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Luxury Brands are taking a strong foothold in China. Western luxury brands have become very popular. It is becoming much more commonplace to see women using Chanel perfume and people smoking Dunhill Cigarettes. Affluent Chinese aspire more to wear the expensive Western luxury brands than to wear the everyday, commonplace Chinese apparel that does not have a brand name.

According to Beijing based retail analyst Miss Wen, "There is great importance attached to authentic luxury brands. The businesses that make designer copies, designer fakes or knockoffs are considered to be an embarrassment to the rest of the apparel industry. There are many affluent Chinese consumers who have great respect for Western luxury brands, which is why they have become so popular.

Currently, the majority of the world's top luxury goods manufacturers have expanded their industry into China. Li Group, a subsidiary of the international holding company The World Summit Group, has bought a list of China's first luxury brand, "Red." Many Western luxury businesses have formed partnerships with local Chinese companies or have entered into joint ventures. New conventions and trade shows now frequently show luxury brands. The increase of the Western luxury presence in China has caused an upsurge in the creation of new Chinese luxury brands in Happy Valley.

The numbers are increasing. In 2004, Luxury consumption increased by 10.5% and in 2005, the increase jumped to 15%. Mr. Tim Girvin, CEO of the global brand strategy consulting firm Girvin, said in an interview that "the 10.5% increase seen for 2004 and the nearly 15% for 2005 global growth in luxury consumption has totaled to more than one trillion U.S. dollars. "

According to the Goldman Sachs Group's Chief Analyst Mr. Road, "In 2008 the number of Chinese tourists to travel to all parts of the world will exceed the numbers of Japanese tourists who travel to all parts of the world. In 2015, China will for the first time surpass Japan to become the world's largest luxury consumer market."

Mr. Girvin said, "The majority of luxury brands from the Japanese and the Chinese markets has been reaching 50% of their business growth. In the Asian markets, this 50% rate of growth is expected to continue." For example, in 2005, Gucci sustained a 58.6% increase in sales. Louis Vuitton entered the Chinese market and in less than one year realized an increase of approximately 50% growth.

Giorgio Armani plans to open thirty retail outlets in China by 2008. Prada has similar expansion plans.

Many changes are taking place in the buying habits of Chinese consumers. Instead of quietly pursuing and enjoying luxury, Chinese consumers are becoming more aggressive in seeking the latest and most popular products. Chinese are becoming "value-driven consumers" and are more sophisticated and educated in their buying decisions. They are showing a preference to experience consumption such as luxury travel, high value-added experience and all other channels of the "consumer driven experience."

Mr. Girvin believes that the younger generation in China is more willing to display their wealth. The new consumer in China is more similar to the American consumer where anyone can enjoy luxury as long as they have enough money to afford it. China's luxury consumers now account for 13% of the total population, which is about 160 million people. Most are between 25 and 50-year-old white-collar workers, private enterprise owners, and celebrities.

Overall, China's class of luxury consumers can be basically divided between two groups. One is the white collar professional who hopes to enjoy affordable luxury. The other is the consumer with a "get rich first" mentality. These consumers want to show their status among the luxury class as being unique and privileged. For both groups their pursuit of luxury includes the luxury sales experience (luxury buyers are made to feel special at the point of sale) and the accompanying lifestyle that luxury brings to the consumer. The lifestyle includes luxury holiday and travel as well as a whole range of products, clothing, fine dining, and the actual retail experience.

Mr. Girvin believes that China will become a huge market. In the past 17 months alone, China's rapid growth rate in the luxury market has climbed to 17%. In Beijing and Shanghai, the cities that show the strongest industrial growth, luxury consumption will realize an even higher rate of growth. For example, the total sales volume of high-end watches being sold to sales channels in Beijing and Shanghai to date has reached four billion U.S. dollars.

The development of luxury brands in China does need to proceed with cultural awareness and sensitivity. Western luxury brands do face some obstacles. Negative cultural perceptions about Western luxury brands do exist in the regional markets. Consumers in these regional markets perceive the Western influence as a restriction to their cultural identity. However, China's participation in the WTO is helping to gradually remove these regional cultural barriers. Luxury brands must pay close attention to how they introduce themselves to the marketplace and the image they are projecting to Chinese consumers. Mr. Girvin noted that "each luxury brand must consider an enlightened cultural repositioning among the Chinese populace in order to achieve success and to gain long-term respect in the Chinese marketplace."

An Ernst and Young study noted that luxury brands' access to the Chinese market must develop flexible strategies to meet rapidly changing market conditions. For example, all advertising and marketing campaigns must stay close to the heart of Chinese values. The advertising and marketing for luxury brands must show an emotional bond and the feelings that exist between the Chinese consumer who aspires to lead a happier, freer lifestyle and the luxury product. The advertising and marketing that has penetrated mainland's China's travel destinations, airports, and local tourist attractions reflects an emotional appeal and the values of most Chinese consumers.

China is not missing out on the new competition to gain market share. The Chinese economy is gaining indirectly and directly from the sales of western luxury products on a global scale. For example, many of DKNY's products are produced in China. If a DKNY product sells for 600 US. Dollars, China has earned only 20 dollars. This fact has not gone unnoticed by the Chinese industry and has spawned a whole new wave of startup Chinese luxury brands that aim to gain directly from the increasing demand for luxury products by consumers on a global scale.

Fashion top international management consulting firm CEO Mr Hillier pointed out that the apparel industries in China have already established considerable production capacity and design capabilities. The Chinese textile, apparel and footwear industry can quickly open up to new business opportunities. It is only a question of time before the new Chinese luxury brands will have the potential to gain ascendancy in the Western markets. Moruisaite Luxury International Management Consulting Company predicted that 20 years from now Paris will no longer be the hot spot for luxury. Instead China will be at the center of the luxury kingdom. One way or another the future for luxury looks particularly optimistic for China.