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What do Louis Vuitton's record-breaking sales in Hefei reveal about China's luxury rebound?

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The Louis Vuitton store in Hefei achieved revenue of more than \$14.7 million in January. Image credit: Shutterstock

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The Louis Vuitton store in Hefei's luxury Yintai Centre mall achieved revenue of more than \$14.7 million (100 million RMB) in January, a record monthly sales high, according to a [report](#) from Chinese media Jiemian News.

This is especially noteworthy because Hefei, the capital of the inland Anhui province in mid-eastern China, is neither a first-tier city nor a luxury hub such as Chengdu or Shanghai.

And consumer enthusiasm for Louis Vuitton is not limited to Hefei.

Long queues are forming outside Louis Vuitton stores across China, with wait times as long as an hour. Many in line [stated](#) that they had rushed to the stores upon hearing that the brand will increase prices by 20 percent this month, only to find that popular handbags, such as the Boulogne and other monogram models, had already sold out.

So far, there has yet to be any official confirmation of the alleged price hike. On Weibo, the [hashtag](#) "LV to increase prices once again two months after the last one" had received about 10.5 million views.

The Jing Take: The ongoing craze for Louis Vuitton handbags in China resonates with the optimism expressed by LVMH chairman/CEO Bernard Arnault at the end of January.

Mr. Arnault [said](#) that LVMH has "every reason to be confident, indeed optimistic on China," as the return of Chinese consumers means that its stores in China will be full again.

Indeed, China's reopening in early December 2022 helped make LVMH the first European company to be [valued](#) at more than 400 billion (\$434 billion).

January also coincided with the 2023 Chinese New Year (CNY), when many consumers purchase luxury products as end-of-the-year rewards to themselves or as gifts to others.

As China's consumer sentiment further recovers, it is possible that the country could help propel LVMH to surpass its

performance in 2022, when **revenue** reached 79.2 billion (\$84.7 billion), a 23 percent year-on-year increase.

In addition, the monthly sales record of Hefei's Louis Vuitton store points to from where the fastest growth could come.

While it is not news that luxury brands are exploring emerging markets outside of China's first-tier cities, regions such as Anhui and its neighboring Henan Province are relatively untapped. It is not difficult to understand why: In 2022, average per capita **annual disposable incomes** in Anhui and Henan were \$4,820 (32,745 RMB) and \$4,154 (28,222 RMB), respectively, placing them at the middle and bottom tier of China's 31 provinces.

By comparison, average annual disposable income per capita in Shanghai and Beijing, the top two cities, were \$11,712 (79,610 RMB) and \$11,396 (77,415 RMB), respectively.

Yet, plenty of affluent consumers reside in the populous Anhui and Henan provinces. Moreover, Hefei and Henan's capital, Zhengzhou, are both new first-tier cities that are still some distance away from existing luxury hubs. Therefore, they present alluring markets for luxury brands to open stores.

In early January, Van Cleef & Arpel **opened** a store in Hefei's Yintai Centre, its first in Anhui. It also **plans** to open its first store in Henan in Zhengzhou's David Plaza, which already hosts top labels such as Herms, Louis Vuitton and Gucci.

Recently, a job posting led to **speculation** on whether Chanel is planning to open a boutique store in David Plaza as well. If confirmed, it would be Chanel's first store in China's central region, which encompasses Henan, Hubei and Hunan.

Of course, it remains to be seen whether Hefei can sustain this level of luxury consumption if the alleged price hike occurs and given the CNY holiday season has ended.

Nevertheless, as luxury brands double down on China in 2023, the race to unlock the potential of new first-tier cities such as Hefei might be just starting.

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