

COLUMNS

What could 2016 hold for China's luxury and travel markets?

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Chinese shoppers: moving along?

By [the China Luxury Advisors team](#)

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China Luxury Advisors' take on the evolution of Chinese luxury shopping next year and what it means for brands and retailers as consumers shift behavior.

EU to remain a strong draw, with Spain and Italy gaining on France

After a lackluster 2015 for many luxury brands particularly those overburdened by unprofitable China operations expect more pressure for improvement in mainland China performance in 2016, with further store closings and a rationalization of bloated operations.

A depreciating Renminbi might make this a bit more challenging, particularly for those brands who hastily increased prices in China in the summer of 2015.

A weak and potentially even weaker euro in 2016 will offset some of the pain for European luxury and will continue to favor tourism to Eurozone countries over more expensive dollar or pound-denominated long-haul destinations.

The spectacular growth in Chinese arrivals in 2015 will most likely slow, but we expect arrivals to remain strong.

Italy and Spain may stand to attract even more Chinese visitors as security concerns in France have dampened its attractiveness among Chinese tourists in recent months.

With boardroom pressures mounting, 2016 well may be the year in which European luxury begins to have no choice but to truly begin to target a global, traveling consumer in a strategic manner as outbound travel continues to boom.

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Celebrity-led marketing campaigns lose steam

For major luxury brands, many of which have spent years and millions in China relying on A-list celebrity "brand ambassadors" and a limited range of bloggers, 2015 marked a year in which the behavior of Chinese consumers was influenced by a far wider range of sources.

This means the old ways of luxury marketing in China big events and big stars, expensive blogger collaborations and expensive print ads is being supplanted by strategic partnerships with otherwise "normal," yet highly influential,

Chinese consumers.

Two contrasting examples of this change in action in 2015 are the wedding of two Chinese superstars and a small-scale breakfast in New York.

The wedding of Huang Xiaoming and Angelababy (Angela Yeung) one of the biggest entertainment events of the year in China saw foreign brand sponsors such as Chaumet drowned out by local brands, many of which are supported by the bride and groom's respective VC firms.

This event indicated that, while celebrity partnerships may have a time and place, stars in China may be less personally invested in a collaboration's success than in years past, particularly when they are busy hawking their own brands.

Meanwhile, this spring the New York-based Chinese student and handbag enthusiast Tao Liang ("Mr. Bags") hosted an intimate breakfast for his followers at one of the city's top luxury department stores, letting them see and buy brands they might not know otherwise.

This event drove strong positive coverage on attendees' Weibo and WeChat accounts, and helped the store build a real connection with Chinese shoppers who do not usually get this level of VIP service or experience overseas.

In 2016, it will be more important than ever to consider brand-appropriate partnerships with influential Chinese individuals such as tourists, hobbyists, overseas residents and students, and not just celebrities or fake-fan-buying Chinese bloggers to spread the word early, often and via the platforms your target market cares about.

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LGBT Chinese travelers become a global force

This year was a "leap" year for China's LGBT community.

This past February, tech giant Alibaba launched an online contest before Valentine's Day, encouraging Chinese gay and lesbian couples to share their love stories for a chance to win a free trip and wedding in Los Angeles.

In June, seven lucky couples tied the knot with their partners in a group wedding hosted by West Hollywood Mayor Lindsey Horvath.

Like Alibaba, many Chinese corporations are now paying attention to China's emerging LGBT consumers and their rising spending power.

In June, on the day the United States Supreme Court legalized same-sex marriage, several Chinese companies among them Baidu, Youku and Didi displayed their logos in rainbow colors to show solidarity with the community.

Meanwhile, the hashtag #LoveWins swept across the Chinese Internet like wildfire.

It is estimated that China's LGBT consumers possess \$300 billion in spending power. As in other markets, the travel and hospitality industry could be a major beneficiary.

As this demographic expands its horizons and opens its collective wallet worldwide in 2016, travel destinations and brands who wish to pursue this lucrative consumer group must formulate engagement strategies now before they arrive at your doorstep.

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Chinese tourists increasingly travel on their own

In 2015, we saw the beginning of the rise of individual Chinese tourists, who are shunning the large tour groups of yesteryear and seeking out more personalized, in-depth experiences that they can control.

We expect this trend to intensify in 2016, with outbound Chinese tourists increasingly booking travel packages through Chinese online travel agents (OTAs) and online travel platforms such as Ctrip, Qunar and newer entrant Alitrip.

A recent survey by the China Youth Travel Service (CYTS) stated that 70 percent of Chinese tourists chose to make their own travel plans, particularly those in the age range of 20 to 35 years old.

Respondents cited sightseeing, shopping, photography and dining as their top priorities and motivations for traveling overseas.

In the group travel sector, we expect Chinese tour operators to increasingly focus on niche products, allowing

consumers more flexibility to choose their activities, as well as more in-depth and themed tours.

We are also seeing a growing trend of small groups usually formed by friends traveling together who hire their own tour guides rather than large, one-size-fits-all tour groups.

As more Chinese individuals travel at home and abroad, we recommend that destinations, retailers and tourism boards increase their focus on developing new products that cater to the tastes of individual travelers. This will ensure unique experiences that are culturally relevant and resonate with a younger Chinese clientele, or multi-generational families.

Destinations should also step up their digital game, as individual travelers conduct almost all of their research and planning online in general, and via mobile in particular.

Word of mouth continues to be the most important source of travel inspiration, whether that comes from friends, social media, online influencers or fellow travelers.

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WeChat remains dominant and savvy companies get on board

Tencent launched WeChat just three-and-a-half years ago, and since then the chat application has grown exponentially, hitting 650 million active monthly users in mid-2015. Average daily usage statistics are off the charts.

Travelers and other overseas Chinese speakers have unanimously chosen WeChat as their "life operating system," using the platform to learn about brands, products and destinations, as well as to plan itineraries and even make travel bookings and other purchases.

Nearly all Chinese tourists visiting retail locations throughout America and Europe are actively engaged on WeChat during most of their shopping experience. Tragically, the only voice they are not hearing while browsing the aisles is that of the brands they are seeking to purchase.

Next year will see global brand managers realize that WeChat is not a primarily social media or marketing activity, but a customer relationship management platform.

WeChat should be a revenue driver, not a cost center such as Facebook or even Weibo typically are.

We are already seeing a smattering of creative and compelling WeChat engagement strategies geared to steer active international consumers while they shop in New York, Paris, Los Angeles and beyond.

Global brands will also begin to move management and execution of WeChat accounts back to their home bases, where they have the most resources and can engage Chinese users beyond China's borders which is where they do the majority of their spending and need the most guidance from the brands they covet.

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