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The post-COVID-19 rise of conscious luxury

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Many brands have been hurt by the lack of spending in China during COVID-19 but are hopeful it will return once it ends. The reality is more complex. Image credit: Shutterstock

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The COVID-19 crisis in China has triggered a new reality where medical supplies are everyone's current hard-to-get luxury items.

Across the country, citizens are fighting over N95 masks, protective gear, alcohol-based hand sanitizers, [tissues and toilet paper](#). *Fortune* reports that masks "have become a symbol of protection."

The Swedish breathing mask company, [Airinum](#), which is known for creative product designs that are popular with [KOLs](#) and [celebrities](#), is out of stock on all its products.

In fact, all [N95 and surgical masks are sold out in greater China](#). This surge in demand has [escalated prices](#), and the *BBC* reports that the price of a 20-mask pack on Taobao increased to \$158 (1,100 yuan) on Jan. 21 from \$25.60 (178 yuan) in November.

These days, purchasing safety masks has replaced shopping sprees for items such as [Gucci](#) sneakers and [Balenciaga](#) sweatshirts.

But, while the COVID-19 crisis has slashed profits for most brands, the luxury industry remains hopeful that Chinese consumers will return to previous levels of consumption after the outbreak ends. This assumption, however, is questionable.

In an interview with *Yahoo Finance*, Pauline Brown, a former chairwoman at [LVMH](#) North America, says that luxury shopping is "a [psychological purchase](#)," and she rightly states that when "people are not feeling safe," they are not eager to shop.

Given the current paranoia, it is unthinkable that Chinese consumers will return to their normal purchasing habits overnight.

There is also the fact that many Chinese are discovering new realities.

During the quarantine, different netizens have been discussing how they rediscovered life's simpler pleasures and

connected with their loved ones by escaping excessive consumption.

It is also worth noting that even prior to the crisis, elites were moving further away from conspicuous consumption and embracing a more balanced view of consumerism.

Consequently, it is to be expected that this new phenomenon would speed up that process.

But one thing is clear: The COVID-19 outbreak has made it difficult to establish persistent theories about consumption trends in a post-crisis China.

Yet some patterns suggest luxury brands will continue to pay a high price.

Consumer purchasing behavior is changing in this crisis

Inflation and deflation both influence purchasing behaviors, so it is not far-fetched to believe a health crisis could be an even more powerful regulator.

A full decade after the Great Recession, *CNBC* reported that psychologically scarred Americans were "still looking for a deal."

Moreover, a 2011 Euromonitor survey showed that 75 percent of American and British consumers had a strong interest in finding bargains, "with a majority of Brazilians, Germans and French also keen on a good deal," according to *Reuters*.

Ironically, while the recession changed the shopping patterns of American and European **millennials** for good, luxury brands had been mostly unprepared for those changes.

"Luxury brands have made their own changes," says *CNBC*. "Players like LVMH were caught off guard during the recession when flash sale Web sites like **Gilt Groupe** sprouted up, offering their excess inventory at a far steeper discount. Those brands had not previously had to focus on limiting their inventory or building an online presence."

In China, thrifty spending habits were expected to rise anyway, thanks to novel **inflation**.

According to China's National Bureau of Statistics, consumer prices are up by 2.9 percent from a year earlier.

Furthermore, **the prices for certain foods such as apples have nearly doubled**, while the price for pork, chicken and lamb has gone up.

The "fearonomic effect"

According to a paper published in the *BMJ Global Health* by **Sulzhan Bali, Kearsley A. Stewart, and Muhammad Ali Pate**, "the fearonomic effect" during the Ebola epidemic impacted the private sector in Nigeria.

As stated in their research, certain sectors such as health, aviation and hospitality felt the biggest repercussions, but "no business was immune to Ebola's fearonomic effects."

The economic impact was even stronger in other Ebola-infected countries such as Liberia, Sierra Leone and Guinea.

The World Travel & Tourism Council (WTTC) also analyzed this matter and assessed that the impact of the high-stressor epidemic for Sierra Leone was impressive, with tourist arrivals falling by 50 percent between 2013 and 2014.

"To date, neither arrivals nor spending from international visitors has yet returned to their pre-epidemic peak, with inbound arrivals from Western markets hit hardest," says a study by **WTTC**.

In fact, four years after Sierra Leone was declared Ebola-free, **the economy is still suffering**, and the country still struggles to attract international tourists.

Similarly, after the Swine Flu (H1N1) pandemic of 2009/2010, different industries around the world reported economic challenges.

An article published in *Health Economics* in 2013, shows that the Mexican tourism sector lost almost a million overseas tourists and registered losses of around \$2.8 billion over a five-month period.

The Chinese market was already maturing before COVID-19 hit

Even before the COVID-19 crisis, there were various signs that the extravagant Chinese spending period was coming to an end.

Considering that China had previously been a nation of savers that only more recently moved towards

consumerism, this change is not surprising.

Meanwhile, the country's newest consumer generation, which has been slow to enter the market because it more closely mirrors Western values, represents another major blow to big spending.

Younger, educated, Chinese luxury buyers have a more holistic view of value. Their identities are no longer defined by logos and labels, and their enlightened understanding of the world brings with it an intensely conscious effort to connect with the world and find real purpose. Their anti-consumerist attitude has pushed health, culture and experimentalism to the forefront.

Additionally, China's ongoing social transformation has created a class structure defined by larger differences between rich and poor, and recent events show that the widening wealth gap is creating tensions in society.

Therefore, parading one's wealth ostentatiously is now less appropriate than before.

But there are some exceptions.

Consumers who belong to the "aspirational class" and come from second- and third-tier cities will continue to chase brands and products that signal a base form of luxury.

However, more sophisticated shoppers will find subtler ways to communicate their status and economic power.

This change is in line with values promoted in Western societies where "responsible" luxury is the norm.

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