

REAL ESTATE

LVMH reduces Hong Kong presence, scales up footprint in mainland China

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LVMH has moved some of its brands' regional headquarters from Hong Kong to Shanghai to better cater to mainland shoppers. Image courtesy of Louis Vuitton

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Once Asia's leading international financial center, Hong Kong is losing out to Shanghai and Singapore.

According to [Bloomberg](#), luxury conglomerate [LVMH](#) has moved the regional headquarters of some of its brands, as well as the group's local head office, from Hong Kong to Shanghai. The move included the relocation of some senior executives to the mainland.

The number of foreign companies setting up regional headquarters and offices in Hong Kong declined for a third consecutive year in 2022, reports [Nikkei Asia](#).

Between 2018 and 2022, Hong Kong only welcomed an average of 950 companies each year. Singapore registered 18,000 new companies over the same period, compared to the 42,000 companies opening an office in Hong Kong in 2017 alone.

The Jing Take: LVMH's move reflects the company's plan to focus on investing in China's first-tier cities, such as Shanghai, Chengdu, Guangzhou and Shenzhen, as consumers switch to shopping domestically.

In its [first-quarter 2023 earnings report](#), LVMH stated that Chinese tourists' offshore consumption is growing faster than domestic consumption, but in terms of overall consumption, local spending is still four to five times higher than offshore tourism. This shows a shift in consumption habits homegrown consumers are increasingly willing to buy luxury goods in mainland China.

The shrinking price differential between the mainland and Hong Kong for goods, the expansion of brands' bricks-and-mortar footprints across China, and upgrades to in-store experiences have also accelerated domestic sales growth.

For instance, Louis Vuitton's Neverfull handbag in large sells for \$2,200 (15,200 RMB) in China, while in Hong Kong it is priced at \$2,100 (14,500 RMB), a difference of \$100 (700 RMB). As this price gap shrinks, so too does Hong Kong's attractiveness as a shopping mecca.

In light of these trends, luxury brands are concentrating their efforts in mainland China.

Brands in recent years have increased their footprint in new areas in the mainland and opened flagship stores in new first-tier cities, such as Chengdu and Nanjing. The aim? To reach a broader spectrum of shoppers and establish long-term customer relationships facilitated by proximity.

As China becomes an increasingly important market for luxury brands, more relocations are inevitable. Only by operating in the same environment as their customers can luxury brands keep up with this dynamic country's pace.

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