

RESEARCH

## 54pc of Chinese tourist purchases are fashion-related: report

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*Longchamp Year of the Horse bag for Bloomingdale's*

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By JOE MCCARTHY

Luxury brands stand to benefit enormously from affluent Chinese tourists if they effectively position themselves, according to a new study by Hurun Report.

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**Luxury Daily**

Chinese travelers go to the United States to visit friends and family, to Japan for shopping and culinary experiences, France for shopping and business and Australia for leisure. Since the imperative of personal relationships guarantees the U.S. abundant tourists, brands in key cities must improve the experiences they provide.

"NYC is the most exciting city in the world," said Bill Liu, North American executive director of the Hurun Report, New York. "Statue of Liberty, United Nations, Central Park, Fifth Ave...The list going on and on.

"In addition, there are a large Chinese population in the greater NYC area, not to mention that many Chinese students are studying in NYC," he said. "This unique combination makes NYC the destination for Chinese tourists.

"Since Chinese like to shop, especially name brand products, NYC has a lot to offer, such as Tiffany, outlet malls, etc."

The **Hurun Report** surveyed 271 ultra-affluent Chinese consumers and 72 luxury hoteliers for its annual "The Chinese Luxury Traveler 2015," and also drew on proprietary data from its magazine, Web site and mobile application.

More than one size

The Chinese consumer has enchanted luxury brands for at least a decade. Oftentimes, consumers are cast in a singular mold—the elusive and coveted Chinese consumer—as if a group of hundreds of millions of people somehow expressed the same yearnings, and if only a handful of prescriptions were followed then unlimited sales would flood forth.

This reductive tendency among brands can lead to crude cultural translations when establishing a presence in China. However, general practices work better on tourists, since, tourists are, by nature, in foreign places and are more tolerant of approximations.

Lately, there has been widespread recognition that wealthy Chinese consumers spend a lot of money on luxury goods when traveling.



*Chinese tourists visiting Louis Vuitton*

Some reasons for this may include the prestige afforded by purchases in luxury capitals such as Paris, doubts about product integrity in China and crackdown on luxury goods for bribes at home. Higher prices in China are not really that relevant here because luxury brands tend to slash prices in China to stay afloat.

Understanding the patterns and preferences of Chinese tourists can help brands capture sales and also better cater to nuances.

Outbound trips from luxury Chinese consumers increased 17.8 percent in 2014 to 116 million. The average elite consumer traveled four times for a total of 33 days.

Accompanying the rise of travel is the rise of travel agencies who are leveraging their customer service and itineraries to shape widely purchased trips.



*Peninsula Hotels "Peninsula Academy" promotion*

Travel guides are also the number one source of travel information, besting even the advice of friends.

Luxury brands can insert themselves in this mix by partnering with travel agencies, guaranteeing a flow of tourists.

Hotel brands in particular should be partnering with agencies, since 60 percent of hotel reservations were made from travel agencies, compared to 8 percent on official hotel Web sites.

However, 67 percent of consumers prefer to travel independently, not in a group.

Australia remains the top destination for this cohort, likely because of proximity, followed by France, the Maldives, Dubai, United Arab Emirates, Switzerland, Italy, the U.S., Britain, Japan and New Zealand.

However, respondents have traveled to the U.S. the most often throughout their lives largely due to family and friends.

The absence of shopping, culinary and experiential motivations for traveling to the U.S. means that there is tremendous potential for brands to assert their value.



*Belstaff London store*

For Chinese travelers the summer holiday, October holiday and spring festival are the top travel periods, and 93 percent of travelers are with friends or family.

Peninsula Hotels, Mandarin Oriental and The Ritz-Carlton have the highest reputations among tourists, attesting to strong marketing efforts in China.

While Chinese outbound travel is high, the Hurun Report anticipates a surge in the coming years concentrated in experiential travel, with Europe and the U.S. benefitting the most.

The Hurun Report encourages retailers and hotels to emphasize "special access" opportunities, authentic culinary experiences, the expertise of staff and provide the basics of a good experience such as free Wifi and language materials.

Part of these experiences will involve shopping for luxury goods.

Fifty-two percent of travelers spend the most amount of money on shopping, compared with 18 percent on sightseeing and 14 percent on dining, the two most popular activities.

Social media is playing a reinforcing role in this pursuit of experiences, as consumers look to flaunt their escapades to friends.

Seventy-three percent of travelers use social media to share photos of their trips and 42 percent consult social media when planning trips.

Creating travel-related contests or simply the conditions for social media interaction will help brands steer some of this traffic into their stores.

## Full circle

The likelihood of capturing tourist dollars diminishes when brands are either absent from or botch marketing efforts in China.

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.

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](#)).

LVMH is ahead of the curve when it comes to capturing the Chinese consumer.

The conglomerate recently renewed its training program for Chinese-Americans after seeing results in the inaugural class.

LVMH Fundamentals in Retail is a partnership with the Chinese-American Planning Council and Parsons The New School for Design, in which those enrolled undergo training to help them achieve job placement in luxury retail, with the goal of increasing their earning potential. During the first round, more than 90 percent completed the course and about 70 percent immediately found employment, with an average increase in wages of three times ([see story](#)).

"I would not say [that brands are] 'failing to meet expectations,'" Mr. Liu said.

"However, Chinese consumers still consider European luxury goods the best (except Apple)," he said. "NYC should use its star power to emphasize it's the shopping mecca of the world, such as Fifth Ave, Tiffany, etc.

"NYC might not be the home of Louis Vuitton and Gucci, but NYC is the best place to buy Louis Vuitton, Gucci and much more."

## Final Take

*Joe McCarthy, staff reporter on Luxury Daily, New York*

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