

RESEARCH

## 92pc of Chinese consumers dissatisfied with luxury services at home: report

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By JOE MCCARTHY

Chinese consumers list poor customer service and inadequate knowledge among retail staff within the country as primary motives for shopping abroad, according to a new report by Ipsos Group and Ruder Finn.

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The "2014 China Luxury Forecast" also found that 36 percent of mainland Chinese and 34 percent of Hong Kong respondents prefer to shop for luxury products online. Additionally, fashion and beauty are rising as preferred categories among Mainland Chinese consumers, which will allow luxury brands to hone their retail presence with greater efficacy.

"A large retail presence in China is necessary, given the country's broad geography and the segmented markets in different cities," said Elan Shou, managing director and senior vice president of **Ruder Finn China**, Hong Kong.

"Boutiques are considered the most important status symbol for luxury brands and still remain the most preferred shopping channel for Chinese luxury buyers," she said.

"For brands that have a solid presence in first tier and key second-tier cities, resources online are worth consideration."

The fifth annual China Luxury Forecast surveyed 1,800 luxury consumers from Hong Kong and Mainland China.

### Setting sail

The China Luxury Forecast asserts that Chinese luxury consumption will stabilize throughout 2014. Also, consumers are less interested in brand names and increasingly search for product uniqueness.

While fashion and beauty sales are likely to rise throughout 2014, watch, handbag, jewelry, shoes and fine wine sales will likely remain constant.



*Versace M.I.A. collection*

Chinese consumers are turning to Europe in greater numbers to purchase watches and wine. Hong Kong is listed as the favored location for buying jewelry, handbags and beauty products.

The deficiency of sophisticated retail locations in China has pushed consumers to countries where brands have expended more resources on improving the in-store experience. Furthermore, the growing product awareness among consumers creates a rift between them and retail staff that reinforces the decision to go abroad.

Brand boutiques remain the most popular shopping destination for respondents, but online shopping is gaining popularity.

For respondents who shop online, trust was cited as the primary way to raise the credibility of a Web site.

Fifty-two percent of Mainland Chinese consumers said that social content is the best way to build trust, while 31 percent of Hong Kong consumers pointed to third-party certification of vendor authenticity.



### *Ritz-Carlton's Chinese Web site*

Eighty-one percent of Mainland Chinese respondents agreed that after-sales support increases the online shopping experience, and 88 percent of Hong Kong respondents said that ease of access of to products enhances this experience.

"The biggest issues in the Chinese luxury market are training, resource allocation and retaining the best people," Ms. Shou said.

"Chinese consumers are buying luxury products from around the world, but all of the maintenance and repairs go back to Mainland China, where there could be resource bottlenecks in after-sales service," she said.

"Meanwhile, with the fast expansion of retail spaces, there is shortage of quality service staff."

### Fixing the problem

Many retailers are addressing the gap between consumer preferences and consumer confidence.

For instance, London department store Harrods increased its exposure in China by being the first British retailer to launch a WeChat social media account that conveys its latest content and special offers to Chinese consumers.

Harrods is building off the success of its Weibo blog to reach more consumers as China continues to be a power player in the luxury market. Through the use of local social media platforms, brands and retailers are able to appeal to local sensibilities ([see story](#)).

Also, online retailer Net-A-Porter had boosted its exposure in China by partnering with the Upper House hotel in Hong Kong to offer guests a number of exclusive services.

Through this partnership guests can receive gift cards, complimentary express delivery from Net-A-Porter and Mr Porter, access to the style concierge service and more ([see story](#)).

Once local sensibilities are grasped, stores must aggressively improve in-store experiences.

"Training then becomes crucial to grow service quality and product knowledge," Ms. Shou said.

"Retaining the best staff also becomes a challenge, since the turnover rate of frontline

staff in the retail business is above 30 percent," she said.

"If a luxury company can successfully train and retain staff and allocate adequate resources for clients buying both within and outside of China, luxury brands can assuage the growing dissatisfaction."

Final take

*Joe McCarthy, editorial assistant on Luxury Daily, New York*

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