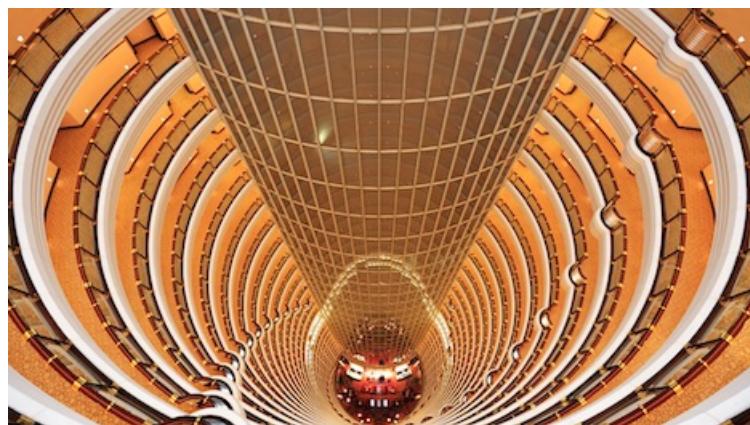


RESEARCH

Luxury market in China loses five-year growth reign, declining 10pc in 2022: Bain

February 8, 2023



The report details the decline of the luxury market within China, stressing the resiliency of digital business. Image courtesy of Bain & Company

By EMILY IRIS DEGN

Amidst the economic and health crises happening in China, the country's personal luxury goods have officially lost exponential momentum.

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American management consulting company **Bain & Company** is out with [the latest report](#), detailing the state of luxury in China. After five years of dramatic growth, the market contracted by 10 percent in 2022 compared to the year before.

Bruno Lannes, senior partner of consumer products and retail practices, and Weiwei Xing, another partner in the sector, authored the report at Bain & Company. Zoe Zou, a senior manager of the sector for the company, and associate consultant Zhewen Wei also contributed.

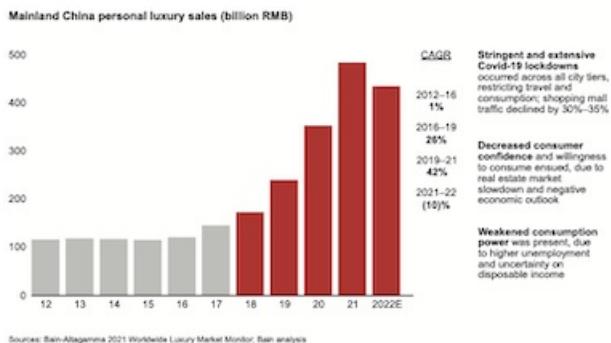
For the report, findings are based on secondary market research, industry experts' interviews and financial data that was made available to the company. Bain & Company has yet to verify the information independently, and future projections are based upon the judgment of the company's analysts.

New age

This is the first time in five years that the luxury personal goods market has seen a decrease in the country, as China has largely been leading the charge in luxury on a global scale.

The COVID crisis in the country is a big driver of the downturn, creating purchasing barriers throughout most of the year. The struggling real estate market, health emergencies and growing unemployment all contributed to the tightening of consumer purse strings.

Figure 1: In 2022, the Chinese luxury market declined 10%, ending a five-year growth spurt



Bain & Company's breakdown of the state of China's luxury market shows this past year brought about the first decline in years. Image courtesy of Bain & Company

The report specified no luxury market was left unharmed by the overall decline.

That said, markets with a strong online presence did experience as large of a blow to business. The report points to the luxury beauty market, having a 50 percent online penetration rate and having contracted by six percent a small decrease compared to the rest of the markets.

Without the wider exposure of online channels, markets with lower penetration fared significantly poorer.

Out of all of the luxury sectors, the watch market took the biggest hit. Sales fell between 20 and 25 percent year over year during 2022.

The fashion and lifestyle luxury market saw a decline in sales of 15 to 20 percent, and the jewelry and leather goods markets fell by 10 to 15 percent.

According to the report, this holds up to historical trends.



China remains challenged amidst the economic and health crises at hand. Image credit: Bosideng x Maserati

"While most brands saw declines in 2022, a few stayed flat or grew despite challenging conditions," said Bruno Lannes, senior partner at Bain & Company, in a statement.

"Three factors contributed to their success first, bigger brands out-performed smaller players on average; second, brands with iconic portfolios did better than those with trendy or seasonal merchandise; and finally, brands with a higher concentration of Very Important Clients (VICs) fared better."

A focus on bringing in those with high net worth (HNWIs) and honing pricing strategies to suit the Chinese market are noted as being vital to kick-start the luxury market again. A strong online approach will help keep companies afloat in the meantime.

"Luxury consumption will recover as Covid subsides, mall traffic improves, and consumer sentiment rebounds," said Weiwei Xing, partner at Bain & Company, in a statement.

"We expect to see 2021 sales levels sometime between the first and second half of 2023," Mr. Xing said. "While optimism abounds, there are also risks."

"Brands need to resolve pricing gaps between China and Europe before international travel resumes."

Virtual growth

Despite the bleak numbers, the company predicts that the luxury market will rebound this year.

Standing on the hope that this year will mark COVID recovery for the country, Bain & Company expects 2023 to bring growth back to the luxury market. Until then, experts have been reporting on a global level that the pandemic and a rising young generation have ushered in the age of omnichannel success ([see story](#)).



In China, meeting Gen Z's expectations might be the key to surviving the downturn- including embracing the digital world. Image credit: Lusant

The company also specified in the report that the potential for growth is still present in China, due to consumer demand and the growing number of well-earning citizens. That said, experts do conclude that affluent consumers are hesitant to spend generously in economic crises even if they are not personally struggling financially ([see story](#)).

"...as more Chinese HNWIs are residing outside of China, luxury brands must deliver excellent experiences everywhere in the world," Mr. Xing said.

"Ultimately, brands that understand the nuances of the China luxury market will succeed over time."

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