

RESEARCH

## Chinese millionaires spending 5pc less on gifting: report

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*Vogue China's November issue cover featured the Apple Watch*

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By SARAH JONES

While overall spending in China is back up to where it was in 2013, spending on gifts has decreased 30 percent over the past two years, according to a report by Hurun.

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Chinese consumers' preferences when gifting have shifted, and Apple has displaced traditional luxury brands such as Hermès and Louis Vuitton as the top choice of brand for presents. As the tech giant gains traction in China, what does it mean for hard luxury goods?

"As gift giving is in large part tied to business, the rise of Apple and relative decline of fashion brands demonstrates both the lifestyle import of Apple the brand and the challenges for luxury brands that traditionally benefited from the corporate market," said Brian Buchwald, CEO of [Bomoda Group](#), a China-focused business intelligence firm located in New York and Shanghai.

"Going forward, with the government crackdown and the increase in consumer sophistication, brands that have obvious intrinsic value to the beneficiary of the gift but not the hangover of the 'bling' or showy aspects will see appreciation in purchasing," he said.

Mr. Buchwald is not affiliated with Hurun Research Institute, but agreed to comment as an industry expert.

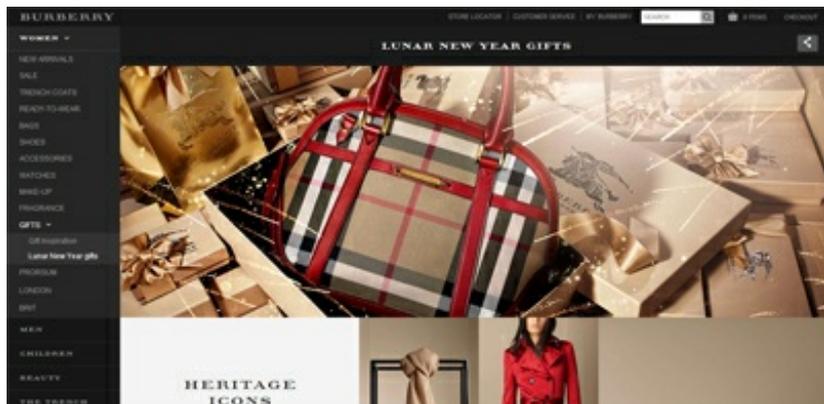
Hurun Research Institute, which did not respond by press deadline, researched its [Chinese Luxury Consumer Survey 2015](#) by surveying 376 Mainland Chinese millionaires, defined as having personal wealth of \$1.6 million. Twenty-seven were classified as “super-rich,” having wealth of at least \$16 million. Respondents came from 40 cities, including Beijing and Shanghai, and the average age was 38.

### Spending shift

The largest percent of both men and women surveyed said Apple was the best brand for gifting. Tech company Samsung also made the top 10 for both genders.

According to [Bloomberg](#), Apple saw a 70 percent revenue growth in China last quarter, and it could have another surge as consumers buy gifts for Lunar New Year Feb. 19.

Hermès, the number one brand for gifting among China’s elite, fell this year to seventh place. Burberry and Prada both dropped out of the top 10.



### *Burberry Lunar New Year gift guide 2014*

Red wine, last year’s top gifting category, dropped to third place, overtaken by watches and jewelry.

Seven out of 10 luxury goods bought by Chinese consumers are purchased overseas.

"The decrease in spending means more time spent building the emotional connection with the consumer rather than just the transactional value of a status symbol on your wrist or around your neck," Mr. Buchwald said. "It also opens up the opportunity for even greater focus on the female as she is becoming for many the safe harbor in the storm.

"Lastly, it underscores the value of the Chinese retail tourist – he or she has much more freedom in purchasing abroad without prying eyes but with the cheaper prices of the international rather than domestic market."

Chinese luxury consumers spend on average eight days a month traveling for business, with the super wealthy away from home for 11 days. They also take between eight and 12 days of holiday throughout the year, with the most popular travel time during Chinese New Year.

Their hotel of choice is The Peninsula followed by Mandarin Oriental.



### *Peninsula Paris exterior*

When traveling, Chinese luxury consumers are most likely to venture to Australia, with France in second place and the Maldives in third.

Twenty percent of this population plans to use a private jet within the next three years.

Golf, swimming and jogging are the most popular sports. Twenty-four percent of Chinese luxury consumers seek the advice of a health professional, while 19 percent work with a personal trainer.

When deciding what to do with their money, private equity is the fastest growing investment. For those defined as “super rich,” having wealth of \$16 million or more, equities are more appealing than real estate. Chinese millionaires with about \$1.6 million are more likely to prefer real estate.

### Changing tactics

If marketers have learned anything from the development of emerging markets, compared to that of the United States, it is that understanding consumers’ psyches and how luxury goods are approached is essential to success, according to a survey from Agility Research & Strategy.

Whereas consumers in the U.S. view luxury as an overall lifestyle their Chinese counterparts use high-end goods as a marker of status. Now that luxury consumption is slowing and the amount of attention placed on China is waning, the U.S. is returning to post-recession trends of luxury purchases ([see story](#)).

Marketing strategies will therefore require precision, based on cultural understanding and psychographics.

Luxury brands managed to reap huge profits with crude strategies in China a few years ago, but now only smart marketers versed in cultural norms will survive, according to a China Luxury Advisor partner at Luxury Interactive 2014 in October.

As brands initially set up operations in China, they struggled with awkward localization efforts, overexpansion, sluggish online activities, poor choice of local partners, miscommunications and more. Such mishaps today are becoming unacceptable and

brands that want to succeed in China must adhere to several guiding principles ([see story](#)).

It will take a finessed approach to reach consumers, especially with the growing competition from unconventional players.

"Brands need to demonstrate the emotional, intrinsic value of their product or they need to sell to the less educated buyer who is still purchasing solely for status," Mr. Buchwald said. "But overall, we think there is a three-step journey in succeeding with the Chinese luxury consumer.

"First, build cachet in the brand's home market," he said. "Make it an exciting or valued purchase for the Chinese expat or student who will amplify the message back to China. "Second, deliver a compelling experience to the retail tourist who is frequently more knowledgeable and wealthier than the domestic buyer and will become the "brand ambassador" upon returning.

"Finally, once you've established credibility in the U.S., Europe, Japan, etc. with the Chinese expat and tourist, turn on the marketing and retail engine in China itself."

Final Take

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

Embedded Video: <https://www.youtube.com/embed/C2A9MOpJSwU>

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1. [promote penis](#) says:

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This is my first time go to see at here and i am genuinely pleassant to read everthing at single place.

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