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MARKETING

Consumer confidence in China returns to pre-pandemic levels: report

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Chinese consumers are approaching pre-pandemic levels of confidence. Image credit: Getty

By NORA HOWE

Since the onset of the COVID-19 pandemic last year, affluent consumers in mainland China and Hong Kong have regained confidence, indicating an upcoming boost in the luxury market.

According to the 2021 China Luxury Forecast report by integrated communications consultancy Ruder Finn and market research group Consumer Search Group, the concept of luxury consumption has changed and a considerable number of affluents are buying higher-quality luxury items. The forecast explores key indicators of the luxury market in mainland China and in Hong Kong, and reveals market trends based on consumer behaviors and preferences.

The basis for the 2021 China Luxury Forecast is a survey of 2,000 consumers in mainland China and Hong Kong. Conducted in January 2021, the survey encompassed 1,500 respondents living in mainland China and 500 respondents in Hong Kong.

Among those surveyed, the average annual household income was $224,257 in mainland China and $130,018 in Hong Kong.

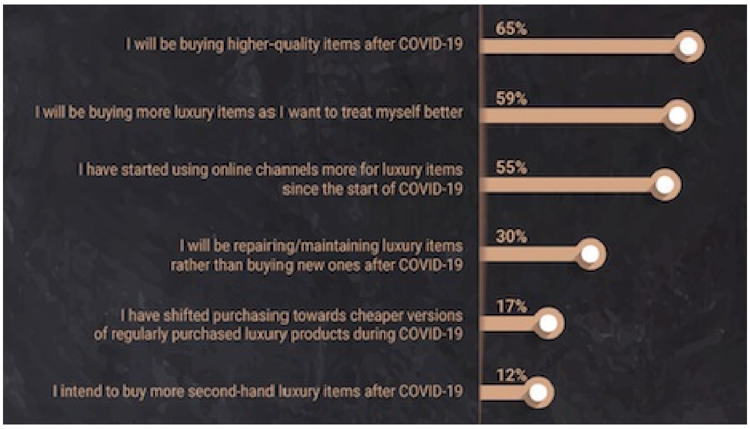
Key indicators

Compared to March 2020, consumer confidence in both mainland China and Hong Kong have shown a full recovery. Regarding their purchase plans for the next 12 months, 41 percent of the respondents in Mainland China and 33 percent of the respondents in Hong Kong indicated that they would spend more on luxury goods, returning to pre-pandemic levels.

Respondents in Mainland China are most willing to increase or maintain spending on beauty and cosmetics, followed by clothing and shoes. Meanwhile, the luxury automotive and travel sectors may receive less interest.

The survey also indicated that 30 percent of respondents in mainland China and Hong Kong are willing to buy niche luxury brands in all luxury categories except luxury watches.

Research suggests that COVID-19 has affected the concept of luxury consumption, as 65 percent of respondents in mainland China and 48 percent of respondents in Hong Kong tended to buy higher-quality items after the pandemic.



Mainland China consumers' response to how their behavior has changed since COVID-19. Image credit: Ruder Finn

Among online destinations for luxury shopping, official brand websites have become the most popular online purchasing channel for respondents in mainland China year-over-year, accounting for 54 percent of purchases.

Tmall and JD.com account for 43 percent and 40 percent, respectively, in mainland China, closely following the popularity of official brand websites.

In December 2020, Italian fashion label Gucci partnered with Alibaba's Tmall Luxury Pavilion in an effort to expand its reach in China.

As brands look to reverse revenue dips due to the COVID-19 pandemic, the Chinese market is crucial for business strategy and development. Gucci opened two digital stores on Tmall's Luxury Pavilion, fashion and beauty, in a bid to expand its online footprint and reach Alibaba's 750 million consumers (see story).

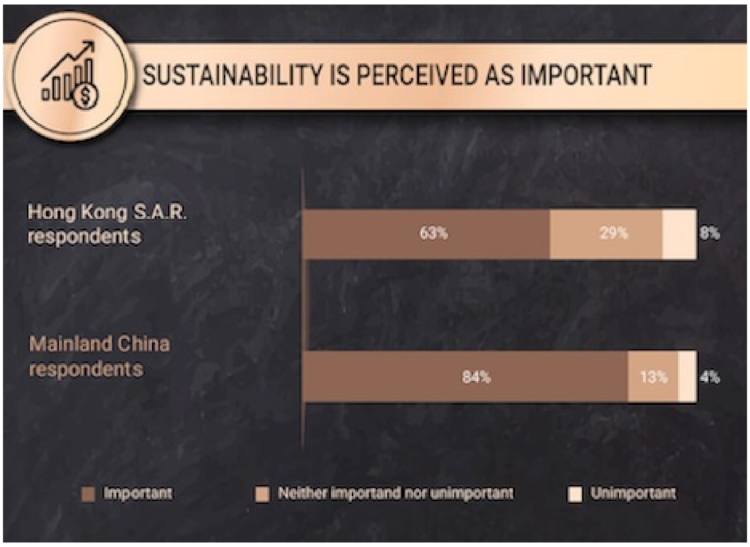
Due to restrictions on international travel from COVID-19, mainland consumers shifted their overseas shopping plans by returning their focus to Mainland China, so Shanghai, Beijing, Guangzhou, Shenzhen and Sanya have become the top five mainland cities for luxury product purchases.

As the market continues to mature and government leaders continue to promote sustainable development, people are becoming more aware of its importance. For this report, Ruder Finn and CSG cooperated with the consulting agency yehyehyeh, led by Ms. Shaway Yeh, to conduct in-depth research on consumer perceptions of sustainability.

The majority of consumers, 84 percent in mainland China and 63 percent in Hong Kong, consider sustainability important. Meanwhile, 85 percent of respondents in mainland China and 62 percent in Hong Kong share a common view that the luxury market is an important means for encouraging sustainability.

In both markets, reducing or eliminating pollution in the production process and sourcing ethical raw materials are the top two concerns among consumers, while the fur-free issue is of least importance to respondents.

About 90 percent of consumers are willing to pay more for a luxury brand that supports practices of sustainable development for society and the environment. Among them, the largest group of respondents include those willing to spend 5 percent to 10 percent more.



Awareness of sustainability is growing in the region. Image credit: Ruder Finn

Additionally, the survey shows that 68 percent of respondents from both markets still regard Hong Kong as an Asian luxury hub, despite the lack of travelers from mainland China.

When asked about possible travel destinations during the next 12 months, 23 percent of mainland China respondents chose Hong Kong, which ranked second only to domestic travel within mainland China. Japan ranked third on the list of future travel destinations for mainland consumers.

Gen Z power

Gen Z consumers have become an important force in luxury consumption, and their consumption perceptions and behaviors are distinctly different from those among older consumers. Compared with older respondents, Gen Z puts more value on purchasing luxury goods that reflect their achievements at 38 percent, and pays less attention to goods that reflect their taste at 33 percent.

Bilibili's "2021 Spring and Summer Season Fashion Report" identified three major fashion trends and key cultural preferences among China's Gen Z.

The first is the "contrast look," a blend of retro, futuristic or surreal elements such as cyberpunk with everyday, mainstream style in China. The second is the "new classy look," with durable, versatile and minimalist products. According to Bilibili and Alibaba, China's Gen Z's heightened sense of value for money has led to a shift in their expectations of quality.

The third major trend is expanding fashion and style into all lifestyle scenarios, such as at home, in the gym or camping (see story).

Only 6 percent of Gen Z consumers get luxury information from television. In terms of fine dining and luxury travel, they are significantly more dependent on the recommendation provided by key-opinion-leaders (KOLs) recommendations than older respondents.

In 2019, organizers behind the annual Salon International de la Haute Horlogerie (SIHH) partnered with agency Digital Luxury Group on an influencer campaign to raise awareness of the watch industry among Chinese millennials. DLG recruited two high-profile KOLs to attend the event in Geneva, Switzerland.

While the hashtag #SIHH2019 reached more than 100 million users on Weibo, the KOLs were responsible for a significant proportion. Together, they generated more than 23 million impressions on Chinese social media, including 1.2 million simultaneous views during the height of live streaming on Yizhibo (see story).