

RESEARCH

## Chinese consumers plan to spend the same or more next year: report

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*Louis Vuitton ad featuring actress Fan Bingbing*

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By SARAH JONES

Ninety percent of mainland Chinese consumers plan to maintain or grow their spending in 2015, according to a report by Ruder Finn and Ipsos.

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**Luxury Daily**

Despite lots of conversation of a slowdown in spending, the market has remained largely unchanged, according to the authors. This report concludes that Chinese shoppers will continue to be a large growth factor for markets outside of China, allowing them to retain their position as “the world’s number one luxury force.”

While Chinese consumers do carry out more and more of their luxury shopping outside of China, it is important to remember that China remains their first point of contact with international luxury brands," said Simon Tye, executive director of Ipsos. "The China Luxury Forecast found that only 10 percent of mainland China consumers are very satisfied with luxury retail services in the country.

"Luxury brands should be looking at addressing the top complaints about retail services, which revolve around limited product selection and unknowledgeable staff. The local talent pool in the luxury industry is one contributing factor, however brands are taking

more initiatives to train and motivate boutique staff.

"Regarding product selection complaints, this is a sign of the growing sophistication of the Chinese luxury consumer. Nowadays it is not about having the same product as everyone else, but rather having someone that is unique. This also drives them to buy overseas."

"Hong Kong luxury consumers continue to pursue innovative products and design," he said. "They seek new perspective from brands and are ready to embrace new offers that incorporate strong creative and empathetic services.

"There is continued strong demand for unique and customized products that retain the heritage of the brand."

The sixth China Luxury Forecast surveyed more than 1,900 consumers across mainland China and Hong Kong. Mainland consumers came from first, second and third tier cities. Average annual household income was about \$125,000 in the mainland, and HKD \$126,900 in Hong Kong.

#### Shopping outlook

Chinese consumers spend more on luxury travel than any other high-end items, and it is the only category where both mainland and Hong Kong residents anticipate increasing their spending. Mainland residents plan to spend 50 percent more on travel in the coming year, and 38 percent of Hong Kongers anticipate increasing their spending.

"These findings are about the consumers' confidence in the market and represent more a shift in the spending patterns of Chinese luxury consumers," said Anne Geronimi, vice president, lifestyle & luxury practice, [Ruder Finn Shanghai](#). "The tourism industry in China has witnessed stronger growth than the luxury industry in recent years, particularly when looking at outbound travel.

"It is estimated that they spent \$117.3 billion in 2013, or the equivalent to 40 percent of global luxury goods sales," she said. "This spending was up from \$55 billion in 2010, representing an incredibly fast growth. Overall, although there may have been a slight slowdown in the luxury market in China in 2015, its long term momentum is unchanged, and more growth should be expected in the coming years.

"Furthermore today, they are spending on themselves and gifting has decreased significantly. To reward oneself represents a different spending pattern than one of gifting.

"The shift is being noticed in that the consumers are looking more for experiences and unique products, thus travel gives them that opportunity. Travel has become a luxury in itself but more importantly it is an opportunity to sample various luxuries abroad."



### *Starwood Preferred Guest China app*

Since these consumers will likely be traveling more outside of the country, it is also expected to boost their purchases in other parts of the world. They often prefer to shop outside of China, because they feel the customer service is better.

Luxury retail services at home only satisfy 19 percent of mainland consumers and 10 percent of Hong Kongers. When shopping abroad, these consumers expect a high level of service and a wider merchandise offering than they would have in China.



*Gucci jewelry ad featuring Li Bing Bing*

Fifty-three percent of mainland Chinese consumers shopped at duty free stores in the past year. This opens up an opportunity for brands to distribute through these stores.

One of the prime locations for duty free stores is airports, which catch a captive audience as consumers are waiting for their flight.

French lifestyle brand Lalique opened a pop-up at Heathrow Airport for its Lalique's L'Amour fragrance hosted with the World Duty Free Group ([see story](#)).



*Lalique pop-up at Heathrow*

These shopping destinations are also expanding beyond airports to more traditional retail locations.

Hong Kong-based retailer DFS Group has plans to open a T Galleria boutique in a 13th-century Venetian building to mark its entrance into the European market ([see story](#)).

#### Ecommerce adoption

In addition to reaching Chinese consumers when they travel, brands would be smart to set up online shopping channels.

More than half of shoppers in both the mainland and Hong Kong said they have greater confidence in buying luxury good online, but they are still voicing concerns over service, trust and the credibility of the ecommerce sites.



### *Estee Lauder Chinese homepage*

Most of the respondents, 81 percent of Hong Kong residents and 78 percent of mainland Chinese said they prefer to visit a physical store before making an online purchase.

Hong Kong is seeing a rise in ecommerce trends due to low government restrictions and because the city's consumers are becoming more familiar with Western brands through travel, according to a report by Borderfree.

The Hong Konger is typically well educated and fluent in both Cantonese and English, and with Google and Facebook as the top search engine and social media platform within the region, luxury brands can easily enter the country through already familiar online tactics ([see story](#)).

Ecommerce trends call for Chinese-specific Web sites that take into account the country's Internet policies, making it easier for consumers to shop online directly with a store.

Many global brands have Web sites in China that take up to 20 seconds to load, a wait time that inevitably impacts consumer interaction, according to a report by Catchpoint Systems.

The "Great Firewall of China" harries Web sites based elsewhere and those that reference servers outside of the country. Oftentimes these references are minor and superfluous, such as an option for Facebook, a site banned in the country, and therefore serve no purpose on any Web site in China ([see story](#)).

A ContactLab report, which surveyed residents of both New York and Shanghai, found that residents of the Chinese city surveyed are also planning to outspend their New York counterparts for similar items by 66 percent when they buy their next luxury item ([see story](#)).

"E-commerce is both the next big opportunity and challenge for luxury brands," said Gao Ming, senior vice president and general manager of Ruder Finn Shanghai.

"To fully tap the potential of the luxury online market, brands need to consider two options: either creating their own platforms or riding on existing ones," he said. "The solution lies in striking the right balance between online product offering, customer experience, and customer service, both online and offline.

"Focusing on optimizing the online customer experience is more crucial to success than ever before."

Final Take

*Sarah Jones, editorial assistant on Luxury Daily, New York*

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