

THE NEW FACES OF CHINESE LUXURY SHOPPERS

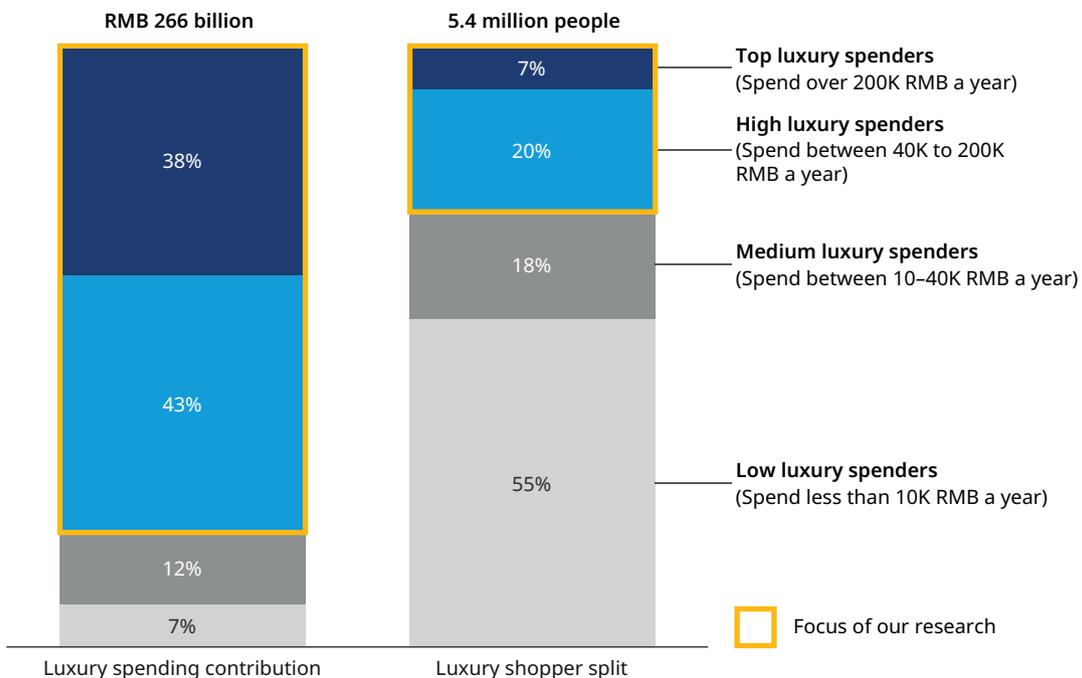


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A recent Oliver Wyman research project shows that 50% of the Chinese shoppers of luxury accessories and fashion only entered the market in the past 12 months. More significantly, they are expected to drive more than 80% of market growth this year. Among these new customers, 40% are under the age of 25 (Generation Z, or Gen Z), and they have very different preferences and behaviors compared to their senior counterparts.

We estimate that there are approximately 5.4 million luxury accessories and fashion shoppers in China today. Of them, 1.5 million spend RMB40,000 or more a year, contributing 81% of the total spending in 2021 (see Exhibit 1).

Exhibit 1: Luxury accessories and fashion shopper segments and spending contributions in China, 2021F



Source: Oliver Wyman Analysis

As they were unable to travel overseas and had disposable income for spending, many Chinese were attracted to the idea of starting their luxury collections this past year. According to our research, this was in fact the key driver of growth for the domestic luxury market.

For our research, in October 2021, Oliver Wyman surveyed 3,000 Chinese luxury shoppers who had spent at least RMB40,000 in the past 12 months. Moreover, our data was supplemented with one-on-one interviews with top luxury shoppers who had spent more than RMB200,000 a year. Interviews were also conducted with sales assistants from various luxury brands across different cities. The surveyed luxury goods included leather goods, ready-to-wear fashion items, accessories, and fine jewelry.

GEN Z ACQUIRES A TASTE FOR LUXURY

Gen Z shoppers buy luxury items more frequently to reward themselves. They care about being unique, have a relatively higher interest in trendy seasonal items and niche brands, and are a lot more open to buying second-hand and vintage luxury products.

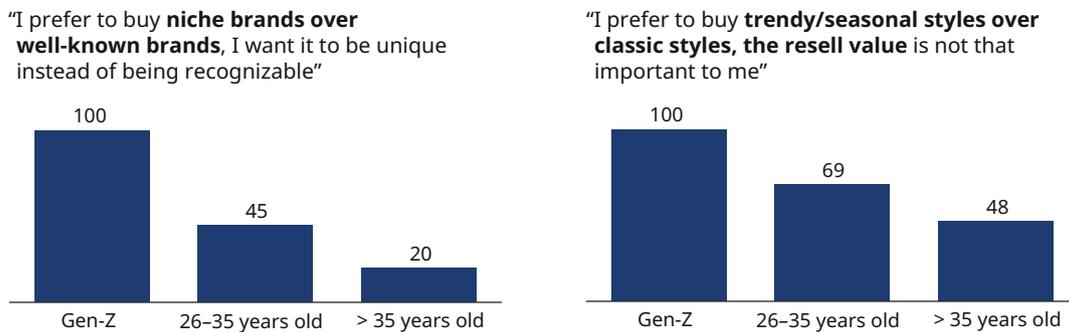
They also spend more of their disposable income on luxury goods. In fact, in the 12 months leading up to the survey, 18% spent more than a fifth of their disposable income on luxury goods. Comparatively, only 3% of existing shoppers did the same.

Gen Z luxury shoppers prefer niche brands over well-known ones at more than twice the rate of luxury shoppers aged between 26 and 35 years old, and at five times the rate of those aged over 35 (see Exhibit 2). They are also more attracted to styles that are trending now than classic styles. “It’s very obvious,” said a Shanghai-based sales assistant. “Younger customers are more open to buying our seasonal styles and care less about value preservation. Older luxury spenders only want timeless pieces.”

They also like Chinese brands. Not only do these give them a sense of national pride, but the local designers also have the pulse of their Chinese customers and so know what they want. Additionally, the brands often create a buzz on social media, such as Douyin (as TikTok is known in China).

Exhibit 2: Preferences of luxury spenders towards unique versus recognizable brands and styles, Gen Z indexed to 100

% of respondents who strongly agree with the statement, N=3,000

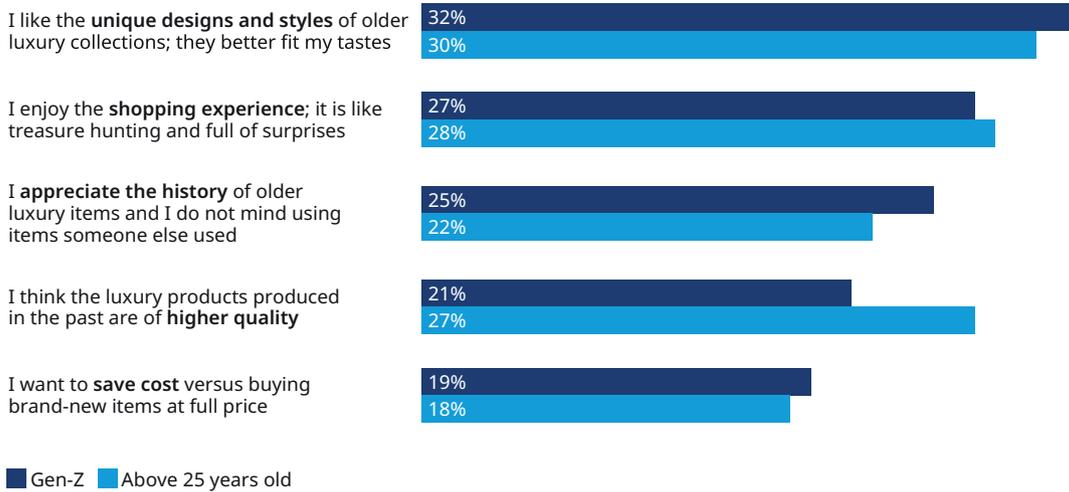


Source: Oliver Wyman Luxury Consumer Survey

Younger shoppers also like vintage and second-hand luxury goods (see Exhibit 3). Among the new class of Gen Z customers, 37% have purchased vintage or second-hand luxury products in the past 12 months. This is almost twice the rate witnessed among existing customers (those aged over 25 years old). The owner of a vintage luxury store in Shanghai reported that relaunches of old lines can trigger fast sales of vintage versions of the lines. “It’s not that they can’t afford new products, but they come for the fun of treasure-hunting,” elaborated the store owner. “Many highly sought-after vintage pieces are very expensive, since they are no longer produced.”

Exhibit 3: Reasons for buying second-hand or vintage products

% of respondents

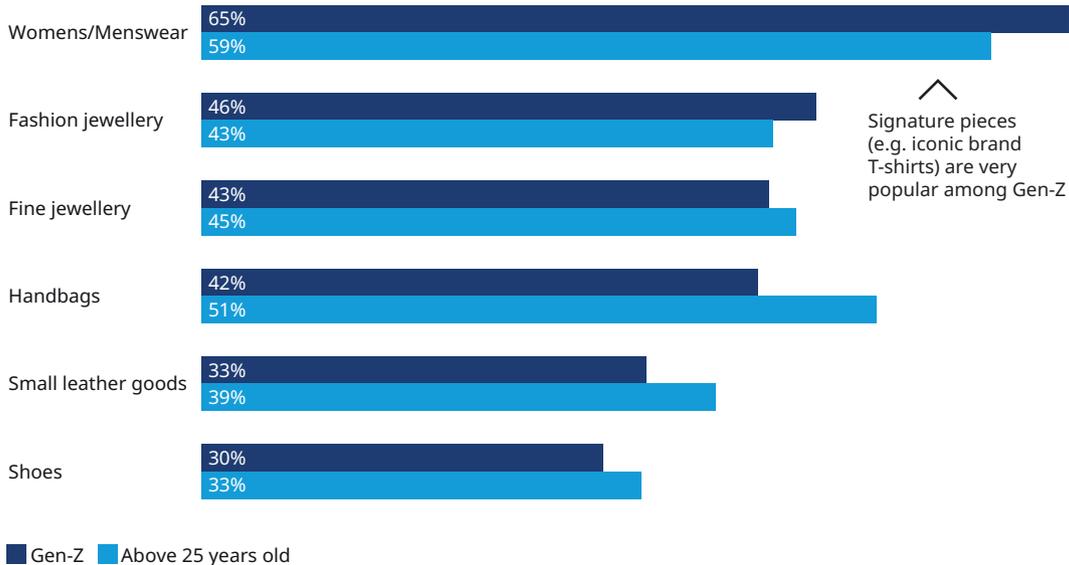


Source: Oliver Wyman Luxury Consumer Survey

Moreover, today’s Gen Z consumers’ first luxury items are more likely to be ready-to-wear instead of a handbag or small leather goods (which were the preferred purchases of their predecessors), according to our research (see Exhibit 4).

Exhibit 4: Categories luxury spenders purchased in the past 12 months

% of respondents, N=3,000

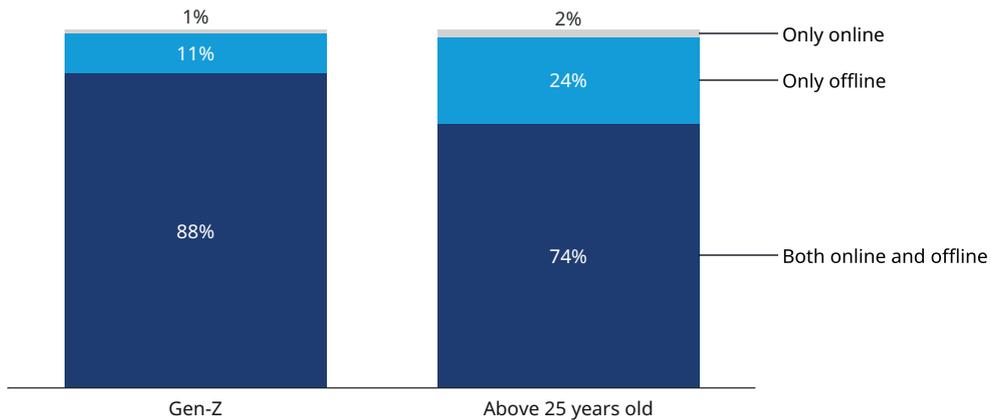


Source: Oliver Wyman Luxury Consumer Survey

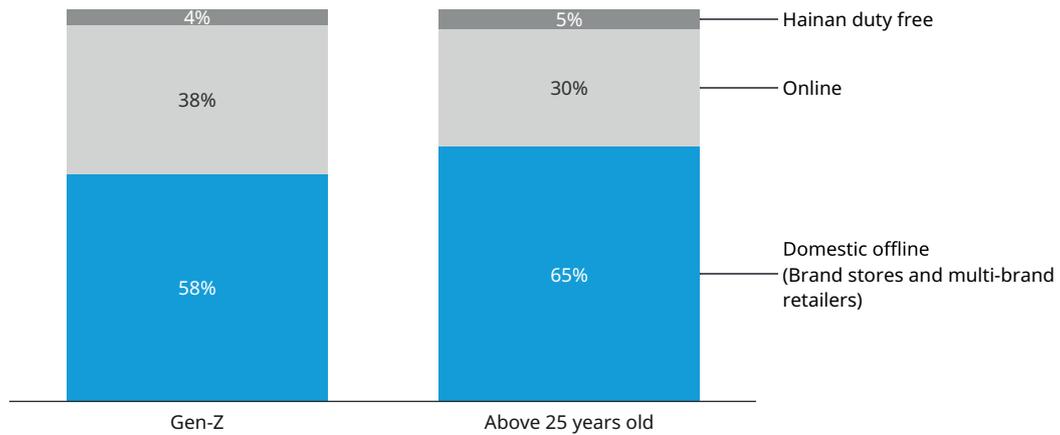
Even though Gen Z luxury shoppers are digital natives, the store experience is still very important to them. Only 1% of them say they would only buy luxury fashion items and accessories online. On the other hand, 88% say they shop both online and offline. Comparatively, 74% of older shoppers say they shop both online and offline (see Exhibit 5).

Exhibit 5: Luxury shoppers like to use both online and offline channels

Share of luxury spenders who shopped online and/or offline in the past 12 months (N = 3,000)
% of respondents



Channel spending contribution in the past 12 months (N = 3,000)
% of luxury spending



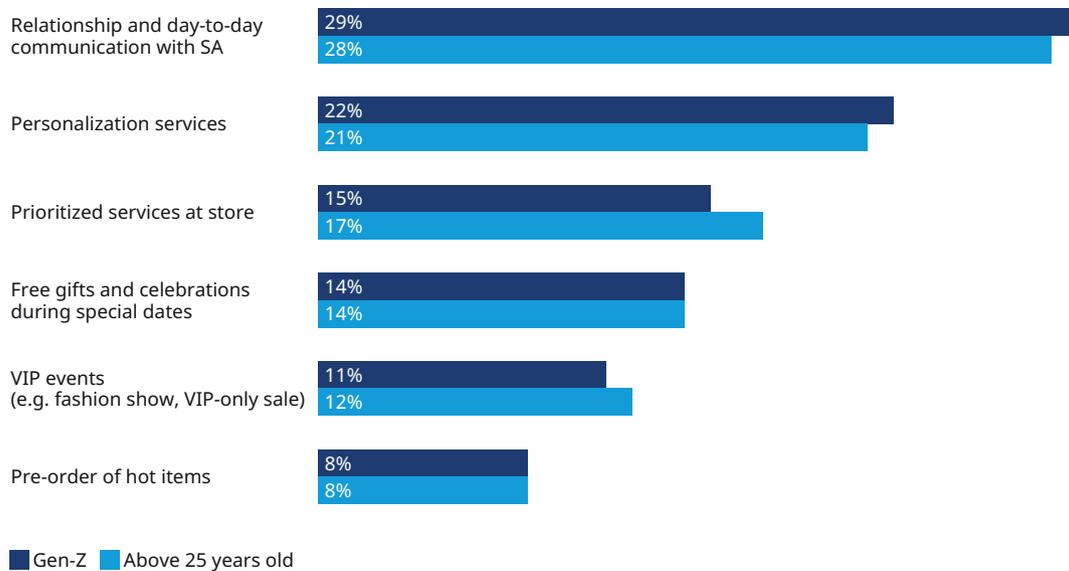
Source: Oliver Wyman Luxury Consumer Survey

SALES ASSISTANTS ARE THE NEW BEST FRIENDS

A critical element in providing an experience that feels exclusive is a brand’s sales assistants. When the shoppers were asked if it was a priority to have a relationship and day-to-day communication with their sales assistant, 29% of Gen Z luxury shoppers said they desired this most, and 28% of the luxury shoppers aged over 25 were in agreement. The next most important criteria for the shoppers were personalized services, and prioritized services at the store (see Exhibit 6).

Exhibit 6: Types of exclusive benefits luxury spenders desire the most

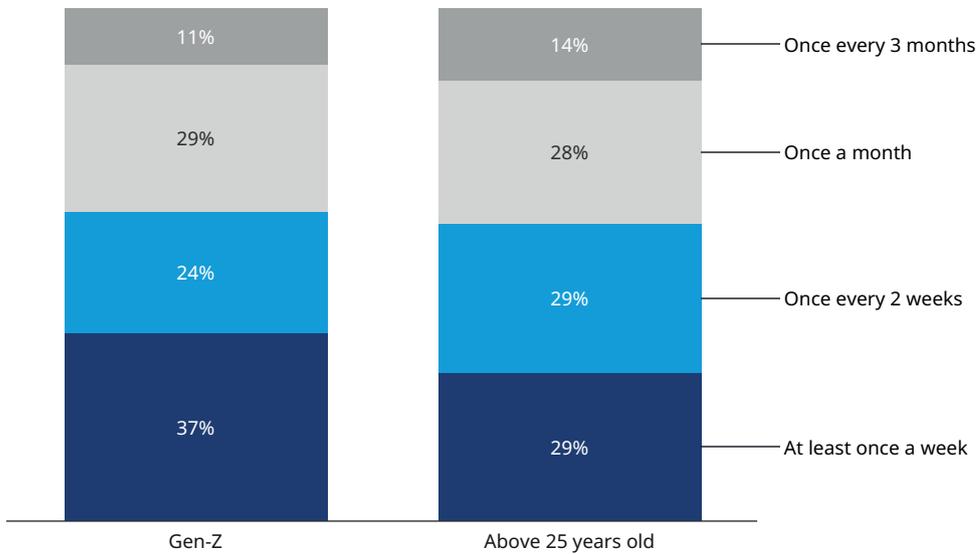
% of respondents, N=3,000



Source: Oliver Wyman Luxury Consumer Survey

Roughly three-quarters of the luxury shoppers surveyed maintain regular contact with a sales assistant. About 60% of shoppers of all ages have contact with sales assistants from the brands they purchase the most at least once every two weeks (see Exhibit 7).

Exhibit 7: Frequency of contact with sales assistants from their most purchased brands
 % of respondents, N=2,273

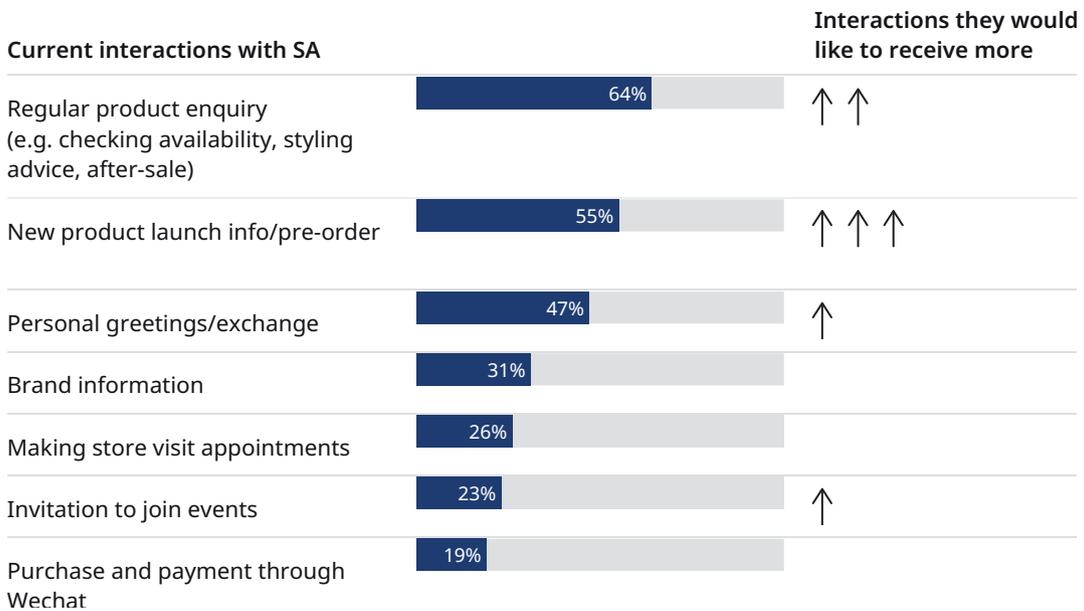


Source: Oliver Wyman Luxury Consumer Survey

The most common form of interaction — and the one that shoppers would like much more of — consists of regular product enquiries, such as checking the availability of certain items, asking for styling advice, and receiving after-sales services (see Exhibit 8). In this regard, 64% of the luxury shoppers surveyed said they have this kind of interaction with their sales assistants. The next most common forms of interaction included communications over new product launches (55%), personal greetings and exchanges (47%), and brand information (31%).

Exhibit 8: Types of communication luxury spenders have with their sales assistants

% of respondents, N=2,273



Source: Oliver Wyman Luxury Consumer Survey

As would be common among friends, sales assistants communicate with their customers in various ways. About half of the respondents surveyed communicate with their customers through WeChat text messages, 37% through WeChat voice messages, and a third with phone calls. After these communications, most of their customers have already made up their minds over a purchase by the time they arrive at the store.

One Shanghai sales assistant said she spends 70% of her time at work maintaining contact with her customers. “They want to feel important and expect me to reach out to them at least one or two times a month,” she said. “I also need to respond very quickly to their messages.”

Another sales assistant said she talked regularly to around 200 customers, which she classified in tiers depending on their commercial importance and the amount of effort she spends maintaining their needs. “Like everything else in China, guanxi — personal connections involving mutual favors — is extremely important,” said a sales assistant in Chengdu. “If a customer likes you more than her other sales assistants, she will spend more with you. So you need to make your clients feel important and valued. I have a notebook that details the birthday, home address, number of kids, what they do, of every single one of my clients.”

The results can be seen in the superior revenues that better sales assistants generate. The average spending of luxury shoppers who maintain regular contact with a sales assistant of a luxury brand was RMB27,000 for shoppers who said they were “very satisfied” with the assistant, and only RMB21,000 for those that said they were “unsatisfied”.

The rising influence of new Gen Z luxury shoppers means that brands need to remember what drives them. These shoppers buy in order to reward themselves, which means they need a good reason to make a purchase. They are attracted to new and unique signature items of apparel, so brands must make sure they present a good portfolio, and one that will also please older customers. Moreover, despite having grown up with digital communications, Gen Z luxury shoppers like to make purchases in person at luxury stores, with the accompaniment of a sales assistant. As such, it is essential to recruit and retain the right assistants and give them the autonomy they need to drive growth, while still adhering to the overarching brand image.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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