

China's Luxury Goods Sector Rebounded in 2017

Consumption among millennials helped fuel growth

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Luxury goods consumption in China staged a strong comeback last year, thanks in large part to millennials, according to a recent [Bain & Company](#) report. Crucially, sales at brick-and-mortar locations contributed the largest share of gains in the sector.

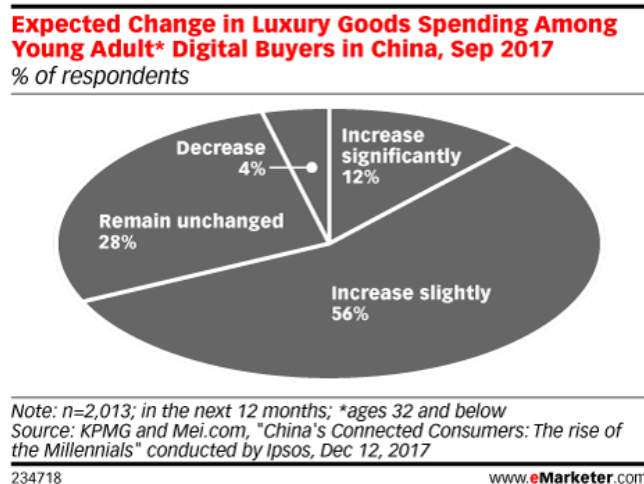
Sales of luxury goods in China dropped significantly starting around 2012, which many pundits credited to a governmental anti-corruption campaign that launched around the same time. Since then, the luxury sector has struggled through years of subdued growth. That is, until 2017, when sales unexpectedly jumped to RMB142.0 billion (\$21.0 billion), up from RMB117.0 billion (\$17.3 billion) the previous year.

The Bain study identified luxury goods consumption among millennials, defined as those ages 20 to 34, as a big factor in the recovery. The survey results showed that, on average, millennials purchased luxury goods more frequently than other age groups during 2017.

Unsurprisingly, the Bain study found that a larger proportion of millennials sought product information about luxury goods from digital media than from nondigital channels like word-of-mouth or in-store sales representatives.

Millennials grew up during a period of economic prosperity in China and have better access to information as well as greater awareness of brands and fashion trends than previous generations. The increased availability of easy consumer credit, as seen in [the boom of online microlenders](#), was likely a contributing factor to the cohort's flashy spending habits as well.

According to a September 2017 survey of adult digital buyers in China ages 32 and younger from [KPMG](#) and ecommerce platform [Mei.com](#), 68% of respondents expected to increase their spending on luxury goods in the next 12 months, while 28% planned to uphold their current spending patterns.



The Bain study found that offline channels dominated the sale of luxury goods, accounting for 91% of total sales in 2017. However, sales through digital channels grew at a much faster pace between 2016 and 2017, increasing by 86%.

Growing online demand has led ecommerce giants Alibaba and JD.com to make big pushes to attract well-known luxury brands on their sites. In August 2017, for example, Alibaba launched a "luxury pavilion" on its business-to-consumer (B2C) ecommerce platform Tmall, effectively allowing certain luxury brands to establish storefronts on the site.