach China's shoppers." 30 July, 2015. Jing Daily.

<https://jingdaily.com/luxury-brands-break-into-food-business-to-reach-chinas-shoppers/>

\*\*\*"The Armani Group works with Smart Hero Group for Beijing Development." 6 July, 2015. Perspective.

<http://www.perspectiveglobal.com/architecture/the-armani-group-works-with-smart-hero-group-for-beijing-development/>

# STRATEGY #5 REACHING OUT TO ONLINE LUXURY SHOPPERS

## STRATEGIES

- As mentioned, Chinese shoppers are more willing to purchase luxury items online nowadays. KPMG estimated that the **maximum amount Chinese consumers felt comfortable paying online for a single item was 4,200 yuan in 2015**, up from 1,900 yuan in 2014.
- The growth in online spending by Chinese consumers has prompted global luxury brands to ramp up their online presence in China through setting up **self-operated online stores** and/or storefronts on **local third-party platforms** such as Tmall.com and JD.com.

### Online stores of selected luxury brands in China

Luxury brand	Online presence in China
Piaget	<ul style="list-style-type: none"><li>Self-operated online store <a href="http://www.piaget.cn/">http://www.piaget.cn/</a></li></ul>
Cartier	<ul style="list-style-type: none"><li>Self-operated online store <a href="http://www.cartier.cn/">http://www.cartier.cn/</a></li></ul>
Mont blanc	<ul style="list-style-type: none"><li>Self-operated online store <a href="http://www.montblanc.cn/zh-cn/home.html">http://www.montblanc.cn/zh-cn/home.html</a></li></ul>
Tag Heuer	<ul style="list-style-type: none"><li>Announced in September 2015 to launch its first online store in China on JD.com</li></ul>
Van Cleef & Arpels	<ul style="list-style-type: none"><li>Self-operated online store <a href="http://cn.vancleefarpels.com/cn/zh.html#home">http://cn.vancleefarpels.com/cn/zh.html#home</a></li></ul>
Burberry	<ul style="list-style-type: none"><li>Self-operated online store <a href="https://cn.burberry.com/">https://cn.burberry.com/</a></li><li>Online store on Tmall.com <a href="https://burberry.world.tmall.com/">https://burberry.world.tmall.com/</a></li></ul>
Coach	<ul style="list-style-type: none"><li>Online store on Tmall.com <a href="https://coach.world.tmall.com/">https://coach.world.tmall.com/</a></li></ul>



China's luxury market is expected to continue to face downward pressure in 2016 as Chinese luxury shoppers will continue to spend a majority of their purchases abroad. Nevertheless, with the **Chinese government's initiatives** to support domestic duty-free shopping and lower import tariffs for selected high-demand consumer products, domestic luxury consumption still has **huge development prospects** over the coming years.

Chinese consumers are becoming more discerning and are looking for products that are of **highest quality at the best prices**. Global luxury retailers should constantly reinvent themselves and re-assess their strategies. To better suit the tastes and preferences of Chinese customers, luxury retailers should consider widening their **product offerings** and re-adjusting their **pricing strategies** in China.

Moreover, in today's **digital era**, luxury retailers should put in place a comprehensive online and mobile strategy; they should also embrace the Internet and advanced technologies to provide a **seamless shopping experience** for customers.



# Contacts

## Asia Distribution and Retail

### Teresa Lam

Vice President

Tel: (852) 2300 2466

Email: [teresalam@fung1937.com](mailto:teresalam@fung1937.com)

### Tracy Chan

Senior Research Analyst

Tel: (852) 2300 2480

Email: [tracychansy@fung1937.com](mailto:tracychansy@fung1937.com)

## Fung Business Intelligence Centre

10/F, LiFung Tower,  
888 Cheung Sha Wan Road,  
Kowloon, Hong Kong

Tel: (852) 2300 2470

Fax: (852) 2635 1598

Email: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)

<http://www.fbicgroup.com/>



FBIC\_2000



@fbicgroup



Fung Business  
Intelligence Centre



fbicgroup.com

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