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The China Report: Innovation in Luxury

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Chinese supermodel Liu Wen at Chanel's recent pop-up store. Chanel is one of the most well-regarded luxury brands in China. Image credit: Liuwen/instagram

By STAFF REPORTS

The China Report: Innovation in Luxury

This special report, in collaboration with Jing Daily, is a gift from Luxury Daily to its loyal paid subscribers for their continuing support. Thank you very much. We try hard to cover the luxury business without fear or favor, impartially, analytically and in a timely manner, only keeping in mind the needs of you, our subscriber. Please spread the word and invite more colleagues and contacts to subscribe. Help us continue our mission to inform, educate and stimulate action. Thank you again for your support. Ed.

China is the beating heart of the global luxury market. Most luxury marketers have their eyes and ears tuned to the likes and evolving tastes of Chinese customers buying luxury goods and services domestically and overseas.

This special report on innovation in Chinese luxury and the state of the business in that market will help readers grasp the growth potential and challenges of marketing and retailing luxury products and services to affluent Chinese consumers and travelers.

Guided by *Luxury Daily*, this 45-page, 11,725-word treatise on Chinese luxury is the hard work of the smart editors and reporters of *Jing Daily* and *Jing Travel,* both must-read publications on China and our partners in this endeavor. Many thanks to *Jing Daily* and *Jing Travel* owner/publisher Larry Warsh, strategy chief Zara Hoffman, editorial director Sam Gaskin and reporters Huixin Deng, Yiling Pan, Tamsin Smith and Rachel Zheng.

Please read this report from start to finish to get an idea of how luxury marketers are innovating and can innovate to gain a larger and enduring market share of the fastest-growing luxury customer base worldwide.

Mickey Alam Khan, editor in chief, *Luxury Daily*

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How are digital marketers innovating digitally in China?

By Huixin Deng

China has one of the world's largest and most dynamic digital markets, and the fashion industry in China has been resuscitating since 2013.

"The strength of personal luxury goods consumption in China is empowering a global recovery of the luxury market in 2017," according to a report released by Bain & Company in collaboration with Altagamma Foundation.

What luxury brands need to do to thrive in the booming Chinese market has increasingly become digital marketers' primary concern. Are there any innovative fashion marketing strategies targeting the Chinese market?

Here are a few good innovation examples *Jing Daily* thinks are worth learning from. They excel either on the business side or on the technology side.

Case #1: Innovative starting point: Mobile technology

Shangpin () is China's first online retailer of authorized designer and contemporary fashion. It launched its full-price retail Web site in 2012 that offered Chinese consumers nearly 80 brands at the time, such as Lanvin, Diesel, MCM and Juicy Couture.

Shangpin's growth was rapid. It started with only three employees in 2010, and in seven years has become China's leading online fashion retailer with exclusive authorization from Topshop and Topman.

Jing Daily's takeaway:

- Start early, stay focused

David Zhao, CEO of Shangpin, had a clear vision for his company at its early stage: to invest in mobile technology. Shangpin is focused exclusively on fashion and luxury, targeting the tech-savvy millennial customers. The Chinese fashion market back then was primarily low-end, but Mr. Zhao was able to fill in the gap and take the opportunity to invest in the high-end fashion space. The Shaingpin application was one of the earliest apps in China that integrates retail shopping and online payment.

- Form exclusive partnerships with brands

Although Shangpin may help Topshop open a bricks-and-mortar store sometime this year, Shangpin's partnership with Topshop is solely online now.

- Clever use of social media

Shangpin's Weibo account not only features style guides, but also highlights "food porn" posts with a lifestyle flavor, which helps itself standout from its peers. The concept of food as a means to arouse the senses has grown increasingly prevalent in the fashion industry, in tandem with millennials' addiction to photographing food and sharing foodsgram on mobile devices.

Case #2: Innovative business model: Loyalty program

Vipshop () operates the ecommerce site at www.vip.com specialized in online discount sales. VIP.com is the largest flash sale platform in the world as well as the third-largest online retailer in China. Recently, the company shifted its focus from a discount site into an online platform with premium fashion brands, like that of Walmart's acquisition of Lord & Taylor. In fall 2017, Vipshop helped Marc Jacob create its first online flagship store in China.

Jing Daily's takeaway:

- Offer discounts frequently

Similar to Rue La La, Vipshop offers significant discounts upfront. However, the site also offers anniversary sale every December, during which the discounts can drop to as low as 90 percent off. This is rare even in the entire ecommerce industry.

- High returning buyer rates

Vipshop is the first e-tail platform in China focused on providing its customers a "VIP experience." The company generates profits from its returning customers, with a concentration on baby, feminine and family care products. "Even though the company has limited product offerings compared to Tmall and JD, its goal is to maintain a core of loyal customers," *Jing Daily* previously reports. "As long as you join our membership, you become a very-important-person in our team," Vipshop's Web site claims.

Case #3: Innovative investment: Tech research & Artificial intelligence

Alibaba is a Chinese ecommerce platform that provides consumer-to-consumer, business-to-consumer, and business-to-business sales services. In recent years, the company has invested in its fashion tech sector and created FashionAI to serve its customers.

Jing Daily's takeaway:

- Investment in tech research

In October, Alibaba announced that it would pledge more than $15 billion on tech research in the next three years, *South China Morning Post* reports. "Through the Alibaba Damo Academy, its first global initiative in technology collaboration, the company aims to bankroll some of the most frontier research, ranging from data intelligence, Internet of things and fintech to quantum computing and human-machine interaction."

- Artificial intelligence & deep-learning algorithm

In the meantime, Alibaba has created its own FashionAI, which uses a deep-learning algorithm based on learning data representations to assist the retailers and their customers during the shopping process. Fashion AI is able to recognize and compare fashion styles and designers' tastes through an algorithm. The technology is also customized for every store, generating outfit matches from its inventory.

FashionAI made its debut on Saturday during Singles' Day Sale, a Chinese shopping festival started by Alibaba in 2009 and held on November 11 each year. Alibaba hopes the technology it rolled out could help boost its future reinvent retail using artificial intelligence.

Currently, Fashion AI is only available in bricks-and-mortar stores. However, it has already become a milestone for Alibaba's innovation push in the fashion industry.

How are luxury marketers innovating to target outbound Chinese consumers and travelers?

By Sam Gaskin

Luxury marketers are going to a greater extent to cater to Chinese consumers. Mandarin-speaking staff, WeChat accounts with product and store information, and the ability to receive payments on Alipay and WeChat are just the beginning.

Provide fodder for their social media

Chinese consumers abroad are looking for unique experiences that will impress their friends on WeChat. They are used to being invited to VIP events and grand openings in China, and expect the same sort of access to exclusive, red-carpet-style events, but done in a way that is uniquely representative of the place they are visiting.

In New York, high-end retail stores such as Barneys, Bergdorf Goodman and the restaurant at Tiffany's Blue Box Cafe are considered must-visits.

Secret spots

For younger affluent Chinese travelers, itineraries are influenced by media and KOLs. They like to visit independent stores around New York's SoHo and art galleries in Chelsea during the day, and sip cocktails in a speakeasy in the East Village at night. Local, hidden gems excite them.

One tour operator told us, for example, that they will take clients to a secret lingerie museum inside the Victoria's

Secret's store on Fifth Avenue, which opened in May last year. Its latest exhibit features a $3 million angels' bra, Gigi Hadid's bodysuit and Stella Maxwell's crystal-encrusted one-piece from last year's Victoria's Secret Fashion Show in Paris.

A lingerie expert will also introduce the fashion show's history and host a pajama party, where she offers tips on wearing bras the correct way.

Marketers are increasingly working with KOLs to help tip off luxury travelers to such experiencers.

Engage with their personal shopping assistants

To maximize their time abroad, Chinese luxury shoppers expect to have the help of a personal assistant and a Mandarin-speaking translator.

A good personal shopper can intuit a client's style immediately, and knows the equivalent sizing across different brands, making the experience seamlessly efficient. These shoppers are also knowledgeable about local fashion trends, and can offer an expert eye on some more sophisticated luxury goods that travelers won't come across in China.

Offer career and social advancement

In partnership with a third party, usually a financial institution such as Morgan Stanley or Wells Fargo, tour operators often collaborate with luxury retailers to host networking events for Chinese men abroad. They bring high-net-worth clients from China, mostly men interested in making career connections with foreign professionals.

In such settings, the store and the goods displayed function as an icebreaker, and an opportunity to display their purchasing power. It is a chance to shop their way to the top.

In contrast, a lot of female Chinese travelers' main ambition is to arrange a meaningful and educational tour for their kids. They want luxury stores to create tailor-made programs to entertain the kids while they shop, such as etiquette classes for mingling with Western elites.

Keep an eye on WeChat mini programs

WeChat has hinted at a move into travel services, partnering with key global travel destinations to offer City Experiences mini programs.

Dubai, Britain and Sydney were selected as the pilot cities for the City Experience mini program, which was launched at a showcase in Shanghai Nov. 30. Launches in other cities including Washington are imminent.

Tourism boards from each city, with the support of the respective national tourism organizations have partnered with key travel operators and experiences to provide information on their respective destinations, including iconic attractions such as the British Museum, Selfridges, Sydney Harbor Bridge and Opera House as well as a variety of dining and shopping options.

The mini programs offer maps via geolocation services, an image gallery, audio guides about each attraction in Chinese and English and even suggest full one- to five-day itineraries.

In later stages of development, the mini programs will enable travelers to book and pay for these experiences without leaving WeChat at all.

Luxury marketers would do well to be included in these mini programs, as WeChat remains the single most important app to Chinese consumers at all income levels.

Demand WeChat and Alipay payment options

Overall, Alibaba has the clear advantage in the mobile payments market with a 54 percent share of the Chinese market. Although WeChat Pay's 40 percent market share does it put it at a disadvantage, the ubiquitous nature of Tencent's messaging and social media app, integrated with WeChat Pay, does give Tencent an edge.

Given how integral these platforms are in Chinese consumer culture, it is hard for a business catering to Chinese tourists to justify not having these payment options available.

The biggest hurdle for brands that want to use Alipay and WeChat Pay abroad is the apps' ability to integrate the payments platforms with local banking systems. It is all well and good if a company wants to use Chinese mobile payments to facilitate tourist spending, but if the account cannot be connected to local banks or transaction systems, then it is a moot point.

The biggest banking partnership in the last year was finalized in December 2016 between Ant Financial and four major European banks: BNP Paribas in France, SIX Group in Switzerland, Barclays in the United Kingdom and UniCredit in Italy. The deal allowed Alipay to be usable within the banks' merchant networks. Alipay also entered into a partnership with the Russian bank VTB Group in August.

Tencent has reached similar agreements, including a partnership with BNP Paribas, much like Alipay, in November 2017. WeChat Pay has also been enabled for use through Hong Leong Bank in Malaysia.

Banks are not the only global partnerships with whom WeChat Pay and Alipay have engaged. Transactions services and fintech firms featured prominently in the worldwide expansion of these mobile payment platforms this year.

One of the biggest partnerships was between both WeChat Pay and Alipay and American, cross-border mobile payment platform Citcon back in February 2017. Both payment platforms have reached agreements with Uruguayan emerging market-oriented cross-border payments firm dLocal in June 2017 and American payment services company Stripe in July 2017.

Focus on Chinese New Year

Last year, 6.15 million well-heeled Chinese people travelled overseas, an important time not just for tourism but also for gift purchasing.

Chinese New Year is about family, and increasingly takes the form of multigenerational travel. Marketing across age groups is important, for instance, by offering hotel suites with connecting rooms for young families and the grandparents.

Chinese New Year is the longest holiday of the year at seven to 10 days. It is also a great time to leave China it is the middle of winter, and PM2.5 air pollution is typically high.

Warm destinations such as Hong Kong, Southeast Asia, and the Southern Hemisphere summer Australia and New Zealand are all places marketers can hope to reach Chinese tourists.

Even the United Arab Emirates and Morocco are offering escapes from the cold.

Alternatively, ski trips in Japan and in the Korean peninsula, or visits to Scandinavia to embrace the winter, also appeal.

Destinations all over the globe are trying to capitalize on Chinese New Year, offering specially designed packages and discounts.

In the 2017 Chinese New Year, Travel San Francisco ran a campaign targeting holiday travelers that included promotions through Chinese online travel agency Ctrip. It also inspired consumers to visit by live streaming interesting neighborhoods, cafes and sites throughout the city. World-famous hotels including the Burj Al Arab in Dubai offered Chinese travelers exclusive holiday rates.

This past New Year's, as part of the Beverly Hills Chinese New Year celebration, several high-end hotels such as the Beverly Hilton, Luxe Rodeo Drive Hotel, Montage Beverly Hills, The Peninsula Beverly Hills and Waldorf Astoria Beverly Hills offered special packages throughout the month of February which included discounted rates and customized amenities such as a hot water kettle with Chinese tea and in-room Chinese breakfast dining options.

Packages certainly do not have to be bargains.

Raffles Hainan, for instance, offered a 1.3 million RMB luxury Chinese New Year experience, including dinner served in the presidential villa's private dining room and a private party on a yacht to just one group of up to eight people.

Case Study: Harrods

Harrods is undergoing a $280 million, three-year renovation project across its 1 million-square-foot space, the first of its kind in its 180-year history.

In part, the upcoming changes were prompted by an overwhelming need to cater to one of its top clients, affluent Chinese consumers, who surpassed British nationals in terms of spending in the department store.

To cater to Chinese customers, the department store has more than 200 Mandarin-speaking staff and more in training, and accommodates Chinese payment service Alipay for shoppers. Tencent's WeChat Pay will also soon be introduced to the store.

The department store is also redesigning its layout with more space devoted to its watch and jewelry departments to better service demand from Chinese consumers.

Profiling Chinese luxury consumers

By Yiling Pan

With luxury consumption recovering in 2017 for the first time since 2009, much attention has been concentrated on studying one of the key drivers behind it: Chinese consumers.

Understanding who these Chinese consumers are, how they make purchasing decisions, and what major trends affect their habits and behavior, is essential for luxury brands and retailers to succeed in this highly competitive market.

Decade of change

Chinese consumers now hold much more disposable income. The country's rapid economic growth in recent decades, along with government's call for consumption upgrade, has given them the confidence to spend more money on an array of premium and high-price products compared to decades ago.

This dramatic transition has empowered the flourishing of the luxury businesses in China since 2009.

One unique phenomenon in this market is the quick maturity of Chinese luxury shoppers. In less than a decade, their attitudes and behavior have rapidly changed and evolved at fastest pace across the world.

In a June 2017 report by management consultancy McKinsey, it highlighted the year of 2015 as the time when the nature of Chinese luxury consumers went through a fundamental transformation.

The McKinsey report wrote "since 2015, the primary driver of increases in luxury spending has shifted from consumers making their first purchases of luxury goods, to the incremental spending from existing luxury consumers."

Emerging millennial generation

A majority of these fast-maturing luxury buyers comes from the country's digital-native younger generation who were born between 1985-2000. This group of customers just entered the market in few years, but has already been on the way to replace the central role of their parent's generation when it comes to consuming luxury goods.

A December 2017 report by KPMG anticipates a generational shift of luxury consumers to happen in the next five years, with the first group of millennial consumers, who it defines as born between 1985 and 1989, surpassing older generations in terms of the luxury spending in China.

The new, younger generation is remarkably different from their predecessors. Unlike their parents, they grew up in a consumption society, which makes them more brand-conscious. They are also less frugal, as most of them are debt-free after graduation and continue to receive financial support from their family.

This generation is well educated and more international, too. They like to travel and explore new destinations around the world.

Different from previous generations who tend to use luxury consumption to show off their social status and wealth, the motive for younger consumer segment goes beyond the materialistic level. Their consumption activity is a channel of self-expression.

From products, services and brands that they consume, this group wants to show their values and beliefs to their family and friends on social media.

The meaning of luxury to younger Chinese shoppers, therefore, has been redefined by their new approach to the consumerism, which requires brands to take action and come up with new product design, services and marketing campaigns to accommodate their unique tastes and shopping habits.

General trends

First of all, brands have to fully respect this group's digital-native identity.

KPMG's recent research found that online shopping has become a "national pastime" in China, which is in line with an earlier study co-released by the Boston Consulting Group and Alibaba Group, which uncovered that Chinese consumers view online shopping as a journey of exploration and discovery before making a purchase.

Each day, the younger generation spends a significant amount of time on the Internet, looking for shopping inspiration, recommendation and learning about the latest fashion trends.

Some of the important digital channels include but not limited to WeChat, Weibo, RED, Dealmoon, Alibaba's Tmall and Taobao, JD.com and Secoo.

Luxury brands need to develop a holistic digital strategy including social media and ecommerce on these channels to maintain their relevance, nurture customers and drive sales.

In the bricks-and-mortar sector, Bain & Company asks "players to consider stores as episodes of the brand narrative, to impress and reassure the customer simultaneously," pointing out the new role of physical stores to the younger generation.

Furthermore, this consumer segment values a seamless online-to-offline shopping experience, which is the core of the "New Retail" initiative a retail revolution led by Chinese ecommerce behemoth Alibaba.

To be specific

However, it will be a huge mistake to treat this generation the same.

Most research in recent years has simply grouped younger generations in China under the term millennials, which fails to fully capture the multi-faceted attributes of this segment of the population.

In China, it is common to break them down into different three categories based on their birth year, namely the "post-85s," the "post 90s" and the "post 95s" generation.

According to RTG Consulting Group, the "post-85s" generation still shares a lot of similarity with their parent generations, while the "post-90s" group is trying to be different from them.

The youngest segment the "post-95s" generation, who are highly expressive and confident is totally different from their parents.

This difference is particularly reflected in the customer-brand relationship that they like to develop with brands.

RTG Consulting Group said the "post-95s" segment likes to be more participatory and engaged with brands' social media and marketing campaigns. They look for brands that are willing to become a platform for them to express themselves online.

An earlier report by Kantar Media also explored the different attributes among the millennial generations, but divided them into two groups, the "post-80s" and the "post-90s" generation.

Kantar's findings reveal that the "post-80s" generation is more willing to pay for original brands for the reason that originality can fulfill the need of self-expression.

The "post-90s," on the other hand, shows less appreciation for original labels and how they can inspire self-expression.

As their different financial status differs, they have also demonstrated the varying level of sensitivity to discounts.

The "post-80s" group, which is, in general, more financially advanced and stable than the "post-90s," care more about the quality and images of the brands, than the discounts they offer.

These two groups also show differing needs when it comes to their shopping environment.

The "post-80s" consumers spend most of their time shopping online since they are busy with work and family.

But the "post-90s" consumers tend to like going to physical stores, which offer them an in-store shopping experience that they cannot get through ecommerce.

Massive spending power

The central role of Chinese consumers to the global luxury market can be further shown through some statistics that illustrate their spending power.

The number of Chinese billionaires has surpassed that in the United States and Europe, respectively, in 2017, as shown by an October study by Swiss investment bank UBS and auditing firm PricewaterhouseCoopers.

Besides the top-tier, ultra-rich consumers, the number of middle-class Chinese households is also on the rise.

McKinsey estimated that there were 7.6 million of them making luxury purchases in 2016, with each of these households spending an average of 71,000 yuan (roughly $10,741) on luxury products each year. The latter number is twice of what French or Italian counterparts are spending.

Another lifting news is that 31 percent of the millennial generation is projected to see a significant rise of their income level in the following five years, according to KPMG. As their wealth continues to grow, their willingness to purchase more luxury products is set to rise.

The same KPMG report finds that nearly 70 percent of surveyed consumers indicated that they are likely to increase or significantly increase their luxury spending in the following 12 months, while 45 percent of them emphasized the importance of owning at least one designer piece.

Overall, McKinsey forecasts that Chinese consumers will account for 44 percent of the total global luxury market by 2025, with 7.6 million Chinese households contributing 1 trillion yuan to global luxury sales.

Brands to beat in 2018

Annual reports predict the who, what and where of Chinese buyers' luxury spending

By Tamsin Smith

More Dior

Facing an identity crisis earlier last year, fashion powerhouse Dior was accused of appeasing only millennial consumers, with the appointment of brand ambassadors Angelababy and Chinese actress Zhao Liying. However, according to early 2018 spending predictions, this bold move might just be about to pay off.

The decisions last year were controversial after loyal Dior supporters from China deemed the young stars, "distorted the DNA of the brand."

That said, in separate reports by Agility Research and China i2i Group, Dior has come out consistently on top as the number one brand wealthy Chinese consumers plan to buy over the course of the next year.

Agility Research's 2017-2018 Affluent Insights Luxury Study annual survey interviewed 629 consumers in China with household incomes of more than 350,000RMB, asking the wealthy individuals which brands they plan to purchase in 2018. The results showed little difference in the top ten brands that Chinese consumers planned to buy in 2017. However, there was some significant repositioning in the top ten.

Most noticeably, Dior pushed Chanel out of the top spot to claim the title of number one planned-to-purchase fashion brand for 2018. Almost half of those affluent individuals interviewed in Agility Research's study were Chinese millennials, further confirming that Dior might just have had its marketing right all along.

Supporting this research, China i2i Group's WeChat survey in June saw respondents aged between 18 and 39 years old name Dior as the most coveted brand during their overseas shopping trips. Forty percent of those surveyed said they wanted to buy a Dior product on their next trip, with 33 percent desiring Prada.

Western brands remain on top

Attempting to bridge the gap between relatability and reliability, 2017 saw Chinese brands across industries gain in popularity with local consumers.

However, despite Chinese brands picking up speed in other sectors, end-of-2017 reports have suggested that the luxury industry is the only sector where local brands did not experience significant growth.

RTG Consulting's 2017 Brand Relevance Report showed that of the top 20 most relevant luxury brands for Chinese consumers, none listed were local Chinese. French brands Chanel and Dior were the front-runners, with Chanel topping the charts for China's Generations X and Y, and placing second for the young Generation Z, who yet again ranked Dior as their favorite for luxury.

The annual report covers nine industries and uses a proprietary algorithm from aggregated data culled from quantitative consumer surveys, brand metrics and qualitative feedback from both industry experts and consumers.

In 2017, of the eight other industries, four saw local Chinese brands topping the lists, with food and beverage brand Yili, personal care brand Rejoice, mobile app WeChat and electronics brand Huawei surpassing Western brands to rank highest in their respective categories.

Interestingly, Agility Research's 2017-2018 Study also saw Western brands such as Chanel and Tiffany & Co. overtake their Chinese counterparts, Chow Tai Fook and Chow Sang Sang, to top the list of planned-to-purchase jewelry brands.

In 2016-17's report, Chow Tai Fook and Chow Sang Sang both ranked in the top three, but that honor is now exclusively bestowed upon Western brands, with Cartier moving up one spot from last year to claim first place.

In the recent study, Chow Tai Fook and Chow Sang Sang were ranked fourth and eighth place, respectively.

The report suggests that affluent Chinese consumers are starting to prefer Western to local brands for jewelry, despite Chow Tai Fook announcing earlier in 2017 its plan to open 100 new stores on the Chinese Mainland over the next fiscal year. This demand for stores indicates the competition is still up for grabs, as certain Western brands successfully break into the Chinese luxury market, and local brands fight to maintain the top spots.

Home or away

Despite a drive by the Chinese government to keep Chinese luxury spending at home in the future, data released in April 2017 saw Chinese travelers set a new record for global tourism spending.

According to the World Tourism Organization, Chinese tourists spent 12 percent more abroad than the previous year. In the first half of 2017, outbound tourist visits by Chinese national reached 62.03 million, up 5.1 percent compared to the same period in 2016, according to data from the China National Tourism Council.

Although no official data has yet been collated for the 2017 period, reports in August 2017 suggested that Chinese spending abroad has significantly shifted from luxury goods, to memorable experiences and sightseeing.

According to the Financial Times publication, the latest annual survey by travel giants Hotels.com and Ipsos saw the proportion of Chinese tourists citing shopping as their main reason for travel drop to just one-third, from more than two-thirds in 2016.

However, despite steady spending growth overseas, the data also showed that the same period in 2017 saw domestic tourism growth expand exponentially, with a registered 2.537 billion tourist trips taken in the first half of 2017. This was up 13.5 percent compared with the same period in 2016, of which 1.757 billion were urban residents' trips and 780 million were rural residents' trips, up 15.8 percent and 8.5 percent, respectively. Domestic tourism revenue reached 2.17 trillion RMB, 15.8 percent greater than 2016.

This exceptional domestic travel growth supports claims that Chinese luxury shopping on the mainland is set to continue to develop.

A ContactLab and BNP Paribas report on Chinese Luxury Demand Momentum showed that luxury demand through 2016 continued to rise steadily both at home and abroad.

Chinese luxury shopping on the mainland grew by 10 percent in 2016, in comparison to luxury shopping abroad showing little signs of any growth.

The report suggests the gradual shift of Chinese luxury shopping from foreign to domestic.

As reported by *Jing Daily* in October 2017, the third quarter of last year saw the luxury conglomerate LVMH record a 21 percent revenue jump in Asia, with the Mainland China market growing more than 30 percent.

Jean-Jacques Guiony, chief financial officer of LVMH, told *Jing Daily* he expected the tendency for Chinese consumers to buy at home compared to abroad is only set to strengthen in the near future.

Findings from Bain & Company's latest report also showed that this increasing tendency to shop at home is owed, in part, to government efforts to keep prices in China comparable to those around the globe, and to limit the grey market's reach by implementing tighter customs controls.

Looking ahead to 2018, collective data suggests that affluent Chinese consumers buying domestically might finally be on the rise. But, for now at least, the most coveted luxury brands Dior, Chanel and Cartier will continue to come from overseas.

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How Chinese consumers buy luxury goods

By Yiling Pan

China is not only leading the sales figures of luxury goods sold, but also the diversity and complexity of channels for consumers to make their purchase. The country's luxury retail landscape has become tremendously different and, in some way, more advanced, compared to that of the West.

Besides the traditional bricks-and-mortar stores, it is common for Chinese consumers to buy luxury items on ecommerce sites, daily messaging apps and even directly from online key opinion leaders (KOLs) who they have followed.

Unlike Western luxury consumers who may be still reluctant to entirely shop online, the Chinese counterpart has demonstrated a high level of interest, trust and willingness to engage in luxury consumerism on the Internet and via all kinds of digital channels.

It is true that Chinese consumers are much more likely to make a purchase of luxury products online without physically seeing and trying them. But it does not necessarily mean that the purchase is an impulse buy.

The process that leads to the final payment is complicated. The majority of Chinese consumers conduct extensive online research beforehand, including browsing through product descriptions, reading product reviews and recommendations by influencers and celebrities.

This unique consumer trend is empowered by the advanced development of China's ecommerce sector that is led by Alibaba, owner of Taobao and Tmall.

In the Chinese market, online shopping services provided by major ecommerce platforms not only offer the ease and convenience for consumers not to visit a physical store, also provides them with an inspiring and engaging shopping experience to let them discover and explore brands' offerings through well-crafted stories.

As a matter of fact, many Chinese ecommerce sites are now spending a great amount of time and resources on producing high-quality fashion and luxury editorial as an important step to attract customers and inspire their shopping desire. The move has had direct implication on the publishing business of traditional fashion magazines, which used to be the only authority to provide fashion advice.

Indeed, Luxury Pavilion by Alibaba and Toplife by JD.com, both launched in recent months, are more than just ecommerce sites.

On their platforms, Chinese luxury consumers can deep dive into the history and stories of featured brands and find the best products that match their styles.

Secoo, the third-largest luxury ecommerce company that went public in the United States in 2017, also produces dedicated editorial content to users.

MyMM, a new content ecommerce app, has formed an online fashion community recruiting many fashion influencers who offer users fashion and styling advice to directly influence their purchasing decision.

WeChat, a daily messaging app owned by Tencent Holdings, is another disruptive digital innovator that has fundamentally transformed the way that Chinese consumers buy luxury items.

As of the third quarter of 2017, the app had more than 900 million daily active users, who, according to the company's annual report, spend nearly one-and-half hours on it per day.

The importance of this closed ecosystem is further highlighted by the fact that contacts established by users on the app are mostly personal relationships, which makes it ideal for word-of-mouth marketing among consumers.

Over the past two years, a slew of international luxury brands has established a presence on WeChat via launching an official public account. They post articles, offer customer service and engage with followers.

Some high-end players such as Dior and Cartier are even selling a selection of products directly on WeChat.

With the arrival of the WeChat mini program in January 2017, the functionality of the app has become friendlier to brands and retailers.

Overall, luxury brands in China have to acknowledge the remarkably different ecommerce and digital landscape with which they are dealing, which is effectively shaping contemporary consumer behavior and habits in the country.

It is essential for luxury brands to constantly follow the latest development of major ecommerce players and communication tools such as WeChat, and adjust their sales, marketing and branding strategy accordingly to succeed in this marketplace.

3 best-practice tips to drive traffic from online to offline with WeChat

By Rachel Zheng

Walking the thin line between exclusivity and availability, many luxury brands in China carefully craft an ecommerce strategy not on an ecommerce Web site, but through WeChat.

Pop-up sales, limited editions and Valentine's Day-only are some of the marketing techniques frequently deployed by luxury brands to create exclusivity.

While activities on WeChat can be social, transactional, and intimate, it can stimulate an exclusive shopping experience that is closer to a retail environment.

In fact, store sales associates have already put WeChat to use in retail stores. Thus, many brands devote their energy in developing creative strategies to integrate online and offline channel through WeChat's ecosystem.

"Chinese customers today can count on the integrated digital ecosystem WeChat, which permits all in one to be connected socially, communicate, but also buy at the same time. Our challenge is of course to have a leading role with all these technological changes." Moncler CEO on "Developing a WeChat-driven strategy in China"

Below are some best-practice tips for luxury brands to drive traffic online to offline by building various types of WeChat mini-apps. These are apps within WeChat that allow brands to integrate more complex functions such as ecommerce, task management and discounts.

1. Longchamp: Mini-community that drives conversations from online to offline

French leather goods maker Longchamp built the first location-based photo-sharing platform via WeChat mini program. Consumers can search the store location of Longchamp and use the digital map to navigate their way there.

The subpage for each location is designed to look and feel like the WeChat moment-sharing pages. Users can check in and share the photos of their Longchamp bags with the mini-community.

Jing Daily Take:

When the user opens the page, it is filled with fresh user-generated content.

While WeChat is a one-to-one communication tool between the brand and the customer, by building a community to encourage fans to share pictures with each other, it creates a closed ecosystem that has seamlessly integrated with the users' habits on WeChat.

What is more, it functions like an online-store, granting consumers an authentic experience online. Sales associate from the brand can post the latest collection in-store, and it stimulates customers who live on WeChat 24/7 to come into the store and shop.

2. Michael Kors: Mini-membership program that caters to individual needs

Michael Kors launched a mini program that focused on membership services, becoming the first luxury brand to do so.

This move completes consumers' offline journey with online care.

For example, when consumers are shopping in a Michael Kors store, they can check shopping details in real-time, review the shopping experience and also get after-sale service benefits from the mini program.

Jing Daily Take:

The purpose of opening this mini program is to upgrade consumers' in-store shopping experiences to ensure that they can receive the same level of service in all other channels.

In other words, this is the one-stop-shop for Michael Kors fans where they can unlock upgraded service and accumulate more membership points. It is a brand-centric tool to retain customers, and also a good opportunity for brands to acquire new members with attractive offers, while introducing a more intimate approach for them to become familiar with the brand.

3. DFS: Mini-commerce that target at the global travelers

DFS Group is a Hong Kong-based travel retailer of luxury products and is majority owned by LVMH.

With the launch of an ecommerce WeChat mini program, it directly serves Chinese travelers who shop purposely.

First launched in the Hawaii downtown store, DFS was the first retailer to launch a mini-program with WeChat Pay outside of China. It selected top 100 SKUs curated specifically for Mainland Chinese tourists to pre-order, maximizing omnichannel promotions to drive further purchase in-store.

DFS then adapted the mini-program for the DFS San Francisco Airport store by adding customer flight and passport details to enable gate delivery and meet duty-free regulations.

Jing Daily Take:

This mini-app is a genius demonstration of attracting global travelers in functionality and saving-value. It powered a seamless and integrated experience all in one app: from research to creating shopping lists and shopping, vouchers, payment and collection of points, consumers can access the app with mobile anywhere they want, saving time for busy travelers and granting them peace of mind.

What is more, the app offers additional savings with WeChat pay rebate to incentivize customers to shop.

Rules of the game: China's regulatory environment

By Yiling Pan

As a one-party dominated political regime without an independent judiciary, China's regulatory environment is clearly different from that of Western democratic nations where most luxury brands are headquartered.

In this market, it is no exaggeration to say that the Chinese government holds the ultimate power to make or break business. Despite the strong outlook for Chinese sales, international companies should constantly be alert about the political risk that originates from the government's regulation, censorship and protectionism.

The restrictive environment for foreign businesses in China has worsened further in 2017 following an unprecedented power consolidation achieved by President Xi Jinping during the November 2017 National Party Congress.

The central leadership stepped up the control over every aspect of Chinese consumers' life, which resulted in harsher regulation over foreign businesses across all industry sectors. The fashion and luxury sector, which traditionally was lightly scrutinized, is now heavily affected due to its consumer-facing nature.

Last year saw some shocking cases.

In June, Hearst-owned fashion magazine Harper's Bazaar was targeted by Chinese censors on WeChat. One of its official WeChat accounts was shut down for the stated reason that some content was not in line with the "socialist values".

In November, Victoria's Secret made an embarrassing foray into China, even as the Chinese government denied the visas of several high-profile attendees including Bella Hadid and Katy Perry.

Hence, it is essential for all brands to pay enough attention to understand China's regulatory system and learn how to manage the relationship with domestic companies and official bureaus.

Below are five areas where brands need to exercise caution. However, it is pretty much a given that the list will grow or renew in the future, as the political rules of the game can be changed and redefined any time in China what was permittable by the government last year may become a restriction this year.

1. WeChat content censorship

As the importance of the messaging app WeChat to luxury brands continues to grow in 2018, so does the level of censorship by the Chinese government.

Over the past couple of years, incidents such as the death of the Nobel Peace Prize laureate Liu Xiaobo have reinforced the belief that the content of WeChat is closely monitored by Chinese censors on a day-to-day basis.

What is more, a recent report by Citizen Lab at the University of Toronto reveals that the mechanism has become even more sophisticated and opaque than before.

The increasing WeChat content censorship can severely curtail a brand's marketing and branding efforts with Chinese consumers, especially when the process is no longer transparent.

The heightened regulation will force brands that have WeChat public accounts to conduct self-censorship in their daily communication.

2. VPN crackdown

Earlier last year, China initiated a crackdown of virtual private network (VPN) services, a method that is frequently used by mainland residents in the country to circumvent the country's "Great Firewall" to access foreign Web sites.

Without VPN services, it will not only pose a threat for consumers to visit popular foreign social media channels such as Instagram, Facebook and Pinterest where luxury brands launch digital campaigns and manage their daily communication with the audience, but also make it harder for staff at foreign companies in China to access ordinary business tools such as Gmail, Google Drive and WhatsApp.

There is no shortage of alternative solutions, with the replacement being QQ mail, Baidu Drive and WeChat. But the real question is the security and safety of their internal information and confidential business data going through these domestic services.

3. Intellectual property

As the conflict between the United States and China over trade issues and tariffs continues to grow, with U.S. President Donald J. Trump constantly criticizing the Chinese government's protectionist approach, there is also renewed concern in the Western world about China's attitude toward intellectual property.

For the luxury and fashion sector that values originality and innovation like no other, the IP fear is even greater.

Foreign brands operating and distributing in China are frequently under pressure to protect their intellectual property. There is the constant concern that someone they hire might copy their prototype and produce it for half the cost.

Moreover, there is no proper legal approach for foreign brands to fight for their rights due to China's poor legal system.

4. Celebrity ban

Last year also saw the reduced relevance in China of foreign celebrities, especially North American ones, as evident from the blacklisting of Canadian singer Justin Bieber to banning the entry of U.S. model Bella Hadid and entertainer Katy Perry.

This development has a direct implication on luxury and fashion brands as celebrity endorsement and collaboration have traditionally been a major way for them to build credibility and recruit new customers.

The strict rules set by the Chinese government to regulate the behavior of celebrities requires brands to sharply revisit their approach and choose wisely to work with the right models and brand ambassadors in the future.

5. Taxation

The Chinese government's taxation policy will continue to play a big role in affecting the luxury sector.

Historically, high import taxes and huge price premiums maintained by brands in the country have motivated many Chinese people to purchase products overseas.

For those who do not travel frequently, the overseas "daigou" agents [personal shoppers] have come to form a multi-billion grey market to avoid paying import duties and taxes.

In recent few years, the Chinese government has implemented several rounds of tax cuts on a wide array of foreign products to crack down on this market and encourage Chinese consumers to buy luxury items at home.

Outlook for China's luxury market in 2018-2020

By Sam Gaskin and Huixin Deng

How is Chinese luxury consumption going to evolve?

According to Bain & Company, the global luxury sector, as a whole, could grow annually by 4 percent to 5 percent until 2020, with online sales rising steadily.

Underpinning that growth is, of course, the Chinese consumer, already responsible for 32 percent of the global luxury market in 2017.

Beijing, Shanghai, Guangzhou, and Shenzhen are no longer China's only luxury markets

Tier 1.5 cities, such as Chengdu, Hangzhou and Nanjing, are beginning to take the lead in the luxury space.

For example, Chanel reprised its Cruise 2018 fashion show in Chengdu in November 2017 it was the first time a luxury brand hosted an event in a city other than Beijing or Shanghai.

Asia's largest shopping mall, the Golden Eagle Mall, will be built in Nanjing.

And each year in October, Hangzhou will now host an international fashion week, showcasing silk fashions.

The post-95s will drive the growth of the luxury market

From 2018-2020, the post-95 generation ages 23-28 in 2018 will dominate the luxury market.

This generation enjoys reading reviews on social media sites before they go shop, and they also prefers online shopping.

The post-95 generation also prefers luxury brands that offer customized design because exclusivity has always been a core tenet of luxury.

Number and kinds of KOLs will proliferate

Brands will need to make more sophisticated choices of influencers than before.

The biggest film stars are no longer exciting for young luxury consumers, who want to see a deeper connection between who a key opinion leader [KOL] is and the brands with whom he or she works.

Once derided at home, Chinese supermodels are now seen as having their own distinct, credible style, as opposed to simply dressing in a brand uniform.

Online celebrities *[wang hong]* are valued for their authenticity, though many are working with too many brands, diluting their personal brands and diminishing their credibility.

Ultimately, consumers want to be KOLs. Brands who can create this experience for their consumers will succeed in the coming years.

All luxury brands will sell online

Online purchases of luxury goods are forecast to reach a quarter of all sales by 2025, up from 9 percent at present.

Chinese consumers increasingly expect luxury brands to make their goods available online. Those who hold out Chanel, for instance will find themselves missing out.

At the same time, brands that fail to create a compelling, distinctive and exclusive online offering will see their brand value eroded. The connections between online and offline offers will be integral to success going forward.

Experiential shopping will revive offline shopping

Although ecommerce in China is growing fast, physical stores will remain very important for Chinese consumers and especially millennials, who are generally more satisfied by the experience of buying products offline.

To reach them, though, brands will have to spend more as Chinese consumers are demanding more experiences and retailtainment from their experience.

Retail shops in China will increasingly transform into experiential centers that are not only places to shop, but also places that give consumers the opportunity to socialize, discover, learn, share and participate.

Digital giant Alibaba's "New Retail" strategy attests to the potential appeal of offline shopping. By investing in bricks-and-mortar stores, Alibaba is pushing forward the integration of online and offline retail to create a completely seamless consumer experience.

South Korean sunglass brand Gentle Monster, for instance, creates amazing exhibits in its store that makes the product secondary.

Likewise, Shanghai mall K11 has a contemporary art museum in the basement to keep people coming back.

South Korean beauty brand Innisfree has its own cafe.

Tech and gamification will be more influential

Platforms such as WeChat, Weibo, Meipai and technologies such as live streaming can be used to drive customers into stores.

However, merely using the latest technology is not enough.

Content strategy needs to be smartly developed and be led and communicated through influencers to achieve the greatest impact.

During the Chinese New Year holiday in 2017, Uniqlo launched a "hongbao" [Chinese red envelope] game in collaboration with Alipay.

During the two-week campaign, customers would receive a virtual hongbao on their phone when they approached a Uniqlo store. When they opened the hongbao, they would discover coupons as well as small amounts of cash.

To open it, shoppers needed to enter the store and scan the Uniqlo logo with the augmented reality [AR] scanner function in their Alipay app. For physical retailers, technologies such as AR hongbao are interesting tools that can be used to drive traffic to their store, especially during the New Chinese Year.

Beauty retailers are also experimenting with the latest technology in their shops.

For example, the Yves Saint Laurent store in Shanghai has augmented reality screens that use facial recognition enabling customers to virtually try on different makeup looks.

VR and AR are already becoming key strategies for Chinese ecommerce platforms, with Secoo, for instance, planning experience centers where shoppers can try on an almost unlimited range of virtual items before ordering the real thing.

Customer service expectations will increase

Expectations for customer service are becoming higher.

Chinese consumers, especially millennials, expect to receive top-notch service and valuable information from store employees. Strong customer relationship management is required.

For example, luxury shopping center SKP in Beijing recently introduced a new service with iShansong.com, a delivery service known for "faster and safer delivery with specially assigned deliverymen".

This service allows luxury clients at SKP to have their purchases delivered to their house immediately, so they do not have to deal with the inconvenience of carrying everything and loading or unloading merchandise from their car.

The service guarantees that the products can be delivered to their home or to their friend or family if it is a gift within 60 minutes of the purchase.

Artificial intelligence [AI] will heavily affect the fashion business

The BATs (Baidu, Alibaba and Tencent) have set up R&D labs, hiring engineers from around the world to strengthen their deep learning efforts.

These tech giants also use algorithms to generate customized banner advertisements and chatbots to handle customers' queries.

Alibaba already uses the FashionAI system to recognize hundreds of millions of items of clothing and the tastes of designers and shoppers. It can then generate dozens of complete outfit matches from existing inventory for its customers.

Research and data from articles archived on *Jing Daily* and *Jing Travel*

1. Chinese luxury market size

- Nov. 3, 2016
- Oct. 29, 2017

As luxury spending by Chinese consumers continues to surge both on the domestic and international scale, a Bain & Company report projects that China's local luxury market will grow 15 percent. It also predicts that Chinese consumers will account for 32 percent of global luxury consumption in 2017.

Looking forward, Bain holds an optimistic view of the global luxury market, expecting it to grow 4 to 5 percent annually in the near future. It particularly refers to the growing Chinese middle class and Gen Y [millennials] and Z as the main forces driving the market.

- June 15, 2017

Affluent Chinese consumers are projected to make up to 44 percent of the global luxury consumption across the globe by 2025, according to McKinsey & Company. This would double their current level of spending to 1 trillion yuan (US$147 billion).

The consultancy, which issued a Chinese-language industry report on June 13, 2017, also expects the total market share of the global luxury market to reach 2.7 trillion yuan ($397 billion) in 2025, which will be mainly driven by China.

In 2016, Chinese buyers from rich households (7.6 million) spent more than 500 billion yuan to purchase nearly one third of luxury goods in the world. The average spending from these buyers on luxury products was 71,000 yuan, which doubled that of a household in France or Italy.

Since 2008, the number of Chinese households that can afford luxury products has doubled thanks to the increase in their disposable income and the variety of shopping channels.

- May 25, 2016

In Bain & Company's "Spring Luxury Update" released in May 2016, the firm said China's luxury market was up 2 percent at current exchange rates and 4 percent at constant exchange rates.

This reversed a declining trend for the market that began in 2014, when Bain reported a negative 1 percent growth rate for the year, down from an already low 2.5 percent in 2013. This was followed by an even lower negative 2 percent in 2015 as Chinese luxury shoppers continued to do more of their spending abroad in the face of significantly higher mainland prices.

The report also noted that over the next five years, Chinese luxury consumers will continue to drive growth as they remain the biggest bloc of luxury shoppers globally.

Bain estimates that Chinese shoppers made 31 percent of all luxury purchases in 2015, a number significantly higher than the second-place U.S. consumers at 24 percent. That number will increase to 34 percent by 2020, and will be "strongly driven by the boost of the rising middle class," according to the report.

- Oct. 3, 2017

Although 60 percent of Chinese consumers still prefer to travel on package tours to long-haul destinations mainly due to language barriers, more younger visitors, especially millennials, are opting to travel as free independent travelers (FITs). This gives them the opportunity to create their own customized itineraries that are not bound to rigid schedules.

The growth of FIT travel is further demonstrated by data showing the growth of the $2.1 billion online car rental industry, which grew by 88.6 percent in 2016.

According to TripAdvisor China Unbounded, nearly half of Chinese FITs plan to take more trips abroad and 52 percent will stay for longer periods. Currently, 40 percent stay four to six nights abroad.

Millennials will drive 55 percent of expansion in China's consumption spending over the next five years.

2. Statistics on top luxury sectors in China

A. Fashion

- Sept. 8, 2017

"When people think about sneakers, they would say the U.S. and China are the biggest markets." According to Vinogradov's estimation, the show attracted about 6,500 visitors, 40 percent of whom came from Hong Kong, 30 percent from mainland China, and the rest from other parts of Asia.

- Jan. 5, 2017

Euromonitor International predicted last year that the Chinese sportswear market would take over luxury goods by 2020, thanks to double-digit growth to $42.6 billion.

B. Auto

- Sept. 14, 2017

Li Yanwei, analyst at the China Auto Dealers Association, studied the results of 12 major luxury brands and found that their sales growth averaged 18 percent in the first half of 2017, even higher than last year's 16 percent.

The total number of luxury car sales exceeded 1.2 million, accounting for about 13 percent of the entire passenger car market, the highest in the last seven years.

Within the luxury segment, the three giants undoubtedly dominate the market.

Audi, [Mercedes] Benz and BMW together control about 70 percent of this market. Industry insiders used to call them ABB (Audi, Benz and BMW), according to their ranking, but it became BBA last year.

Ever since Audi entered China in 1988, it has held first place, until January 2017.

For luxury automakers with less prominence in the China market, the future seems to be even more exciting.

Although they share only 30 percent of the market, they have been seeing much faster growth and gaining more market share year over year.

In 2016, their market share was 27 percent. Back in 2011, it was just more than 20 percent.

- May 12, 2017

Chinese demand has helped boost supercar sales around the globe to double-digit growth, according to a new report by automotive market researcher Jato.

While the United States remains the largest market for ultra-luxury car sales, China is close behind at number three, with demand last year jumping 54 percent to about 4,400 units.

To compare, the second-biggest market, the United Kingdom, only saw a 15.6 percent growth.

Jato cites Forbes' swelling billionaire list as evidence for the increasing demand for ultra-luxury automobiles around the globe. Overall, supercar sales are up by 16 percent in 2016 from the previous year.

China added 65 billionaires for a total of 400 to the list last year, the most of any country on the list, and its role in the supercar market reflects this.

- March 13, 2017

A March 2017 report by digital intelligence firm L2, "China: Luxury Auto," claimed that more than half of Chinese consumers are "willing to purchase a car online," and car companies are beginning to listen.

Accessible luxury carmakers, such as Mercedes-Benz, Audi and BMW, are leading the way in functionality of their ecommerce Web sites, according to the study, which looked at 18 luxury car brands in China.

While 10 out of 18 of the luxury and ultra-luxury brands in the study had a shop on Tmall, in the ultra-luxury category, only one car brand, Maserati, hosted a site on Tmall.

In 2016, Tmall and Taobao sold 100,000 vehicles over the course of [Singles' Day, Nov. 1, 2016], and while Maserati did not sell actual cars, it sold 50,000 RMB ($7,290) vouchers that buyers could bring into the dealership to go towards the purchase of its Levante SUV.

While all the accessible luxury car brands with ecommerce sites in China offer online booking, only 83 percent of ultra-luxury ones do.

About 98 percent of the brands feature car configurators on their English-language Web sites, compared to just 67 percent of luxury car brands' Chinese sites and 50 percent of ultra-luxury carmakers.

- Aug. 4, 2017

The demand by Chinese consumers for shopping online is also increasing.

Seventy-seven percent of surveyed consumers said they are willing to buy cars online, according to a 2016 report by Capgemini Consulting.

C. Hospitality

- Oct. 18, 2017

In contrast, France, the tourism juggernaut of Europe, saw some 2.2 million Chinese arrivals in 2015. Even the Czech Republic surpasses the United Kingdom. An estimated 285,000 Chinese tourists traveled to the Czech Republic in 2015, and 355,000 visited in 2016.

- Aug. 4, 2017

Thus far, China has proved a lucrative market for Club Med. It already operates a ski resort, Beidahu in northwest Jilin Province, and four other resorts in Yabuli, Guilin, Zhuhai Dong'ao Island and Sanya.

Club Med's success in China has been part of what has fueled its return to profitability in the year after its acquisition by Fosun. Club Med hopes to capitalize on this by increasing its focus on the Chinese market and posted 6.5 percent increase in revenue between November 2016 and April 2017.

- May 21, 2015

According to Reuters, more than 560,000 Chinese tourists visited Thailand in January 2015 alone, accounting for more than 20 percent of total arrivals. The Kasikorn Research Center estimated the number of Chinese arrivals in Thailand to leap 13.5 percent to 5.25 million in 2015.

3. Statistics on Chinese sales from top companies, brands and retailers

A. Foreign

- Oct. 27, 2017

In the first nine months of 2017, duty-free shopping Europe rose by 11 percent. Overall, Chinese duty-free customers accounted for 28 percent of total sales, higher than any other tourist demographic in Europe.

Overall, per capita Chinese tourist spending dropped by 9.1 percent between 2015 and 2016 in the United Kingdom. However, given the dramatic rise in Chinese arrivals and total outbound travel, total spending likely rebounded in 2017 even if per capita spending continued to fall. In the first half of 2017, Chinese spending was up 54 percent compared to 2016.

B. Domestic

- Nov. 3, 2017

Looking forward, Ralph Lauren expects to increase annual revenue from the Chinese market to about $500 million in five years from the current $170 million.

- Sept. 14, 2017

Mercedes Benz, the top seller of luxury vehicles in China, sold 304,000 cars in the first six months, 34.5 percent more than the same period last year. BMW followed closely with 293,000 cars and an 18-percent increase.

Audi was the only luxury automaker that reported a drop in sales. Due to a battle with its own dealers, the company's sales decreased 12 percent. But as the company settled the dispute, it regained the top position in June and July 2017.

The second-tier brands have done even better.

General Motors Co.'s Cadillac, which is using U.S. President Donald Trump to reinvent itself in China, reported a 71 percent sales increase. Ford Motor Co.'s Lincoln achieved 97 percent growth. Most other brands managed growth between 20 percent to 30 percent.

- May 29, 2017

The Chinese consumers that do decide to stay at home and spend, attracted by a closing price gap thanks to tougher restrictions on cross-border shopping, may help boost Mainland China's luxury market by 6 percent to 8 percent, according to Bain.

- Aug. 12, 2017

Since launching Maia Active in June 2016, Ms. Ou says Maia Active sales have grown five times from February to July, and she expects growth to continue at this rate.

Most of her sales are currently through online channels, including Tmall. But, being a premium brand, she also does pop-up shops at luxury hotels and sells at boutique gyms. One such gym is Space Cycle, sandwiched between shops such as Christian Louboutin and Kenzo in Beijing's upscale shopping center Swire Taikoo Li.

- Aug. 10, 2017

While Italian luxury group Tod's reported a 2.9-percent decline in revenue for the first half of 2017, sales from China increased 1.4 percent for the first half, year over year.

- July 27, 2017

In Asia, which excludes Japan, Herms' revenue increased by 14 percent. The progress was driven by Mainland China, which gave the brand positive momentum for the half.

- July 25, 2017

However, given the success of Dior among the younger generations, whether or not a brand is able to inspire its consumers seem to be highly important.

To gauge this quality, RTG dubs it the "passionate" metric. Dior has secured a score of 8.4 under the "passionate" metric, outperforming Chanel (7.4), Gucci (7.6) and Cartier(6.6), among others.

- July 5, 2017

China accounts for more than 20 percent of sales globally and it is now the single largest market, said Bally CEO Frdric de Narp.

- July 12, 2017

German luxury sports car maker Porsche reported that its deliveries to China from January 2017 to June 2017 rose 18 percent compared to the year before. About 28 percent of the cars it sold last year have been marked for Chinese consumers, making China Porsche's largest market.

- Jan. 4, 2017

4. Statistics on outbound luxury tourism

- Oct. 17, 2016

With 242 million Chinese travelers estimated to be heading abroad annually by 2024, companies such as Travelzoo are looking to gain from this massive market, and will likely do so with perks including loyalty programs and deals if they take the data into account these were a top driver for about 69 percent of the Chinese consumers surveyed.

- Jan. 10, 2017

The usual suspects remain the top choices among global Chinese travelers during the New Year holiday period, with destinations in Northeast Asia representing 39 percent of all departures, and Southeast Asia coming in second with 28 percent of all departures.

For long-haul journeys, Europe comes out on top with 11 percent of all departures, closely followed by the United

States and Canada, together representing 10 percent of all journeys during this period.

- Jan. 27, 2017

However, a growing number of Chinese travelers are electing to spend the holiday period abroad often together with their families with 6 million Chinese people projected to go abroad during the Lunar New Year Golden Week period.

- Oct. 3, 2017

In this story, it is noted that the majority of FIT travelers are Chinese millennials, a group that is projected to drive 55 percent of the expansion in China's consumption spending over the next five years.

With the introduction of the multiple-entry 10-year visa to the United States in 2014, Chinese visitors are returning and discovering new destinations. Even more significant, is the rise of the so-called the Chinese FIT [free independent travelers].

Although 60 percent of Chinese consumers still prefer to travel on package tours to long-haul destinations mainly due to language barriers, more younger visitors, especially millennials, are opting to travel as FITs.

According to TripAdvisor China Unbounded, nearly half of Chinese FITs plan to take more trips abroad and 52 percent will stay for longer periods. Currently, 40 percent stay four to six nights abroad.

- Nov. 8, 2017

In 2016, 122 million Chinese made outbound trips and collectively spent $261 billion worldwide. It is estimated that customized travel services will account for 20 to 30 percent of China's outbound tourism industry in the next five years.

Chinese luxury travelers reportedly enjoy buying cosmetics (45 percent), local produce (43 percent), bags and suitcases (39 percent), clothes and accessories (37 percent), and jewelry (34 percent) while on holiday.

5. Statistics on luxury's share of China's GDP

- Dec. 30, 2016

Chinese luxury travelers still love to shop abroad, but in 2016, Mainland China saw more domestic consumption, with Bain & Company predicting that Mainland China's luxury market returned to growth by the end of 2016.

Meanwhile, a study by ContactLab found that the percentage of luxury goods purchased abroad decreased year-on-year in the first four months of 2016 from 43 percent to 40 percent.

Despite the increase in spending at home, luxury shopping certainly will not cease to be a favorite pastime for outbound Chinese travelers anytime soon. One of the main factors driving the next hot shopping spot? Currency.

- May 24, 2017

Over the past couple of years, the luxury market in China has overall experienced a rebound from losses in previous years, thanks to a combination of supporting factors, including an expanding middle class, rising incomes and rapid urbanization.

Even as China's luxury market growth re-emerges into positive territory after two years of recession, 2016 marked the first time in history that Chinese consumers contributed less to global luxury sales than they did the year before, according to Bain & Company's annual industry "Bain Luxury Study" report.

In 2015, Bain & Company reported a 2 percent decline for China's luxury market, as consumers mostly spent their money on luxury products overseas. The new report says that this market is growing again after Bain reported in May 2017 that it would be up 2 percent.

Domestically, in China, the second quarter of 2016 saw 5 percent growth, the third quarter 15 percent, and the fourth 25 percent. Internationally, consumer demand fell in the first and second quarter, but the trend reversed in the third and fourth quarters when it grew by 5 and 15 percent, respectively.

- Sept. 25, 2017

In "China and Chinese Customers in the Global Luxury Goods Market," Bain's research showed that while China as a region represents just 7 percent of the global luxury market, Chinese consumers already made up just under a third of all luxury consumers as of 2016.

- Oct. 10, 2017

Many of these buyers are international students and resident business executives between the age of 25 and 45. By enabling UnionPay and supporting large and one-time payments, the luxury car dealership shop has seen a 20 percent increase in sales in recent years due to the ease of mobile payments.

- Oct. 29, 2017

As luxury spending by Chinese consumers continues to surge both on the domestic and international scale, a Bain & Company report projects China's local luxury market to grow 15 percent. It also predicts that Chinese consumers will have accounted for 32 percent of global luxury consumption in 2017.

The projected market growth in China is more than twice that of any other country or region this year. The growth in Hong Kong and Macau is expected to return to positive numbers, while growth in South Korea and Taiwan will continue to stagnate.

6. Average spend of the Chinese luxury tourist and shopper

- May 29, 2017

Prospects for the global luxury market are looking up again thanks to an expected resurgence in Chinese tourists visiting Europe, as well as increased spending in China, according to a report released in May 2017 by Bain & Company.

Bain predicts that market growth for personal luxury goods such as jewelry and handbags will be between 2 percent and 4 percent, reaching a total of $309 billion to $315 billion in 2017.

- June 15, 2017

In 2016, Chinese buyers from rich households (7.6 million) spent more than 500 billion yuan to purchase nearly one third of luxury goods in the world. (Source: https://jingdaily.com/best-wechat-campaigns-golden-week/)

According to *Jing Travel,* it is estimated that around 700 million Chinese tourists will have traveled domestically and internationally in 2017, which is a steady increase from 593 million tourists the previous year.

Moreover, China's National Tourism Administration (CNTA) forecasted that China saw travel-related spending reach 600 billion yuan ($90 billion) during the Golden Week period.

- June 15, 2017

Reports show that as many as 7.6 million families made purchases of luxury items in 2016 and that Chinese consumers contributed to nearly half of global luxury goods sales. Chinese consumers continue to be the "main force" in the luxury market.