

RESEARCH

6 big China luxury trends from 2020

November 24, 2020



To capitalize on China's lucrative post-COVID-19 market growth, luxury brands must know the trends that shaped China's consumers in 2020. Image credit: Fendi

By **Nica San Juan**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

The COVID-19 pandemic sent shockwaves through the global economy in 2020 and has crippled the world's luxury spending except in China, where **the country's GDP will have grown by 1.8 percent this year while the global GDP will have plummeted by 4.5 percent.**

For luxury brands, that means that it is time to capitalize on the China market. And, of course, some already have.

When the country came out of lockdown in March, **Dior** and **Louis Vuitton** reported that their sales more than doubled in China. **Kering** and **LVMH** also suggested double-digit revenue growth there, and Prada confirmed that its China sales had grown by **60 percent since March.**

Thanks to this strong post-**COVID-19** growth, the China market is now projected to account for **50 percent of global luxury spending in 2020** an increase of more than 37 percent from 2019.

Accordingly, Boston Consulting projects that China's consumer spending on **luxury goods will have increased by 30 percent in 2020** while the rest of the world's spending will have fallen by an average of 45 percent. Bain projected a less drastic drop of **20-35 percent.**

But, for brands to capitalize on this lucrative market growth, they will need to understand the current trends and make the appropriate changes. *Vogue Business*, in conjunction with tech media site Huxiu, **conducted a survey** to help luxury brands understand today's young customers in China. Below are six marketing trends from that report that are shaping those consumers' purchasing habits:

Know China's new consumers

The consumption preferences and habits of Chinese consumers have been evolving faster than any other country in the world. So, to remain relevant, brands in China must keep up with these changes. But first, they have to know China's different consumer brackets.

Together, **millennials** and **Gen-Zers** make up 80 of China's luxury spending today. As such, young people are buying the most luxury by far, and these consumers vary remarkably from their predecessors by being far more

complicated and sophisticated.

Longevity beats brand recognition

These young buyers have grown up around popular international luxury brands. So, for them, brand recognition alone does not justify paying a **premium** price for products. More importantly, they consider luxury purchases an investment and, therefore, value longevity in a product.

Organic ads are more effective than celebrity endorsements

Young shoppers are known for loving celebrity endorsements. Yet, according to the survey, 34 percent of post-00's consumers prefer recommendations from people in their real-life social circles and are more likely to have their purchases influenced by friends and people around them than by traditional advertising media.

Therefore, luxury brands will need more than celebrity ad campaigns to win them over. They need to find ways to establish a direct relationship with young consumers and build trust with them.

Handbags, shoes, and cosmetics are their favorites

For post-1980's and 90s consumers, handbags remain the most frequently purchased luxury product. But post-00's consumers tend to spend more on cosmetics and shoes, considering the latter a status signifier. Also, the rise in popularity of streetwear in China has driven the penchant for shoes.

Luxury buyers are not necessarily the top earners

Today's consumers do not wait to become wealthy before they make high-end purchases. An estimated 75.6 percent of the young consumers surveyed said they get support from parents to buy luxury goods, and plenty of them are also willing to take out loans to buy products that they yet cannot afford.

Keeping pace with China's dynamic luxury market

China has always been a key market for luxury brands and will continue to be. However, past success may not guarantee results over the long-term.

To get a piece of China's ever-growing pie and to retain it brands must be willing to evolve and keep pace with the country's dynamic consumer base.

*Published with permission from **Jing Daily**. Adapted for clarity and style.*