

RESEARCH

56pc of Chinese consumers expect products unavailable in China while abroad: survey

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Chinese affluence

By JEN KING

While the lower price of luxury goods is certainly a driver for Chinese consumption abroad, brands must understand and anticipate the motivations that lie underneath the surface of purchasing.

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Albatross Global Solutions' "Chinese Travelers and the Luxury Shopping Experience" survey aims to move away from what the industry already knows – the spending power and growing importance of Chinese consumers abroad – to focus on shoppers' desires, behavior and expectations. While Chinese consumers make up one-third of global luxury purchases and purchase two-thirds of items outside of China, what truly drives the changing preferences of this demographic?

"Importantly, Chinese luxury consumers seek more than just a transactional encounter at the point of sale while traveling," said Javier Calvar, COO at Albatross Global Solutions, Shanghai. "They want an in-store experience that is positive, relevant and memorable.

"Luxury brands must make their in-store experience relevant to the Chinese consumer

(i.e., understand their cultural codes). This would induce link-selling and up-selling,” he said. “A distinctive, positive shopping experience will also drive advocacy back home, leading to further sales at home and abroad.”

Albatross Global Solutions offers actionable consumer experience and market strategy insights to more than 230 luxury and premium brands. For the Chinese Travelers and the Luxury Shopping Experience, Albatross surveyed 180 affluent Chinese travelers, asking questions about their habits and preferences while shopping abroad.

Jetset sentiment

There is already a wealth of knowledge regarding why Chinese consumers prefer to shop outside of China, but limited data provides insights into the personal motivators, aside from lower cost and tax, driving these purchases. Albatross’ survey set out to understand how Chinese consumers plan their shopping experiences while abroad and how this dictates behavior and what travelers expect from brands of interest.

For example, do Chinese consumers compose lists before hitting the high streets of their destination? And above all, what exactly are consumers seeking from these shopping experiences?

Based on survey respondents, Albatross discovered that there are four categories that serve as the main drivers for Chinese consumption of luxury goods while shopping abroad. With these in mind, luxury brands outside of China can better serve these consumers by meeting expectations through service rather than focusing on pricing.

One key finding is the importance of brand advocacy as driver while planning purchases. While digital media, such as brand Web sites and social networks, are ideal for researching products, Chinese consumers do not use these platforms for planning.

Survey respondents expressed that although online research is important, with 58 percent using the Internet as a resource, 60 percent of participants based their plans off previous purchase experiences with a brand. Seventy percent of respondents also noted the value of friend and family recommendations.



Chinese consumers outside a Louis Vuitton boutique

While the experience does not need to be first, the importance of familiarity while shopping abroad is important for Chinese travelers.

But, with familiarity being highly valuable, Chinese travelers are also seeking brands and products available in China. With this in mind, respondents expressed an interest in using travel as a way to experience brands and products that are otherwise unavailable to them.

Fifty percent of those surveyed said that the better selection drives their choice for wanting to travel. Importantly, more than half said that they expect a luxury brand abroad to have inventory that is not found in China and nearly all respondents said they were interested in buying new brands not sold in China at all, regardless of the retail push put forth by many to have a presence in the country.

Expectations aside, it is the impulsive, spur of the moment unplanned purchases driven by experiences at the destination that many Chinese consumers seek while abroad. This is expressed by 70 percent of survey respondents sharing that on trips they have bought more products than intended, and 72 percent say they spend more than intended.

“There are a few things to bear in mind when talking about gauging experiences with luxury brands,” Mr. Calvar said.

“The first is that consumers interact with brands through different touchpoints: the store or boutique, of course, but also different types of digital media, traditional media and, importantly, references from peers,” he said. “All of these touchpoints must be fully aligned with the intended positioning of the brand.

Chinese Travellers and The Luxury Shopping Experience

Chinese consumers still dominate the luxury market, but they do more and more of their buying outside of China. In order for luxury brands to continue to grow, they must stand out in the eyes of these globetrotting shoppers. How? We asked 180 affluent Chinese consumers what influences their brand choices when shopping abroad.

Step 1: Get on their shopping list by reaching them through the most influential channels within China.

Q: How do you select the brands to buy on your trip?



Step 2: Win them over at the destination with unique selection and personalized experiences.

Q: What do you want most from a luxury shopping experience abroad?



All data taken from Albatross Global Solutions's Chinese Travellers & Luxury Survey, conducted May - June 2015. For more information, please contact Javier Calvar at jcalvar@albatrossasia.com. Copyright © 2015 Albatross Global Solutions. All rights reserved.



Infographic provided by Albatross Global Solutions

"The second is that experiences with the brand must be consistent over time and spatially; that is, a consumer visiting the same boutique at different times or different boutiques of the same brand must have the same branded experience all the time.

"Last but certainly not least, the experience consumers have with a luxury brand must induce not only purchase but also positive advocacy."

Selection is a major driver, but 91 percent cite price as a primary factor in the purchasing decision. In addition to selection and pricing, respondents also felt that an interesting store environment and the recommendation of a sales associate also resulted in an unplanned purchase.

While these factors can result in a purchase not originally on the consumer's list, they can

also derail a plan. Seventy-seven percent of respondents said that high price was the most common reason for not purchasing an intended product, but poor in-store experiences can have a major impact on the consumer.

As with customer service in its many contexts, if a consumer is not satisfied with the level of service, they may become deterred from making a purchase or returning in the future. Forty-four percent of respondents shared that they did not make an intended purchase due to an unhelpful sales associate and 31 percent said a purchase was not made if the store environment was unappealing.



Christian Dior sales associate

For luxury brands, it is important to keep in mind that the Chinese consumer is not “purely an economic creature” and while price point is the primary reason for shopping abroad among affluent Chinese, they are still looking for the same thing as all travelers: new experiences, new products and great service.

What the future holds

China’s economic future holds uncertainties for luxury brands.

In August, China’s devaluation of its renminbi was intended to boost the country’s slouching trade, but the impact of the altered exchange rate will likely extend to the luxury industry.

Following the announcement of the steepest decline in the yuan in the past decade, hard luxury goods companies and automakers such as BMW, Swatch Group and LVMH saw their shares take some of the hardest hits, declining as much as 5 percent. With the luxury industry looking to China for sales growth, the now more expensive merchandise may be cause for an altered outlook in the market ([see story](#)).

Earlier this summer, the Chinese stock market fluctuations that occurred may have a ripple effect on luxury brands that are currently facing challenges in the country.

After a government intervention meant to curb falling stock prices, the stock market

tumble was thought to be under control, but on July 27 the Shanghai Index dropped by 8.5 percent, its largest single-day fall since February. As for the larger economic picture, the stock market does not directly affect China's economy as a whole, meaning that a volatile stock market will most likely not directly impact the daily lives of affluent Chinese consumers ([see story](#)).

Mr. Calvar agrees, saying, "I do not think the issues observed in the stock market will affect Chinese luxury consumers in any significant manner.

"The proportion of consumers who depend on investments is much lower in China than in many other mature markets," he said. "This said, news on what has been going on does create a certain sense of uncertainty but this will be short-term."

Final Take

Jen King, lead reporter on Luxury Daily, New York

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