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Luxury market growth continues as Chinese, Gen Z influence increases: Bain

November 16, 2018



Younger affluent and Chinese consumers are driving luxury business growth. Image credit: Vipshop

By SARAH RAMIREZ

In 2018 the overall luxury business grew 5 percent to \$1.4 trillion, primarily propelled by rising demand from affluents in mainland China.

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Luxury sales in mainland China alone grew 18 percent in 2018, according to the 17th edition of Bain & Company's Luxury Study, produced in partnership with Altagamma. The personal luxury goods market is expected to grow at a rate of 3 to 5 percent annually through 2025 for a value of \$360 billion.

"Last year, we saw the global luxury market return to healthy growth, albeit at a more moderate pace than in the past," said Claudia D'Arpizio, a partner and lead author at **Bain & Company**, Milan. "That trend continues in 2018, reinforcing the new normal' we predicted, led by flourishing luxury demand from Chinese consumers, the continued rise of online channels and increasing influence from younger generations of consumers."

Global consumers

Currently, Chinese consumers are about a third of the luxury market, but Bain expects this to grow to 45 percent by 2025.

While luxury shopping is a popular activity for many Chinese traveling abroad, it is also becoming much more common on the mainland. Mainland China's share of global luxury spend is now at 9 percent, compared to a 33 percent share while out of the country.

Chinese affluent often look to purchase luxury goods while traveling abroad, and Chinese consumers spend the most out of any group while traveling. YouGov's Affluent Perspective 2017: Chinese Luxury Shoppers in America found that 56 percent of Chinese affluent are planning a trip to the U.S. within the next two years ([see story](#)).



Luxury shopping in Mainland China is on the rise. Image credit: Gucci

Outside of China and Japan, retail sales in Asia increased 7 percent. South Korea was responsible for much of this growth due to increased local consumption.

South Korea's fashion market makes annual sales of 20 trillion won per year, or \$18 billion at current exchange. The fashion market is expected to grow 3 percent in 2018 from 2017, partly due to the popularity of mobile ecommerce ([see story](#)).

A strong dollar and euro impacted foreign spending in the U.S. and Europe. The luxury business in the Americas grew 5 percent overall, compared to 1 percent growth in Europe.



Chanel's fall/winter 2017 campaign featured Gen Z's Lily-Rose Depp and millennial Cara Delevingne. Image credit: Chanel

Another demographic luxury retailers must keep in mind is Generation Z. Along with millennials, which Bain refers to as Generation Y, Gen Z contributed 100 percent to total luxury market growth in 2018, compared with 85 percent in 2017.

One in 10 luxury consumers will be Generation Z by 2025. These younger affluents favor individualism and shopping at physical stores.

Despite being digitally driven, Generation Z consumers value bricks-and-mortar shopping and tactile retail experiences. Rather than eschewing traditional retail entirely for ecommerce, Gen Z is instead seeking bricks-and-mortar stores that incorporate technology and seamless omnichannel shopping ([see story](#)).

Ecommerce expansion

Shopping online for luxury is only becoming more popular, with U.S. consumers responsible for 44 percent of ecommerce sales.

Bain expects online sales will make up a quarter of the luxury business by 2025, up from 10 percent this year.

The Chinese ecommerce market must be of increasing importance to luxury retailers as it continues to pull away from the United States in terms of value. According to Digital Commerce 360, in 2017 online purchases by Chinese consumers reached \$1.12 trillion, or 7.18 trillion yuan at current exchange, a 32 percent jump from 2016's \$869 billion in sales ([see story](#)).

Online retail platforms for secondhand luxury apparel and accessories are also contributing to ecommerce growth.

According to a report from Coresight Research, fashion market category that relies on consigning high-end apparel and accessories is witnessing a period of enormous growth, outpacing the full-price segment of its industry by 20 percent.

The entire resale industry is expected to grow from \$18 billion in 2016 to \$33 billion by 2021. This data comes from retail think tank Coresight Research, which released the "Fashion Re-Commerce Update" report to dig into exactly how and why this sector has been taking off ([see story](#)).

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