

Luxury Goods, a Market Many Consumers in China Shopped for Internationally, Is Now Making Headway Locally

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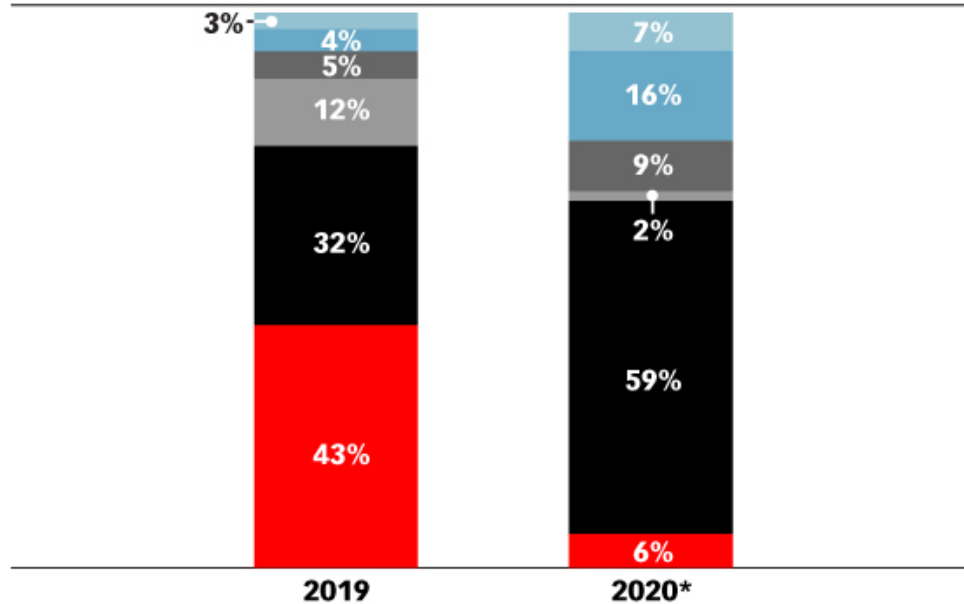
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The way consumers in China are shopping for luxury goods is changing amid the pandemic, with more purchases being made locally because of shelter-in-place protocols and travel restrictions.

Between April and July of this year, just 8% of spending by luxury goods shoppers in China surveyed went to overseas channels, according to data from the Boston Consulting Group (BCG) and Tencent Marketing Insight. That's a 47-percentage-point decrease from 2019.

Coronavirus Impact: Share of Luxury Goods Spending Among Luxury Goods Buyers in China, by Channel, 2019 & 2020*

% of total



- Overseas offline retail (counters/pop-up stores, department stores)
- Domestic offline retail (counters/pop-up stores, department stores)
- Overseas shopping agent/daigou** (including via WeChat, Taobao)
- Alibaba Small/JD.com
- Brand's official site/app/miniprogram
- Real-price luxury goods ecommerce sites (e.g., Farfetch, Net-a-Porter, Secoo)

Note: numbers may not add up to 100% due to rounding; *during April-July 2020; **a buyer who purchases goods overseas for buyers and ships them back to China

Source: Boston Consulting Group (BCG), "2020 China Luxury Goods Buyers Digital Behavior Insights Report" in conjunction with Tencent, Sep 23, 2020

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Luxury goods players are recognizing the repatriation of spending by consumers in China, as well as the digital transformation that the sector is undergoing in the country. According to [Alibaba](#), the number of high-end brands selling on its luxury ecommerce platform, Tmall Luxury Pavilion, should exceed 220 by the end of this year, up from 150 before the pandemic.

"For months, Chinese luxury shoppers postponed luxury purchases because they prefer to travel abroad to buy these items," said Malinda

Sanna, founder and CEO of market research company Spark Ideas. “They enjoy the tax breaks and, most of all, the superior service they feel is available when shopping in Paris, London, New York, and Los Angeles.”

These habits changed during the summer, however, when luxury shoppers in China sensed international travel would be out of the question for the rest of 2020, according to Sanna. “They are visiting luxury stores in Shanghai more, such as Hermès, Louis Vuitton, and Chanel. They are finding it a better experience than before, with broader inventory, so there is some evidence that luxury shoppers may begin to develop more local relationships with sales associates in their own city, at least for some purchases,” Sanna said.

Luxury sellers in China are also finding creative ways to push sales. “We’re seeing online-to-offline efforts in which luxury sellers go to a consumer’s home to introduce a new collection,” said Olivier Verot, founder and CEO of Gentlemen Marketing Agency (GMA), a China-based digital marketing agency that serves several luxury clients.

In yet another effort to boost sales, retailers in China are leveraging fashion shows in a way they hadn’t before. In September, Alibaba **teamed up** with IMG to stream New York Fashion Week on the tech behemoth’s OTT video service Youku, as well as on its ecommerce platforms Taobao and Tmall. Similarly, JD.com **partnered** with the British Fashion Council (BFC) in mid-September for the exclusive rights to bring London Fashion Week to China virtually, from streaming the shows and other digital content, to launching products by the showing designers. Anya Hindmarch, Church’s, and Preen by Thornton Bregazzi were among the high-end brands featured in JD.com’s promotional efforts. In both of these collaborations, shoppers in China were able to buy the looks right from the comfort of their homes.