

MARKETING

Chinese HNWIs plan to spend more on fashion, jewelry in 2022

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Most Chinese millionaires expect to increase their luxury spending in early 2022. Image credit: Valentino

By SARAH RAMIREZ

While China's affluent have led luxury's recovery from the COVID-19 pandemic, their optimism seems to be waning nearly two years after the start of the global health crisis.

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According to Agility Research & Strategy's "China Outlook for 2022," affluent consumers' outlook has improved significantly since the start of the pandemic but this recovery has slowed in the second half of 2021. Nonetheless, Chinese affluents and millionaires remain willing to spend on luxury goods a promising sign for brands' bottom lines.

"I think it is quite surprising that the pandemic seems to have a strong impact on how people are thinking about their lives and luxury," said Amrita Banta, managing director at [Agility Research & Strategy](#), Singapore.

"Even though China has had very few COVID cases this whole year, the affluent and HNI still think about luxury as being connected to health, wellness and freedom which is very different to how they thought about luxury in the pre-COVID days, which associated luxury with quality of life and service and expensive brands."

Agility defines affluent consumers in China as those with an annual household income of at least 400,000 RMB, or about \$62,500 at current exchange. High-net-worth individuals are those with at least \$1 million in assets, excluding primary residences.

Mindful luxury consumption

Affluents are seeing their outlooks level off at a time when China is experiencing some economic uncertainty.

During the third quarter of 2021, China's GDP growth slowed dramatically to 4.9 percent year-over-year and only 0.2 percent from Q2. The country has been impacted by energy shortages, concerns about real estate and stocks and localized lockdowns to combat COVID-19 outbreaks.



Chinese HNWI's are more likely to spend on hard luxury than Chinese affluents. Image credit: Peninsula Hotels

In this evolving climate, differences in sentiment have emerged between Chinese affluents and millionaires.

"Currently we still see optimism in the China market, but the scores are not too much higher than what we saw in April and earlier this year," Ms. Banta said. "In some markets, like the U.S., we see much more optimism in this wave."

Affluents' outlooks have remained nearly level when it comes to increasing their luxury spending, up to 41 percent from 39 percent in the first quarter.

Perhaps unsurprisingly, Chinese HNWI's are feeling more optimistic. More than half expect to increase their luxury spending in the next six months, compared to 43 percent in Q1 2021.

These consumers are planning to increase their spending primarily on fashion, jewelry and cosmetics. HNWI's are also significantly more likely to increase spending on cars and jewelry than their affluent counterparts.

Even as Chinese luxury shoppers continue spending, they are more mindful of their purchases and are gravitating to timeless pieces that will retain their value. There is also growing interest in secondhand luxury, renting luxury and vintage luxury.

This shift applies across demographics. Forty-four percent Gen Z respondents reported a preference for classic and timeless items, rather than trendy goods, up from 26 percent earlier this year.



In-store experiences can make or break a sale for luxury brand. Image credit: Chanel/Peninsula Hotels

However, brand experiences including online, in-store and events remain the most influential factor in luxury purchases. About nine in 10 respondents find brand experiences influence them "a lot" or "somewhat."

Despite the dramatic growth of ecommerce, in-store and direct brand "touch" experiences are critical for shoppers when they are purchasing with a brand for the first time or buying a big-ticket item.

Embracing sustainability

Sustainability continues to become a key factor in luxury purchases among Chinese affluents and millionaires. This is a shift from when most shoppers had a more passive mindset towards environmental concerns.

Among China's Gen Z affluents and millionaires, sustainability takes even greater importance. More than half report that sustainability factors into luxury purchases "a lot," with another 44 percent saying it is "somewhat" influential.

While the concept of sustainability is becoming universally accepted, it appears that younger consumers, primarily, are actively diving deeper into the logistical side of brand sustainability.

In 2018, Altiant found that 70 to 90 percent of the wealthy or high-net-worth population in the U.K., U.S. and China trusted the sustainability and ethics-related claims from luxury brands. Among that group, 27 percent were paying very close attention ([see story](#)).

Luxury brands and retailers can also create a competitive advantage through sustainability as consumers becoming increasingly environmentally conscious.

According to findings from Kantar and Europanel, the number of households that are "most" environmentally conscious, dubbed "Eco Actives," climbed for the second consecutive year. This group now accounts for almost a quarter of all global consumers ([see story](#)).

"It's important for brands to monitor this market more closely as things are changing very rapidly and it's critical to see if the revenge spending we saw earlier on in 2020 will continue in the next year," Ms. Banta said. "It's also important for brands to know how to communicate with the post-COVID consumer as there has been a fundamental shift in the way people are thinking about their lives and luxury."

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