

# The Luxe Chronicles

A collection of musings on luxury, art and fashion.

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Monday, February 25, 2013

## Conference Report: Deciphering The Chinese Luxury Consumer.



There are some professional conferences we attend to network and others we attend for the substance. It's rare to find an event that blends both effectively, especially one condensed in a mere half day and focused on a subject as vast as luxury consumption patterns in China. Yet, this is precisely what the Luxury Outlook conference organised by *The International Luxury Business Association* in partnership with *Ipsos* and *The Boston Consulting Group* held in Paris last week managed to deliver to attendees.

The theme of the conference was "Luxury in China: What's Next?". Over the course of roughly four hours, we were given a detailed overview of current patterns of luxury consumption in Mainland China by various experts with direct, on-the-ground experience. There were many slides and statistics tossed out throughout the morning but the overall message can probably be boiled down to the following key points:

1. There is no one China but in fact many Chinas: The significant cultural differences between Chinese consumers from the Northern provinces vs. the Southern provinces impact not only their purchase behaviours but their product preferences as well. Western brands therefore need to take into account these differences when developing marketing materials, communication strategies and product launches. The best analogy is the European market with its various linguistic, cultural and legal differences. In order to tap into the various concentrations of wealthy consumers, an understanding of China's local diversity and cultural differences is essential.
2. E-commerce, while a promising distribution channel for luxury goods in China, presents specific challenges not present in Western e-commerce models. For instance, unlike most Western e-commerce platforms which are brand-to-consumer (B2C), China's most successful e-commerce platform, *Taobao Marketplace*, is actually a consumer-to-consumer (C2C) platform that enables small businesses and individual entrepreneurs to open online retail stores. In this respect *Taobao* is closer to a hybrid between *eBay* and *Amazon* than a *Net-A-Porter*. Moreover, Chinese consumers expect services from e-tailers such as cash on delivery (COD) options, multichannel exchange and refund opportunities and same-day delivery. As a result, Western brands such as *Clarins* who operate e-commerce platforms to service Chinese customers tend to resort to partnerships with domestic delivery service providers.
3. The Chinese luxury consumer is evolving quickly in terms of brand preferences and category of product purchases. One of the most interesting presentations of the morning was delivered by *Ipsos*. It compared the evolution of luxury consumers in Hong Kong to the changes occurring in their Mainland Chinese counterparts in terms of the motivations for purchasing luxury goods and their expectations as far as in-store service, sales expertise, etc. Mainland Chinese consumers may not be quite as demanding as their Hong Kong counterparts just yet but they are showing signs of greater sophistication and are becoming better informed and more discerning about their purchases.
4. The Chinese luxury consumer is a digitally connected avid consumer of media with a particular hunger for information about brand heritage, product details and storytelling. When it comes to purchase decisions however, word of mouth remains a very powerful force.

The *Luxury Outlook* conference is now in its fourth edition and is the brainchild of *The International Luxury Business Association's* founder, Catherine Jubin. It is a well-organised, well-thought-out conference that is worth both the time and expense. I highly recommend you make room on your busy calendars to attend the next edition.

Sincerely,

The Luxe Chronicles

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