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RESEARCH

# Still a huge potential for luxury marketers in China: study

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By RACHEL LAMB

Although spending growth is slowing down, there is still a huge potential for luxury marketers to form stronger ties to the affluent Chinese consumer through digital channels, according to a study by Ruder Finn and Ipsos China.



The Ruder Finn/Ipsos China Luxury Forecast 2012 shows that even though growth is slowing down, the luxury goods market is still growing. Brands need to continue to connect with the affluent Chinese consumer, who is more likely to spend on footwear, spirits and cosmetics than apparel and handbags this year.

“The big trend we see is that growth is slowing down,” said Elan Shou, managing director for China and vice president of Ruder Finn Asia, Beijing. “Growth continues, but at a much slower rate.

“We have seen rapid growth in the past years in the luxury sector in China and the China Luxury Forecast historically showed that respondents intended to spend more over the next year when asked in 2009, 2010 and 2011,” she said.

“For the first time, we see that spending intentions are slowing down in some categories such as jewelry, watches and bags, which suggests more cautious spending patterns among middle class and affluent consumers.”

The Ruder Finn/Ipsos China Luxury Forecast was conducted in June.

East meets West
Although some experts interpret that China's slowdown means that brands should focus on other emerging markets, Ms. Shou does not believe that this is the case.

"Even if the growth rate had slowed down to between 10 percent and 20 percent, it would still be significant compared to other markets such as Europe and the United States," Ms. Shou said. "Given the size of China’s market and the passion of Chinese consumers for luxury products, China will continue to be one of the most strategically-important markets for the luxury industry around the world."


*Cartier store in Shanghai*

There are some categories where consumers say that they will be slowing their spending.

Approximately 54 percent of participants said that they plan on spending less on watches over the next 12 months.

Furthermore, 48 percent reported the same habits regarding handbags and 48 percent said that jewelry is not a priority this year.

However, 43 percent of respondents say that they intend on spending more on luxury cosmetics, 43 percent say they will spend more on high-end shoes and 40 percent intend to spend on top-brand wines, spirits and cigars.


*Gucci's YouKu channel*

Another interesting aspect of the study was where consumers are spending.

“In previous years, Hong Kong and Europe were the top shopping destinations of mainland luxury consumers, but we are seeing a shift this year to mainland destinations,” Ms. Shou said. “We will be on the lookout next year to see if this trend continues, but this was a surprising finding for us in 2012.

“We attribute this to the fact that an increasing number of exclusive brand stores have opened in Chinese cities and exclusive brand stores remain the favorite location for consumers to purchase luxury items,” she said.

Channeling the brand

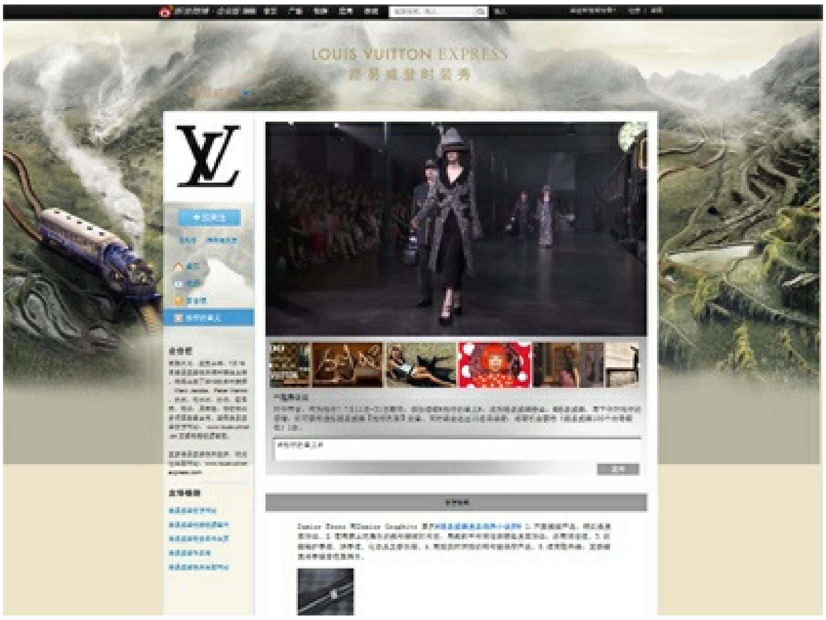
Luxury marketers should continue to market themselves in China, especially on digital channels.

There is a huge potential for luxury brands to form stronger ties through social media and mobile applications, per Ms. Shou.

Approximately 45 percent of consumers follow luxury brands on social media channels such as YouKu and Sina Weibo, and 33 percent plan to do so in the future.

Also, 38 percent have already downloaded a mobile app from a luxury brand and 33 percent plan to do so in the future.

Louis Vuitton, Chanel, Gucci, Hermès and Christian Dior were the most-recalled brands in the forecast.



*Louis Vuitton's Sina Weibo account*

However, brands should not assume that consumers know the label name, even if it is a big brand in Europe and the U.S., Ms. Shou said.

Instead, brands should actually visit China to get a better sense of the customer, since they are culturally different from other countries.

Also, top luxury brands need to ensure that they have access to these essential audiences, so labels should get a clear understanding of who the customers are in China, what they will buy and why they will buy.

The best chance is to get a Chinese Web site and make sure that it is tailored for mainland Chinese customers.

A great Chinese Web site will have an impact beyond what the brands might expect, a step that can be taken even before entering the market, Ms. Shou said.

Boutiques are also very important in this market.

"Boutiques in China mean that you are indeed in the luxury industry, you are serious and you have a status, even though you might use dealers in other countries," Ms. Shou said. "New entries in the China market face the challenge that their brand does not have the first-mover advantage anymore.

"As the market is slowing down, our advice would be to start small with a unique positioning," she said. "But one thing is essential: be fully prepared for a completely different market."

Final Take

*Rachel Lamb, associate reporter on Luxury Daily, New York*