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China will account for 45pc of global luxury sales by 2025

January 17, 2018

Any retailer with the capacity should be expanding into China. Image courtesy of Alibaba

By DANNY PARISI

NEW YORK In just the past few years, China has evolved from being the "factory of the world" to the consumer of the world, according to an executive from Chinese ecommerce giant Alibaba.

Speaking at the National Retail Federation's Big Show on Jan. 16, Alibaba's North American vice president Lee McCabe laid out some of the impressive data on China's massive growth as a global importer, and not just exporter, of goods. The thesis of his talk was that, for any retailer, and especially luxury retailers, there is no reason not to sell in China on a large scale.

"China used to be all about exports, now that's changed too," Mr. McCabe said. "The middle class is hungry for things more than ever.

"They want access to the hottest brands," he said. "China is also a big import market and not just an export market."

Factory to consumer

For many years, China's main role in the retail world was to manufacture the goods that would be exported elsewhere. It used to be that nearly every product had "Made in China" on the tag.

That is not the case anymore. In fact, now China is more likely to be the consumer and importer of goods than the exporter.

China has begun to dominate the retail world, particularly in terms of online shopping, where it dwarfs every other country in volume of online shoppers.

Armani has had great success in China. Image credit: Giorgio Armani

Mr. McCabe attributes China's love of ecommerce to the fact that physical retail penetration was quite low for many years. China has only a fraction of the number of shopping malls as the United States, meaning that most consumers get their shopping done through digital means.

"If you look at growth, in 2010 China and the U.S. were neck and neck about 140 million online shoppers," Mr. McCabe said. "Now, China has 891 million and the U.S. has 270 million.

"That's more than three times the size of the U.S.," he said. "If you only take one thing away from today, it's that there's no reason not to sell into China today at volume because the audience is absolutely huge."

This has also positioned China to dominate the retail world in mobile payment. China's unique retail landscape has led it to 11 times more mobile payment transactions than its nearest competitor.

Luxury brands should also take note of China's success, given that by 2025, China is expected to represent 45 percent of all global luxury sales.

Chinese growth

Mr. McCabe sought to disprove the notion that western brands are not popular in China, citing the large number of luxury brands from the west that enjoy healthy sales and popularity in China.

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

Ended Oct. 31, Tiffany's third-quarter sales increase was attributed to its fashion jewelry and high, fine and solitaire jewelry categories, during a time when the brand is working to further diversify its product offering. Tiffany sales rose by 15 percent in Asia-Pacific, driven primarily by China (see story).

Tiffany's growth is spurred by China. Image credit: Tiffany & Co.

Similarly, L'Oreal-owned Giorgio Armani Beauty launched on Chinese shopping platform Tmall as part of its efforts to capture China's fast growing appetite for high-end cosmetics.

In the weeks leading up the Jan. 16 launch, Armani Beauty held a series of pre-sale events on Tmall, Alibaba's B2C shopping platform. Similar to fashion, the cosmetics and skincare sector has steered away from online selling in China due to counterfeit concerns, but recently, brands have begun warming to the idea as Chinese sellers establish a sense of trust (see story).

"If you think about global online shopping, 26 percent of online shoppers are in China," Mr. McCabe said. "Fifty-seven percent of all online sales will happen in China."