

Luxury

Summary :

- China's luxury market scale dropped by 2% to CNY113 billion in 2015 year on year. Declining sales in watches, menswear, bags and luggage were the main reasons triggering the downturn luxury market, especially in north China and northeast China.
- Sales and customers of luxury stores and emerging brands have decreased year on year. Some following consequences were caused, such as the close of brand stores, more cautious about online store expansion, more efforts in the maintenance and renovation of core stores.
- Luxury consumers are more willing than before to participate in digital channels, thus brands will keep on expanding their digital marketing platforms. Some brands are already testing their online channels now (official websites or third-party platforms) .

Features of China's Luxury Industry



- Since 2012, the government has increased the anti-corruption efforts, causing the consumption decline of luxury goods.
- The government lowered the import tariffs of luxury goods, added and restored duty-free shops at foreign trade ports, formulated the policies of inspection and quarantine supporting cross-border e-commerce, cleared the unreasonable fees. **These policies resulted in the boom of luxury consumption and created a better environment for cross-border e-commerce in luxury industry.**

Policy Factor



- China's GDP has continued to grow year by year. **The economic growth** promoted the development of luxury industry and the upgrade of consumption products.
- In 2015, China's overall scale of individual investible assets and the number of high-net-worth individuals have continued to rise, boosting the consumption of luxury goods.

Economic Factor

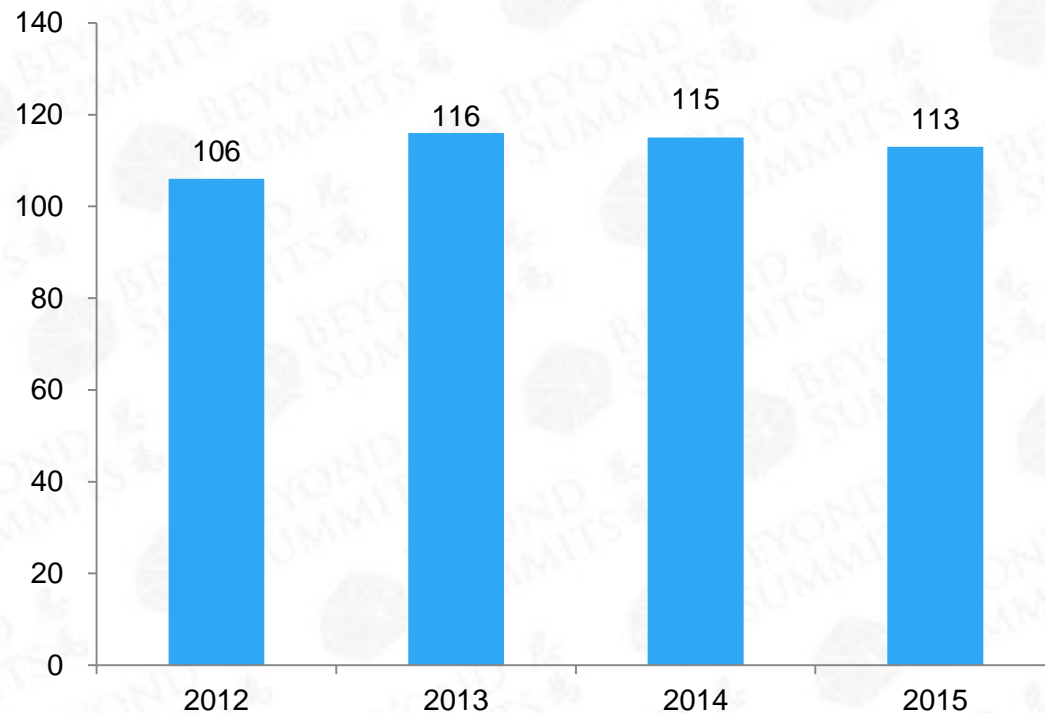


According to the investigation from World Luxury Association, **Chinese buyers of luxury goods gradually showed a younger age.** The age of consumer group decreased from 35 years old to 25 years old on average, which had some influence on the marketing and promoting ways in luxury industry.

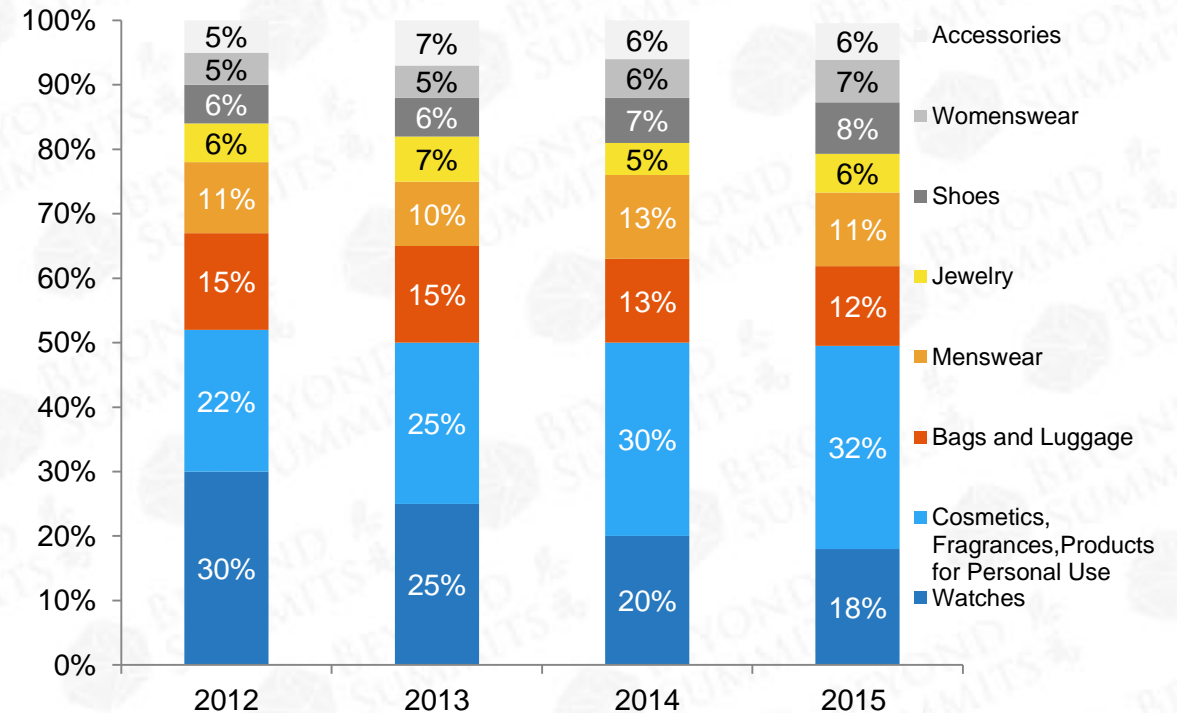
Social Factor

China's luxury market was going through a recession in 2015, mainly caused by anti-corruption, slowdown in economic growth, and stock market collapse in the second and third quarter of 2015. Luxury consumption in watches, bags & luggage, and menswear dropped significantly.

China's Luxury Market Scale (CNY billion)



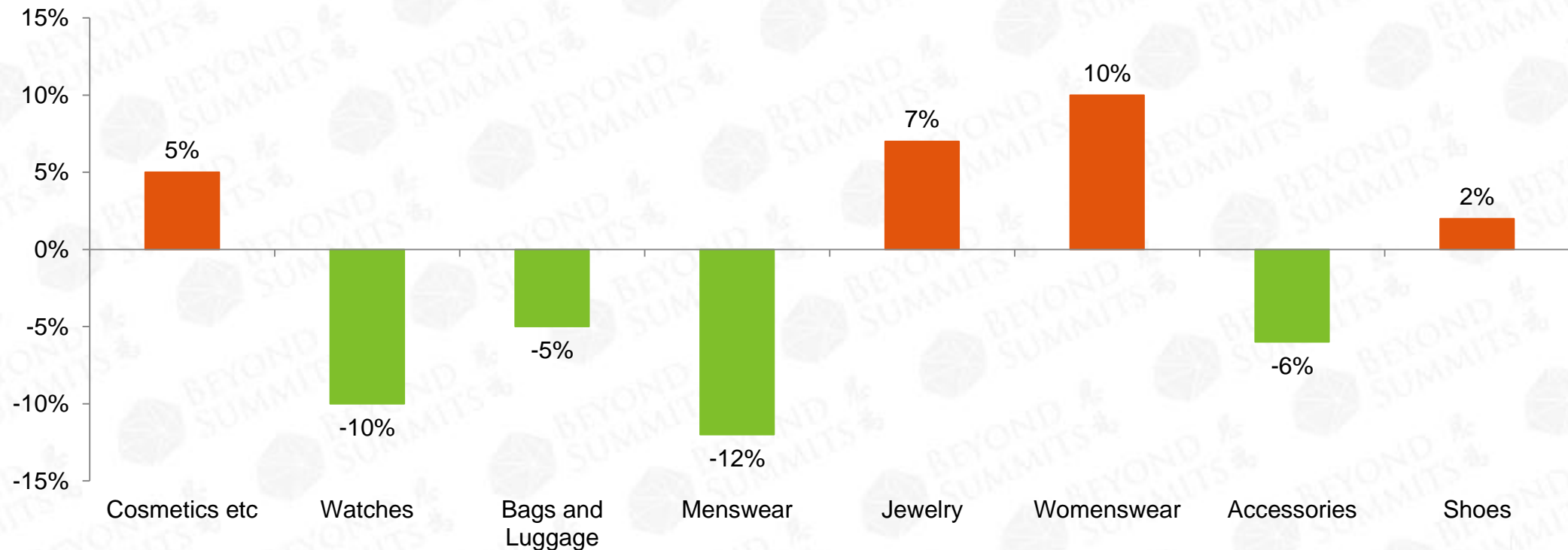
China's Luxury Market by Products



Source : Bain & Company, *China Luxury Market 2015*

In 2015, CAGR of womenswear marked the highest in China's luxury market, up by 10% than 2014. CAGR of menswear declined to the lowest point at 12%.

CAGR of China's Luxury Market (2015 vs 2014)



Source : Bain & Company, *China Luxury Market 2015*

Note: CAGR = Compound Annual Growth Rate

Top 5 Luxury Brands in Mainland China

Cosmetics, Fragrances, 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

Menswear

Armani
HUGO BOSS
Burberry
Dior
Zegna

Jewelry

BVLGARI
Cartier
CHOW TAI FOOK
Tiffany
Van Cleef & Arpels

Womenswear

Armani
Burberry
CHANEL
Dior
Max Mara

Accessories

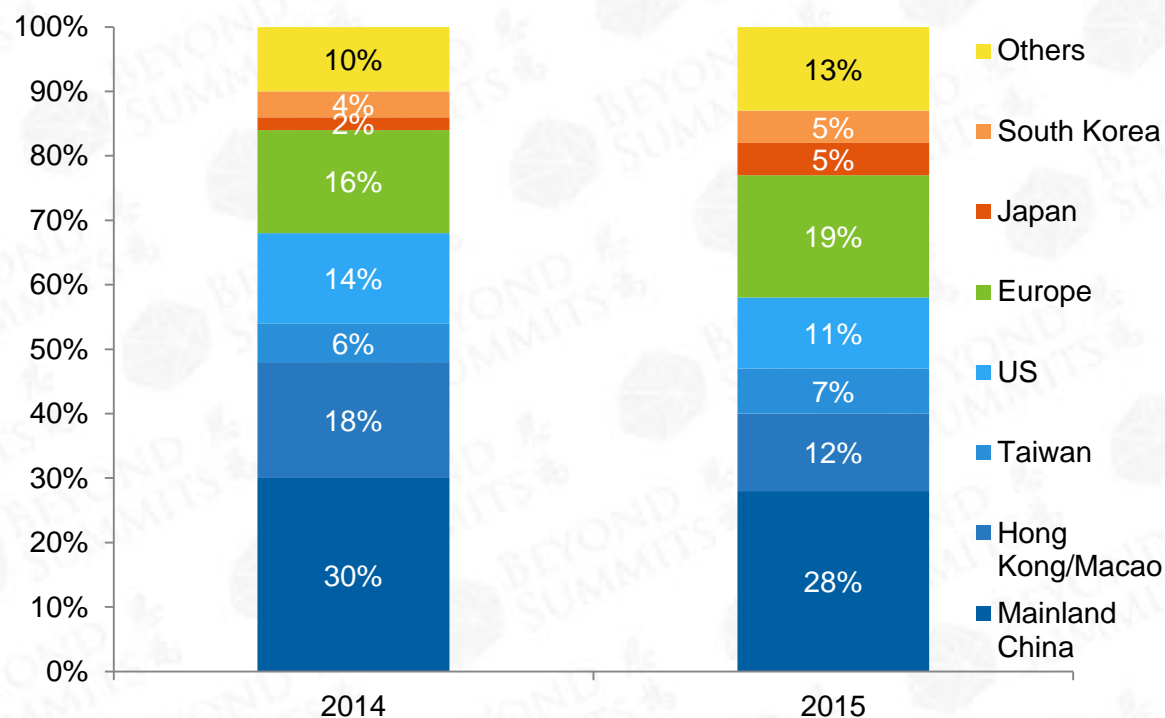
Zegna
GUCCI
HERMES
LOUIS VUITTON
Montblanc

Shoes

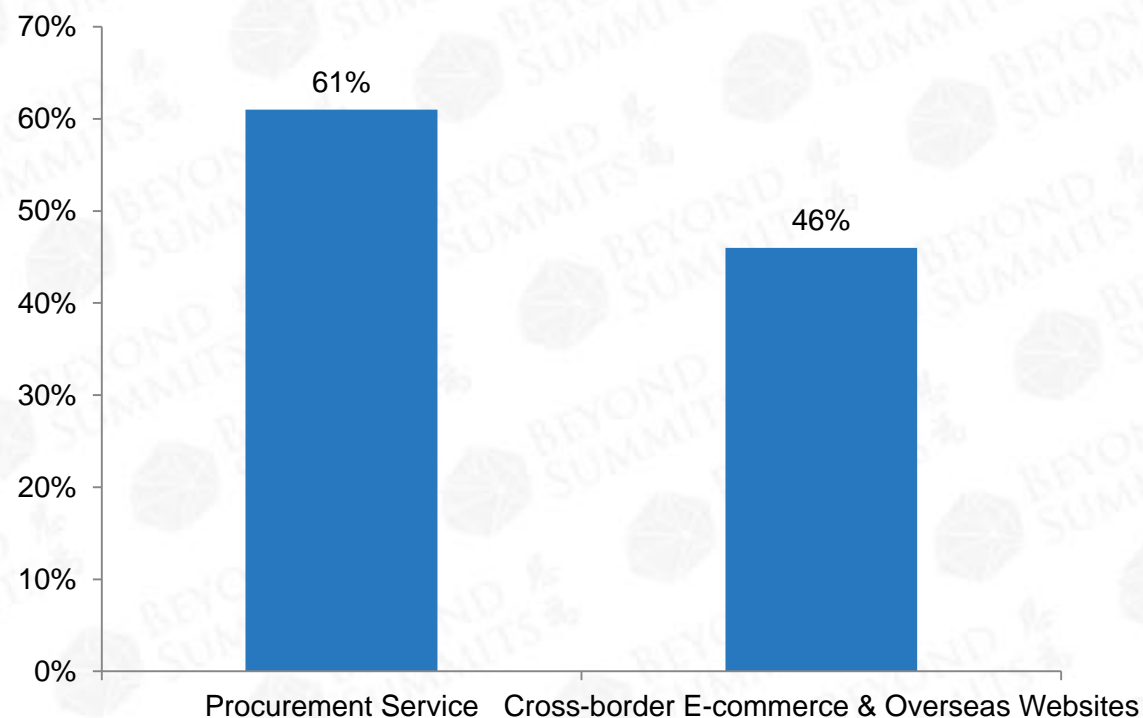
CHANEL
GUCCI
LOUIS VUITTON
Ferragamo
TOD'S

Luxury goods that Chinese consumed in Hong Kong and Macao showed a decline to 12% in 2015, down from 18% in 2014. Yet the consumption for luxury goods in Japan increased significantly. Cross-border e-commerce and overseas websites have sprung up, accounting for 12% of China's luxury consumption, and 46% of mainland Chinese consumers purchased luxury goods in these ways

Luxury Consumption outside Mainland China



How Mainland Chinese Consumers Purchased Luxury Goods

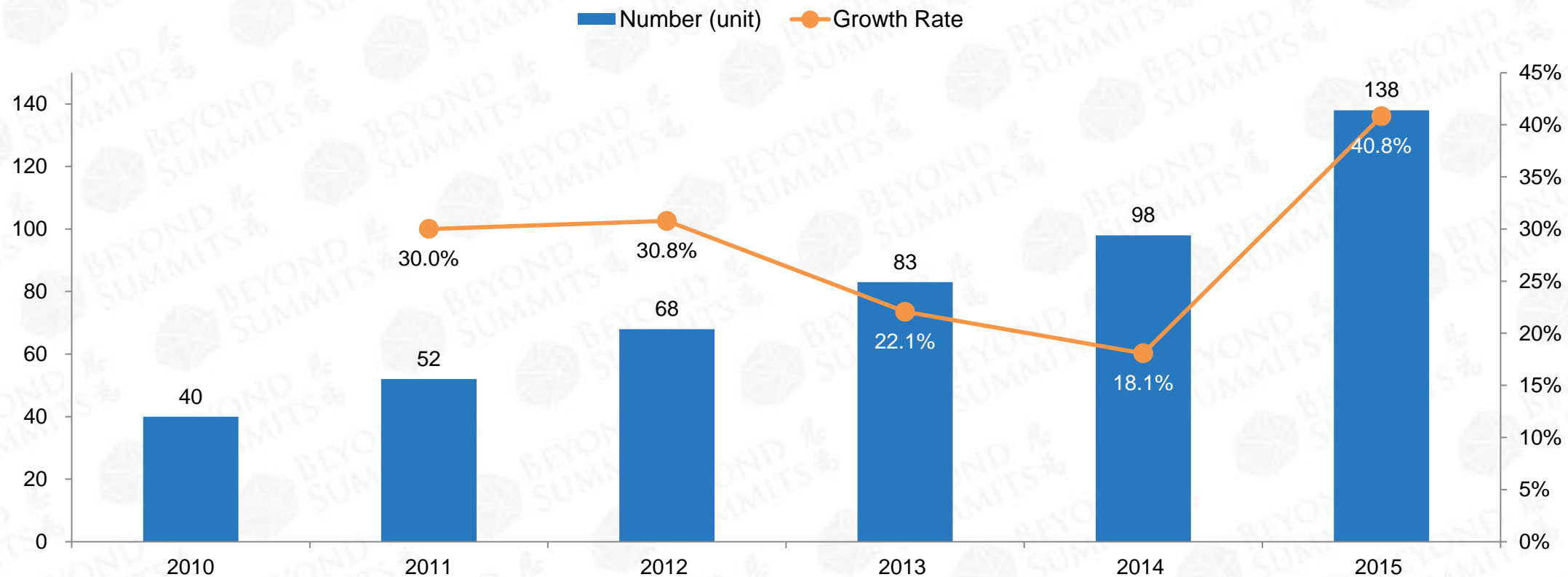


Source : Bain & Company, *China Luxury Market 2015*

Note: Only for the consumers living in mainland China

Outlet stores are important channels to buy low-price luxury goods for Chinese consumers. Outlet stores have expanded in recent years in mainland China, rising to 138 in 2015.

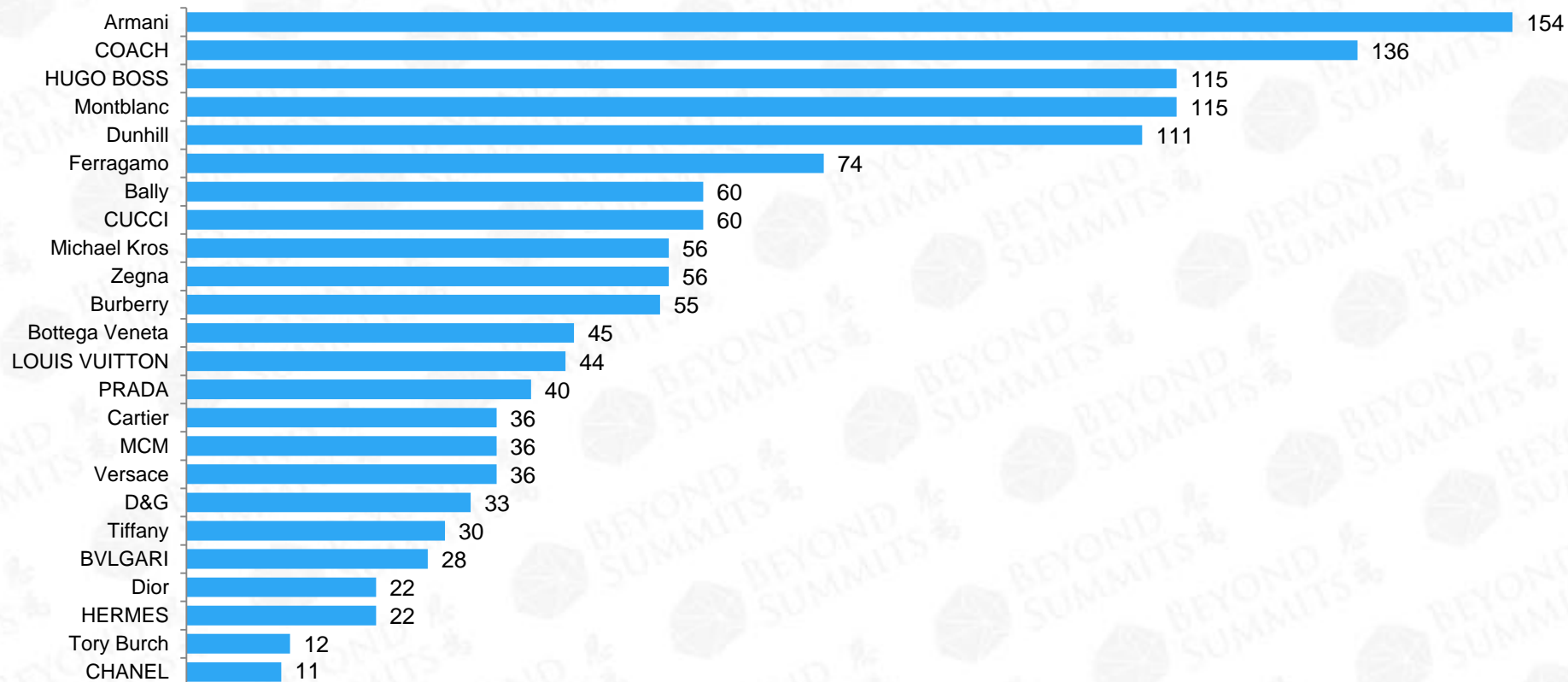
Number of Outlet Stores in Mainland China



Source : Bain & Company, *China Luxury Market 2015*

Up to the end of 2015, the number of Armani stores reached the highest at 145 among some luxury brands in mainland China. Next came COACH and HUGO BOSS. Moreover, some brands began to close the stores, and held cautious attitude in new stores' expansion.

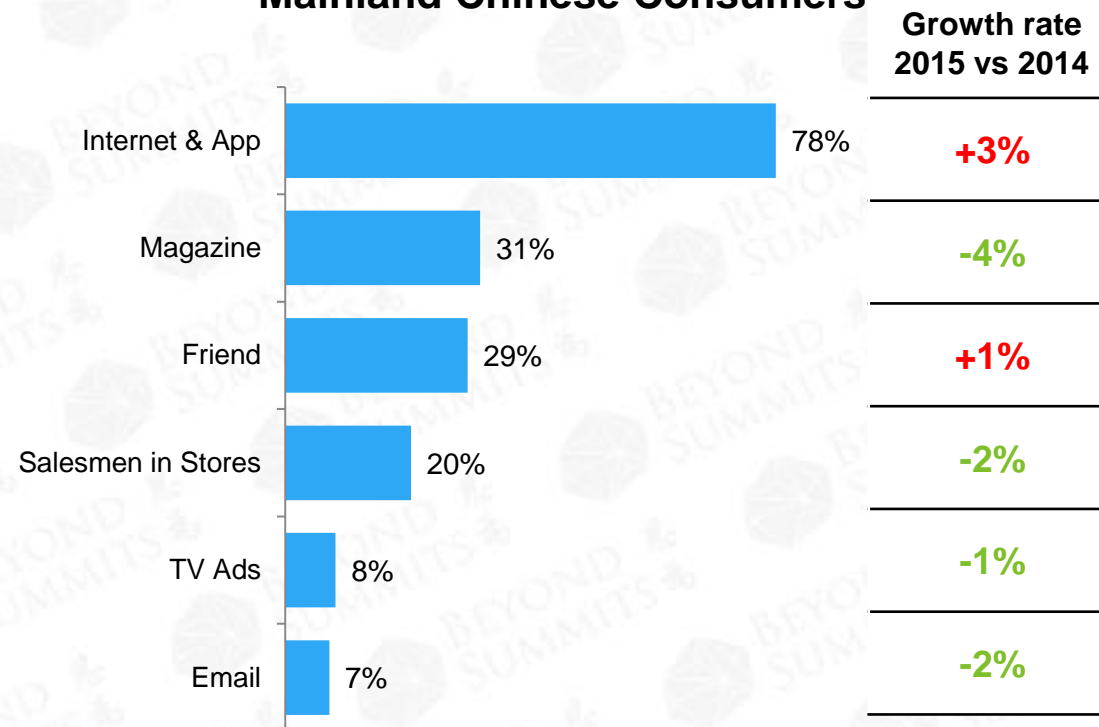
The Number of Luxury Stores in Mainland China (2015)



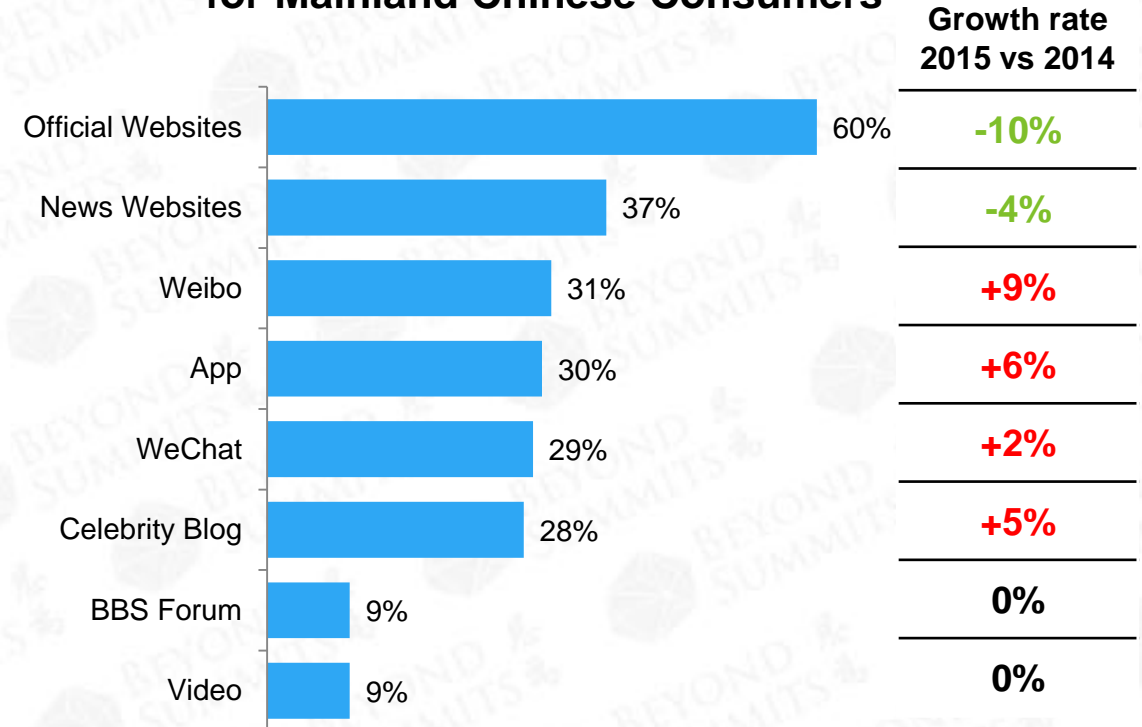
Source : Bain & Company, *China Luxury Market 2015*

With the rapid development of Internet, Chinese consumers relied on Internet and App to get luxury information. 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



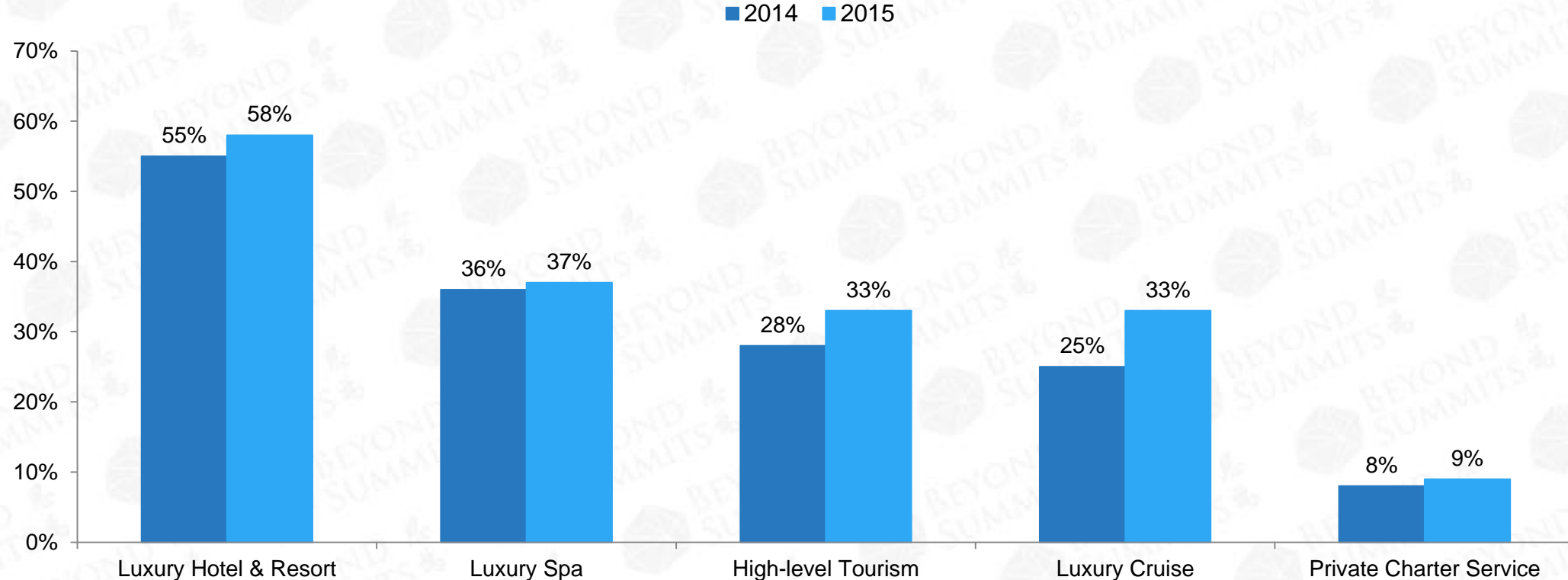
Internet Access to Get Luxury Information for Mainland Chinese Consumers



Source : Bain & Company, *China Luxury Market 2015*

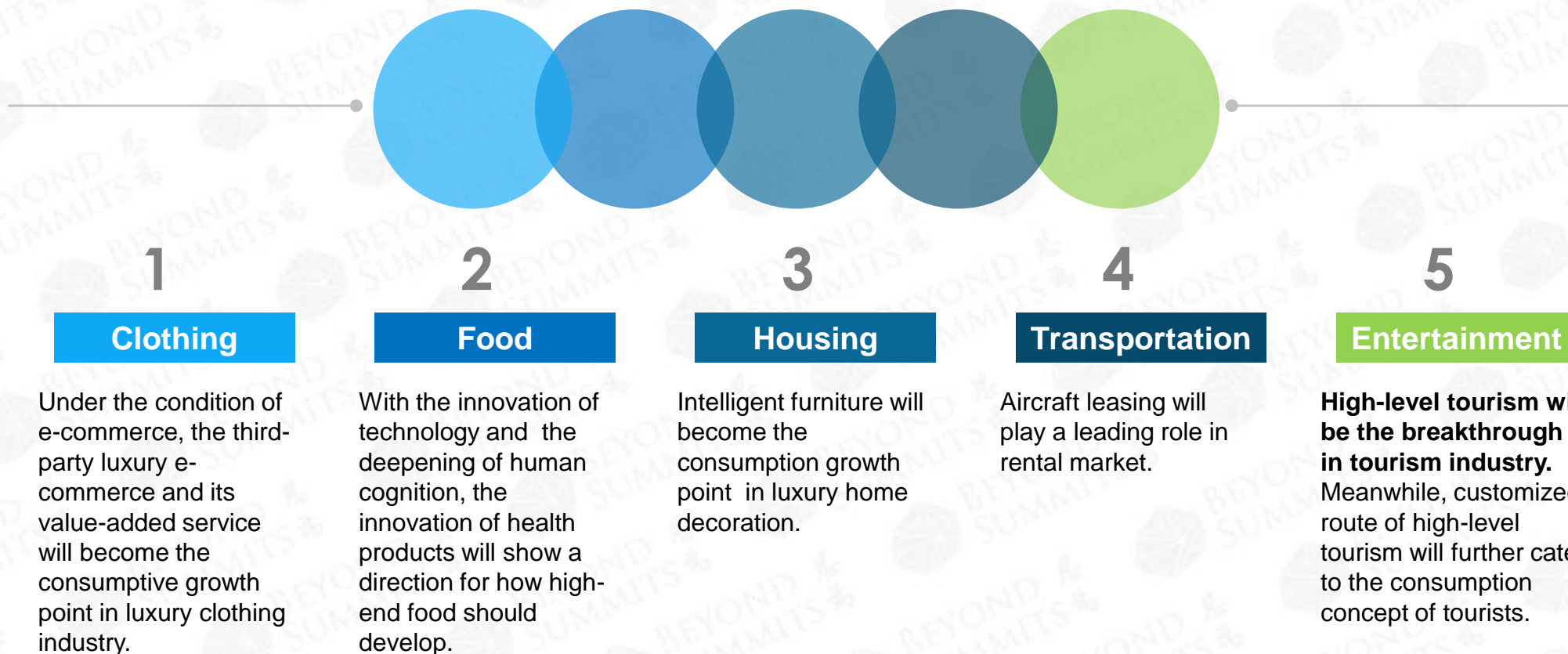
China's luxury consumers tend to be more willing to consume in entertainment industry. Compared with 2014, more consumers would choose experiential luxury consumption in 2015, and the consumption in luxury hotel and resort marked the highest proportion.

Proportion of Consumers Choosing Experiential Luxury Consumption in China



Source : Bain & Company, *China Luxury Market 2015*

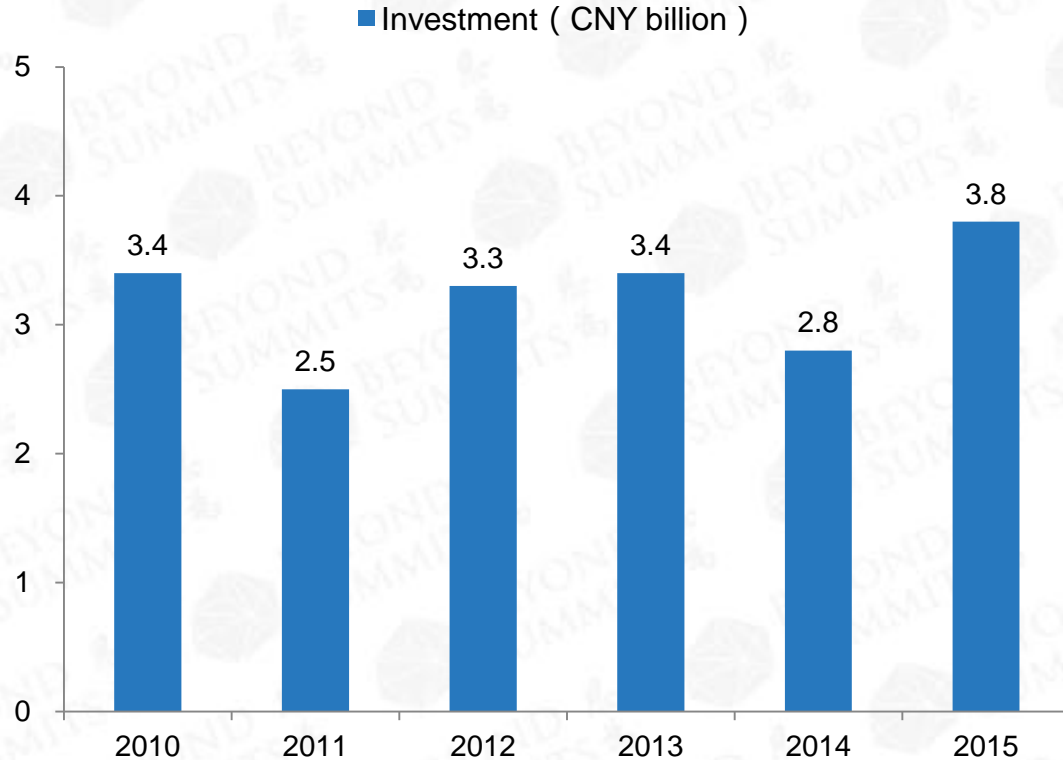
An increasing number of high-net-worth individuals, consumption upgrade, and higher standard of China's luxury industry had brought positive influence in China's luxury industry.



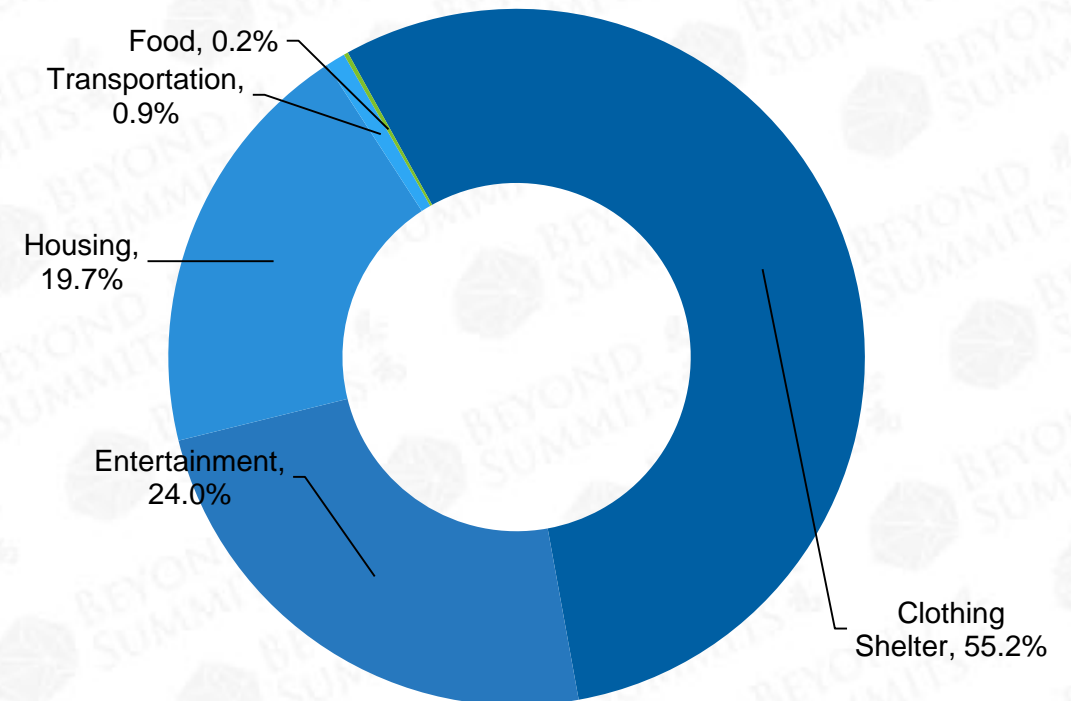
Source : Zero2IPO Research, *China Luxury Industry Report 2015*

According to Zero2IPO Research, the investment amount in China's luxury industry was in uptrend in 2015. Clothing shelter and entertainment accounted for the largest proportion with 55.2% and 24% respectively.

Investment Scale in China's Luxury Industry



Investment in Segmented Market of China's Luxury Industry (2015)

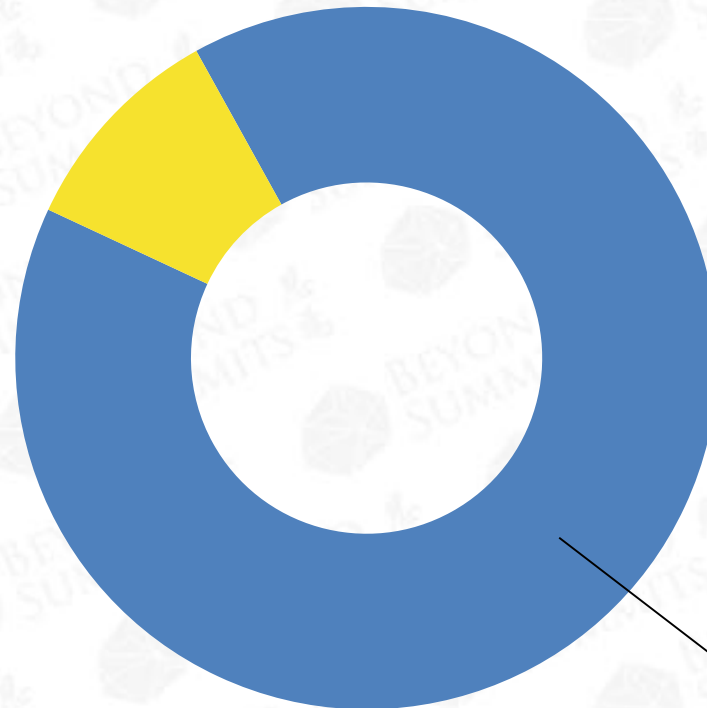


Source : Zero2IPO Research, *China Luxury Industry Report 2015*

10% of consumers who purchased luxury goods last year had no intention to buy luxury goods next year. Percentage of consumers who intend to spend over 50 thousand RMB on luxury goods didn't change much, and percentage of people spending below 50 thousand RMB increased.

Purchasing Intention of Chinese Consumers on Luxury Goods for the Next Year(2015)

Not Intending to Purchase, 10%



Intending to Purchase, 90%

Source : FT China, *Luxury Market Report 2015*



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