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Almost half of all Chinese luxury buyers are under 30: report

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Chinese-Australian influencer Femanda Ly for Tiffany's #LoveNotLike

By DANNY PARISI

Young Chinese consumers are set to be one of the most-dominant forces in the global luxury market by the end of 2025.

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According to a report penned by two Chinese companies, Secoo and Tencent, and market researcher Deloitte, millennials and Generation Z will make up 50 percent of the world's luxury-purchasing force by 2025. In China, this will be driven by young Chinese consumers' love of shopping online, something that western brands will have to embrace to target this demographic.

"One major suggestion for western brands is to embrace online shopping," said Eric Chan, CEO of **Secoo Luxe**, Beijing. "This doesn't mean that the western brands should quickly start to sell their products on line, but means that they should know the language the young generation is talking."

Data for the "Chinese Luxury Ecommerce Whitebook" was collected between Oct. 1, 2016 and Sept. 30, 2017 and features a combination of Chinese luxury retailer Secoo's real shopping data, mapped against Tencent's digital and social media data from consumers, including videos they have been watching. Tencent is the parent company of China's popular social messaging application WeChat.

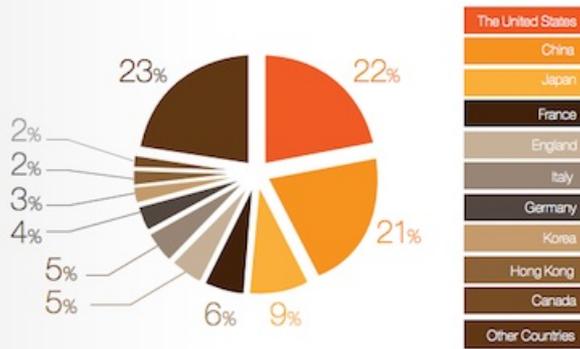
Growing force

China has been a major player in the luxury market for some time, but the true source of the country's potential lies in the future with its younger consumers.

Currently, 48 percent of China's luxury buyers are under 30 years old. These young consumers are fully embedded in the digital space and do a large majority of their shopping online.

This presents an opportunity for western brands to reach young Chinese customers without having to open operations in China, as long as they prioritize international shipping and localizing ecommerce content.

* Figure 2 Percentage Countries Taking up in Worldwide Luxury Market (2016)



Source: Euromonitor International

China is right behind the U.S. Image credit: Deloitte

Secoo and Tencent's report attributes China's rising luxury-consuming class to a few reasons.

"The first reason may be from the Chinese government introducing policies to stimulate demand for domestic luxury consumption by reducing import duties on categories, such as cosmetics, luggage and apparel," Secoo Luxe's Mr. Chan said. "The second reason is that young consumers, even though their total amount of wealth is much smaller than their parents', have more disposable income and are more willing to spend money.

"The third reason is because the young consumers understands the true meaning of luxury," he said. "Their purchasing of one luxury product is no longer to show off, but to treat themselves."

The U.S. is currently the largest luxury market in the world, with 22 percent of sales going there, but China is close behind with 21 percent.

Young Chinese consumers are driving this growth with their appetite for online shopping and China's government policies incentivizing luxury consumption around the world.

Because of this, young consumers in China are developing a new way of looking at luxury that hinges on its ability to act as a form of individual expression.

"Compared with their parents, this generation is more self-centered and perceives luxury horizontally rather than looking up to them," Mr. Chan said. "They care about how luxury can better serve them lead a wonderful life."

China's rise

Many luxury brands have already embraced the growing young Chinese consumer segment.

U.S. jeweler Tiffany & Co.'s worldwide net sales increased 3 percent to \$976 million thanks to sales growth in most regions during the third quarter of 2017.

Asia-Pacific sales growth was due to increased wholesale and retail sales and strong growth in Mainland China. Most other regional countries saw a decline because of lower Chinese tourist spending ([see story](#)).

Likely due to Chinese consumers' eagerness to adapt to digital, new data from the Global Ecommerce Leaders Forum shows that leading retailers are focusing on China as they modify their online strategies.

• Figure 11 Percentage (Prediction) of Different Sales Channels in China Luxury Consumption (2011-2021)



Online sales are growing in China. Image credit: Deloitte

While online retail platforms such as Tmall are highly influential on the Chinese shopper, brands are seeking more value and deeper relationships. Brands from the United States are using these platforms to gain a better stronghold on China ([see story](#)).

"Luxury brands will need to focus their attention on how to successfully cultivate customer loyalty rather than on increasing sales volumes through a single channel," Secoo Luxe's Mr. Chan said. "This means giving consumers the convenience of omni-channel services often in partnership with third-parties.

"In addition, brands need to develop a long-term connection with customers beyond attractive products and provide them with exclusive experiences and unparalleled client services," he said.

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