

RESEARCH

## Key takeaways from the 2020 BCG x Tencent Digital Luxury Report

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*The Chinese luxury market, which has benefited from successful domestic pandemic control and has taken the global lead in recovering, is expected to grow between 20 and 30 percent over 2020. Image credit: Shutterstock*

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When it comes to Chinese **luxury** spending, the boom has already begun. And now, thanks to its stunning market performance, China has become the main battleground for all major luxury brands.

On Sept. 22, **Boston Consulting Group** (BCG) joined hands with Tencent Marketing Insight (TMI) to release the 2020 BCG x Tencent Digital Luxury Report.

The report notes that, since early 2020, the luxury market has been hit hard and is expected to decline by 25 to 45 percent compared to the previous year.

However, the Chinese luxury market, which has benefitted from successful domestic pandemic control and has taken the global lead in recovering, is expected to grow between 20 and 30 percent over 2020.

"The share of pure online purchases has increased to 30 percent, indicating a shift towards an omnichannel journey," said **Crystal Hao**, managing director and partner at BCG.

"In the post- COVID era, luxury brands need to reconsider the key characteristics of Chinese consumers and develop a truly omnichannel shopping experience that takes into account both service and experience," she said.

Below, *Jing Daily* sums up three surprising findings from the report that will help brands understand the nuances of China's luxury shoppers:

How to boost customer stickiness: personalized service

After analyzing and categorizing more than 10,000 consumer purchase activities, the report found that one-to-one sales services are crucial in improving service efficiency and boosting customer stickiness.

According to the report, at the purchase step, approximately half of the consumers considered one-to-one sales service to be the most critical factor in their purchase. Moreover, one-to-one is equally important in repeat purchases.

Moving forward, the accumulation of **omnichannel** consumer data and personalized service are crucial for sustainable brand operations.

Around 45 percent of consumers expressed that personalized information is the most critical factor in improving the consumer experience.

Brands should accelerate the accumulation of omnichannel consumer data and proactively develop **digital tools** to enable frontline sales to deliver a customized shopping experience.

The keys to social media marketing, from private traffic to social fission

Since the outbreak of **COVID-19**, the use of livestreaming, digital campaigns and ecommerce has exceeded all expectations in China. These online disruptions in the luxury market are shaping how millions of Chinese consumers shop daily.

The report noted that in 2020, consumers below the age of 30 accounted for more than 50 percent of total spending for the first time and contributed 47 percent of luxury spending. This group of young **millennials** and **Gen-Z** consumers share the attributes of being both fashion-conscious and socially active.

Consumers who are fond of sharing and exchanging content via multiple platforms are highly susceptible to the influence of **social media** and their circle of friends.

Brands should proactively develop their social impact to help promote consumer conversions along this path.

In the future, brands could motivate consumers to initiate spreading and sharing brand content, starting with private traffic that would expand via social fission.

How to bond with consumers: brand interaction and online-offline synergy

A surprising finding from the report was that more than 50 percent of consumers proactively learn about brand histories.

Consumers are looking to see if their values are reflected in the brand, allowing a purchase to become an expression of their personal values.

As such, brand interaction and online-offline synergy are now an important driver for consumer's shopping.

According to the survey conducted by BCG x Tencent, approximately 70 percent of purchases were influenced by or came directly from brand interaction.

Therefore, brands would be wise to proactively create an immersive experience through omnichannel platforms to better permeate the daily lives of consumers and inspire spontaneous purchases.

Brands should continuously focus on communication and break existing circles with these immersive experiences and cross-boundary collaborations to remain relevant to consumers.

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