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As COVID-19 spikes in China, could luxury sales stumble?

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China is facing its biggest COVID wave since Wuhan. As cities like Shanghai and Shenzhen go into lockdown, should luxury brands brace for a bumpy ride? Image credit: Shutterstock

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While the rest of the world adapts to life with the virus, China is struggling to contain its biggest COVID-19 outbreak since Wuhan.

On March 13, the country reported more than 3,000 new locally transmitted cases, sending the entire province of Jilin and its 24 million residents into lockdown.

Meanwhile, Shanghai announced that schools will shift online starting this week and that cinemas, theaters and museums will be shut down.

In Shenzhen, where more than 66 cases have been detected, businesses not involved with essential public services were ordered to suspend production as China's "Silicon Valley" enters a week-long lockdown.

The Jing Take: China has not adjusted its zero-tolerance tactics to Omicron despite the strain being more transmissible and less deadly and nor does it plan to for the time being, according to the country's CDC.

Instead, authorities have turned to their tried-and-true formula for stomping out infections, such as border controls, mass testing, quarantines and lockdowns, although they are now promoting self-testing kits for the first time.

Naturally, some brands have been affected.

Prada, which had planned to open a limited-time store called Prada Tropica March 11-20 and a special market from March 12 to 13, has now pushed back these events in Shanghai.

Apple will also likely be impacted due to its supplier, Foxconn, halting factory production in Shenzhen. Moreover, because Shenzhen is home to one of the world's largest container ports, the tech hub's lockdown could further disrupt global supply chains.

That said, luxury brands have largely adapted to a world where the pandemic exists.

While rolling lockdowns could mean potential store closures, global players have laid a strong ecommerce infrastructure over the past two years to continue connecting with local customers, from launching flagship stores on Tmall, JD.com and Douyin to running social media accounts on Xiaohongshu.

Even if the foot traffic of bricks-and-mortar stores were to fall, a temporary dip in China sales should not profoundly affect a luxury brand's bottom line.

Not only can they rely on global markets such as the United States in fact, Bain & Company reported that in 2021, the U.S. surpassed China as the biggest luxury spenders, accounting for one-third of all sales but there is also the slate of Chinese shopping holidays such as 520 and 618 to anticipate.

Plus, a brief lockdown could spark an even stronger desire from consumers to attend physical brand events. After all, distance makes the heart grow fonder.

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