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RESEARCH

Bain: Chinese Very Important Clients' on the rise, 2pc of global consumers contribute to 40pc of luxury spending

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China's Very Important Clients, who mostly comprise high-net-worth individuals (HNWI), were a major contributor to luxury sales over the year. Image credit: Shutterstock

By Crystal Tai

Over 2022, China's Very Important Clients (VIC) grew in numbers and focused their shopping efforts on e-commerce and online avenues, according to a Bain & Company report released last week.

VICs, who mostly comprise high-net-worth individuals (HNWI), were a major contributor to luxury sales over the year. Globally, this appeared to be a trend the top 2 percent of wealthy consumers were responsible for 40 percent of luxury sales around the world.

Overall, the global recession had less of an effect on HNWIs, with entry-level luxury consumers more likely to spend less in these times.

Citing data provided by Tmall Luxury Pavilion, Bain stated that Chinese VICs contributed to some 50 percent of online sales and make up the fastest-growing segment of consumers.

However, China's luxury market also saw a 10 percent contraction compared with the year before. This marked the first time the nation's luxury market shrank in over five years.

China's "bull run" reached its end due to the country's stringent COVID-19 regulations, as months of continued lockdowns kept businesses shuttered and consumers at home.

The Jing Take: With much of the nation under strict lockdowns over the past three years, China's retail sector has seen sales plummet and growth shrink.

Now with the country's reopening, the nation's $6 trillion consumer market will still need more time to recover, according to analysts.

While domestic tourism spending increased by 30 percent year-on-year to around $55.32 billion (375.84 billion

RMB) during the Lunar New Year holiday in January, the figures have yet to recover to 2019's pre-pandemic spending levels.

Bain forecast that China's retail will continue to recover, and is poised to grow throughout the remainder of the first quarter of 2023.

Looking ahead, this means that duty-free luxury retail will spearhead much of this movement, as domestic travelers flock to their favorite holiday destinations such as Hainan, Hong Kong and Macau once again.

Amid rising U.S-China geopolitical tensions, and a looming global recession, China's retail performance in the coming months will be key in determining the economic climate for luxury and consumption in the post-pandemic region.

Meanwhile, South Korea is also forecast to see a resurgence of Chinese shoppers. The same report by Bain cites that the nation's duty-free market remained at 70 percent of sales compared with 2019, despite experiencing a 90 percent drop in Chinese travelers. Daigou activity will likely remain essential in the near future and beyond.

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