



CHINESE LUXURY BRAND CONSUMERS

A GENERATIONAL, GENDER AND CITY-TIER ANALYSIS

May 2020





CONTENTS

01

EXECUTIVE SUMMARY

2

02

FOREWORD

5

03

FOUR GENERATIONS OF
CONSUMERS

8

04

SURVEY DATA AND
ANALYSIS

13

05

INSIGHTS

54



01

EXECUTIVE SUMMARY

Although the majority of Chinese consumers have only been exposed to luxury goods for 40 years, China has grown to be the world's second-largest luxury market – and as its economy continues to strengthen, so does its consumption capability. Luxury brands have already fostered a large number of consumers in China. With our years of business experience and analysis of China's luxury industry, we find each generation of luxury consumers have their own consumption preference. Through our research, we have set out to clarify the reason why their consumption behaviours are so diverse and uncover the connections between the growth background of Chinese buyers and their consumption concept.

This survey was designed to investigate Chinese luxury consumers of generations, hoping to gain insight into the connection between their luxury consumption behaviours and their ages, values, lifestyles and social backgrounds, and share our key findings, insights and suggestions with luxury brands.



EXECUTIVE SUMMARY

This survey was performed on Chinese luxury consumers of four age groups at the end of 2019. We analysed their ideas of luxury consumption, hoping to provide some inspiration for luxury industry practitioners.

We divided the respondents into four age groups – **Baby Boomers, Gen X, Millennials and Gen Z** – to investigate their commonalities and variances in luxury consumption. We also investigated the differences in consumption behaviours among consumers in different cities and between men and women.

Our key findings

The unprecedented development of China's economy and society over the last four decades has led to constant changes in consumer behaviours. We found that Chinese consumers' **definition of luxury goods** is evolving, and for a luxury brand, being foreign is no longer the key factor. In the minds of the respondents, the top five features of luxury goods are expensive price, brand history, distinctive design, sophisticated lifestyle and craftsmanship. It is worth noting that as Chinese consumers' consumption patterns are maturing, more consumers are paying attention to the values of a luxury brand. This is especially true in first-tier cities as consumers there are interested in brand connotation and product quality, which further pushes first-tier cities to evolve into a more mature luxury goods market.

We have also found that with the Internet and smartphones being an essential component of daily life, online channels have become a major way for Chinese consumers to **obtain information about luxury brands**. Among them, shopping apps which integrate information, communication, experience and shopping are enthusiastically welcomed by Gen Z, especially women. Men, on the other hand, are keener on brand websites with their structured and curated information. However, traditional offline channels are still important, and Millennials do pay attention to physical stores and traditional advertising media. In addition, star endorsements have considerable appeal for Gen Zers and Gen Xers.

Data show that **the most frequently purchased categories** of luxury goods by Chinese consumers are personal luxury items. The top four categories most welcomed by Chinese consumers are clothing, shoes and hats; perfumes and cosmetics; bags and leather goods; and jewellery and watches. Among the four generations of consumers, Millennials love bags and leather goods, and jewellery and watches most, while Gen Z has the strongest desire for electronic products. At the same time, Gen Z women are more willing to consume beyond their means when buying jewellery and watches than male consumers of the same age.

As the second largest luxury market, Chinese consumers are featured with strong capacity and high **frequency of luxury consumption**. More than 70% of our respondents have bought luxury goods. Among the four generations of consumers, Millennials are the most stable consumers of luxury goods, and show the highest level of brand awareness and **loyalty**; Gen Z follows closely, and although their purchasing power is still low, they have the highest proportion of high-frequency consumers because of their inclination for over-consumption. Compared to other age groups, Gen Z's brand loyalty is the most unstable, especially female Gen Zers.

We can see there is a great deal of luxury consumers in China, but why are they buying? It is found that Chinese consumers are firstly purchasing luxury goods to reward themselves, and secondly, to obtain satisfaction and to show off their taste, which indicates that the desire for self-gratification is increasing. This study also revealed that the four generations of consumers in China each have their **own attitudes**: Baby boomers and Gen X buy luxury goods upon their needs, Millennials buy luxury goods to meet social needs, and Gen Z is most focused on pleasing themselves.

However, consumers in third-tier cities, unlike those in first- and second-tier cities, are not yet showing a desire to



EXECUTIVE SUMMARY

reflect their own values by buying luxury goods.

Regarding **purchasing channels**, concern about counterfeits is commonly raised among Chinese consumers. Except for Gen Z, consumers of all ages prefer to buy luxury goods through offline stores or a brand's online shopping channel. And since the distribution of brand stores in first-tier cities is more extensive, consumers there prefer shopping in offline stores. Generation Z is the only exception as they are more digitally literate with super information screening and filtering ability, and have developed the purchasing habit of "No need to see the physical goods", and therefore are more willing to place orders online. When it comes to shopping abroad, Millennials are more enthusiastic about overseas luxury purchasing, while Gen Z prefers to choose purchasing agents via the Internet. We also found that consumers in third-tier cities have not yet shown much enthusiasm for purchasing luxury goods overseas.

In addition to the desire to reward themselves, what are the other **external factors driving Chinese consumers to purchase luxury goods**? We found three main influences: the social circle, gifts for special holidays, and promotions. Consumers of any age will buy luxury goods under the influence of those around them, especially female consumers. Social demand combined with increased purchasing power has led to higher demand for gifts in special holiday periods for Gen X and Millennials, and consumers in second- and third-tier cities also have a high demand for gifts. Millennials have a more mature view of luxury consumption, but brand promotion has certain appeal to the other age groups, and the youngest generation, Gen Z, is the most persuaded by star endorsement.

What are the **decisive factors when a Chinese consumer decides to buy a luxury item**? We found that the four key factors are good quality, high brand notability, strong sense of design, and alignment with personal taste. Chinese consumers' luxury purchasing behaviour is becoming more rational and mature, and they no longer blindly take brand notability as the major factor. However, consumers of each age group have their own preferences: Baby boomers focus on quality, Gen X wants both brand culture and quality, Millennials value brand culture, and Gen Z thinks more about product design.

Regarding the comparisons between **shopping offline and online**, we found that when shopping offline, besides the product itself, service attitude and professionalism are important to purchasing decisions. Gen Z and women pay more attention to service experience, and consumers in first-tier cities care more about product quality and display. When shopping online, we found that consumers of all ages are influenced by the same top five factors: after-sales and warranty services, beautiful product pictures, timely answers from customer service, a smooth purchase process, and special offers. Timely answers from customer service and high ratings are important to Gen Z, while baby boomers pay attention to customer service communication the least. Men regard a smooth online shopping process as important, while women emphasize more on other factors: good product and outlet reviews, after-sales warranty, and the customer service response.

Which countries do Chinese consumers most associate with luxury brands? French luxury brands enjoy the most popularity among Chinese consumers of all ages, and far more popular than the second- and third-ranked United States and Italian ones. However, the two mature generations have different preferences from the two younger generations. Baby Boomers and Gen X are more partial to Swiss and Italian brands, while U.S. brands are second in the minds of Millennials and Gen Z, and Japanese ones are ranked third by Gen Z.



02

FOREWORD

We believe that the formation of each person's consumption view is closely related to their background and that people with dissimilar backgrounds have very different views on luxury brands, goods and consumption. China's social environment, economic development, history and culture differ from those of Europe and the United States; and the education level and living and professional environment are distinctive as well.



FOREWORD

With the growth of China's GDP, mass consumption has gradually been upgraded. China now accounts for more than 33% of global luxury consumption – which is expected to rise to 40% by 2025.

Before conducting a survey about luxury goods, we first clarify our understanding of luxury goods. Different research areas have different understandings, but this research report mainly considers luxury goods as those generally accepted as being high-quality, unique, relatively scarce, non-essential and expensive.

As European countries became wealthier and developed an affluent mercantile class in the 17th century, luxury goods became more available to a wider range of consumers and accordingly an expression of their social standing. However, in China, consumers have only been exposed to luxury goods for around 40 years. It was not until Pierre Cardin, the French clothing brand, entered China in 1979, one year after China had initiated its policy of reform and opening-up, that the Chinese public began to be exposed to modern luxury brands and goods. However, since then, China's GDP has grown enormously, mass consumption has increased, and China now accounts for more than 33% of global luxury consumption – which is expected to rise to 40% by 2025. Therefore how to meet the expectations of this large and potentially diverse range of consumers is a key concern for forward-thinking market participants.

In recent years, major research and advisory bodies have researched China's luxury goods market and issued findings. Most of these reports have been on consumer behaviour, market strategy comparisons, and development trends, aiming at having an in-depth understanding of Chinese consumers and supporting the development of luxury enterprises in China. However, we question whether such researches have obtained meaningful insights on the idiosyncratic reasons for the range of views on luxury brand consumption. **We believe that the formation of each person's consumption view is closely related to their background and that people with dissimilar backgrounds have very different views on luxury brands, goods and consumption. China's social environment, economic development, history and**

culture differ from those of Europe and the United States; and the education level and living and professional environment are distinctive as well.

Therefore, we believe that despite many reports on China's luxury consumption, enlightening research on the formation of Chinese generational attitudes around luxury consumption is rare.

While, other surveys show that China's luxury goods consumption is moving from product to experiential consumption, we believe that in an era of increased market segmentation, only by delving into development of the Chinese consumption views can the luxury industry optimise products, services, and retail processes in a targeted manner.

How our research was conducted

Through an online questionnaire, the survey investigated Chinese consumers' views on luxury goods. We divided Chinese consumers into four age groups: baby boomers (54 to 73), Generation X (39 to 54), Millennials (25 to 38) and Generation Z (aged under 24).

The questionnaire, as completed by men and women of a range of ages from different cities, consisted of 14 questions on the following topics:

- How Chinese consumers identify luxury goods
- Ways to learn about luxury goods
- The most frequently purchased categories
- Purchase frequency of luxury goods
- Psychological needs behind the purchases
- Purchase channels
- Reasons behind the purchase channel choice
- Factors driving Chinese consumers to buy luxury goods
- Factors sealing the purchase
- Factors influencing the decisions to purchase offline / online
- Understanding brand history and culture or not?
- Brand loyalty
- Favourite countries of origin

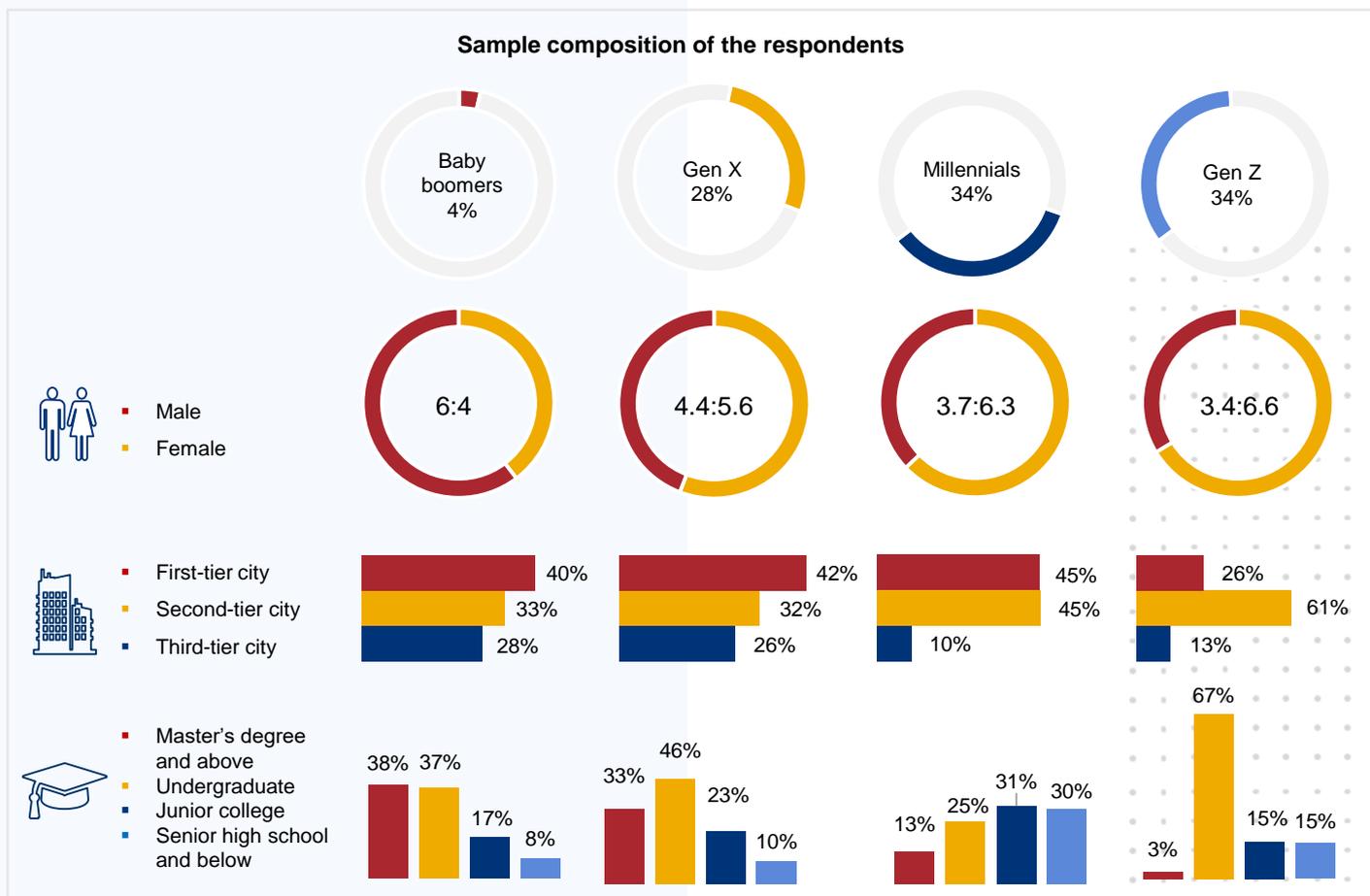


FOREWORD

The survey resulted in a total of 3,235 valid responses, of which 116 were from respondents aged 54-73 (baby boomers), 890 respondents were aged 39-54 (Gen X), 1,113 were aged 25-38 (Millennials) and 1,116 were aged under 24 (Gen Z), and due to the smaller baby boomer sample size, their reference value is reduced – but is retained to be used as a comparison with the other three. Among the respondents who filled out the questionnaire, 38% are from first-tier cities, 46% from second-tier cities, and 16% from third-tier cities and below. In terms of education background, 16% have a master's degree and above, 47% have a bachelor's degree, 19% had attended vocational schools, and 18% have only high school qualifications. In terms of

occupation, senior management makes up 11%, middle management, 18%; front-line management, 21%; general staff, 29%; and students, 18%. As to the financial status, 32% have an annual household income of less than RMB100,000, 39% have RMB100,000-200,000, 22% receive RMB200,000-500,000, 6% earn RMB500,000-1,000,000, and 1% receive more than RMB1,000,000.

We believe that the above distribution represents the composition of Chinese luxury goods consumers, and reflects the consumer status in a comprehensive, objective and actual manner. The composition and distribution of the sample population are shown as follows.





03

FOUR GENERATIONS OF CONSUMERS



Baby boomers

Generation X

Millennials

Generation Z



BABY BOOMERS

The term baby boom mainly refers to the birth in the United States of 78 million people during the 18 years after World War II. In this survey, we categorised respondents born in China between 1947 to 1966 as baby boomers.

In 1949, the People's Republic of China was founded and as a result of the years of war, the population had decreased; however, after 1949, with the relatively stable domestic environment, China was able to pursue development, and the population grew considerably (from 1950 to 1960, about 200 million babies were born in China). Therefore, we use the term baby boomers in our survey to refer to this generation.

Proud of thrift and ashamed of luxury

China's baby boomers were born in the early days of the founding of the new republic, and grew up during a planned economy. Society was still recovering from the trauma of war, and had just begun to be rebuilt. With the limited supply of goods and materials, especially in the years affected by natural disasters, people's health and survival were seriously threatened, and few commodities were traded freely, and there was extensive rationing. Material scarcity in the early years led to these baby boomers developing habits of frugality and thrift.

Baby boomers came of age during the Cultural Revolution (1966-1976), and many of them witnessed the repression and criticism suffered by the financial and cultural elite, and were instilled with negativity regarding how these classes had lived. Although China has reflected on and corrected the mistakes of this historical period, their pride in being thrifty and ashamed of luxury still persists.

Diversified value orientation

In the early days after the founding of the PRC, although literacy was a goal for all, the overall

educational level was still low. Taking baby boomers for instance, 83% of them have only received junior high school education or below. However, in 1977, the college entrance examination system was restored and after the reform and opening up in 1979, some entrepreneurial baby boomers took advantage of the reforms and economic growth.

Since the establishment of modern China, baby boomers have experienced many social and economic disruptions. The different political orientations, and cultural and ideological trends they experienced, coupled with the contradictions and conflicts between their circumstances and the values they developed, have resulted in China's baby boomer's values and behaviours being diversified and sometimes contradictory.

Frugality to save for their children

China maintained a one-child policy from 1979 to 2016, and baby boomers in most urban areas have only one child. Most of them follow a traditional Chinese family-rearing pattern: living a very frugal life themselves and saving for their children. Furthermore, the layoffs triggered by the reform of the state-owned enterprises from the 1990s left many less well-off baby boomers still struggling to meet the financial costs of child-rearing in the new market economy. In addition to this, from 2000, the price of China's real estate skyrocketed. As the children of baby boomers reached marriageable age (often called the "post-80s, post-90s" generation), they had to seek financial help from their parents when buying a house, which in turn became an additional and heavy pay-out for baby boomers.

GENERATION X

Respondents born between 1966 and 1981 have been categorised as Gen X in this survey.

Collective interests first, individuality constrained

Most Gen Xers were born during the Cultural Revolution (and before the one-child policy was enacted), and many not only helped their parents financially and did housework, but also took care of younger siblings. Therefore many of them are willing to sacrifice their own interests to support the family. The formal education they received also emphasised the collective will and it was improper to show too much individual personality. Therefore, in the early stages of their growth, Gen X experienced collective life, absorbed collective values, took collective interests as a priority, and their individual needs were unimportant and constrained.

Improved education, digital worklife

Compared with the previous generation, Gen X was better educated: 12% of those born post-1970 attended college, and for those born 1976 to 1980, 16% attended college, which is four times higher than the baby boomers. Furthermore, the introduction of computers in the early 1980s and 1990s allowed the more educated Gen X to become the first generation in China to experience digital technology and use computers for work.

Secure life, changing consumption concept

Gen X reached an adult age as China's productivity increased significantly and people's living standards improved steadily. Gen X had a more stable income and led a less stressful life than their parents as China's job-assignment-upon-graduation system was not formally abolished until the mid-to-late 1990s, and the welfare-oriented public housing distribution system existed until 1998.

In the mid-1990s, a flood of foreign investment entered China, and Gen Xers became the first to be employed by foreign companies and their salaries were several times higher than those working in local companies. A large number of foreign as well as Hong Kong and Taiwan executives came to mainland China, and their way of life began to influence Gen X's consumption patterns.

Since the 1990's, many people have been able to travel abroad at their own expense, which has transformed people's leisure and entertainment possibilities. China's first Louis Vuitton store opened at the Wangfu Hotel in Beijing in 1992, and this was followed by many other brands; thus Gen Xers, with their incomes and international exposure, became the first luxury goods consumers in China. Meanwhile, China's fashion and lifestyle magazines expanded and matured after some initial fumbling, and Gen X were targeted as the first batch of luxury consumers.





MILLENNIALS

Those born between 1983 and 1995 are generally called Millennials, as they reached adulthood at the start of the 21st century (i.e. 2001 and beyond).

The only child and internet era

Chinese Millennials, born in an age of family planning and the rapid development of China's economy, grew up without much material scarcity. Because of the intense attention that these one-child policy children received in their families, they are also more concerned about their own needs.

In 1994, China was officially connected to the Internet and Millennials in China matured as the Internet expanded and became an essential component of their work and recreation. In 1998, shopping went online in China, and with the birth of Taobao in 2003, Millennials also began to develop online shopping habits.

Fierce competition, stressful living

After the tertiary education expansion from 1999, 25% of Millennials had received undergraduate education giving them an advantage in the changing job market. However, with the annual increase in the number of college graduates, competition among this generation became fiercer.

While 70% of Millennials already owned their own house, house prices were rising faster than wages. As a result, 40% of young people who were purchasing a house turned to their parents for financial support, and 55% had to spend less on leisure in order to make the repayments. Currently the average debt of young people is now more than RMB 130,000, of which the most indebted people are the post-80s, with more than RMB 200,000 of debt.

Wide horizons, upgraded consumption

From 2003 to 2016, the number of Chinese studying abroad multiplied five-fold, from 100,000 to nearly 550,000. According to the survey, 73% of Millennials travelled once in 2019, and accounted for three-quarters of the country's outbound visitors – and 26% travelled more than three times. This means that Millennials have broader horizons and their leisure consumption tends to be experiential, rather than just meeting their basic food and clothing needs.



GENERATION Z

The term Gen Z, originated from the west, refers to people born between 1995 and 2009, and whom the Chinese often refer to as post-95s.

It is predicted that by the end of 2020, the worldwide Gen Z population will reach 2.6 billion, and will account for 40% of global consumers. In 2019, the total number of Gen Zers in China reached 378 million (27% of the total population). The average monthly expenditure of this generation in first- and second-tier cities is more than RMB 3,000 so their purchasing power cannot be overlooked.

Digital abilities, information filtering and mining

As the first mobile, digital generation, for Gen Zers, smartphones are not just an information exchange tool, but also an essential platform for life, leisure time and study.

Gen Zers, with their digital familiarity, can easily access information and communicate with their peers wherever they are. Even though there is a huge amount of information online regarding brands, styles and product positioning, Gen Z are comfortable processing a mass of information. By using their theoretical ability of being able to “filter information within eight seconds” and following trends and reading reviews on a variety of platforms, they can quickly assess the content and tap into the best value and services.

Over-consumers, loving what they do

Compared with previous generations, Gen Z is less concerned about debt, and it is an accepted part of their lifestyle. With China's reform and opening-up over the past 40 years, Gen Z has a greater sense of security and optimism about the future, and hence are more likely to spend than save.

In China, the first jobs of the post-70s generation lasted on average more than four years, for the post-80s three and a half years, and for the post-90s it had dropped to

19 months. However many post-95s were only been in their first jobs for 7 months before choosing to resign: Gen Z's attitude towards job tends to be “find what you love and work for it”.

Global connections, stronger social responsibilities

In the past, people only had the opportunity to study abroad after they had graduated from college. However, nowadays many young people have lived and been educated abroad since primary or secondary school. Gen Zers have experienced globalisation – both cultural and economic – first hand, and have developed a wider range of outlooks on life than other generations.

Ninety-one percent of Gen Z is willing to practice sustainable development and focus on aspects related to social responsibility, including eco-friendly consumption and community building. Gen Zers are also willing to study the supply chains of brands and their employment practices. Hence Gen Zers can be seen as consumers with a higher social consciousness and who expect brands to adhere to higher ethical standards.





04

SURVEY DATA AND ANALYSIS

Our questionnaire consists of 14 questions, aiming to collect and analyse a wide range of women and men consumers of all ages and from different city tiers, and their knowledge of luxury brands and consumption concepts.



1. HOW CHINESE CONSUMERS IDENTIFY LUXURY GOODS

Being expensive is the primary definition of luxury goods for Chinese consumers, and having a rich history is one of the top three defining features recognized by all generations.

In addition, Gen X and baby boomers believe that luxury goods should infer a high-end lifestyle, while Millennials and Gen Z believe that luxury goods should have a unique design aesthetic. Overall, the concept of luxury consumption in first- and second-tier cities tends to be mature, and consumers therein are beginning to pay more attention to individuality and brand connotation and are less concerned about conformity.

1.1 Baby boomers care about lifestyle; Millennials and Gen X consider history; Gen Z emphasizes aesthetics

High price is taken as one of the characteristics of a luxury brand. Due to the huge price differences between local brands and the first batch of luxury brands in China, luxury goods left one strong first impression on Chinese people: being expensive. This impression lasts

to this day.

Apart from the price, baby boomers and Gen X construe luxury items as things that can reflect a luxurious lifestyle – in contrast to the harsh living conditions experienced during their earlier years. In the early 1990s, the international luxury brands first encountered by Millennials and Gen X were already well-known in China. These brands mostly have a time-honored history and brand stories to promote. Thus, the concept of history has been at the forefront of the definition of luxury brands for these two generations. As Gen Zers have been exposed to luxury brands since childhood, they don't blindly worship luxury brands as consumers of earlier generations do; instead they value the brand itself; and as they value originality and independence, they are also more interested in the design and aesthetics.

Sorting of the Definition of Luxury Goods for Four Generations of Consumers

| | Baby boomers | Gen X | Millennials | Gen Z |
|----|---|---|---|---|
| 1 | Price | Price | Price | Price |
| 2 | Reflect a high-end lifestyle | A profound history | A profound history | Unique design aesthetic |
| 3 | A profound history | Reflect a high-end lifestyle | Unique design aesthetic | A profound history |
| 4 | Unique personality | Unique design aesthetic | Reflect a high-end lifestyle | Reflect a high-end lifestyle |
| 5 | Hand-made or fine craftsmanship | Hand-made or fine craftsmanship | Hand-made or fine craftsmanship | Hand-made or fine craftsmanship |
| 6 | Unique design aesthetic | Unique personality | Unique personality | Unique personality |
| 7 | Product or brand keep up with the trend | Product or brand keep up with the trend | Product or brand keep up with the trend | Product or brand keep up with the trend |
| 8 | Foreign brand | Highly influential value | Highly influential value | Highly influential value |
| 9 | Unique | Foreign brand | Foreign brand | Foreign brand |
| 10 | Attractive brand story | Unique | Attractive brand story | Unique |
| 11 | Highly influential value | Attractive brand story | Unique | Attractive brand story |
| 12 | Made contribution to the society | Made contribution to the society | Made contribution to the society | Made contribution to the society |



1. HOW CHINESE CONSUMERS IDENTIFY LUXURY GOODS

Interestingly, Chinese consumers are less interested in the foreignness or uniqueness of a luxury brand, but they do attach importance to its history and culture. As long as the brand embodies being high-end, history, and design aesthetics, it can be called a luxury brand – and not necessarily an international brand.

Another notable point is that baby boomers are less concerned about the values of the brand, while the three younger generations ranked brand values ahead of uniqueness and being international, indicating that although not crucial, luxury brands should extend proper values. Gen Z and Millennials generally have a stronger sense of social responsibility and they attach more importance to brand values. Therefore, brands which place more emphasis on building and delivering values will undoubtedly win the favour of these consumers.

1.2 Male and female definitions of luxury goods

Our survey showed that male and female consumers have roughly the same thoughts when it comes to defining luxury goods: Being expensive and having a profound history are the first two defining features they recognise.

However, while male consumers want a brand to indicate a high-end lifestyle and have design originality; women place design aesthetics ahead of the need to reflect a high-end lifestyle. It can also be seen that men attach more importance to the social value of luxury brands than women, while women are more focused on the sense of pleasure brought by the product design.

1.3 Variance in the definition of luxury goods among 3 city tiers

Looking closely at the definition of luxury goods by consumers of all ages among different city tiers, we find

the following:

Consumers in first-tier cities pay more attention to brand connotation and the product itself: history, design aesthetics, uniqueness, and whether the brand follows the latest trends.

Consumers in second-tier cities attach much more importance to brand values than those in first- and third-tier cities do but also value a unique brand personality and artisanal skills.

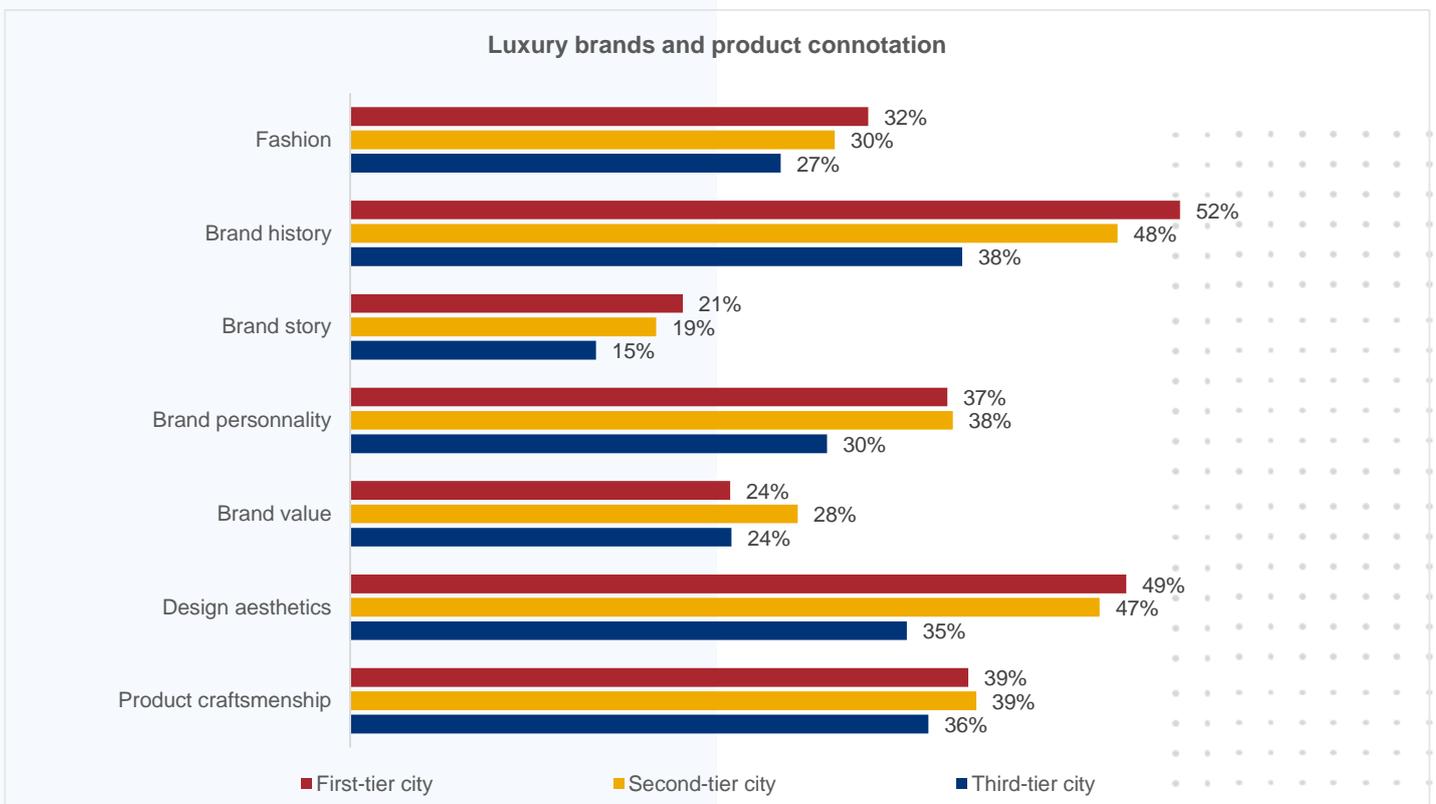
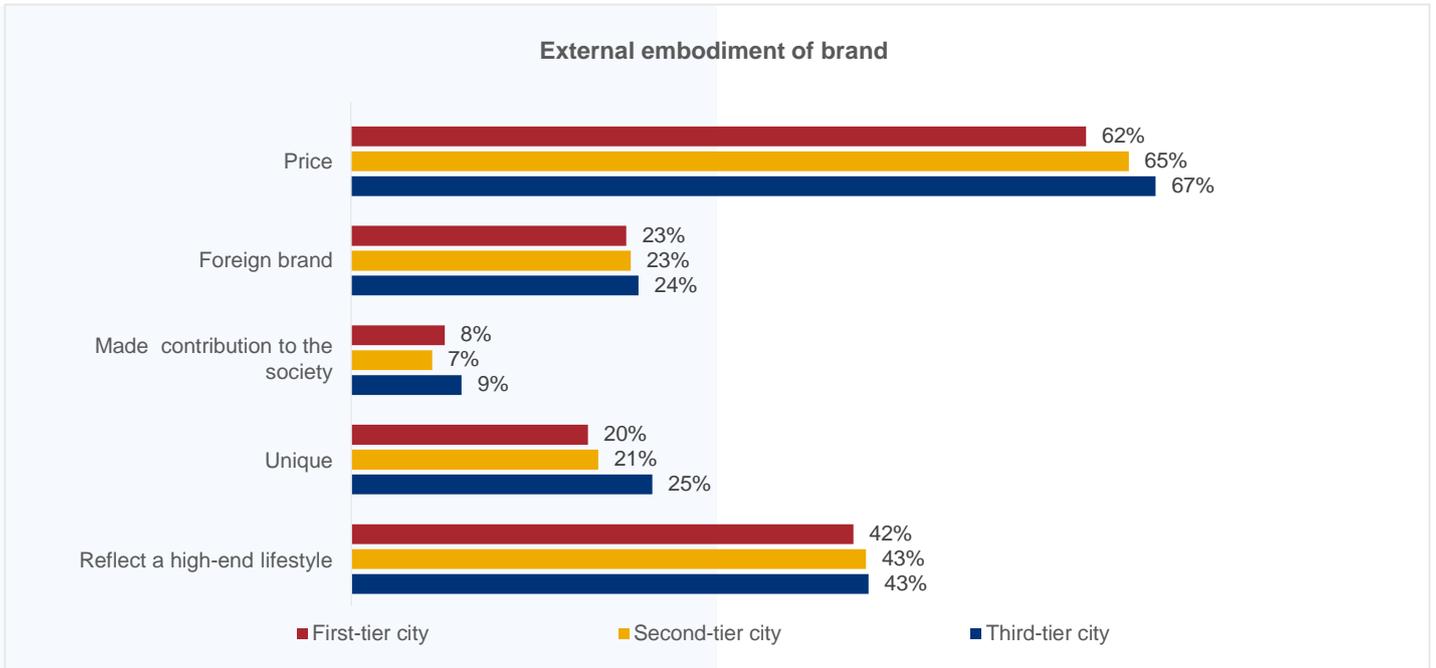
Consumers in third-tier cities focus more on the extrinsic elements: being expensive, a foreign brand, and whether it reflects a high-end lifestyle.

The survey results reflect that there is a significant difference in the consumption of luxury brands in first-, second- and third-tier cities. The luxury market in first- and second-tier cities is more mature, as consumers pay more attention to a brand's history, story and values. However consumers in third-tier cities focus more on the price, the reflection of a high-end lifestyle, and other extrinsic factors (indicators of the early stages of luxury brand consumption).

In addition, of all the generations, Gen Zers in first-tier cities are the most demanding regarding design aesthetic: 53% of Gen Z respondents from first-tier cities ranked this highly, and 43% of Gen Zers from third-tier cities did as well.

Although the number of total respondents from third-tier cities who believed that brand value is not an important factor in defining luxury goods was not high, 34% of Gen Z respondents from these cities did choose this factor. Gen Z's focus on aesthetics and brand social responsibility is very prominent. As potential future luxury consumers, Gen Z's consumption beliefs deserve additional attention.

1. HOW CHINESE CONSUMERS IDENTIFY LUXURY GOODS





2. WAYS TO LEARN ABOUT LUXURY GOODS

In the digital era, consumers are using mobile phones much more to obtain information and purchase goods.

According to our survey, official websites are the primary choice for consumers to obtain brand and product information, and shopping apps are the second. Official social media is third. Traditional channels including consulting friends, and online and offline advertising ranked the bottom three.

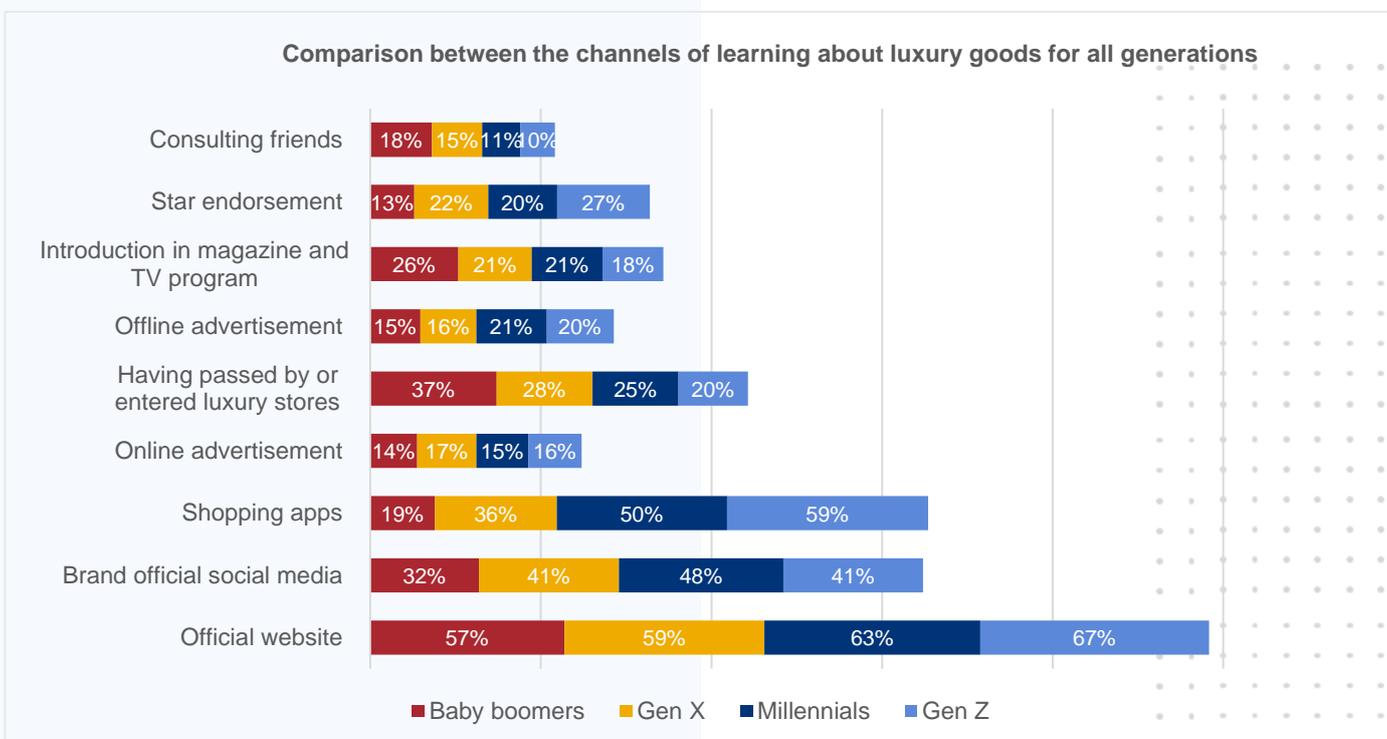
2.1 Official websites, shopping apps and social media outperform traditional channels

After the official websites, the second major channel for baby boomers to get brand and product information is a retail outlet. Although less than the other three generations, baby boomers also make use of social media channels. Data show that they care the least about star endorsements. Online or offline ads are also not a major factor, but they rely on advice from friends more than the other generations do.

The top three favourite channels for Gen X, Millennials and Gen Z are online channels: official websites, shopping apps, and official social media. For Gen Z, this is closely followed by star endorsements. Gen X's attention to star endorsements is second only to Gen Z, while Millennials focus more on retail outlets, magazines and TV ads.

The late 80s and early 90s (when Gen X were adolescents) was a time when Hong Kong and Taiwan idols became popular in mainland China; and European and American music and films were also being gradually introduced – all of which is of great significance to this generation. Gen X can be said to be China's first celebrity fans; and Gen Z, who are now in their teens or early twenties, are also keen on celebrities. As a generation that is more willing to engage with their favourite celebrity in various ways, Gen Z has made outstanding contributions to the "idol

Comparison between the channels of learning about luxury goods for all generations





2. WAYS TO LEARN ABOUT LUXURY GOODS

economy", and the influence of young idols has been confirmed by Gen Z behavioural patterns. However, there is a difference over the star endorsements for Gen X and Gen Z: online celebrities attract young people, and veteran stars are targeted for the mature people.

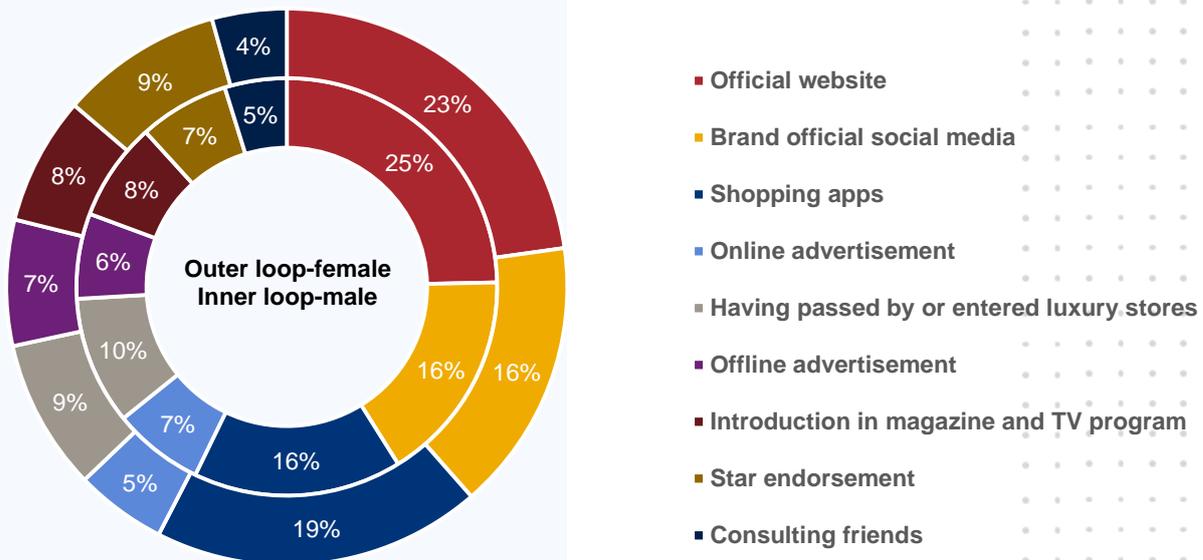
2.2 Men prefer official websites and retail outlets, women prefer a shopping app, and Gen Z women love star endorsements

Overall, women prefer to use shopping apps more than men do, and men marginally prefer physical stores. Just as consumers like to browse in offline shops, they also do this in shopping apps. The recent emergence of many new consumption forms such as social shopping (online hot bloggers, WeChat official accounts, Little Red Book), short video shopping (Tik Tok, Kwai), and live-streaming shopping (Taobao, Mushroom Street)

have brought novelty and price advantages to consumers, and is making women heavy users of online app platforms.

In terms of the proportion of choices, female consumers are more likely to choose goods due to the endorsement of spokespersons than men, of which Gen Z is way ahead of other age groups. It can be seen that China's fan culture has encouraged the purchasing power that cannot be overlooked. This fan culture, begun in the late 1990s, is now large-scale and highly organised, and fan groups have specific patterns of behaviour and consumption. These fans, who are now aged 15 to 30 and predominantly female, show feverish spending behaviour. Furthermore, luxury cosmetic brands are turning to male stars for endorsement, which also confirms the huge influence of the fan economy behind the star, especially the "girlfriend" fans.

Channels for male and female consumers to know luxury goods





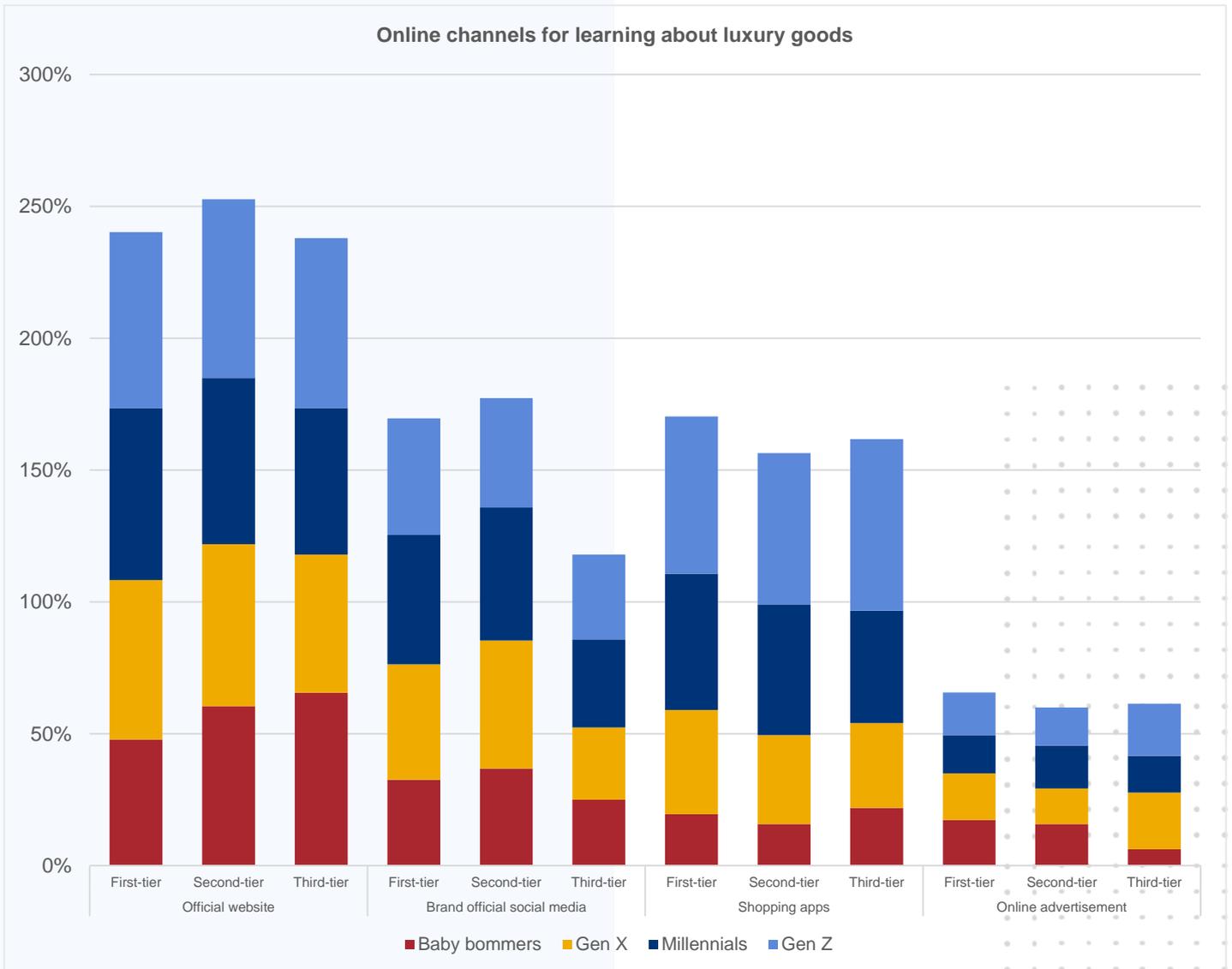
2. WAYS TO LEARN ABOUT LUXURY GOODS

2.3 Baby boomers in first- and second-tier cities prefer brand outlets, while Gen Zers in third-tier cities favour shopping apps and star endorsements

Benefiting from the abundance of luxury goods shops, consumers in first-tier cities have more access to information through retail stores than consumers in second- and third-tier cities; and the older the consumers are, the more enthusiastic they are about

shopping in physical stores.

Second-tier cities are nearly in line with first-tier cities in terms of the strong purchasing demand. However consumers in second-tier cities, especially Gen Z and Millennials, are more likely to obtain product and brand information from online channels as these cities have fewer high-end retail stores than first-tier cities but e-commerce is available everywhere.



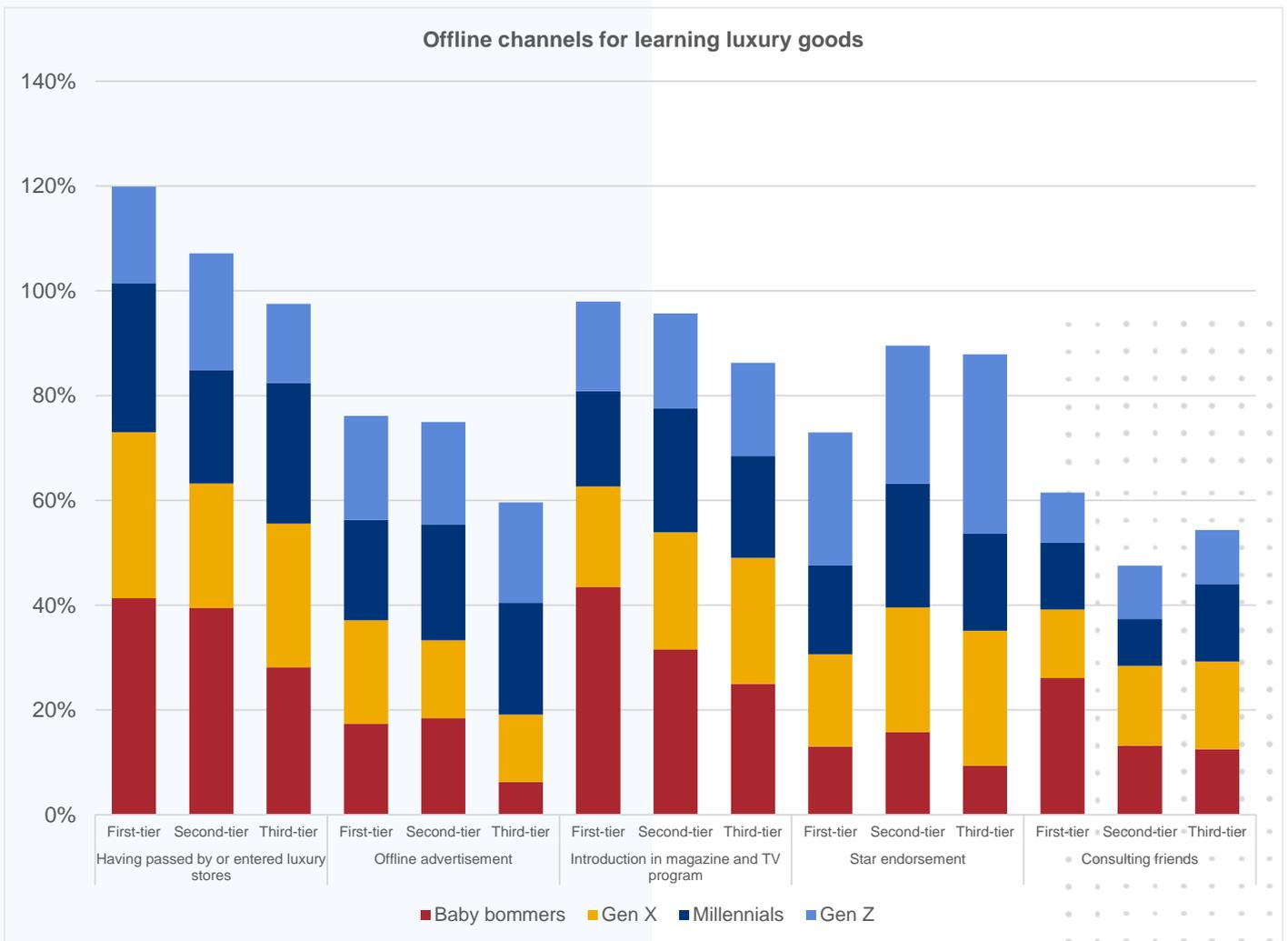


2. WAYS TO LEARN ABOUT LUXURY GOODS

As natives of the cyber world, Gen Zers, who are happy to watch reviews and KOL live-streaming on a social shopping app, are most willing to spend online, and also the most likely to browse shopping apps, nearly 10 percentage points higher than the second-largest group. And among this group of young people, those in third-tier cities are the most enthusiastic about shopping apps for access to information as third-tier cities lack the range of physical shops and extensive offline advertising found in first- and second-tier cities. Even though Gen Zers have limited purchasing power, the

major shopping apps provide them with a range of information and engaging interactive shopping processes: from product testing, outfit guidance, and a virtual fitting room to a live-streaming shopping room.

Baby boomers, however, are doing well offline. In first- and second-tier cities, baby boomers are far more enthusiastic about physical stores, magazines and TV commercials than any other generation. The ubiquitous physical stores and offline ads are the most convenient way for this older group to access information.



3. THE MOST FREQUENTLY PURCHASED CATEGORIES

According to the survey, the most common luxury items purchased by Chinese consumers are clothing, shoes and hats; perfumes and cosmetics; bags and leather goods; jewellery and watches; and surprisingly, electronic goods.

Outdoor sports, high-end hotels, furniture and other more experience-oriented luxury consumption is still in its infancy.

3.1 Gen Z and baby boomers love electronics while Millennials prefer bags and leather goods, and jewellery and watches

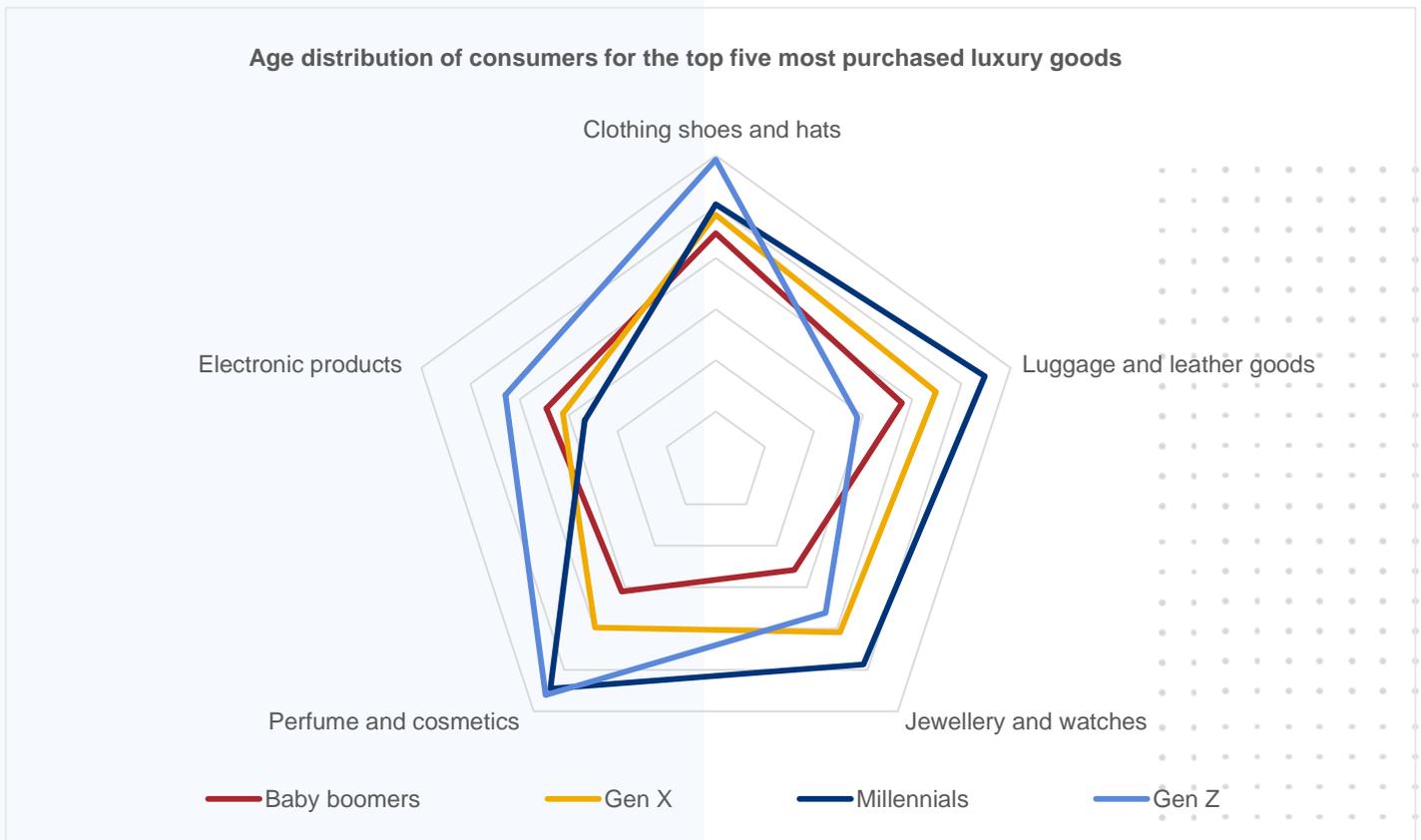
With each successive generation, from baby boomers to Gen Z, demand for perfumes, cosmetics, clothing and bags increases.

The top three categories purchased by baby boomers are clothing and hats; bags and leather goods; and electronics. Interestingly, baby boomers' demand for electronics is second only to the major digital age group,

Gen Z. Baby boomers also exceed other age groups in the consumption of experiential luxury goods such as travel, house furnishings, and motor vehicles.

While clothing, shoes and hats, perfumes and cosmetics are the most popular luxury categories for Gen Z, higher-value bags and leather goods, and jewellery and watches are the first choice for Millennials and Gen X consumers.

In terms of the purchasing desire for the top five luxury categories, Gen Z surpasses the other age groups in three categories (clothing, shoes and hats; perfumes and cosmetics; electronics). Among these, the consumption of electronic products is far ahead as Gen Zers are more keen to embrace new digital products than other age groups.



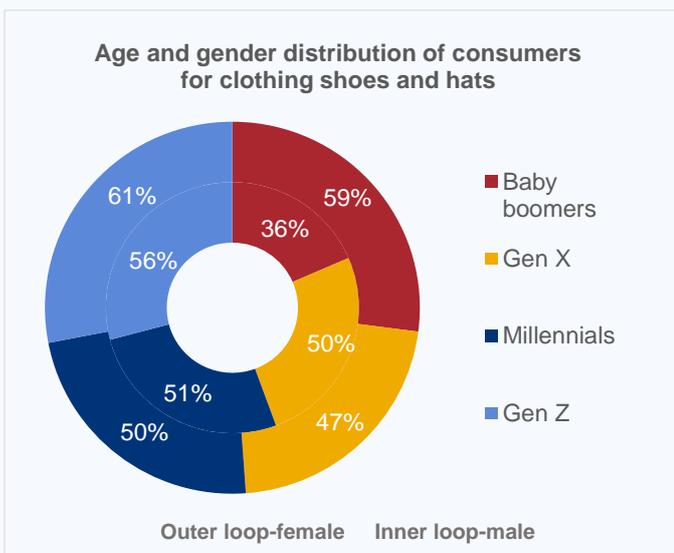
3. THE MOST FREQUENTLY PURCHASED CATEGORIES

3.2 Gen Z males are avid consumers of electronic products, while Gen Z females consume for their own pleasure

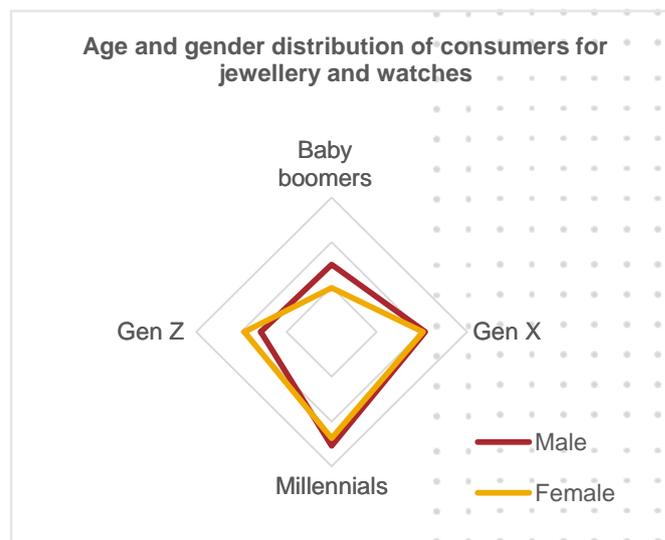
Gen Z men are the keenest consumers of electronic products while Gen Z women are heavy consumers of clothing, shoes and hats, perfumes and cosmetics. Gen Z men are also more enthusiastic about clothing than all other male consumers.

Women of all ages have much more enthusiasm for bags than men – except for baby boomers. Male baby boomers’ purchasing power, social integration requirements, and need for special gifts may explain why they spend more on bags than female baby boomers.

prices make them hesitant to make shopping decisions – even Millennial women, those most willing to purchase jewellery, rated jewellery consumption three percentage points lower than men. It's worth reiterating that Gen Z women are the only generation who spend more on jewellery and watches than men. Compared with their predecessors, they pay more attention to self-pleasure and the expression of a unique personality. All these accelerate their desire for luxury consumption and they turn to "self-gratification consumption" earlier.



However, with jewellery and watches, a higher-cost category of luxury good, we found men exhibit more enthusiasm than women. Except for Gen Z women, men spend more than women on these products, and men are more likely to turn to symbolic products such as watches to reflect their position, success and social class. And although all women enjoy jewellery, the high



3. THE MOST FREQUENTLY PURCHASED CATEGORIES

3.3 First- and second-tier cities prefer jewellery and cosmetics, while third-tier cities prefer electronic products and house furnishings

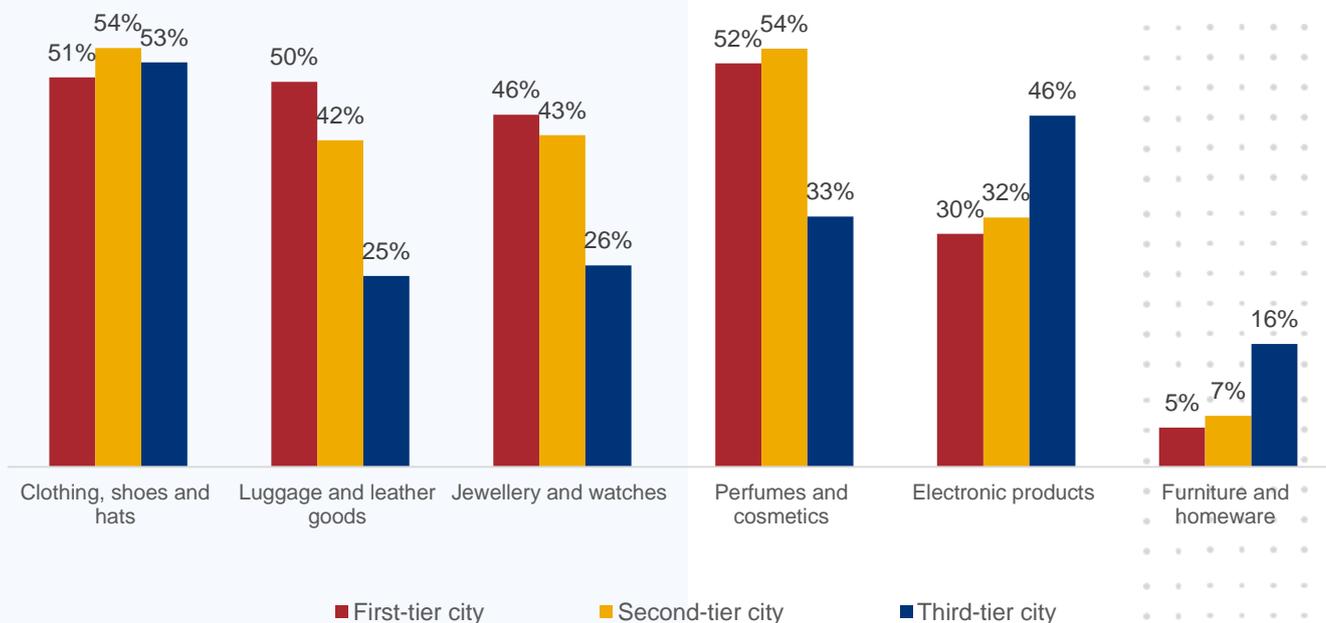
The difference in consumption structure between third-tier cities and the other cities is considerable. Respondents of all ages in third-tier cities are far less likely to buy bags and leather goods, jewellery and watches, or perfumes and cosmetics, and are far more likely to spend on electronics, furniture and other household goods.

Against the backdrop of rapid urbanisation and rising disposable income, consumers in third-tier cities are more likely to spend their money on improving their basic living conditions. Therefore, consumers in these

cities show a stronger interest in furniture decoration and other house improvements, cars and motorcycles, electronic products, and outdoor sports than consumers in first- and second-tier cities.

The market for jewellery and watches, bags and leather goods, and other luxury goods is mainly in first- and second-tier cities, because in third- and fourth-tier cities, many people still feel that gold is the best luxury commodity as its value can be maintained or increased. Entry-level luxury goods such as clothing, cosmetics and other products with a lower price threshold and obvious brand logo have become the first choice of young people in third and fourth-tier cities.

Comparison of luxury consumption structure between cities





4. PURCHASE FREQUENCY OF LUXURY GOODS

Overall, more than 70% of the respondents have bought luxury goods. Millennials are the dominant consumers of luxury goods today, while Gen Z has the highest percentage of heavy consumers. Consumers, especially Gen Z, in second- and third-tier cities, have a huge luxury consumption potential.

4.1 Millennials and Gen Z are the main purchasers

Baby boomers and Gen X have established financial security, but their experience since childhood has led them to develop frugal spending habits and they have a lower purchasing appetite for luxury goods than the other two generations. Despite this, they are certainly a considerable part of the luxury consumption in China. More than 50% of China's baby boomers have the habit of buying luxury goods.

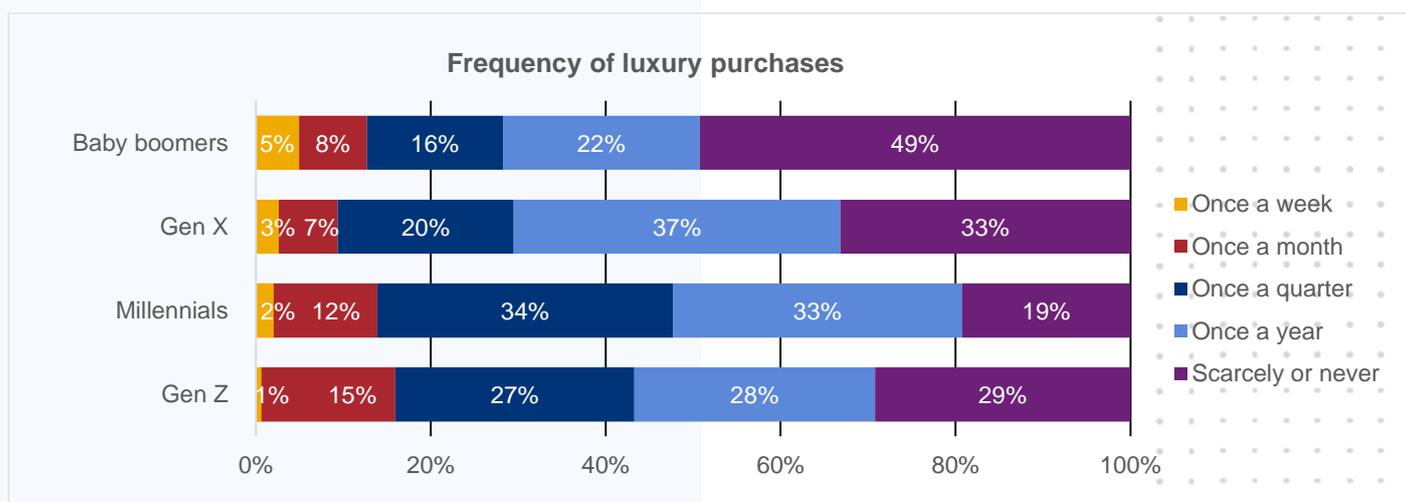
Emerging and energetic Millennials are becoming China's new middle class, and they are currently the main consumers of luxury goods. Young as Gen Z is, their spending potential second to Millennials cannot be overlooked. Among the people surveyed, most of the Gen Zers have experienced a secure life since childhood, and do not need to worry about their livelihood. Although many of them have worked for only 1 or 2 years and have barely savings (some are still even students), their willingness to consume surpasses that of their parents and they are the most obvious potential consumers for luxury goods. Gen Z has a totally different consumption concept from their parents (Gen X or baby boomers) who grew up in hard times. Compared with the Millennials who are now the

sandwich generation needing to care for their children and ageing parents, Gen Zers don't have concerns about waiting on and supporting their parents, child rearing or other expenses. And they appear to be comfortable with deficit spending.

4.2 Millennials are the most stably frequent purchasers, while Gen Z are the heaviest

In terms of consumption frequency, among those who buy luxury goods, people buying one luxury good a year account for the highest proportion (more than a third of Millennials and Gen X buy one luxury item per year). More than a quarter of respondents buy one luxury item per quarter, while only one in ten respondents buy one luxury item monthly. People who buy a luxury item once a week are very rare.

Thanks to their steadily growing economic ability, one-third of Millennials are quarterly luxury consumers, the highest percentage in all respondents. As the first generation to be an only child, they have not experienced material scarcity. With sufficient necessities of life, they have demand for consumption upgrade and so are more willing to indulge their own





4. PURCHASE FREQUENCY OF LUXURY GOODS

hobbies and pursuits.

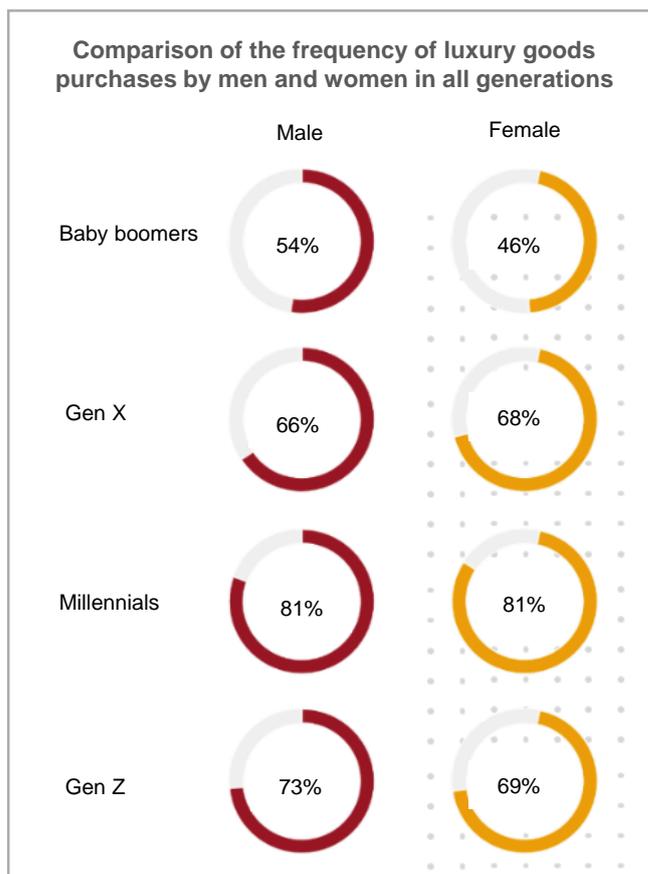
4.3 In the surveyed generations other than baby boomers, men and women generally have parallel spending power

In China, overall, men and women generally have parallel spending power in luxury goods; however, male baby boomers are 10 percentage points more likely to have bought a luxury good than female baby boomers. This may suggest that men in this generation are still the main provider in the family, and they have more say in the purchasing decisions than women. Most women in this generation still tend to be thrifty because of their life experience and even with today's well-off living conditions, female baby boomers still make relatively fewer luxury goods purchases.

Gen Xers, mainly post-70s, were not well-off when young but have lived through the development, reform and opening up of China in the past 30 or 40 years. As a result, compared with the baby boomers, their values and consumption views have undergone a certain degree of subversion. Furthermore, the rise of female consciousness also awakened the consumption consciousness of Gen X women. They have come to develop their personal image, express their own feelings, and pursue a quality lifestyle. International luxury brands entered China as its economy started to strengthen and open up to the outside world and Gen X women, with their new purchasing power, began to consume international luxury brands. Their consumption of luxury goods tends to exceed that of men, 2 percentage points higher in the same period.

When it comes to Millennials, the proportion of men or women buying luxury goods is about the same. This generation, the backbone of current luxury consumption, has a high willingness to spend on luxury

goods, and the improvement in their economic conditions has provided them with the spending power. Millennials, who grew up during the Internet revolution, know more about luxury brands than their parents. Furthermore, the development of social media has given luxury brands more exposure, thus this generation is more enthusiastic about the trending brands. At the same time, their luxury consumption psychology is also maturing, especially Millennial men, as they have begun to develop their own taste and identity expression, and are catching up with women in their luxury consumption. Many well-known brands have also begun to pay more attention to men by broadening their product lines, and even opening men's product stores so as to start a "he" era for luxury goods.





4. PURCHASE FREQUENCY OF LUXURY GOODS

For Gen Z, the proportion of men buying luxury goods is just ahead of that of women, and overall Gen Z's spending habits are more diverse and more personalised as there is a greater focus on their tastes and interests. In an age of increased focus on personal image, make-up and skin care are no longer exclusively for girls. Influenced by Japanese and Korean fashion culture, as well as by online bloggers and idols, Gen Z men are paying more attention to personal image and the display of personality and taste; and have the same enthusiasm for skin care, cosmetic makeovers and fashion clothing as women. There is a "he economy" and male Gen Z luxury consumption cannot be ignored.

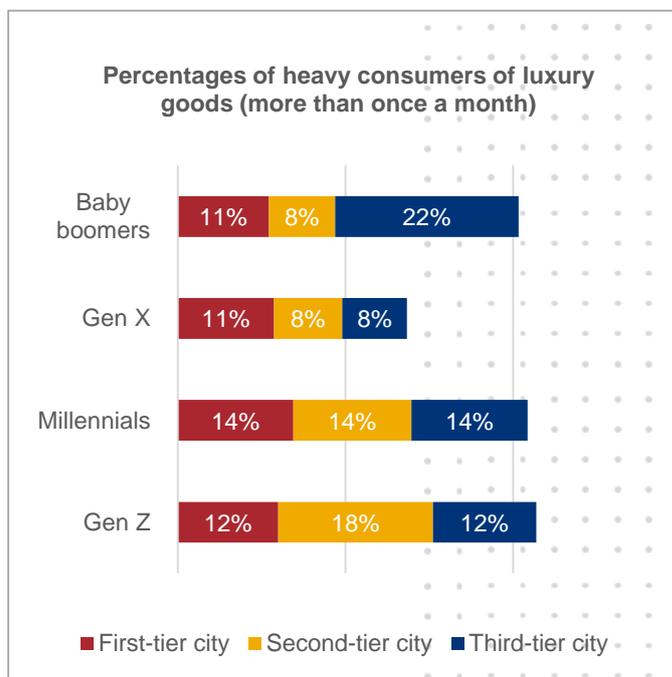
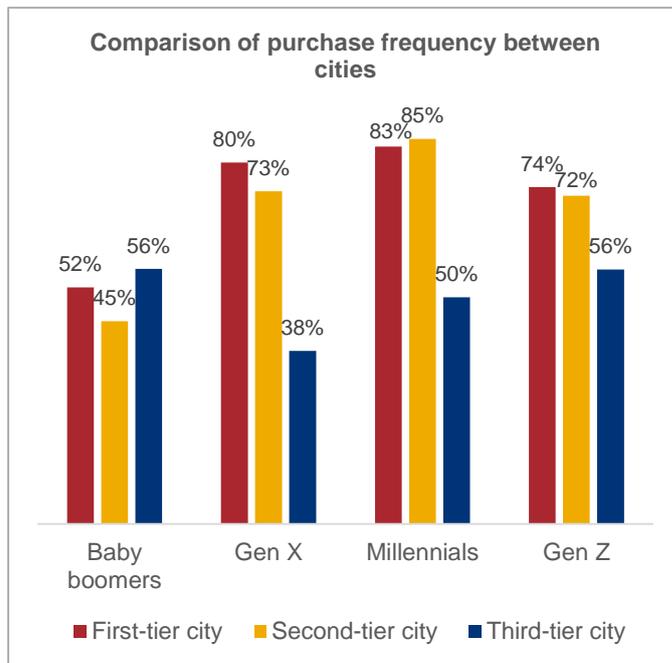
4.4 Gen Zers in second- and third-tier cities are a huge future market

According to research, first-tier cities with nearly 80% of luxury consumers rank No.1 in terms of luxury purchasing power among the top 3 tiers of cities, followed by second-tier cities with impressive market prospect. And in third-tier cities, with the rapid urbanisation and the popularity of online and mobile shopping platforms, there have been increasing number of luxury goods consumers.

Among the heavy luxury consumers who purchase luxury goods at least once a month the proportion of Gen Z and Millennials in second-tier cities is very prominent, followed by Gen Z and Millennial consumers in third-tier cities. The proportion of heavy consumers in second-tier cities even exceeds that of the same age in first-tier cities. Thus, it can be seen that the Gen Z's luxury consumption potential in second- and third-tier cities is huge and should not be ignored.

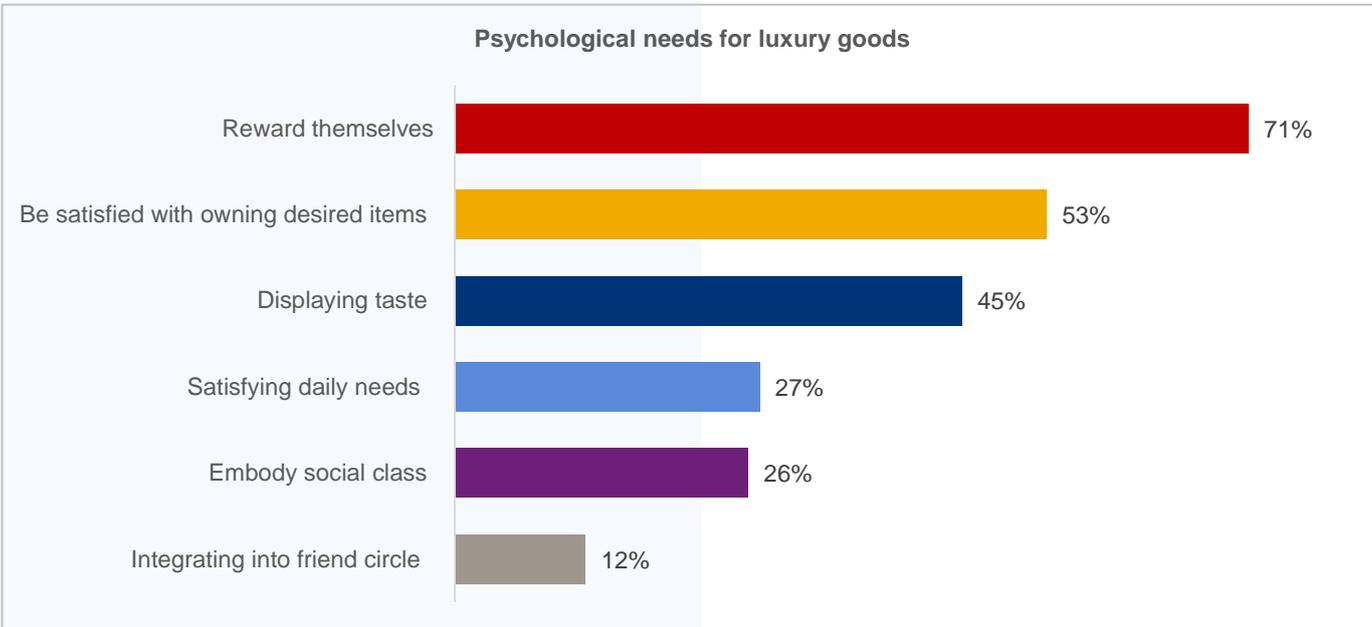
More than 60% of those without a luxury goods purchasing habit lack the economic ability. Especially for Gen Z, the ratio reaches to 72%. But this infers that

when Gen Z has the financial capacity, they will become luxury brand consumers.



5. PSYCHOLOGICAL NEEDS BEHIND THE PURCHASES

More than 70% of Chinese consumers buy luxury goods to reward themselves, followed by personal satisfaction and to show off their taste, which clearly represents that luxury consumption is serving for personal pleasure.

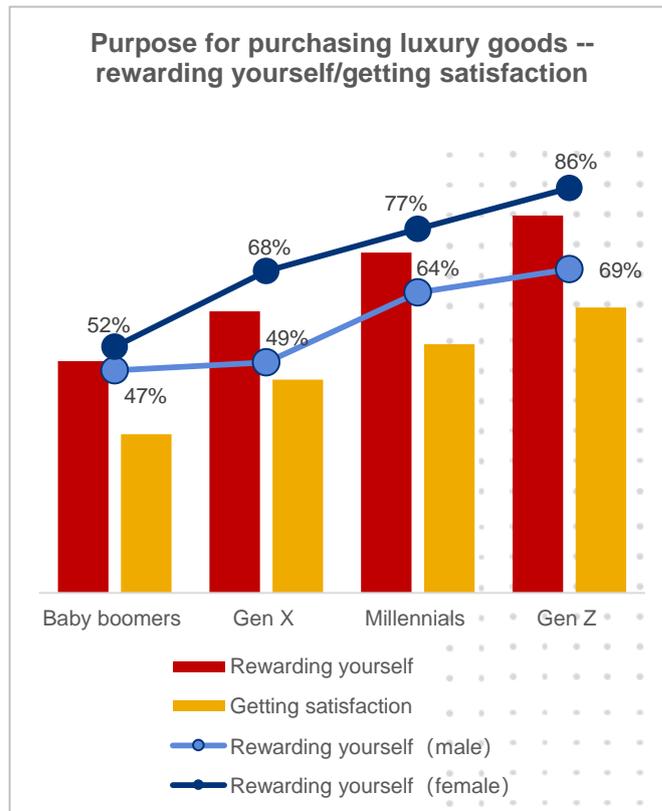


5.1 Gen Z is more concerned with self-gratification, especially the women

According to the survey, 80% of Gen Z respondents enjoy buying luxury goods to reward themselves with the proportion of women significantly higher than that of men. Of Gen Z, 60% made the purchase for the pleasure of owning the item. Both of these two aspects rank first among the four generations.

Interestingly, the younger the cohort, the more the generation is concerned about self-gratification. This marks that the self-awareness of Chinese consumers is evolving with each generation: The purpose of buying a luxury good is gradually changing from an external to an internal cause, indicating that luxury consumption in China is becoming more personalised.

Women of all ages are significantly more likely than men to be rewarding themselves. This shows that women with a strong sense of independence and self-value, and who are economically independent, are paying more attention to self-improvement.



5. PSYCHOLOGICAL NEEDS BEHIND THE PURCHASES

5.2 Millennials feel a higher social demand for luxury goods, especially the men

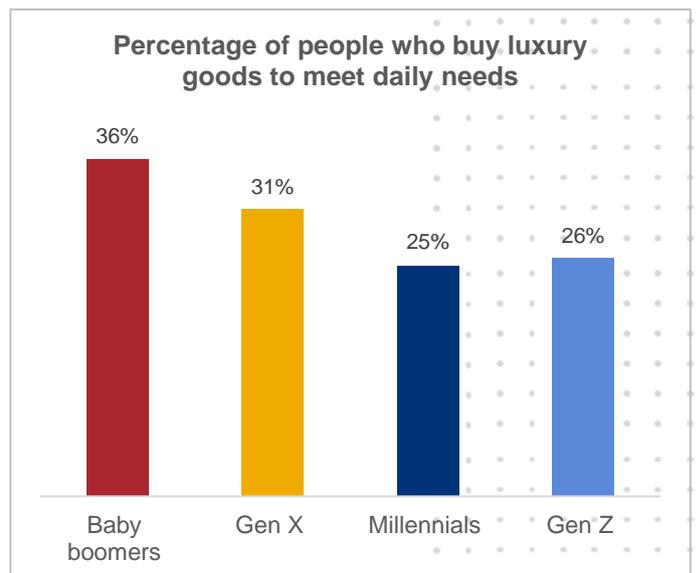
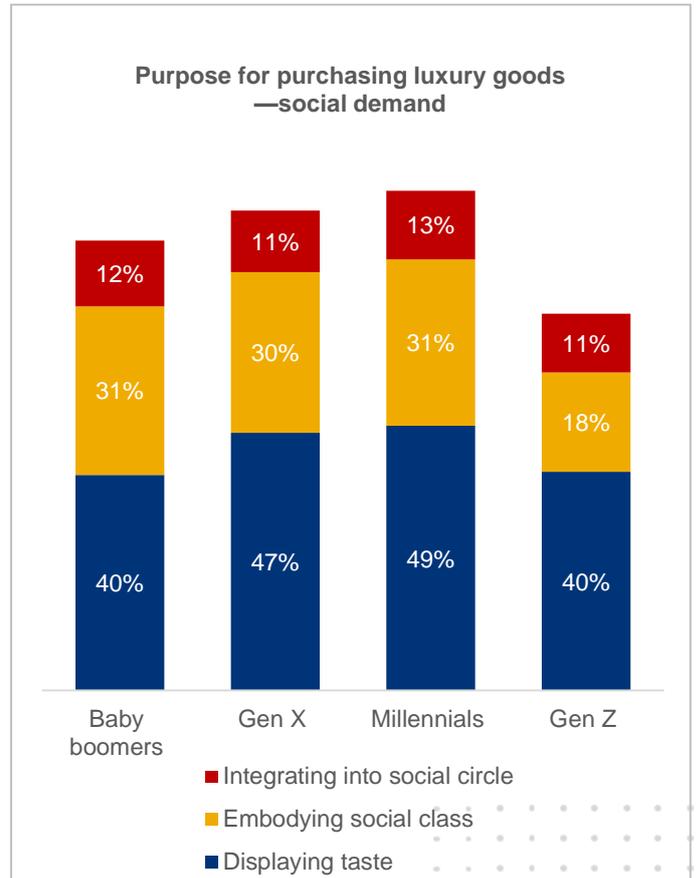
In terms of displaying taste, embodying social class, and bonding with friends, research shows that Millennials pay more attention to these aspects than other age groups, reflecting the important role that luxury plays in improving their image in social situations, especially in the period of enhancing the prospects of career development . Gen X also shows these aspects, but to a lesser extent.

Male Millennials have the highest desire to display taste, while Gen X men have the highest desire to display social class. This indicates that nowadays men are much more considerably influenced by social evaluation than women and they use luxury consumption to obtain acceptance and recognition from their social circle and to display their self-value.

Gen Z is low-ranking in these three aspects, suggesting that in Gen Z's social life, luxury goods don't play a key role, and that for Gen Z, inner feelings are much more cared about than external voice.

5.3 Generation X and baby boomers buy luxury goods when needed

Gen X and baby boomers have significantly higher rates than Gen Z and Millennials regarding their concerns about daily needs. China's baby boomers and Gen X have experienced material scarcity, and tend to be more conservative, therefore more likely to only make a luxury purchase when needed.





5. PSYCHOLOGICAL NEEDS BEHIND THE PURCHASES

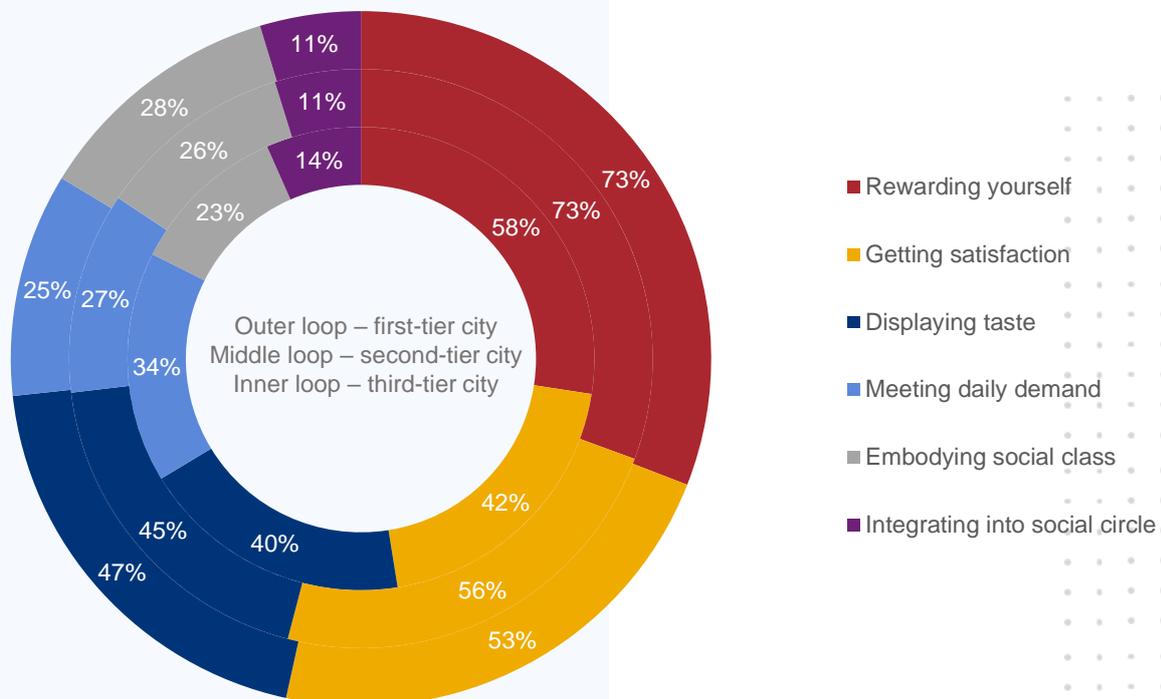
5.4 Consumers in first- and second-tier cities have similar luxury consumption purposes, but those third-tier cities have their own

With the development of urbanization and the popularisation of the Internet in China, the gap among city tiers is gradually decreasing. Consumers in second-tier cities are paying more attention to self-value. The development of cities has also made the social demands of the driving workforce (Millennials and Gen X) in second-tier cities increase. Therefore, the difference between consumers in first- and second-tier cities in the purchase of luxury goods is gradually narrowing. Overall, the differences in all surveyed questions between consumers in first- and second-tier

cities were minimal, less than 2 percentage points.

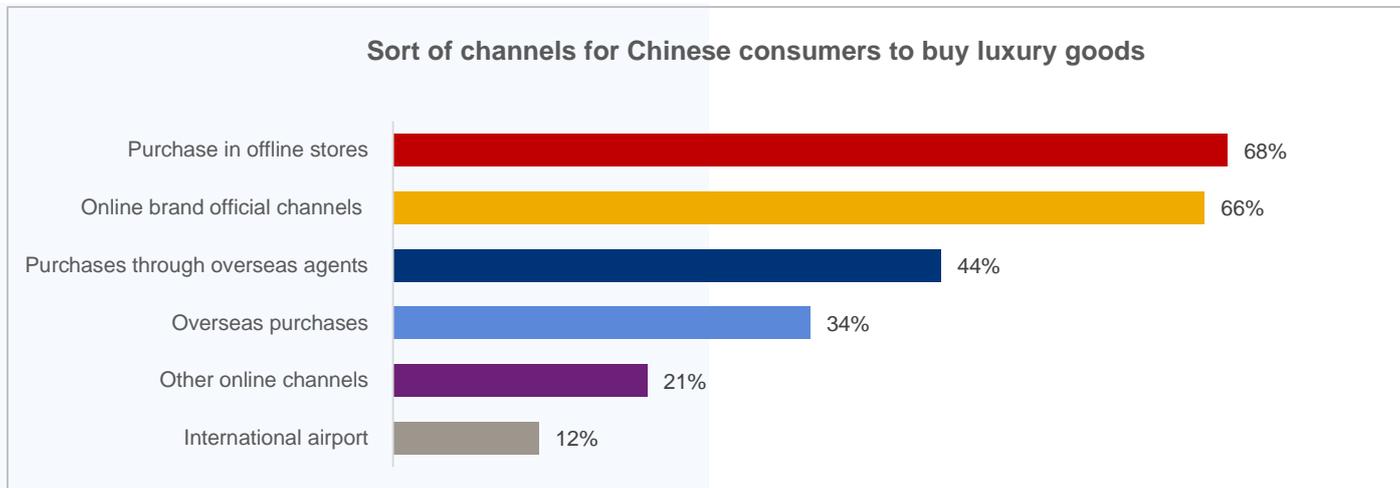
In contrast, the purposes of luxury consumption by consumers in third-tier cities and first- and second-tier cities were starkly different. Compared with consumers in first- and second-tier cities, those in third-tier cities purchase luxury goods more to meet daily needs and bond with friends. This partly reflects that in third-tier cities, people with certain purchasing power will first focus on their own quality of life through the consumption of luxury goods so as to further realise their desire to get into certain social circles.

Comparison of proportion of the purpose of purchasing luxury goods between cities



6. PURCHASE CHANNELS

Even in the Internet era, offline stores are still the preferred purchasing channel for Chinese consumers in luxury consumption which implies their concern for counterfeits. But the growth of online shopping is worthy of attention.

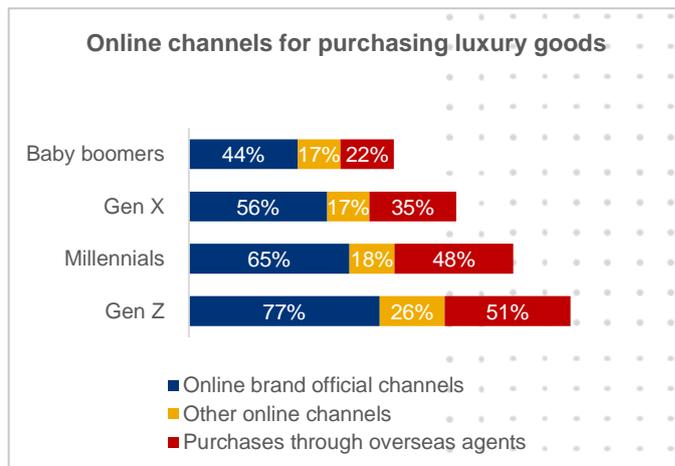
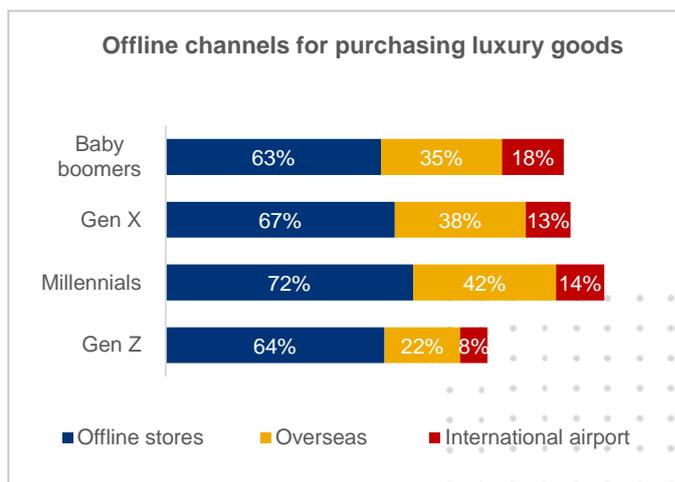


Online brand channels are the second favourite. Buying from purchasing agents (who mainly source from overseas channels) ranks third, showing that price margin is still an important consideration for Chinese consumers.

6.1 Millennials, Gen X and baby boomers prefer offline, while Gen Z is excited about online

As the main consumers of luxury goods, 72% of Millennials buy luxury goods in offline shops, followed by Gen X. Millennials also purchase more abroad and in international airports than baby boomers and Gen Z. Gen Z's first choice is the brand's official online channel, and they prefer other online channels much more than other age groups.

Luxury goods stores have been in China since the 1990s and have grown into maturity from 2000 while online shopping was still in its infancy at that time. In the initial stage of domestic online shopping, the main model was C2C transactions on Taobao. Consumers sought to buy low-cost products online. Meanwhile, online shopping platforms were seen to solve problems such as fake and sub-quality goods, and credit crisis



6. PURCHASE CHANNELS

encountered by businesses. It wasn't until 2008 when B2C websites such as JD.com, No. 1 Store, and Taobao Mall (renamed Tmall in 2012) became popular that consumers accepted the online purchase of high-priced products, which subsequently led to the popularity of online luxury discount stores such as the VIPSHOP and Glamoursales.

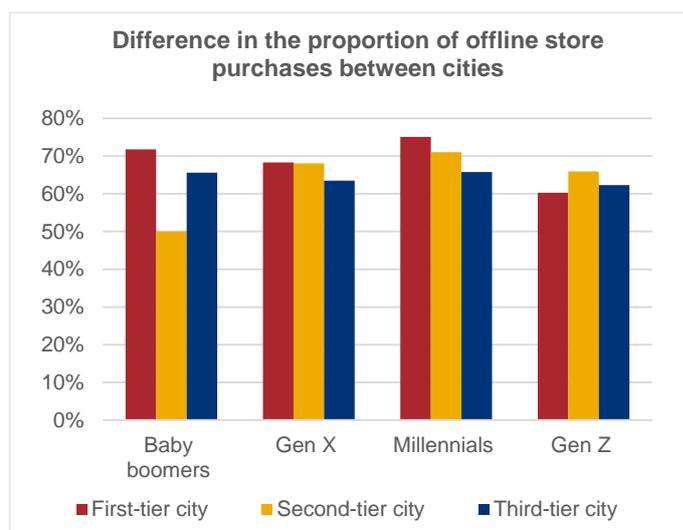
As a result, in the early 2000s, most Chinese only bought high-priced products offline, as baby boomers, Gen X and Millennial's perception of luxury goods had mostly started in offline stores; these buying habits continue to this day. However, the online shopping market has been quite mature with online high-end goods purchasing channels much improved ever since Gen Z has their independent purchasing power. Therefore, it's easy to understand that Gen Z is more accustomed to purchasing luxury goods online.

6.2 First-tier consumers prefer to buy offline

Among Millennials, Gen X and baby boomers who prefer to buy in offline stores, those in first-tier cities are more likely than those in second- and third-tier cities (75% of Millennials in first-tier cities buy offline).

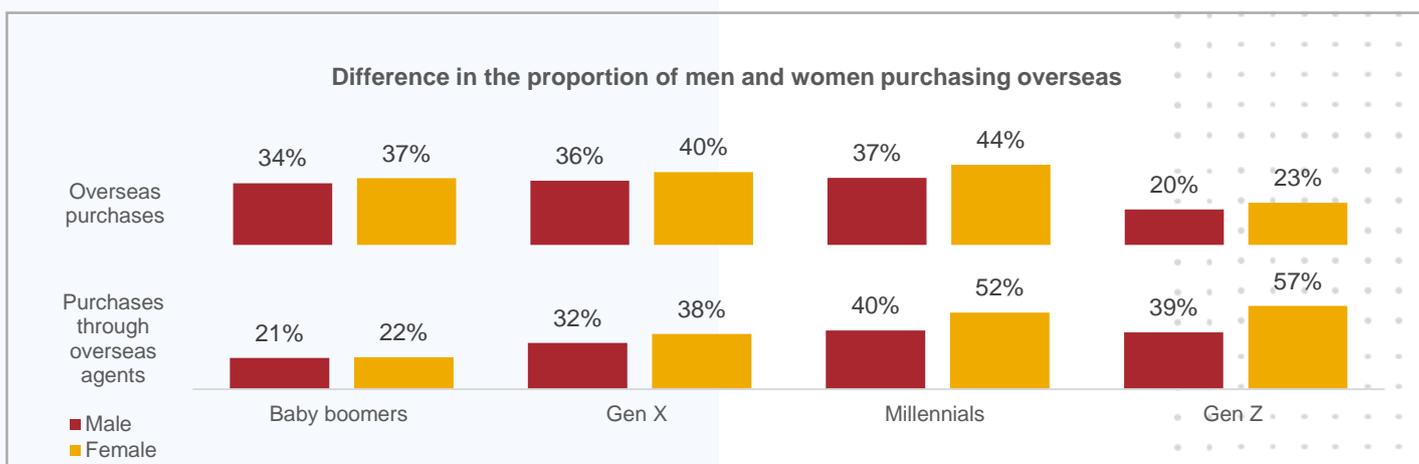
Apart from the generally higher incomes in first-tier

cities, the distribution of luxury goods stores in China is also a major objective factor. As per the report 30 well-known luxury brands in 19 cities, in 2018, there were nearly 240 stores in Shanghai and 110 stores in Beijing but less than 50 stores in each of the other cities.



6.3 Millennials tend to purchase abroad, while Gen Z buy via agents

As for purchasing from overseas sources, 44% of female Millennials shop abroad, 10 percentage points more than the average. Gen Z, on the other hand, more prefer buying luxury goods via purchasing agents.



6. PURCHASE CHANNELS

Seventy-three percent of Millennials have travelled abroad once or more in the past year (75% of the country's outbound visitors). Post-90s and post-80s' spending on travel increased by 80% and 50% in 2018 respectively. These data indicate Millennials purchase more luxury goods abroad than other generations.

Gen Zers prefer making purchases via purchasing agents, even though there have plenty of opportunities to go abroad. On the one hand, with stronger information retrieval and filtering capabilities than other age groups, they can quickly identify trusted purchasing agents. On the other, they buy what they exactly expect, place orders as soon as they can rather than waiting until going aboard themselves.

It is worth mentioning that the proportion of women purchasing abroad or through purchasing agents is significantly higher than that of men. It can be seen that women are more sensitive to price margin than men (these purchases are probably tax- or duty-free).

6.4 Consumers in third-tier cities don't use overseas shopping channels

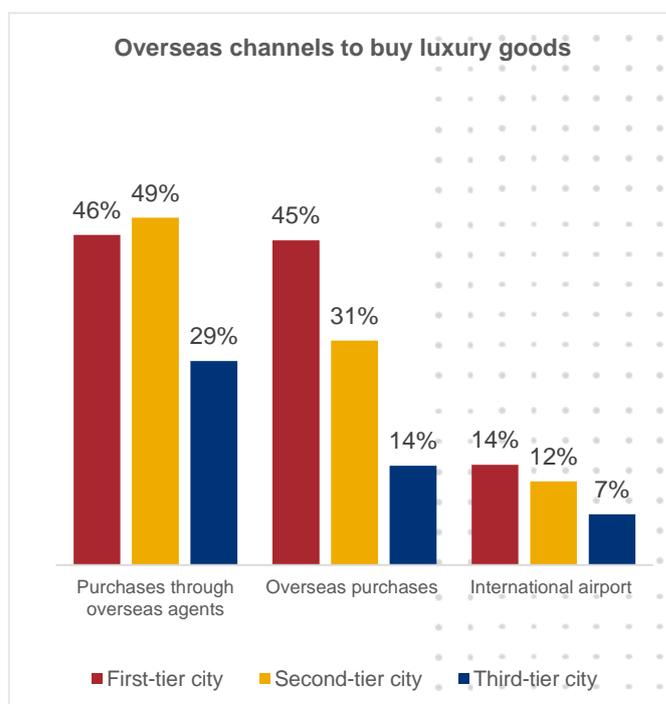
Consumers in second-tier cities make more purchase via purchasing agents than those in first-tier cities, while those in second and third cities make fewer overseas or international airport purchases than first-tier city consumers.

For most consumers in second and third-tier cities where the number of large professional travel agencies with outbound travel service qualifications is relatively small, formalities in applying for travelling visa are cumbersome and inconvenient, and cross-city international connection flights are required. All these factors impact the activeness of the outbound tourism market in second- and third-tier cities. This is also the reason why second- and third-tier city consumers

purchase fewer luxury goods abroad or in international airports.

In addition, the proportion of respondents in third-tier cities buying luxury goods on domestic online and offline platforms is not much different from that of first- and second-tier cities, but they barely buy luxury goods through overseas channels.

The majority of the wealthy class in third-tier cities start from scratch and are keen to gain social identity. The education received and consumption concept developed make them choose expensive commodities to show their success in career. On the other hand, for the high-income groups in third-tier cities, their disposable income is higher due to the lower house and commodity prices. Therefore, due to the less developed commerce in third-tier cities, they have fewer channels for their consumption; hence if they want to buy luxury goods, they are more inclined to buy via offline stores or online shopping.



7. REASONS BEHIND THE PURCHASE CHANNEL CHOICE

As for the reason of choosing the purchase channel in the previous question, the vast majority of respondents choose the guarantee of product authenticity, which may relate to Chinese consumers' concerns about counterfeits.

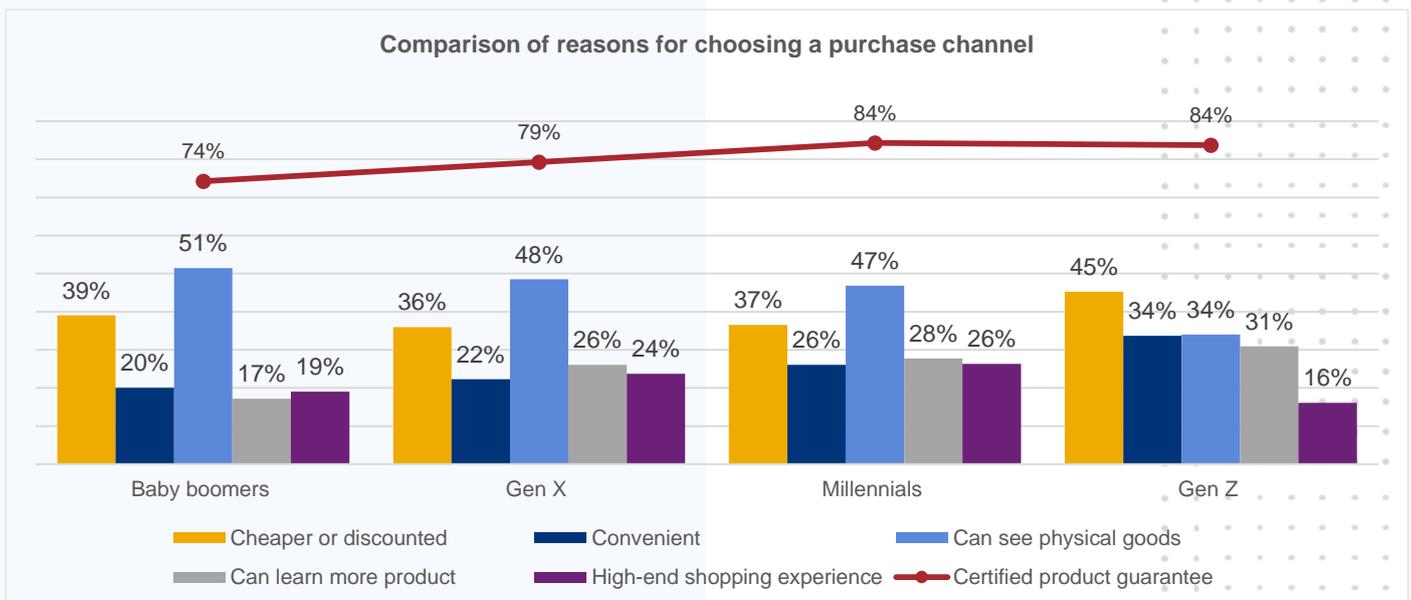
Chinese consumers have long had concerns about counterfeit products. Since the 1990s, China's manufacturing capacity has grown enormously. However, due to the lack of monitoring and regulation regarding intellectual property in the early phases, a large number of counterfeit luxury goods appeared in the market. In 2004, the government started to enhance the protection of intellectual property rights and crack down on counterfeit goods, but the prevalence of online shopping pushed the shift of counterfeit products from offline to online. Due to the huge profitability, although the laws related to online shopping are constantly improving, counterfeits are still available on various channels. More and more Chinese consumers afford to buy authentic luxury goods, but they still have a lingering fear about the once rampant fake luxury goods market. This explains why 68% of respondents choose offline stores and 66% opt for brands' official online channels.

The younger the generation, the less people need to see the physical goods, and this especially applies to Gen Z with 20 percentage points higher than other age groups. Ideas around convenience and product knowledge also increase the younger the generation is.

This is closely related to Gen Z growing up in the Internet and digital ages. Compared with going out shopping, this younger generation is more willing to shop online. While searching for information, chatting with friends, or watching online dramas, they can easily complete the entire shopping process. Accustomed to online shopping from an early age, Gen Zers are more willing to buy sight unseen than other groups, but they are more used to learning about the detailed product information when shopping online.

Although Millennials and Gen X are also skilled at online shopping, their experience of shopping in retail outlets from an early age has made them feel more reassured by seeing the physical goods, especially expensive items. As a result, they are less inclined to shop online for luxury goods.

7.1 Gen Zers are more willing to buy sight unseen



7. REASONS BEHIND THE PURCHASE CHANNEL CHOICE

7.2 Gen Zers are more guided by price, especially female Gen Zers

Forty percent of our respondents prefer a particular purchase channel because of lower or discounted prices, especially Gen Zers (45%). Unlike Millennials and Gen Xers who, Gen Zers are mostly price-sensitive students, and are able to use their digital abilities to find discounted or lower-priced items faster and more easily than other age groups.

According to our survey, women more often choose cheaper or discounted items than men. For about 50% of Gen Z women, price is an important consideration when making a purchase. In addition, research shows that 60% of urban women in China take charge of their family's finances. Therefore, as being sensitive to price, they need to consider household expenses and financial plans before deciding to buy luxury goods. Men still tend to have more advantages in the workplace than women, and their higher incomes also lead to men being less price-sensitive than women.

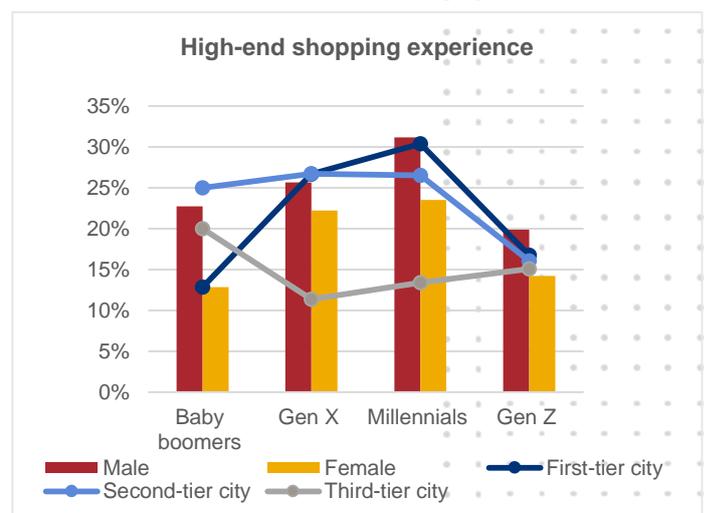
7.3 Millennials are most eager for a high-end shopping experience

Millennials, especially those in first- and second-tier cities are more likely to prefer a high-end shopping experience. Men, with 31% of male Millennials as the highest among all age groups, are significantly more likely than women to expect such experience.

China's Millennials have had more opportunities to go abroad than baby boomers and Gen Xers, giving them a broader perspective and more consumption experiences than the older age groups. For Gen Zers, although living in a more globalizing world, their preference for online shopping reduces the chances to experience high-end retail service. Thus, their expectation for a high-end shopping experience isn't as high as that of Millennials.

In terms of city tiers, consumers in third-tier cities are less likely to expect high-end shopping experiences than consumers in first- and second-tier cities because of their limited opportunities to go abroad.

High-end shopping experiences give consumers respect, courtesy and comfort, which is more appealing to men who want social recognition more than women.



8. FACTORS DRIVING CHINESE CONSUMERS TO BUY LUXURY GOODS

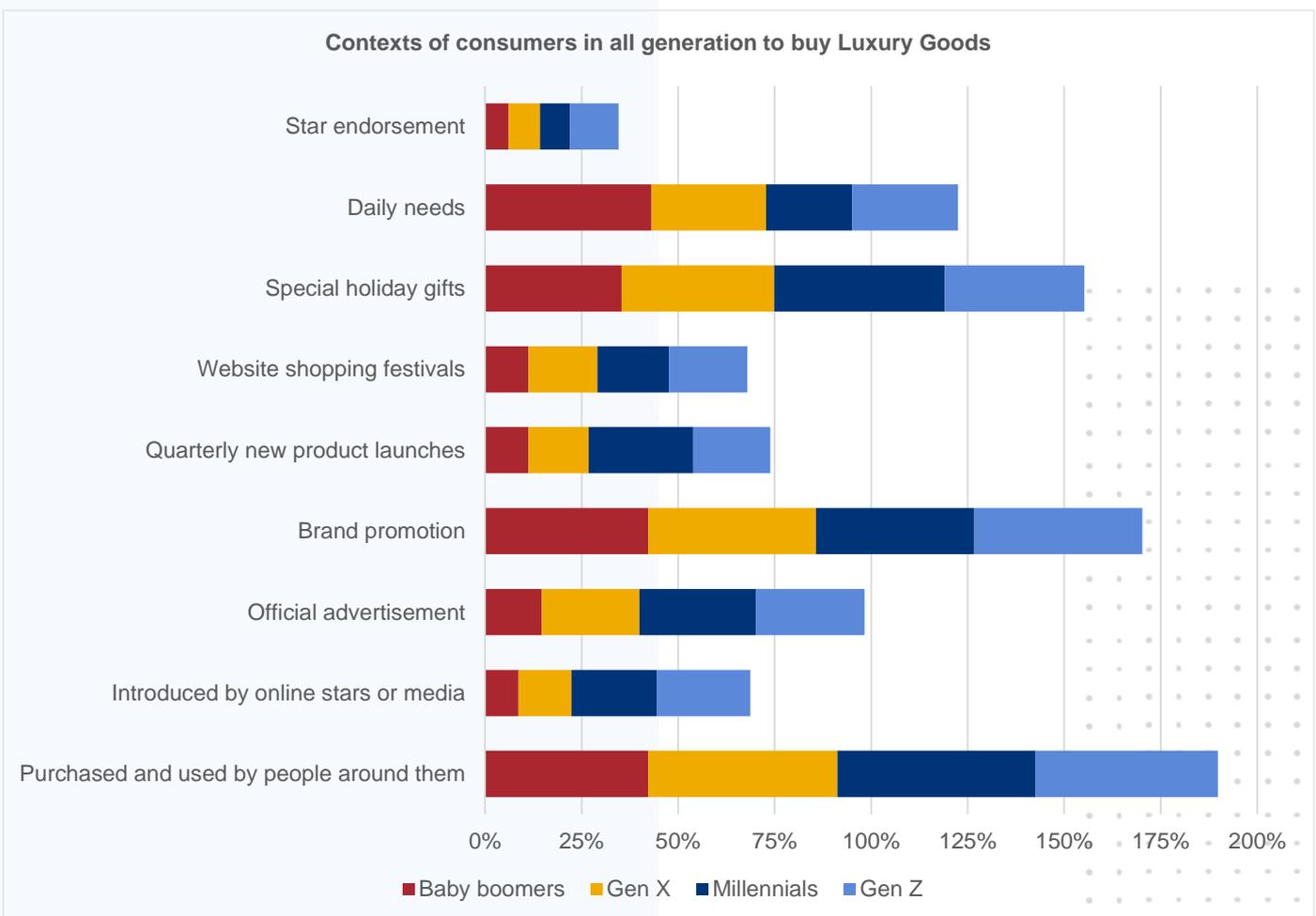
Influence from people around is the primary factor for Chinese consumers to buy luxury goods. Their desire to follow trends and integrate into social circles through luxury items may explain such purchasing psychology.

Brand promotions have huge appeal for Gen Z starting out in their careers, Millennials and Gen Xers with family financial obligations, and baby boomers who are used to being thrifty. China's gift-giving culture is also a major factor in promoting luxury consumption.

8.1 Baby boomers buy out of need, Gen X and Millennials give more gifts, and Gen Z are swayed by the recommendations of stars and online celebrities

For baby boomers, practical needs are the major factor

influencing their purchase of luxury goods as they only buy a product if they need it and put quality before quantity. As they age and their economic strength grows, baby boomers hope to meet their life needs and reflect their own experience and taste by purchasing high-quality luxury goods while having a pragmatic view of consumption. Baby boomers are generally not interested in star endorsements or an online celebrity's recommendations and are less persuaded by official advertising, seasonal new arrivals or discounts at festival times. They can be said to be the least affected by advertising among these four generations.



8. FACTORS DRIVING CHINESE CONSUMERS TO BUY LUXURY GOODS

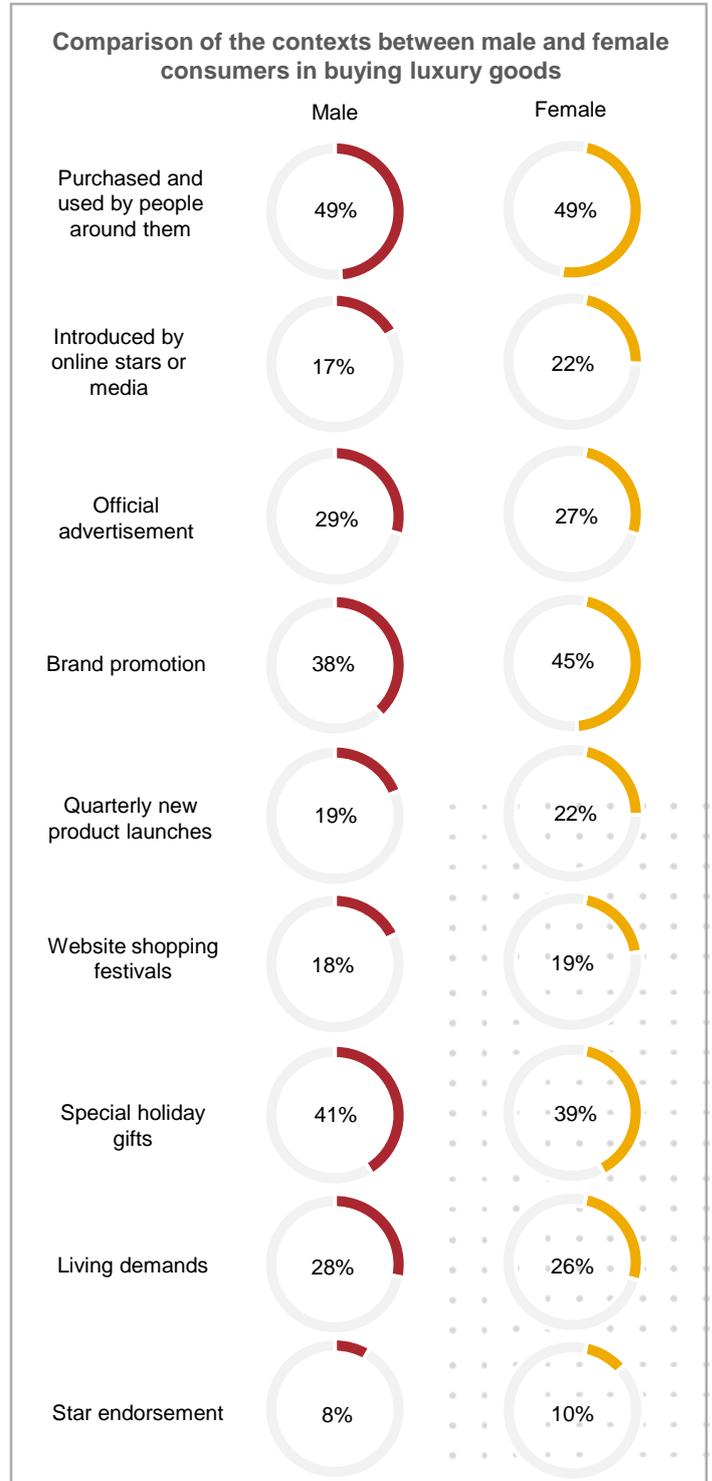
Gen X and Millennials, who have settled into their careers, have a stronger demand for luxury goods as holiday gifts than the other generations. High-end, sophisticated luxury goods have become a necessity to show their filial piety, build partnerships, and integrate into social circles.

In addition, Millennials are more likely to be attracted by seasonal new arrivals, and as a result, luxury brand promotions have a smaller impact on their purchasing decisions than on the other three generations. In contrast, luxury promotions cater more to the wishes of Gen Xers, who have a more mature and rational consumption philosophy, and Gen Zers, who mostly still lack buying power.

Gen Z is more susceptible to an online celebrity's recommendations and star endorsements than the older generations. Since Gen Z is often in the middle of a conflict between limited economic strength and the desire to indulge their interests, it has led them to pay more attention to brand promotions and discounts during special discount periods.

8.2 Women are more vulnerable to outside influences

Studies have found that women are more susceptible to outside influences (such as people around them buying and using luxury goods, brand promotions, online celebrity or media recommendations, seasonal new arrivals, website shopping festivals and star endorsements). Men's purchase of luxury goods is relatively more rational, mostly because of "necessity": more out of daily needs and for special holiday gifts than women. In terms of luxury marketing, men are more swayed by advertising on official websites, and pay less attention to other marketing channels than women.



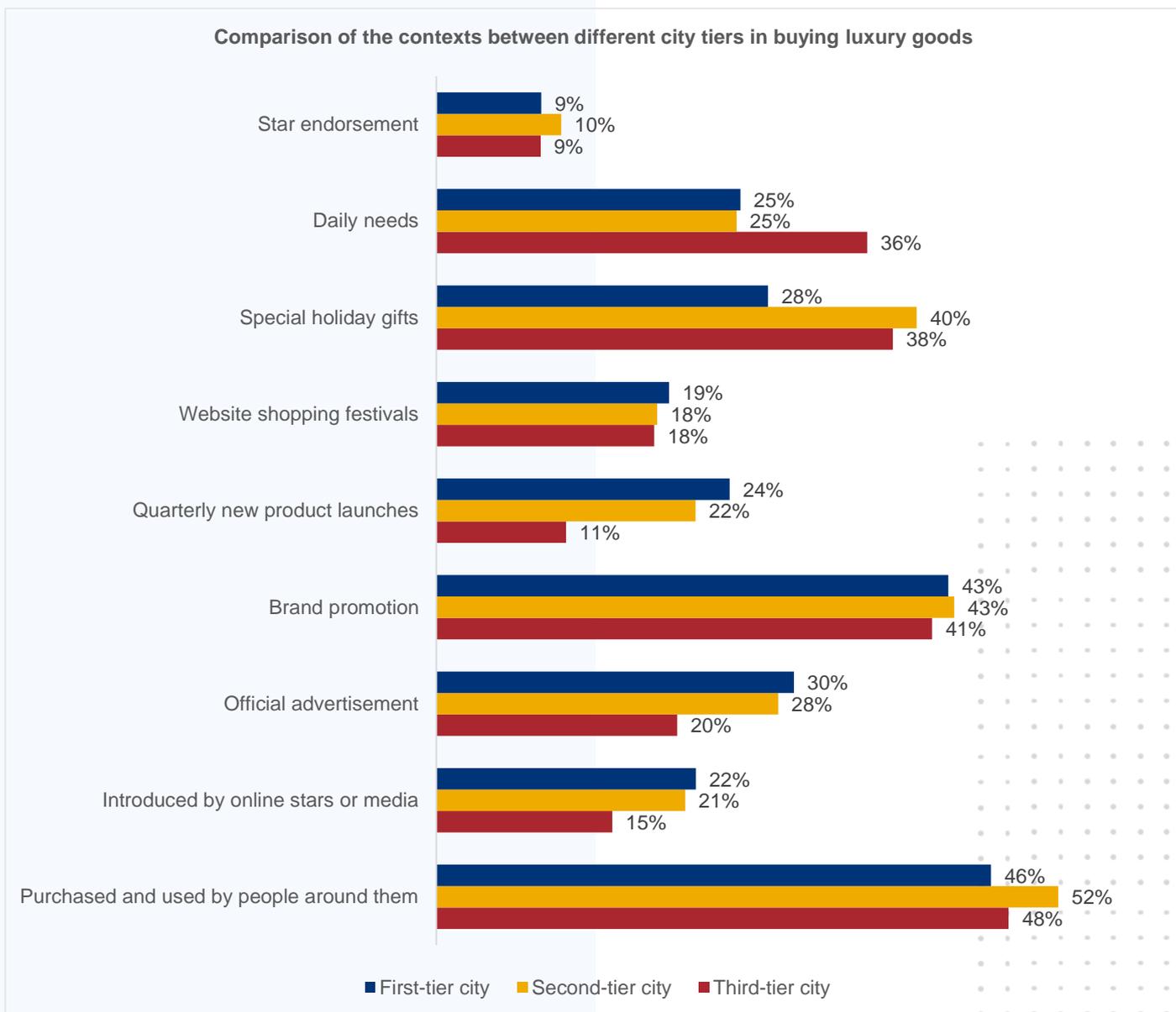
8. FACTORS DRIVING CHINESE CONSUMERS TO BUY LUXURY GOODS

8.3 First-tier city consumers chase new trends, while those in second- and third-tier cities buy luxury items as gifts

Consumers in first-tier cities are keen to purchase new arrivals, especially Gen Zers. Personalised aesthetic standards make them less concerned about which

luxury brands the people around them use.

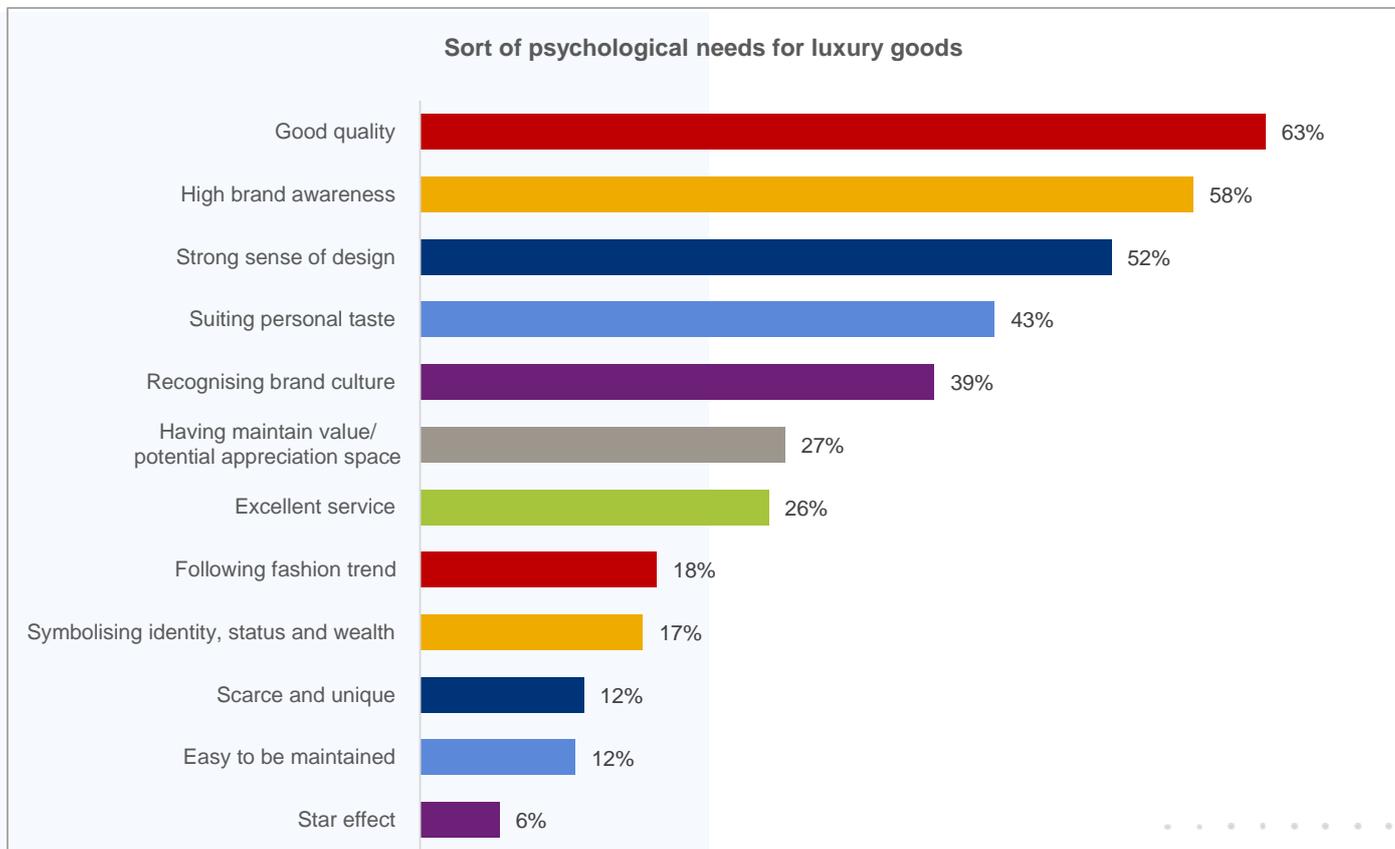
In contrast, people in second- and third-tier cities place more emphasis on the maintenance of human relationship and *guanxi*, making the demand for holiday gifts from consumers in these cities significantly higher than that in first-tier cities.





9. FACTORS SEALING THE PURCHASE

For Chinese consumers, the top 5 factors when purchasing a luxury item are good quality, high brand notability, strong sense of design, match with personal taste, brand culture, followed by value maintenance, excellent service, following trends, and symbolising identity, status and wealth.



9.1 Gen Z prioritizes product design over brand notability

Among all age groups, only Gen Z places a good touch of design in second place (after quality), and believes that product design is more important than brand notability. In addition, they are more likely than other age groups (49%) to purchase goods that reflect their personal taste. The younger the generation is, the more respondents choose these two options.

As a generation that has come into contact with luxury goods from an early age, Gen Z has seen the sameness of brand bags with obvious logos carried by their elders, but as being rebellious they naturally do not want to copy their elders. Thus, with their higher

education levels and broader horizons, the purpose of their luxury consumption is no longer to show off, but to reflect their distinctiveness and their unique values. Gen Z is fond of using their strength at searching for information and looking for items that suit their own aesthetics and reflect their personality.

Baby boomers and Gen Xers were the first purchasers when luxury goods were more available in China in the 1990s. As the first wealthy people in New China, they naturally hoped that the expensive luxury items they bought could be identified in public. Hence, there is still an element of conspicuous consumption in their shopping habits. It's not hard to explain why they pay more attention to brand notability: They care more about the obvious brand logo than the product design.



9. FACTORS SEALING THE PURCHASE

It is worth noting that men generally outnumber women regarding the desire for high brand notability, and this increases with cohort age. It can be seen that men's demand for luxury goods to show off is higher than that of women's. This is also confirmed by the choice of "status/wealth symbol", with men outperforming women by 7% on average. On the other hand, women generally purchase for the sense of design and to reflect their personal standards of taste.

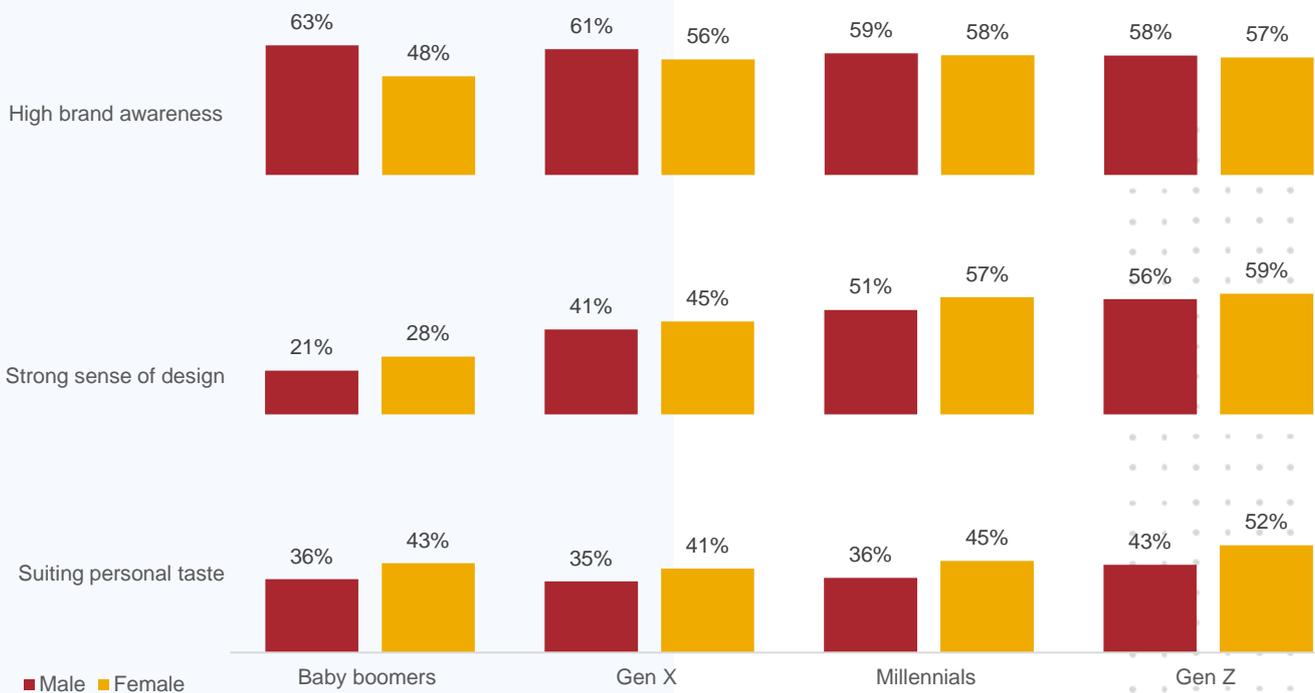
9.2 Millennials and Gen Zers have discovered brand

culture

Millennials with 40% of respondents in this age group are the most likely to consider a brand's culture important, followed by Gen Z and Gen X and baby boomers successively.

Since the founding of the People's Republic of China, people's education levels have improved with each generation and the attention paid to brand culture is usually proportionate to a person's education level. Brand culture is mainly promoted through public relations, and benefiting from the globalization, China's

Differences in the proportion of men and women in all ages in the options of high brand awareness, strong sense of design and personal taste





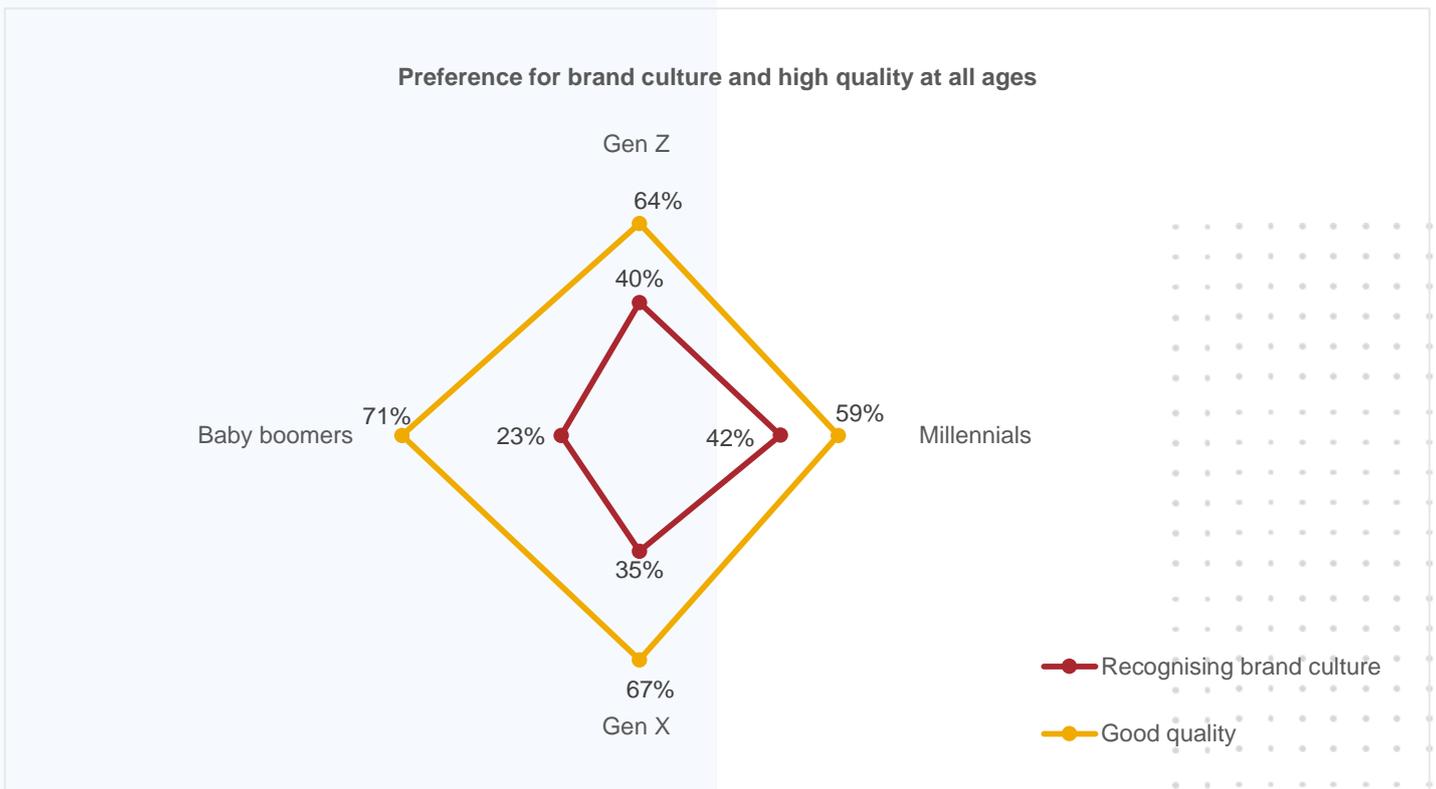
9. FACTORS SEALING THE PURCHASE

PR industry has developed considerably since the beginning of the millennium. Therefore brand culture has had a deeper impact on Millennials and Gen Zers than on the previous two generations. In addition, as Millennials and Gen Zers have a more global perspective, they are more focused on topics such as environmental protection, sustainability, and social responsibility.

These young people are beginning to realise that the real luxury brands are not just the big names that are expensive, but rather the brands that are more inclusive and allow purchasers to be nurtured and edified by it.

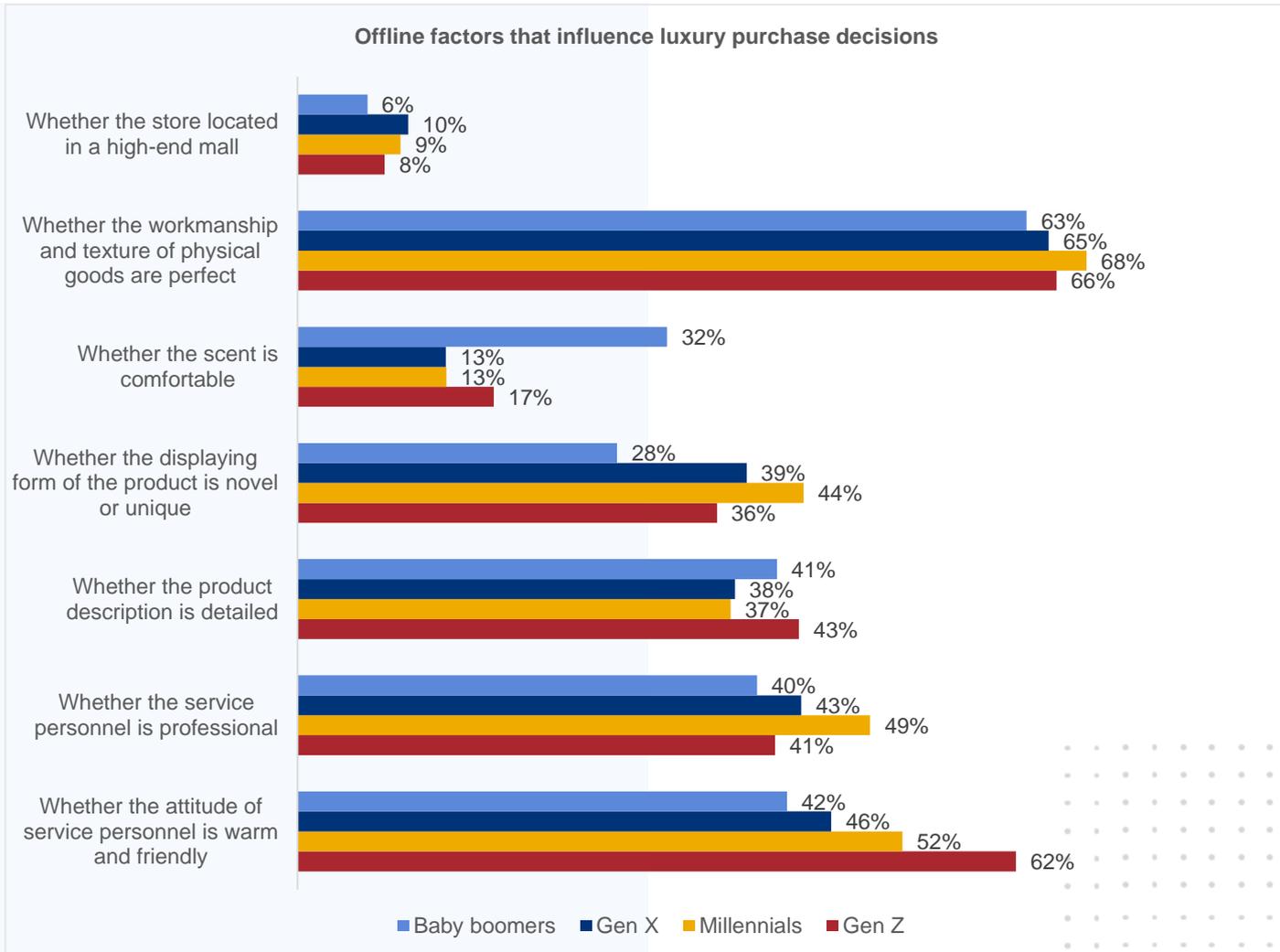
9.3 Gen X and baby boomers are concerned about quality

While a product's quality ranks first among the determinants of luxury purchase decisions in all age groups, quality is significantly more important to Gen Xers and baby boomers than to Millennials and Gen Zers. Such case is starkly opposite to the frequency of luxury purchases by all generations. For Gen Xers and baby boomers who rarely buy luxury goods, it's a valuable chance to buy a luxury item. Thus, they naturally pay more attention to the quality. Millennials, as the generation that consumes luxury goods most frequently, are less concerned about quality.



10. FACTORS INFLUENCING THE DECISIONS TO PURCHASE OFFLINE

According to the survey, the primary factor influencing the decision to buy luxury goods offline is the product quality; this is followed by service-related factors, such as the attitude of service personnel and their professionalism. The location of the offline store itself and the environment inside the store have less impact.



10.1 Baby boomers are demanding in the shopping atmosphere, and Gen Z cares about service attitudes

Baby boomers place more importance on the store environment than other generations, nearly one third of baby boomers pay attention to whether the aroma and atmosphere of the store is comfortable. Baby boomers have lived through material shortages, and their early high-end consumption experiences were in exclusive shopping malls or in luxurious, scented five-star hotels.

Whether the environment is comfortable or has a pleasing fragrance will influence their judgment about whether the store is high-end, which in turn shapes their purchasing decisions.

Gen X was China's first group of people to be familiar with foreign luxury brands, and their understanding of luxury goods came from outlets in high-end malls. As a result, they are more focused on whether the store is located in a high-end mall than other groups.

10. FACTORS INFLUENCING THE DECISIONS TO PURCHASE OFFLINE

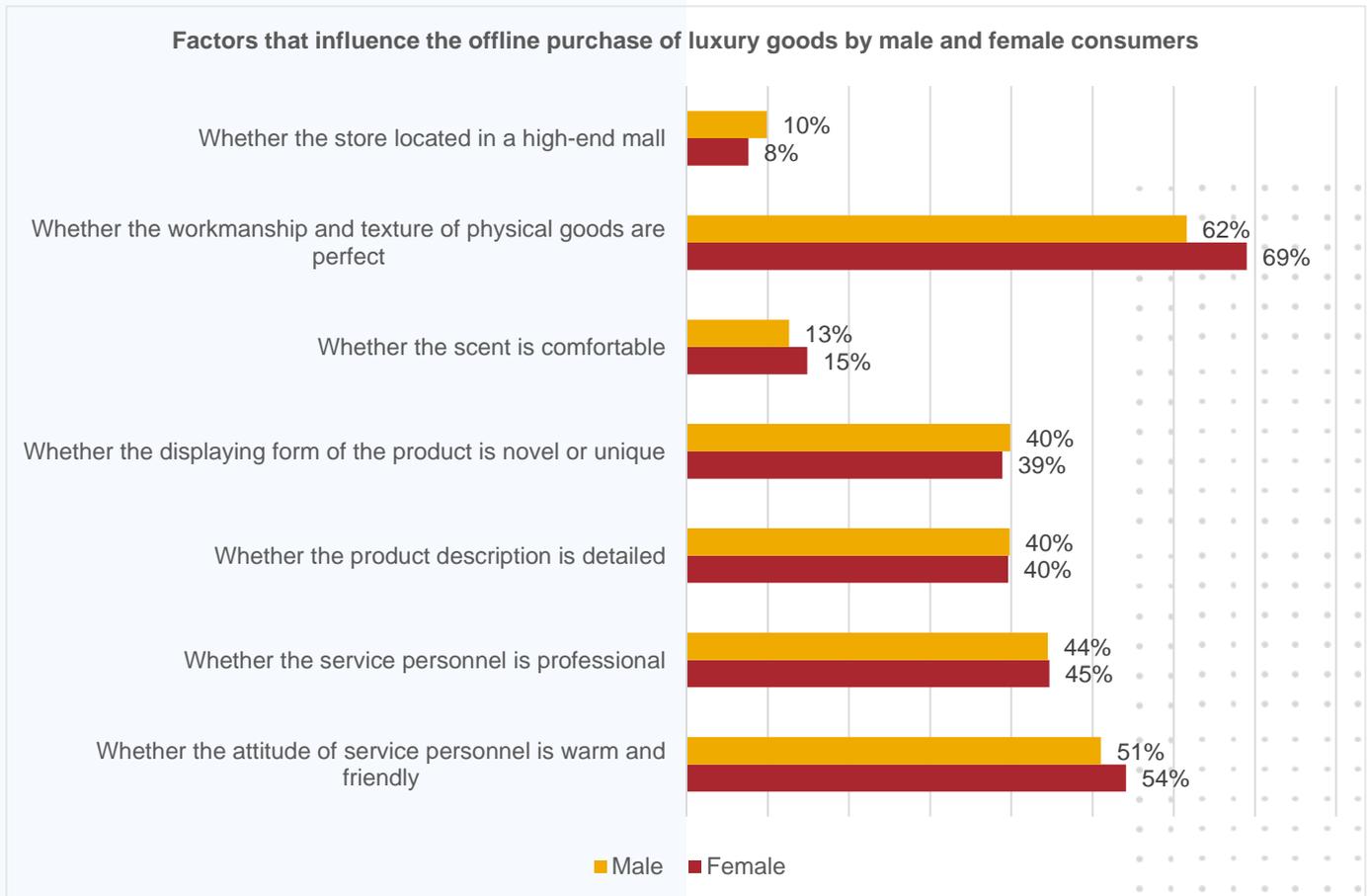
As a generation who have studied or travelled abroad, Millennials have wider experience and a more mature understanding of luxury goods, and thus have higher requirements on both the product itself and the professionalism of the service. Since 2003, with the golden decade of expansion in mainland China, luxury brands have renovated their stores to be more luxurious and glamorous. Millennials, who have witnessed the gorgeous window furnishings in physical stores from an early age, have higher demands for the display of luxury goods.

Gen Zers, who focus on the consumption experience, pay the heaviest attention to the shopping experience in the offline shopping process. Of all the generations,

they care the most about service personnel attitudes.

10.2 Women attach importance to craftsmanship and service attitude

The differences between male and female consumers are not significant in terms of the factors influencing luxury purchase decisions offline, but women are more demanding than men in terms of craftsmanship. They are also more concerned than men with service personnel attitudes and the store environment. Overall, women have slightly higher requirements for the shopping experience than men.



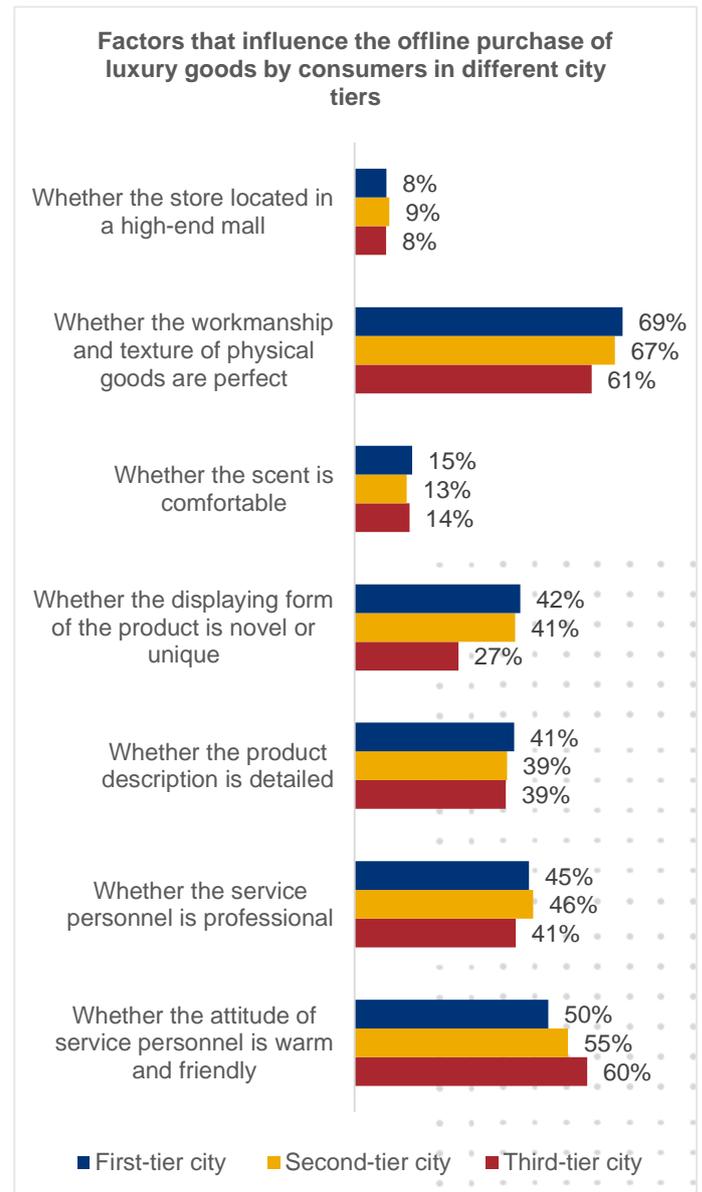
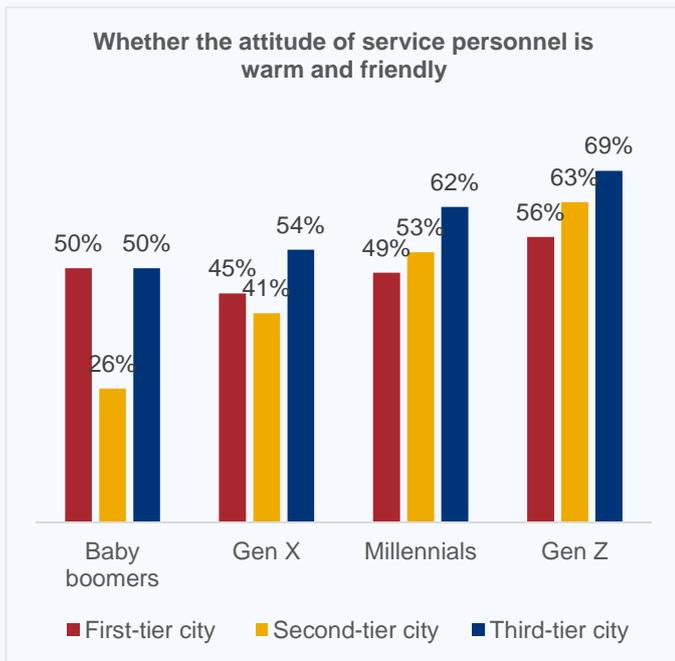
10. FACTORS INFLUENCING THE DECISIONS TO PURCHASE OFFLINE

10.3 First- and second-tier consumers enjoy product quality and display, while third-tier Gen Zers care about service attitude

The emphasis on product quality and product introduction decreases from first- to third-tier cities. Respondents in first- and second-tier cities pay more attention to whether the product display is unique and engaging than those in third-tier cities. This further confirms that consumers in first- and second-tier cities have a more mature view of consumption and are more into brand personality and brand connotation.

Generally speaking, consumers in third-tier cities are most concerned about whether the service personnel in the physical stores are polite and professional. In all generations, Gen Zers from third-tier cities care about the service attitude most. The main consumers in offline stores are Millennials, Gen Xers and baby boomers. Generation Z mainly does the luxury purchasing online, and because of their young age and limited experience

in spending in offline luxury stores, they are more sensitive to the attitude of retail store personnel. In addition, certain luxury brands' retail store sales representatives do extend differential treatment towards consumers. These also prompt young consumers to shop through online channels.



11. FACTORS INFLUENCING THE DECISIONS IN ONLINE PURCHASING

An after-sales warranty is the most important influence on the decision to purchase online for Chinese consumers, followed by product pictures, timely answers from customer service personnel, smooth purchase process and special offers. And these top five factors applies to Gen Z, Millennials and Gen X as well.

It shows that Chinese consumers are consistent in their concerns about online shopping over the past few years –some of which indicate the areas to be addressed.

After many years of operation, the relevant laws and consumer rights protection related to physical store retailing are relatively complete. However, as an emerging platform, online shopping has brought one major issue for consumers – the return or exchange of products after purchase. Since the implementation of a new consumer protection law in March, 2014, which expressly specifies the return and exchange policy within seven days after confirming the receipt of product, the after-sales service offered by sellers has improved. However, compared with the fact that they can directly communicate with people or complain to the retail outlet in offline consumption, most consumers are still worried about the return or exchange of products, and the maintenance and repair and other issues on the online platforms, especially for high-priced items like

luxury goods.

Delivery time and whether giveaways are offered ranked as the least concerns in all age groups.

Since luxury goods are not a necessity, and purchasing luxury goods offline often needs a long period of time for the stock to be delivered, Chinese consumers do not care as much about the delivery time when purchasing luxury goods online. As high-value products, luxury goods are rarely promoted in a large-scale way offline. Thus, consumers have no expectation of free gifts when buying luxury goods. Chinese consumers are usually more attracted by a cash discount than giveaways.

11.1 Gen Z want timely responses, while baby boomers are averse to communicate online

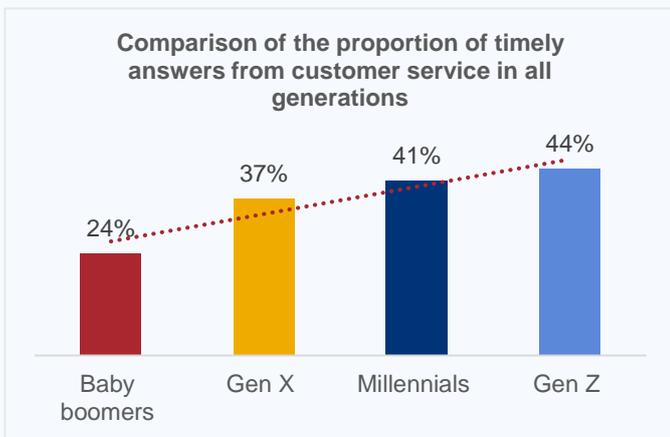
What's worth mentioning is that in the need for timely answers from online customer service personnel, Gen Z ranks first with 44%, and this unsurprisingly decreases

Sorting of factors that affect the purchasing decisions of four generations of consumers when buying luxury goods online.

| | Baby boomers | Gen X | Millennials | Gen Z |
|----|---|--------------------------------------|--------------------------------------|--------------------------------------|
| 1 | Beautiful product pictures | Completed after-sales guarantee | Completed after-sales guarantee | Completed after-sales guarantee |
| 2 | Completed after-sales guarantee | Beautiful product pictures | Beautiful product pictures | Beautiful product pictures |
| 3 | Smooth purchasing process | Timely answers from customer service | Timely answers from customer service | Timely answers from customer service |
| 4 | Favorable comments | Smooth purchasing process | Smooth purchasing process | Smooth purchasing process |
| 5 | Favorable offers | Favorable offers | Favorable offers | Favorable offers |
| 6 | Timely answers from customer service / Exchange within seven days | Exchange within seven days | Exchange within seven days | Favorable comments |
| 7 | | Favorable comments | 24-hour customer service | Exchange within seven days |
| 8 | Brand endorsements | 24-hour customer service | Favorable comments | Brand endorsements |
| 9 | 24-hour customer service | Brand endorsements | Brand endorsements | 24-hour customer service |
| 10 | Giveaways are offered | Giveaways are offered | Delivery time | Delivery time |
| 11 | Delivery time | Delivery time | Giveaways are offered | Giveaways are offered |

11. FACTORS INFLUENCING THE DECISIONS IN ONLINE PURCHASING

with cohort age. It shows that Gen Zers are more accustomed to the online chat mode, and are more willing to communicate with customer service staff. At the same time, Gen Z cares more than other age groups about whether the product has received favourable comments. Compared with other age groups, Gen Z is more versed in online information retrieval and referring to product evaluation.

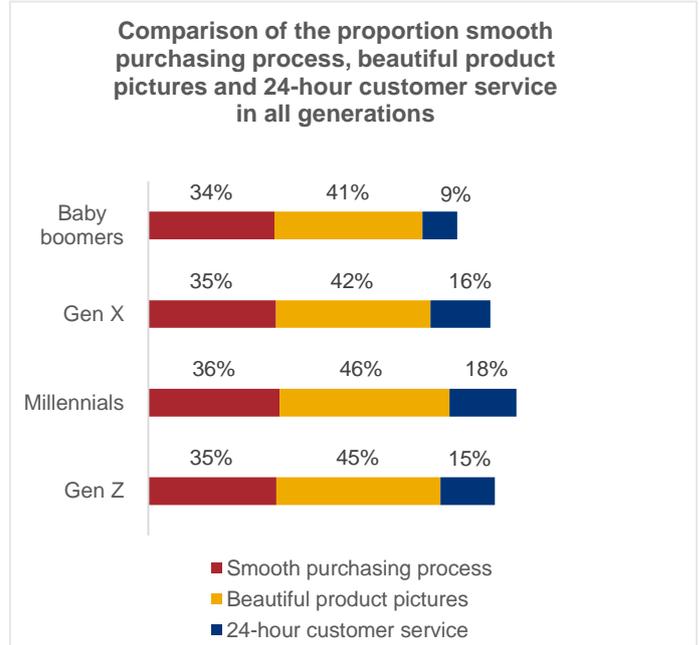


11.2 Millennials require a smooth process, good product pictures, and 24-hour customer service

As the dominant force in the online shopping market, Millennials are generally familiar with online shopping, and can complete the process of "browsing, deciding, buying" swiftly. They can quickly place orders when good product pictures, 24-hour online customer service, and a smooth purchase process are combined.

11.3 Men focus on the process and women care about more aspects

In the 11 options, men place a higher weight on three, namely, whether the buying process is smooth, whether there is 24-hour customer service and delivery time,

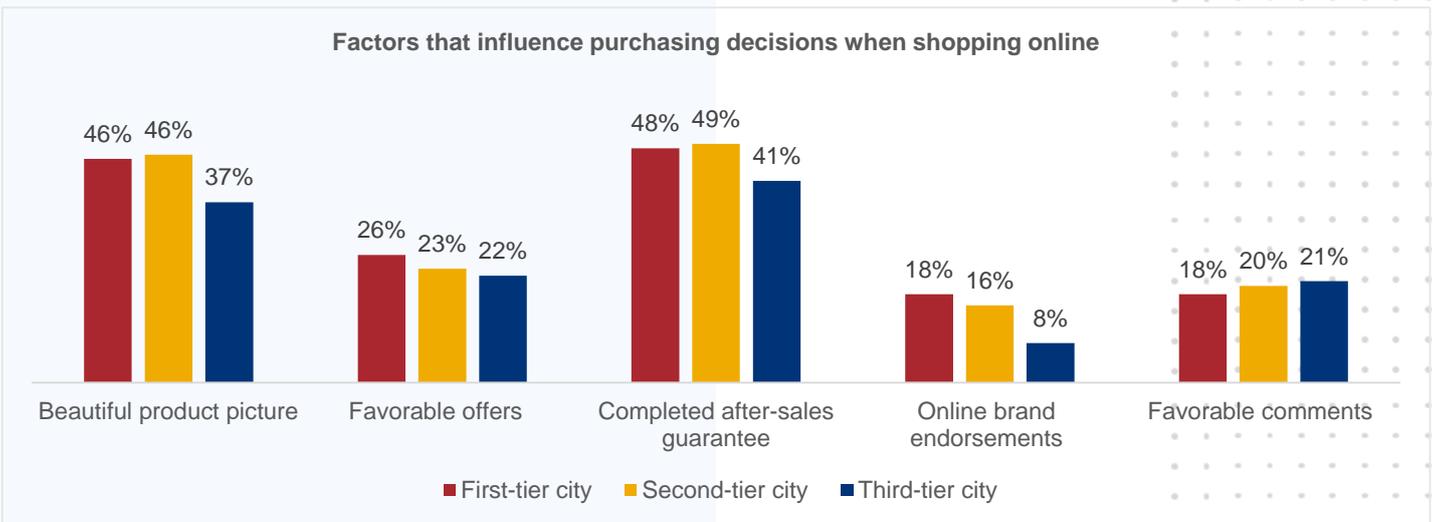
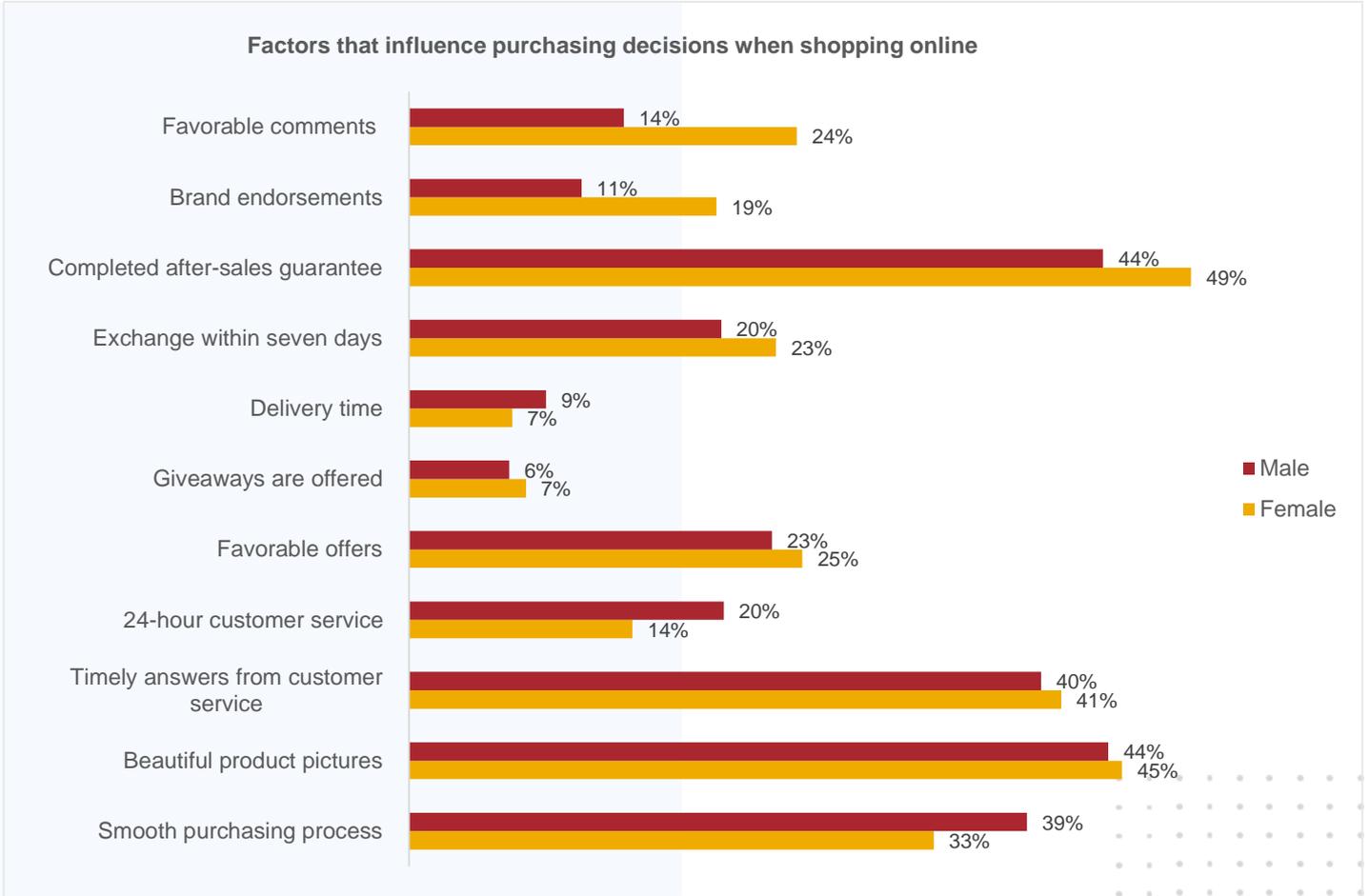


showing that men are more impatient than women when shopping online.

Women weighted the other eight options higher, and the difference is significant, i.e., a high rating by other consumers (11 percentage points higher than men), brand endorsements (8 percentage points higher) and excellent after-sales warranty (6 percentage points higher). This result shows that men pay more attention to the smooth process than women, while women care about factors such as product rating, after-sales warranties and customer service.

The survey results show that the factors that influence online shopping and their impact in first- and second-tier cities are not very different, but in the responses from respondents in third-tier cities, certain aspects are highly weighted. More consumers in first- and second-tier cities considered product display images, favourable offers, after-sales warranties and brand endorsements to be important, but the consideration for a high rating (by other consumers) is higher in third-tier cities.

11. FACTORS INFLUENCING THE DECISIONS IN ONLINE PURCHASING



12. UNDERSTANDING BRAND HISTORY AND CULTURE OR NOT?

The survey shows that 80% of Chinese luxury consumers have some understanding of brand history and culture, few have a profound understanding of the brand and 20% of respondents do not know about the brand at all. This indicates that Chinese consumer behaviour is maturing.

12.1 Consumer behaviour is maturing

Data shows that only 18% of Chinese consumers buy luxury goods without knowing the history, culture or designers of the brand.

From a historical and sociological point of view, originally only the aristocracy had access to unique and luxurious items. The “superiority” reflected in the appearance and quality of luxury brands is in line with the Chinese people’s view of prosperity. Rather than the history, culture and other values behind luxury brands, people are more interested in the symbolic significance of luxury brands, namely, using the luxury goods to brand themselves, and to reflect their class, wealth and taste.

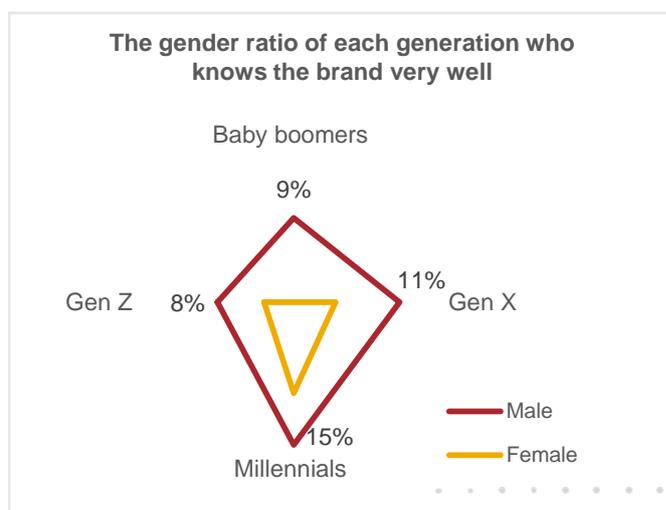


With the further opening up of the Chinese market, the development of the Internet and the improvement of educational levels, Chinese consumption patterns have been in a process of change. Many luxury brands have been operating and flourishing in China for more than 20 years, and have been both nurturing and developing a mature and stable group of consumers including Gen X and Millennials. The emerging Gen Z is also catching up. As Chinese consumers’ awareness of luxury brands continues to grow, their understanding of the story and connotation behind the luxury purchase is also increasing.

12.2 Millennials are the most brand-aware

In terms of gender, there is little difference in the understanding of brands between men and women.

Among all age groups, Millennials have the highest brand knowledge, with male Millennials are mostly likely to say they know well about the brand. More than other generations, Millennials understand the history and culture behind a luxury brand and choose brands that match their own taste and temperament. Their consumption of luxury brands tends to be more rational and mature.



12.3 Third-tier consumers have a lower understanding of brand

In terms of different city tiers, consumers in third-tier cities have a lower understanding of brand history, culture and designers than those in first- and second-tier cities. Conformity and conspicuous consumption are still the main motivations of consumers in third-tier cities.

How to transmit the historical and cultural connotations of brands to Chinese consumers should be a focus for luxury brands in the future. On the other hand, the increase in consumer awareness of brand values, history and culture is also a form of protection for brands, as they also want to increase their individuality, uniqueness and the recognition of high-level social circles, rather than being a symbol to display wealth and status.



13. BRAND LOYALTY

Two-thirds of Chinese consumers have a certain degree of loyalty to a particular brand. They will recognise one or more favourite brands and repeatedly purchase them. Millennials have the highest brand loyalty, with men more loyal than women and first- and second-tier cities more loyal than third-tier cities. The rise of luxury e-commerce is also accelerating the shaping of consumers' brand recognition in third-tier cities.

13.1 Millennials are the most loyal

The survey finds that Millennials (male and female) have the highest brand loyalty and brand understanding. It can be seen that the deeper the understanding of the brand and the more mature the consumption concept is, the higher the brand loyalty. Relative to other age groups, Millennials have more mature brand understanding and consumption concept.

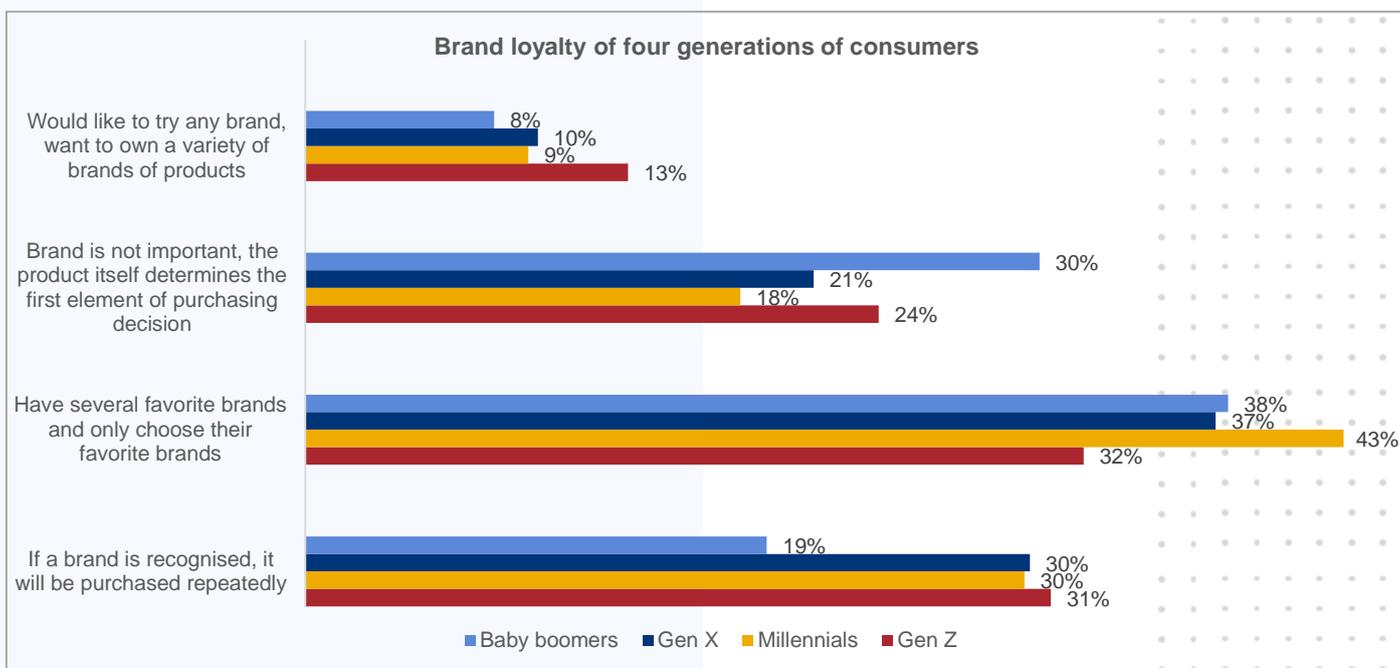
Baby boomers have the lowest brand loyalty, followed by Gen Zers. The pursuit, by individual Gen Z consumers of their own sense of aesthetic, has made them more willing to try different brands. Baby boomers are less willing to try new brands than other age groups. Their use of information channels and knowledge of brands is less comprehensive than that of younger generations, which makes them more likely to consider the quality of the product itself when making shopping decisions rather than relying on the preconceived impression given by brand notability.

13.2 Men are more loyal, and Gen Z women the least

Our analysis found that overall, men are more loyal than women, and that Millennials men are the most brand loyal, followed by Gen Z men.

Due to age, work, family and other factors, 30-40 year old men can be very busy and may lack time and interest to shop for and organise their work outfits. In order to spare the time spent on choosing the suitable dress style, they will identify several brands as their preferred brands and continue to support them.

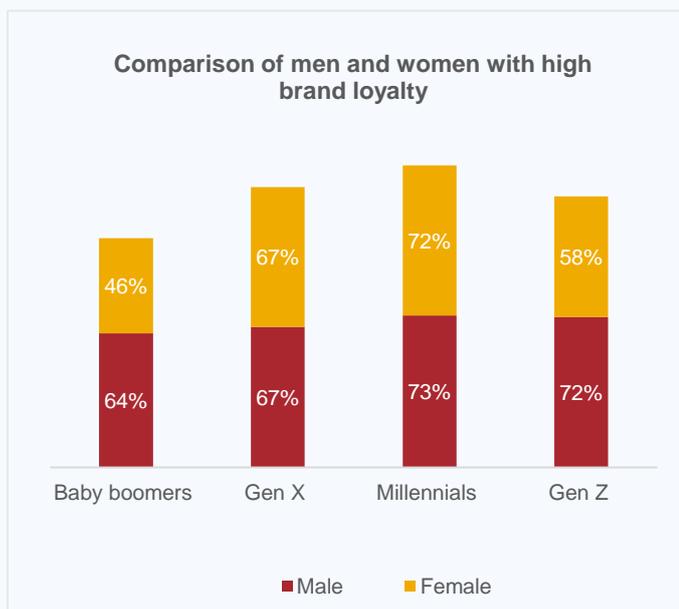
Men are less willing than women to try other brands and are more focused on the quality of the product itself than the pursuit of new trends and arrivals. Gen Z women, who have their individual styles and pursue self-gratifying consumption, have the strongest desire to try new brands, while Millennials men with the highest brand loyalty have the lowest desire to try.





13. BRAND LOYALTY

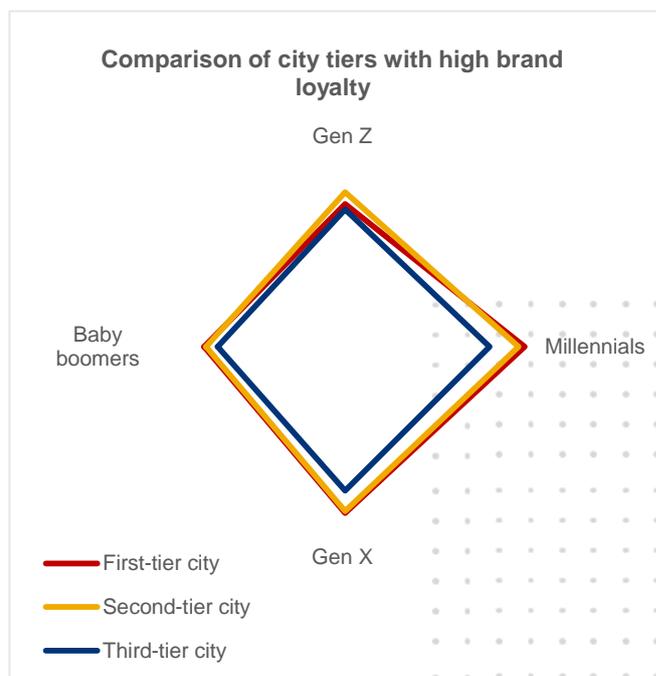
For some successful people, the fixed dress style can also increase their recognition: Jack Ma and his basic style sweater, Zuckerberg's grey T-shirt, and Jobs' black sweater. These men project that clothing has only basic functions, and that more energy and enthusiasm should be devoted to work, and they are less willing to spend time trying out new brands.



13.3 First- and second-tier loyalty is higher, third-tier Gen Z loyalty is low

The brand loyalty of consumers in first- and second-tier cities is nearly 10 percentage points higher than of those in third-tier cities, with Millennials in first-tier cities being the most loyal. Consumers in first- and second-tier cities usually become more familiar with luxury brands earlier in their lives, and these consumers have a more rational and mature perception of luxury brands. Millennials, in particular, the dominant consumer force,

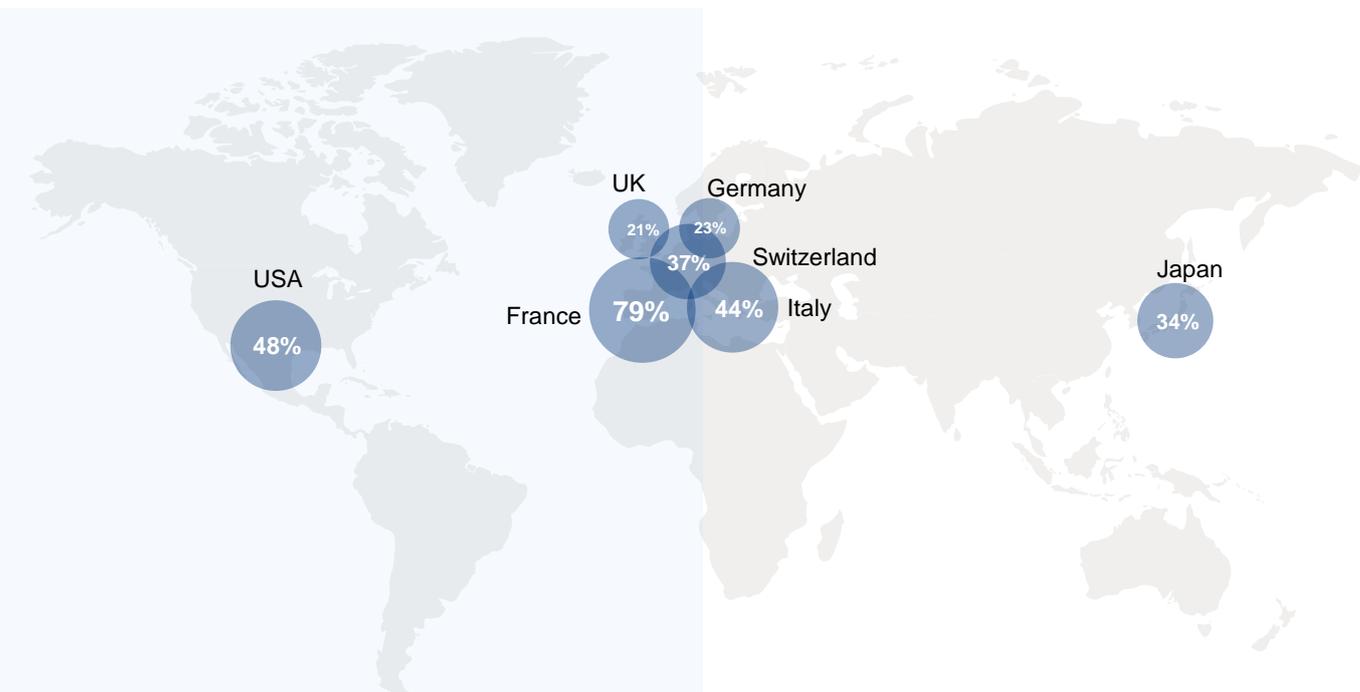
have greater awareness of brands, and generally have one or more favourite brands. Furthermore, there are obviously fewer luxury goods stores in third-tier cities – but when luxury brands are more opening stores in these cities, luxury e-commerce is also emerging. Online platforms become the main channel for consumers in third-tier cities to learn about and purchase luxury goods, and they are offered with a wide range of luxury brands on these platforms; however, their brand loyalty has not yet been established, which means that they will try more brands and slowly build a luxury brand recognition system that is quite different from that in first- and second-tier cities.





14. FAVOURITE COUNTRIES OF ORIGIN

Overall, Chinese consumers' most popular countries of origin for luxury goods are France, the United States, Italy, Switzerland, Japan, Germany and the United Kingdom. French brands are clearly popular with Chinese consumers of all age groups, but each generation has different preferences.



14.1 French first, then Gen X and baby boomers buy Swiss and Italian and Gen Z favours Japanese and American brands

Gen Z has a significantly greater preference for Japanese and American brands than other age groups, and this preference declines with cohort age. Swiss and Italian brands also rank amongst the top three in Gen X and baby boomers, with the popularity of Swiss and German brands also increasing with cohort age. These data show that the historical and cultural output of the country behind luxury brands has a subtle influence on Chinese consumers.

Gen Zers were born in the era of internationalisation and rapid economic growth in China and have a more open mind; therefore Gen Z's understanding of the United States, Japan and other countries is more comprehensive and objective than other generations.

The reasons for Gen Z's preference for American products can be summed up in two points: the demand for digital products and the popularity of entry-level luxury products. Millennials have spent a considerable period of time convincing themselves to switch from Nokia to an iPhone, and switching computers from Microsoft to Apple requires them to overcome more psychological hurdles. However, for Gen Z, iPhone is their first mobile phone and Macbook is their first computer. Among Gen Z college students, iPhone ranks first (23% market share), and loyalty to Apple computers is far ahead of other brands (52%). Advanced electronics have been integrated into the daily life of the digital generation and against such a backdrop, Gen Z's fondness for the United States, the source country of Apple, is self-evident.

Gen Z has limited spending power compared with the economically independent Millennials and Gen X. In



14. THE FAVOURITE COUNTRIES OF ORIGIN

recent years, international second-class luxury and fashion brands have started to target the growing Chinese youth market, and taken Gen Z's favourite street culture and street snap as an entry point, increasing promotion efforts in the name of entry-level lux. Consumers have subtly accepted the concept of entry lux and developed loyalty. Apart from Gen Z, Millennials are also into American brands.

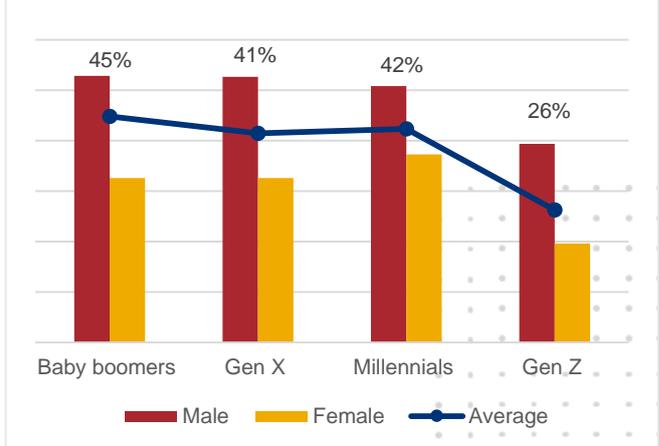
Regarding Japanese luxury brands, similar culture and convenient transportation between the two countries greatly facilitate Gen Z's preference. Unlike the older generations, Gen Z has no emotional barriers regarding Japan. Furthermore, due to the development of the Internet and the increased tourism convenience between China and Japan, Gen Z is more familiar with and enjoy Japanese culture more easily (anime, cosplay, dress sense). During the turbulent twentieth century, the protection of Chinese traditional culture was difficult. During the Chinese Tang and Song dynasties, Chinese culture was exported to Japan. The latter has not only managed to preserve the essence of Chinese culture, but also developed an Oriental culture with its own characteristics. Coupled with the fact that a number of Japanese premium make-up brands sell their products as more suited to Asian complexions, Gen Zers (who unlike other generations have been exposed to skin care products at a younger age) accepts these brands easily. In addition, because of the geographical advantages and simplified visa application procedures, shopping in Japan has become a recreational possibility for Gen Z.

No other country and product have a relationship like hat of Switzerland and watches: Watches are almost exclusively monopolised by Swiss brands. For baby boomers and most Gen X, the one-minute watch ads on black-and-white televisions in 1979, and the whole-page

Sort of consumers' preference for originating countries of luxury goods

| | Baby boomers | Gen X | Millennials | Gen Z |
|---|---------------|-------------|-------------|-------------|
| 1 | France | France | France | France |
| 2 | Switzerland | Italy | USA | USA |
| 3 | Italy | Switzerland | Italy | Japan |
| 4 | USA / Germany | USA | Switzerland | Italy |
| 5 | | Germany | Japan | Switzerland |
| 6 | UK | Japan | Germany | UK |
| 7 | Japan | UK | UK | Germany |

Comparison of male and female in all generations in choosing Swiss brands

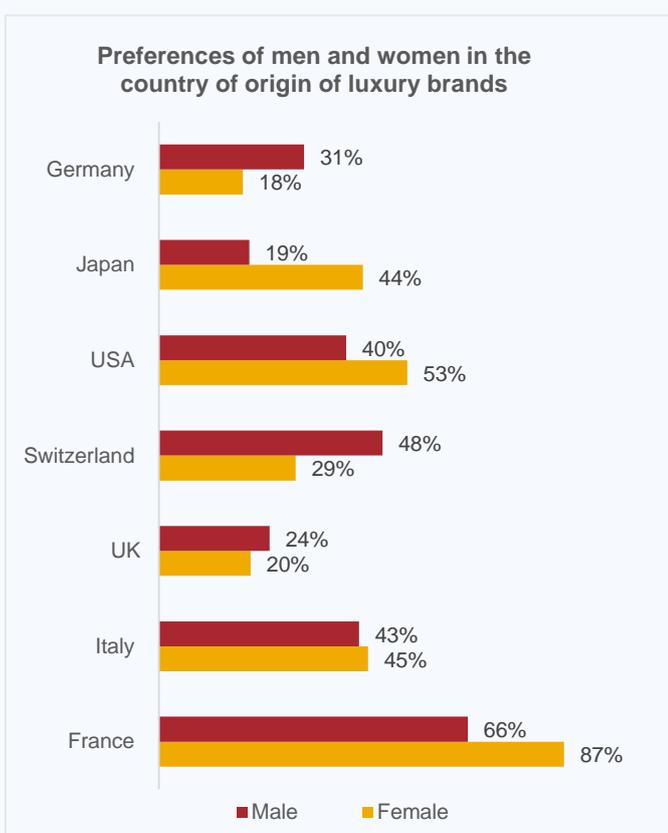


ads published in Wenhui Daily, surprised – and shocked – people considerably. At that time, four items (radio, bicycle, sewing machine and watch) were still desirable necessities for marriage in the 1980s, and Swiss watches had all the attention when baby boomers had a strong demand for them. Although a watch is a bigger investment for cash-strapped young people, than bags, footwear and fashion clothing, it is seen as inheritable and is considered by most Chinese as worth



14. THE FAVOURITE COUNTRIES OF ORIGIN

investing in. With mobile phones in use from the late 1990s, watches are no longer a necessity; therefore, Millennials and Gen Z show less interest in purchasing Swiss brands. But a watch which costs tens of thousands or even hundreds of thousands of yuan is still a status symbol. Therefore, it is easy to understand that men at almost all ages are 20 percentage points more likely than women to choose a Swiss brand.



14.2 Significant difference in the preference of men and women in the country of origin of luxury goods, and Gen Z has the largest difference between men and women in French and Japanese brands

In terms of the preference of the brand-originating countries, the difference between men and women is obvious. Both men and women place France as number

one; however, women are 20 percentage points more likely than men to make this response. For women, France is followed by the United States, Italy and Japan. For men it is Switzerland, followed by Italy, the United States and Germany. The main reason is that each country is associated with different categories of luxury products, and that men and women expect varied enjoyment from luxury consumption. For instance, French brands mainly sell bags, clothing, cosmetics and jewellery; Italy focuses more on suits, leathers and sports cars; while Switzerland and Germany focus more on watches and deluxe cars.

Interestingly, male and female Gen Zers' preference for both French and Japanese brands is quite different. Overall Gen Z is second only to Millennials in preferring French brands (female Gen Zers' responded 91.76% percent, the highest among all generations, and is 30 percentage points higher than that of male Gen Zers). The reason may be that French luxury brands are more suitable for women, and male Gen Zers are not yet old enough to appreciate nor financially able to buy such luxury products.

Female consumers in this generation are more familiar with French products because they started to use luxury skin care and cosmetics at an earlier age and these products are more affordable than other luxury categories.

A similar point is Gen Zers' thoughts about Japanese brands. Although Gen Zers' affinity for Japanese brands is the highest among all generations, the difference between male and female Gen Zers still reached 36%. Apart from the reason that Japanese luxury brands mostly focus on cosmetics and that women tend use luxury brand cosmetics at a younger age, Japanese cosmetic brands have gained market share in China by suggesting they are more suitable for Asian complexions. On the other hand, Chinese young men's



14. THE FAVOURITE COUNTRIES OF ORIGIN

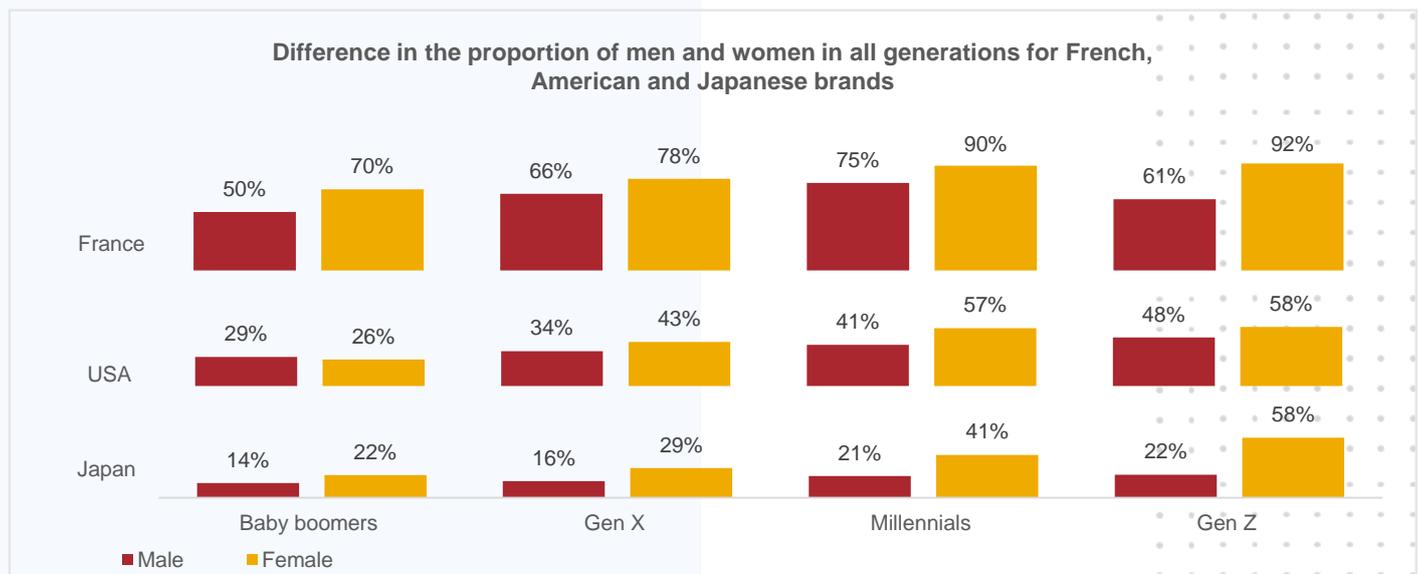
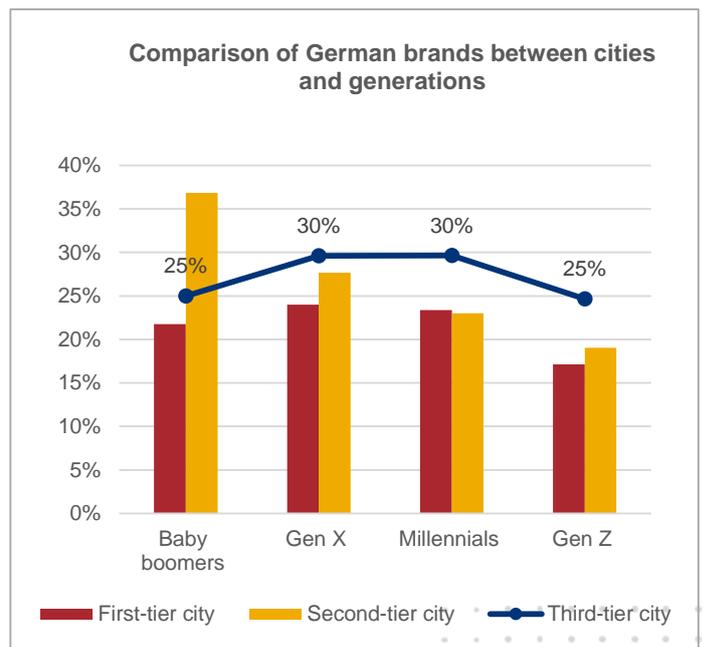
concept of skin care products is influenced by Japan and Korea, which makes male Gen Zers more likely to choose Japanese brands than other age groups.

14.3 Millennials and Gen Xers in third-tier cities favour German brands

Respondents in third-tier cities like German brands more than those in first- and second-tier cities. It is the only brand in third-tier cities for which respondents show a higher preference than those in first- and second-tier cities.

Nearly a quarter of respondents in third-tier cities had a preference for German brands. The impression German brands, mainly deluxe cars, have left on Chinese people is of high quality. Thus, it is not difficult to explain why the proportion of men choosing a German brand is 13% higher than women. In terms of city tier, one third of Millennials and Gen Xers in third-tier cities prefer German brands. The general awareness of luxury brands in third-tier cities is not as high as that in first- and second-tier cities, and they are more inclined to the

traditional and stable consumption concept-fixed assets and made in Germany. As a result, when Millennials and Gen Xers in third-tier cities gradually become affordable for luxury products, the probability of them choosing a famous car will be greater.





05

INSIGHTS

The consumption practice in China's luxury market are partially inherited from generation to generation, but each generation also has its own preferences. With the advancement of China's economy and technology, the luxury consumption concept of Chinese consumers is also maturing and evolving.

With the continued growth potential, China's luxury market has a bright prospect. Luxury brand practitioners should constantly revise their business strategies to keep pace with the changes in Chinese consumption concepts, and, importantly, to strike a balance between maintaining the unique essence of a luxury brand and catering to the market demand, thus gaining a bigger share in the fiercely competitive market.





INSIGHTS

Using the above analysis as a guide, we offer below our key findings concerning China's luxury market, hoping to provide thought-leadership for luxury brands regarding their planning and winning in this key global luxury market.

Understanding the multi-layered luxury consumer market

China's luxury market is enormously huge – based on Gen X with a mature consumption concept and ample purchasing power, benefiting from Millennials with a deeper understanding of luxury goods and supported by Gen Z with excellent purchasing potential. Consumption concept is the embodiment of values, and the social and economic backgrounds of each generation have nurtured different behaviors and preferences, indicating that **China's luxury market is a multi-layered complex**. In the face of these different market segments, luxury brands need to clearly understand the behaviors of each generation when formulating marketing strategies, and seek breakthroughs from their growth background to achieve **deep understanding and accurate positioning**.

Inflection point approaching

With the acceleration of urbanization, the shopping habits of consumers in second-tier cities are approaching those in first-tier cities. Consumers in both of these city tiers are becoming **more rational and mature** in their purchasing patterns. However, consumers in third-tier cities, still rely on brand recognition.

As consumer behaviors mature in first- and second-tier cities, how can brands meet their changing expectations? And how should consumers in third-tier cities be influenced and nurtured? These are the areas that luxury brands need to explore.

From logo to taste

With the gradual maturity of consumption concept, and as the purchasing decisions of Chinese consumers are beginning to be more intrinsically motivated, the brand itself is no longer the primary factor influencing the decision to buy. Consumers are buying for internal reasons, which means that, going forward, being able to connect with a consumer more personally will be more important whether in brand-building or product design. **Effectively touching the personal feelings of consumers will be the key to winning the future market.**

Brands that impress consumers need to tell not only moving but also personalized brand stories. And product design should not only be "exquisite" or "distinct", but also endow the product with personality so that consumers have an emotional connection with the brand and the product, and believe it represents their individual taste. For example, Gen Z has added electronics to their purchase list of luxury products. How a luxury brand can grasp this information and adjust their brand and product strategies to strengthen interaction with Gen Z will be a key to winning over these future consumers.

By grasping these consumption concepts, unique niche brands will have more opportunities to enlarge their market share.



Ensuring an immersive brand experience

With the changes in people's consumption habits, "**Let consumers sense luxury in all aspects**" will become the focus when developing a luxury brand in the future whether online or offline. The traditional boutique model, which relies on luxury decoration and first-class service, can no longer meet today's consumer demand for a high-end shopping experience. Helping consumers to understand the brand story as they enter the store, touching the feelings of and establish personal connection with consumers via attentive service and details and letting them sense how the brand can reflect their taste and values and ultimately achieving their recognition of the brand, will be a strategy offline stores need to focus on in the future.

A brand's online strategy needs to focus more on differentiated information dissemination. Only by focusing on promoting the brand mind that match the values of the consumers and their social responsibility can they stand out in the diversified digital environment and win the attention of consumers. This needs to be coupled with the experience service in off-line stores. Understanding and respecting the values of Chinese consumers and deepening their awareness of the brand will help consumers engage with the brand and build their loyalty.

Consumers easily impressed by lifestyle

Lifestyle, and reflecting lifestyle, is an important part of Chinese consumption. The popularity of French luxury brands in China, for example, is inseparable from the preconceived and deep-rooted impression of French taste and sophistication in the minds of all Chinese consumers. Millennials and Gen Zers are also deeply influenced by American and Japanese culture, makes these two countries' luxury brands continue to rise in the minds of young people. Thus, influencing consumers by culture, technology and lifestyle and fostering them to love **not only the brand, but also the culture and lifestyle behind it**, will be the key to winning the luxury market for younger generations.

Service, service, service

Luxury is embodied in the uniqueness of the product as well as in the way the customer is treated. Be it online or offline, service is a key factor affecting consumers' purchasing decisions, and also one way a brand can differentiate itself. First-class service is one of the connotations of a luxury brand.

Luxury brands need to ensure the overall **quality of service** personnel in offline stores, especially as they expand into third-tier cities. And in the online shopping environment, **sound pre-sales and after-sales services** can make consumers experience the differences between ordinary shopping and the deluxe customer service of a luxury brand. These subtle details will be the key to impressing online customers.

Consumers both in China and around the world are constantly pursuing new trends and returning to classic aesthetics. Their values are also evolving in a more sustainable direction. Brands need to be constantly mindful of their brand strategies vis-à-vis the consumers' values and consumption behaviors. Only in this way can they be invincible and stay relevant in China's potential millions and billions worth luxury market in the future.



CONTACT

Dr. Julie Laulusa

Managing Partner, Mainland China

julie.laulusa@mazars.cn

Ms. Jackie Xu

Marketing and Communication Manager,
Mainland China

jackie.xu@mazars.cn

Beijing

25th & 26th Floor, Tower A, Pacific Century
Place, 2A North Gong Ti Road, Chaoyang
District, Beijing, 100027

Tel.: +86 10 8429 8078

Shanghai

8th Floor, One Lujiazui, 68 Middle Yin Cheng
Road, Shanghai, 200120

Tel.: +86 21 6168 1088

Guangzhou

Suite 08, 13th Floor, Grand Tower, 228 Tian He
Road, Tianhe District, Guangzhou, 510620

Tel.: +86 20 3833 0235



Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services. Operating in **91 countries and territories** around the world, we draw on the expertise of **40,400 professionals** – 24,400 in the Mazars integrated partnership and 16,000 via the Mazars North America Alliance - to assist clients of all sizes at every stage in their development.

www.mazars.cn