

APPAREL AND ACCESSORIES

Affluent Chinese favor Gucci handbags, footwear over brand peers: report

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Gift Giving 2016: The Gucci Garden

By JEN KING

Handbags designed by Italy's Gucci edged out French atelier Chanel as a must-have among affluent Chinese women, according to a survey conducted by RBC Capital Markets.

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Kering-owned Gucci has seen a resurgence of interest among fashionable affluents in part because of the brand's aesthetic overhaul under the direction of Alessandro Michele. The revitalization of the brand's codes via Mr. Michele's use of motifs and its uptick in digital marketing has lead to Gucci being selected as the top brand choice for Chinese women in the market to buy high-end handbags or shoes in the next year.

"Gucci was the hottest brand in the sector in 2016 and our survey points to strong purchase intent for Gucci," said Brian Tunick, analyst at RBC Capital Markets. "That said, we believe that consensus expectations for Q4/2017 already reflect further Gucci outperformance at times when the shape/timing of Bottega Veneta's recovery remains uncertain for Kering.

"Improving purchase intent for handbags is encouraging for Burberry, which remains among the top 10 brands in fashion apparel too," he said.

"On- going preference shift towards less widely available brands logically plays into Herms' strengths. Louis Vuitton's purchase intent remains consistently high and bodes well for further retail LFL outperformance in 2017."

RBC Capital Markets surveyed 411 affluent Chinese women in November. The survey pool consisted of women between the ages of 25- and 65-years-old with an annual house hold income exceeding CNY 450,000, or \$65,000 at current exchange rates.

China's most wanted

Of RBC Capital Markets' 411 respondents, 70 percent plan to buy a pair of Gucci shoes within the year ahead.

Interest in Gucci's footwear is followed by Prada, Louis Vuitton, Prada-owned Miu Miu and Salvatore Ferragamo.

Chinese women also expressed an interest in Gucci's handbags, with 50 percent expressing the intention to make a

purchase next year. A popular category for France's Chanel as well, 49 percent of respondents plan to buy its handbags.



Gucci's Ace sneaker

In terms of desired handbags, Prada, Louis Vuitton and Herms were also among respondents' top five picks. Burberry, Chlo and Bottega Veneta saw improvement from RBC Capital Market's August survey, moving up to the tenth, eleventh and twelfth positions, respectively.

Seventy percent of respondents shared that they already own between two and five high-end designer handbags.

But, RBC Capital Markets found that affluent Chinese women are moving away from recognizable handbag designs, opting for "less widely available and more discreet brands."

When considering a handbag purchase, a multitude are factors are considered. Respondents' leading elements for consideration include beautiful design, a brand's reputation and its fashion appeal.

A reasonable price as well as the shopping experience are secondary. Per RBC Capital Markets findings, Chinese consumers are comfortable spending \$1,900 to \$2,850 on a high-end designer handbag.



Chanel pre-fall 2016

This "sweet spot" has risen from \$2,110 since RBC Capital Markets conducted its August survey. Accordingly, RBC notes that the increase in price comfort "bodes well for the likes of Herms and Chanel."

When considering ready-to-wear, Chanel leads the top five with 55 percent of respondents planning to purchase apparel designed by the brand. The top five, ranked in order, included Gucci, Prada, Louis Vuitton and Giorgio Armani.

Dior, Burberry and Fendi saw their positionings rise among affluent Chinese women. Younger respondents, under the age of 34, showed an interest in Mulberry, Miu Miu, Alexander McQueen, Alexander Wang and Givenchy.

Overall, RBC Capital Markets found that Gucci, Louis Vuitton and Prada lead in brand perception. Respondents likened brand sentiment to phrases such as "iconic/exclusive," "my dream purchase" and "design suits my taste." Despite being the top three, Gucci's score was slightly higher than Louis Vuitton or Prada.

Bag it

Based on its survey findings, RBC Capital Markets suggests that handbags comprise 20 percent of the personal luxury goods market.

As the primary pillar of many luxury houses, the leather goods market is expected to reach \$258.4 billion by decade's end. According to Technavio's "Global Leather Goods Market 2016-2020" report, the demand for luxury goods is interconnected with the sale of leather products such as footwear and accessories ([see story](#)).

In the United States, millennials' desire for uniqueness has found an answer in handbags.

Female consumers in the United States spent approximately \$11.5 billion on handbags in 2015, according to a new report by The NPD Group and Stylitics.

The product category itself grew 5 percent in 2015 compared to the year prior, driven mainly by the discretionary spending power of the baby boomer generation. Handbag purchases made by millennials, ages 18- to 34-years old, however, only increased by 2 percent due to the shopping behavior the demographic exhibits, favoring a more considered buy rather than impulse or purchasing based on brand stature ([see story](#)).

"Handbags account for about 20 percent of global personal luxury goods sales and about 60 percent of accessories while the Chinese cluster accounts for 30 percent of global luxury sales," RBC Capital Markets' Mr. Tunick said "Handbags are the most important category for Louis Vuitton, Gucci, Herms, Coach and Prada and a key top line driver for the likes of Burberry and Ferragamo.

"Beautiful designs, brand fame/history/reputation and fashion appeal are by far the most important reasons for a specific brand choice," he said. "Relative to our previous [August 2016] survey, we saw an increasing response rate for shopping experience' and reasonable price' as secondary reasons for selecting a specific brand."

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