

COMMERCE

Chinese consumers will double overseas spending by 2020: China Luxury Advisors

September 17, 2015



Chinese affluence

By SARAH JONES

NEW YORK – Even in the midst of economic turbulence, Chinese shopping tourism is not going anywhere, according to an executive from China Luxury Advisors at the Luxury Retail Summit: Holiday Focus 2015 on Sept. 16.

Sign up now

Luxury Daily

Chinese consumers are responsible for 27 percent of luxury goods sales, 80 percent of which are made outside of the mainland. While there have been some economic shifts, this important consumer base is not anticipated to change their behavior drastically.

"What we're really seeing is that [the Chinese slowdown is] just really not changing the amount of travel, it's just changing the nature of it," said Avery Booker, partner at [China Luxury Advisors](#).

"We're seeing fewer long haul trips among the middle class, and more people going to places like Japan and Korea to do shopping," he said. "The purse shopper spending will remain strong even though average spend is going to decrease, and of course that's just a volume issue."

"The currency devaluation is not really having any impact that we see so far."

Luxury Retail Summit: Holiday Focus 2015 was organized by Luxury Daily.

On the move

Chinese outbound tourism is a fairly new concept, since it used to be expensive and difficult to obtain visas.

When outside of the country, Chinese consumers currently spend \$229 billion per year, a figure that it projected to double by 2020. Since 2012, when Chinese consumers surpassed Germans as the biggest spenders, they have kept the top spot.

An \$8,000 per capita GDP is identified as the tipping point at which outbound tourism booms, a figure that China has just reached.



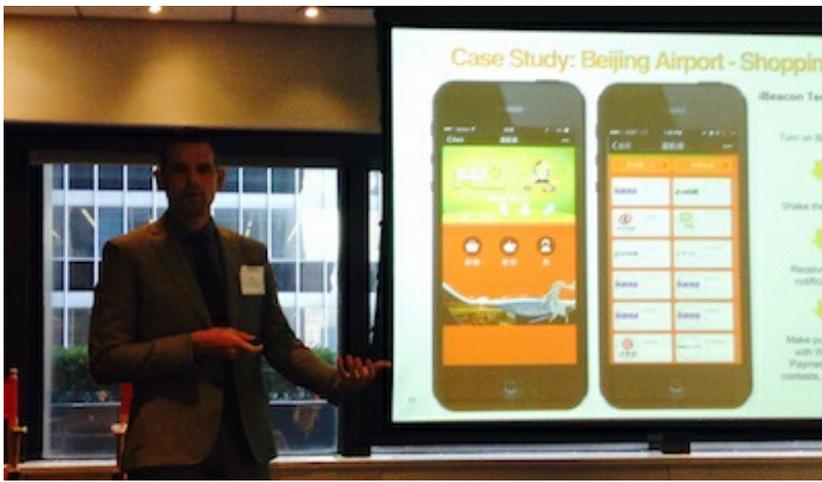
Promotional image for Peninsula hotel package

While Chinese tourists used to travel in groups, for instance government officials touring together, they are now much more apt to plan their own travel, partially attributed to anti-corruption. As more consumers are returning from vacations with stories, the desire to curate special experiences is growing.

China Luxury Advisors surveyed 1,000 Chinese consumers 18 years and older, representative of varying incomes. The most common destination is Hong Kong, due to the proximity and ability to travel without visas.

Younger consumers are more apt to want to visit the United States, while east Asia is growing in popularity in general.

The further the traveler journeys, the more they will spend while they are there, simply because of the length of the trip. The average spend per trip has dipped to about \$400 to \$800, but trips to the U.S. generate an average of \$2,500 in sales.



China Luxury Advisor's Avery Booker

Specific destinations are tied to different purchase intentions. Those going to South Korea are likely to be looking for beauty or apparel, while Japan and Hong Kong are key trips for high-end electronics.

Location can also indicate wealth. Affluent tend to prefer Japan and Thailand, while the middle class goes to Hong Kong or Taiwan. Everyone travels to South Korea.

Peak travel times include Chinese New Year, summer months and Golden Week in October.

Retailers should make their stores Chinese consumer-friendly. Mandarin speaking associates, Chinese dining options and accepting Alipay, Tencent or China Union Pay can make them feel at ease.

In 2014, LVMH Moët Hennessy Louis Vuitton looked to better serve its Mandarin-speaking consumers traveling abroad with a new training program for Chinese Americans.



Louis Vuitton store

The French conglomerate teamed up with Parsons the New School for Design and the Chinese-American Planning Council to design a program to teach recently immigrated Chinese Americans luxury retail skills, which includes an internship at a LVMH brand store. Through this program, LVMH will be able to connect with Chinese tourists in their native language and deliver enhanced customer service ([see story](#)).

Making a connection

Shopping tourism is growing, but to best reach these potential consumers, fashion brands and retailers should begin marketing to them before they leave their home country, according to a report from Fashionbi.

Just as travelers heavily research hotels, restaurants, sites and entertainment before embarking on a trip, they are also using online media to plan their shopping excursions. Brands should ensure they are catering to their potential international clientele with Web sites in their native languages and social accounts on the platforms popular in different markets ([see story](#)).

The key ways to market and sell to Chinese luxury buyers have changed. Over-the-top displays are not as important as individual perks and customer loyalty.

Luxury outlet chain Value Retail is launching a partnership with China Eastern, one of the largest airlines in Mainland China, giving its fliers privileges in return for promotion of its shopping centers.

Through this collaboration, China Eastern's frequent fliers will get three miles for every British pound or euro spent across the collection's 10 global villages. This collaboration could help convince Chinese consumers on a shopping tourism trip to visit Value Retail as they look for luxury goods at lower prices ([see story](#)).



Screenshot of Mulberry WeChat campaign

Weibo remains popular, but has been outpaced by WeChat. This platform enables for CRM, in-app payments, deposits and putting items on hold.

Acting as a loyalty channel, WeChat can also help retailers push special offers. For luxury brands, these may be an hour with a stylist or other services rather than discounts.

U.S. apparel label Michael Kors is making shopping more personalized for its consumers in Asia with a new CRM experience housed on social media application WeChat.

Designed to merge the online and offline, the tool offers digital customer service touchpoints to be used both at home and in-store and offers benefits to members to spur bricks-and-mortar visits. Not only will this platform assist Michael Kors in delivering a customized experience to its consumers, but it will also enable the brand to learn more

about its most engaged clients ([see story](#)).

Online influencers are effective, but they need to be selected carefully.

For instance, both Louis Vuitton and Valentino have worked with Shanghai-based Gogoboi on fashion campaigns. Louis Vuitton had the blogger take over its Weibo account for fashion week, but most of the comments generated were negative, since it didn't seem like a good fit.

Meanwhile, content Louis Vuitton had released featuring creative director Nicolas Gogoboi has more traction with jewelry, with more comments and likes being generated by posts surrounding jewelry than fashion.

If you're going to work with an influential Chinese figure, whether that's a student, a traveler, a blogger, an artist, make sure they are the right fit for the brand, they reach the right audience and actually kind of ripple beyond their immediate group of real fans," Mr. Booker said. "You want to make sure they reach new audiences and take your brand with them."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.