

JEWELRY

## Jewelers struggle to connect as young Chinese consumers go cold on gold

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*Legacy jewelers in China need to take a page from their foreign competitors and figure out how gold can appeal to younger consumers. Image credit: Shutterstock*

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Since the mainland [China luxury market](#) took shape in the early 1980s, one constant amid constant change has been strong demand for gold a fact that has driven revenue for [Hong Kong](#) brands such as Chow Tai Fook, Luk Fook and many others for decades.

But, as has been the case for virtually every high-end brand domestic or foreign operating in the highly balkanized luxury market in China, the young generation presents new challenges for brands heavy on gold jewelry.

We have already seen the influence of younger Chinese consumers manifest in the rising fortunes of [brands such as Supreme or Off-White](#), the [hoarding and reselling of rare sneakers](#), a fast-growing [second-hand and vintage market](#), and eco-friendly or greener cosmetics brands.

The brands that appealed to Gen X and millennials generally struggle to break through to [China's Gen-Zers](#), and that is as true for the likes of Chow Tai Fook as it is for [Louis Vuitton](#) or [Cartier](#).

Based on recent Chinese-language articles, it appears that gold jewelry brands may see a seismic shift in China as Gen Z starts to consume more.

[According to a recent survey](#) by the World Gold Council, only 12 percent of people aged 18 to 22 in China plan to buy gold jewelry in the coming year.

Compared to other countries, the council noted, the emotional connection that China's Gen Z has with gold jewelry "seems to be particularly weak."

But it is not just China's youngest consumers who are cooling on gold.

Chinese press reports indicated that gold jewelry consumption in the first three quarters of 2019 fell for the first time in recent memory, with consumers purchasing 768 tons of gold a decrease of nearly 9.6 percent compared to the same period last year.

Gold jewelry accounted for 523 of those 768 tons, a decrease of nearly 3 percent year-on-year.

According to the China Gold Association, 24K gold jewelry long a preferred segment in Greater China saw a double-digit decline in sales in the third quarter of the year, weighing down overall gold jewelry demand during the recent **Golden Weekend** National Day holiday.

This has been a particularly painful trend for Hong Kong-based jewelers that rely heavily on Mainland Chinese consumers and have been hit hard by protests that have **diminished the once-strong Hong Kong luxury market**.

**According to Chinese-language media**, in the six months leading up to Sept. 30, Luk Fook Group revenue dropped nearly 20 percent year-on-year and net profit dropped 25 percent. Same-store sales in the brand's Hong Kong + Macau and Mainland China locations dropped 25 percent and 16 percent, respectively, over the same time period.

Hong Kong mainstay **Tse Sui Luen (TSL)** saw a 14 percent drop in revenue and a 94 percent drop in profit, with the company's net profit reportedly not enough to cover one month of rent in its Causeway Bay location.

The company attributed its rapid decline to a drop in Chinese tourists, but TSL revenue in Mainland China also saw a decrease of 8.5 percent year-on-year in the first half of this year.

As such, the decreasing demand for gold jewelry is not due only to less mainland Chinese tourism in Hong Kong it is a consumer-led trend.

Gold jewelry design and brands are regular topics of discussion on **Zhihu** effectively China's Quora or Yahoo! Answers where around 85 percent of users are 35 or younger.

According to a recent Zhihu report on users in collaboration with iResearch, younger Chinese consumers simply are not satisfied with gold jewelry currently on the market, with many dismissing it as ugly and tacky.

The report found that younger Chinese shoppers are more likely to opt for fashion jewelry brands such as APM Monaco, Pandora or **Tiffany**, all of which have accessible price points and a more general focus on silver.

In an attempt to stay relevant amid plummeting demand among younger shoppers in China, some brands have taken to limited editions aimed specifically at Gen Z.

Century-old jeweler Lao Feng Xiang has released co-branded products with Disney since 2016 featuring the likes of Winnie the Pooh or Mickey Mouse in gold and jade.

Chow Tai Fook, too, has launched special lines aimed squarely at millennials and Gen Z, among them the accessible jewelry brand **Monologue** and "light luxury" wedding jewelry line **Soinlove**, along with traceable diamond brand **T Mark** in an attempt to cater to eco-friendlier consumers.

The brand has launched co-branded collections with brands such as Coca-Cola and the fast-growing Starbucks competitor Luckin Coffee.

Since last year, Chow Tai Fook has also experimented with unmanned vending machines in VIP lounges at airports in Shanghai and Chongqing, at which customers use their **WeChat** accounts to scan a QR code at the top of the machine, which opens a door that lets them try on jewelry. If the item is not placed back in the cabinet within 15 minutes, the purchase is automatically deducted from the user's WeChat account or if the individual has insufficient funds negatively impacts his or her credit history.

Other gold-centric brands such as Chow Sang Sang are aggressively courting younger consumers by tapping popular mobile games or bringing on younger brand ambassadors.

Chow Sang Sang's **Gold Dharma bracelet**, a tie-in with the popular mobile game "Onmyoji" (阴阳师) quickly sold out in 2018, and ailing Luk Fook recently named 32-year-old actor Li Yifeng as its latest brand ambassador.

IT WILL BE interesting to see how China's gold jewelry market fares in the year ahead whether moves such as unmanned gold vending machines or younger brand spokespeople can stave off plummeting gold sales or are simply public relations.

What is definitely the case is that legacy jewelers in the region need to take a page from their foreign competitors and figure out how to appeal to younger consumers in a sustainable way and quickly.

At some point, China's Gen-Zers will take the driver's seat in terms of luxury consumption, and if the allure of gold jewelry is lost on them, no amount of Disney collaborations or video game tie-ins will make a difference to the

bottom lines of Chow Tai Fook or its peers.

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