CLF
China Luxury Forecast
2019

2019 中国奢华品报告
2019 CHINA LUXURY FORECAST

ruder·finn CREATIVE EDGE

csg research

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FOREWORD

We are delighted to share with you the 2019 China Luxury Forecast. Since its launch in 2009, the China Luxury Forecast has been focused on the study of Chinese luxury consumers in both Mainland China and Hong Kong, aimed to offer insights into what drives the Chinese luxury consumer market as well as consumer appetites and rationales for luxury purchase.

The year 2019 will witness the 70th anniversary of the founding of the People' s Republic of China. Over the course of these past seven decades, China has grown dramatically.

China is now an influential player in terms of both global politics and the world economy. The year 2019 also marks the 10th anniversary of the China Luxury Forecast, through which we have kept a close eye on the vicissitudes of China's luxury goods market, which not only survived the 2008 global economic crisis but has been continually expanding to the point where today Chinese consumers are the largest single group of luxury goods buyers in the world.

What has remained unchanged over the past 10 years is that China and Chinese consumers are increasingly important players for the global luxury market.

China is, in fact, on an overall upward trajectory heading toward becoming the No. 1 luxury market in the near future. This growth path is echoed in 2019 China Luxury Forecast, from growing sentiment for luxury in next 12 months in both Mainland China and Hong Kong, to the massive purchasing power of the region's younger generation, and the huge potentials made possible by digital transformation.

We hope you will enjoy reading 2019 China Luxury Forecast and find it valuable in understanding Chinese luxury consumers. We also hope this forecast will help you devise strategies to grow your business both in China and around the world.

GAO Ming
Senior Vice President
General Manager Luxury Practice China
Ruder Finn Asia

Simon Tye
Executive Director
CSG

02 EXECUTIVE SUMMARY

China and Chinese consumers have been the largest driving forces behind global luxury industry over the years. The Chinese consumers - when capturing their spending both at home and abroad - are now the luxury industry' s No.1 clients worldwide, representing nearly 33% of the luxury industry' s sales in 2018 according to Bain' s "Luxury Goods Worldwide Market 2018". China and Chinese consumers are expected to continue its lion' s share of the global luxury business going forward, with Chinese spending poised to account for about 45% of the global sales in 2025.

After experiencing a bullish growth in the past decade, Chinese luxury consumption has entered into a stable growth trajectory. The crack down on extravagancy by the Chinese government has brought an acute pain to the industry in 2015. But the long-term result has been to steer the industry onto a healthier and more sustainable development path. Meanwhile, in 2018 global economic factors such as international trade and market adjustments had both positive and negative influences on the China luxury market. The escalation of Sino-US trade tensions along with the retaliatory tariffs have negatively impacted various industries. However, we have also seen rejuvenated passion for local consumption thanks to the narrowing price difference at home and abroad, a government crackdown on the gray Daigou market, and proactive initiatives by international brands aimed at boosting consumption in China.

The **2019 China Luxury Forecast**, now in its 8th edition, tries to look into the consumption behavior of luxury consumers in both Mainland China and Hong Kong against the backdrop of this market volatility. The report is based on a survey jointly conducted by Ruder Finn and Consumer Survey Group Worldwide, gathering data from 1,385 luxury goods shoppers with 1,075 consumers from Mainland China and 310 consumers from the Hong Kong. Among those surveyed, the average annual household income is RMB1,400,930 in Mainland China and HKD975,286 in Hong Kong.

Key learnings from this year' s survey are:

1. Appetite for luxury remains optimistic: Notwithstanding global economic uncertainty and the impact of escalating Sino-US trade tensions in 2018, consumers' appetite for luxury in 2019 remains optimistic both in Hong Kong and Mainland China. 46% of our Mainland China consumers and 32% of Hong Kong consumers plan to spend more respectively on luxury products over the next 12 months.
2. Clothing and jewelry performed well in Mainland China while travel and handbags or leather goods performed well in Hong Kong: Akin to figures from the last report, in Hong Kong, luxury travel won over all other luxury categories, followed by handbags and leather goods, with the latter category being on top in the list of overseas shopping and online shopping among Hong Kong consumers. For Mainland China consumers, clothing and jewelry topped the list of luxury spending, and both also topped the list of overseas shopping. In addition, clothing topped the list of online shopping among Mainland China consumers as well.
3. More than millennials: Millennials have been the key consumers target for almost every luxury brand in the past 2-3 years. However, Generation Z aged 21-25 generally spent more on each luxury item in Mainland China while people aged 46 or above generally spent more on majority of luxury items in Hong Kong, underscoring their massive purchasing power.
4. Digital channel heavily influences purchase decision while omnichannel becomes a must: It is no surprise that online shopping is increasing in both Hong Kong and Mainland China. Digital channel influences over 68% of luxury purchases in Mainland China while 62% in Hong Kong, with Look Up Online and Purchase in Physical Stores (LOPP) most preferred. However, most luxury purchases are still made at physical stores, which means having an omnichannel brand presence with offline stores is a must for providing a premium and innovative customer experience.

03
SURVEY METHODOLOGY

The **2019 China Luxury Forecast** was jointly conducted by Ruder Finn and CSG Worldwide between November and December in 2018 via an online survey, in which 1,385 consumers in Mainland China and Hong Kong took part. Details of the respondents' profiles are presented in the charts below:

ANNUAL HOUSEHOLD INCOME

Average annual household income in Hong Kong: HKD 975,286

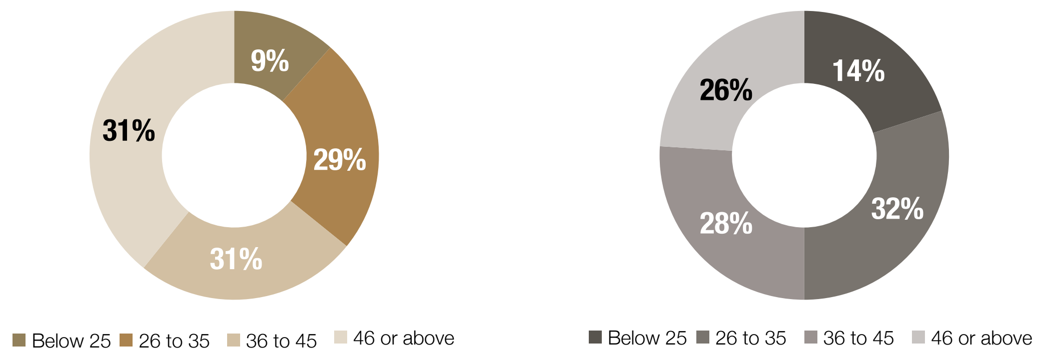
Average annual household income in Mainland China: RMB 1,400,930

33%	23%	23%	9%	12%
HKD 720,000 – 839,988	HKD 840,000 – 959,988	HKD 960,000 – 1,079,988	HKD 1,080,000 – 1,199,988	HKD 1,200,000 and above

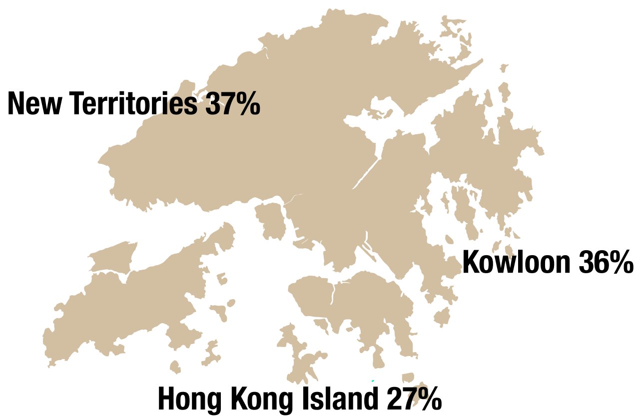
11%	9%	10%	11%	12%	18%	18%	10%
RMB500,000 – 599,999	RMB600,000 – 799,999	RMB 800,000 – 999,999	RMB 1000,000 – 1199,999	RMB 1200,000 – 1499,999	RMB 1500,000 – 1799,999	RMB 1800,000 – 1,999,999	RMB 2,000,000 and above

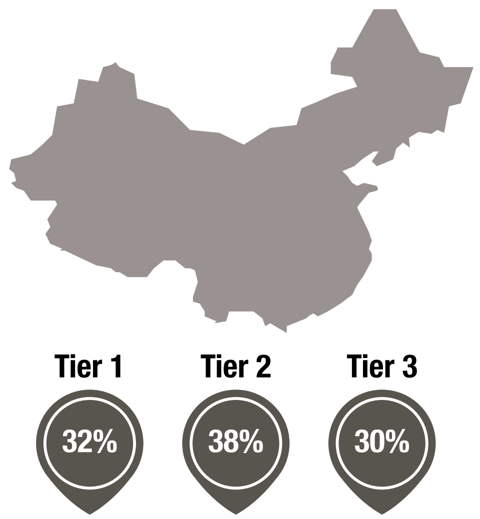
GENDER

AGE



GEOGRAPHY





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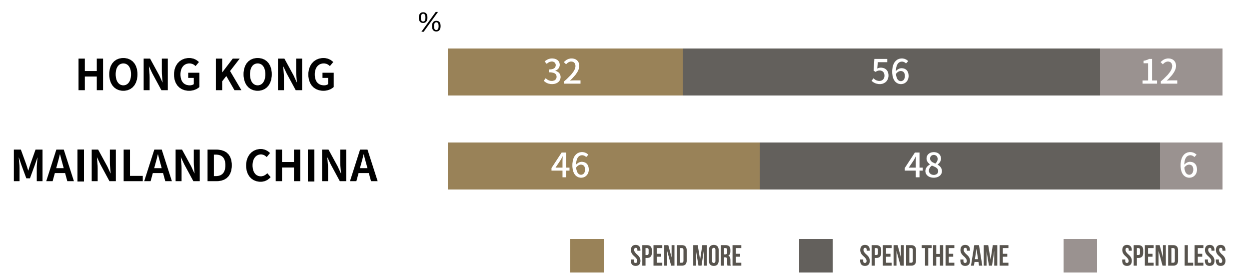
CHINESE CONSUMERS AND THEIR LUXURIES

SENTIMENT FOR LUXURY REMAINS OPTIMISTIC

Notwithstanding the global economy uncertainty and the impact of escalating Sino-US trade tensions in 2018, consumers' appetite for luxury in 2019 remains optimistic both in Hong Kong and Mainland China, with Mainland Chinese being more optimistic than their Hong Kong counterparts – 46% of Mainland China respondents and 32% of Hong Kong respondents respectively plan to spend more in the next 12 months. More Hong Kong consumers are likely to spend more on luxury electronics. Over 50% of Mainland China consumers are most likely to spend more on luxury electronics, beauty and cosmetics, and clothing.

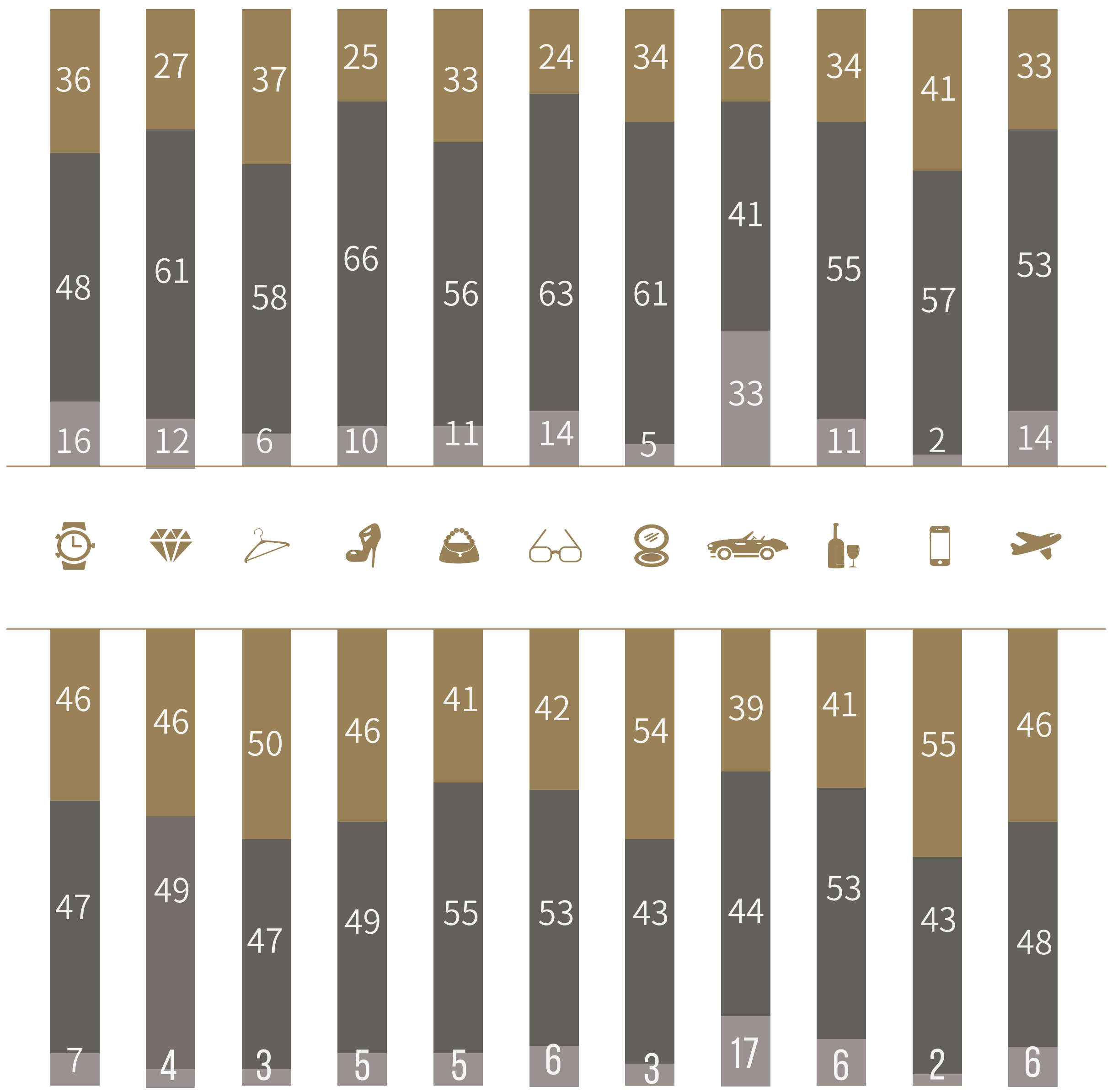
SPENDING IN NEXT 12 MONTHS



ARE YOU WILLING TO SPEND MORE, THE SAME OR LESS ON LUXURY IN THE NEXT 12 MONTHS COMPARED WITH THE PAST 12 MONTHS?

HONG KONG

%



MAINLAND CHINA

%

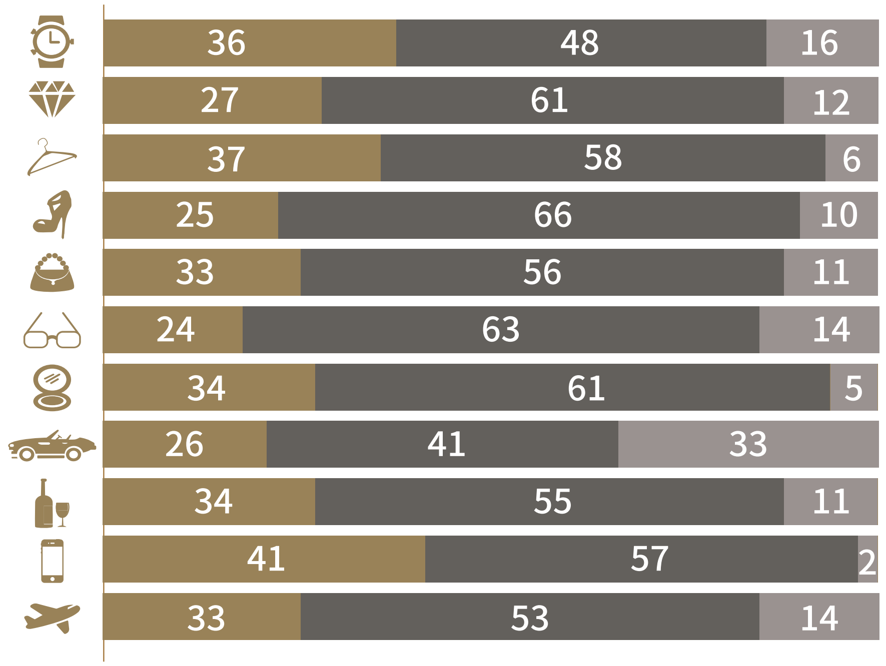
SPEND MORE | SPEND THE SAME | SPEND LESS

It is particularly interesting to note that the Generation Z in Hong Kong (aged 21-25) expressed the most positive sentiment in luxury shopping in the next 12 months while Mainland Chinese consumers aged 46 or above are of the most positive consumption sentiment in the next 12 months.

ARE YOU WILLING TO SPEND MORE, THE SAME OR LESS ON LUXURY IN THE NEXT 12 MONTHS COMPARED WITH THE PAST 12 MONTHS?

HONG KONG

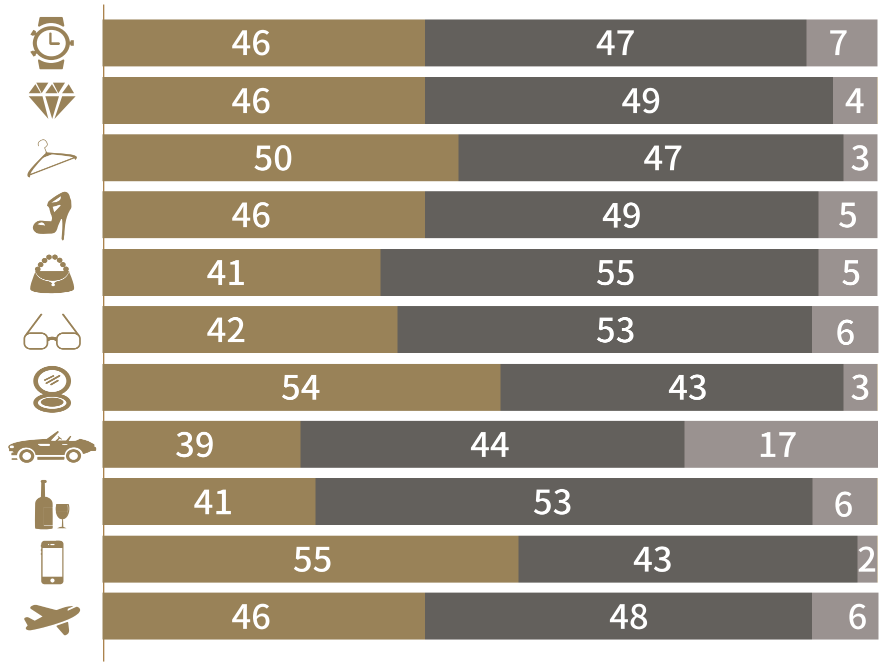
%



SPENDING MORE			
21-25	26-35	36-45	46+
50	33	37	36
36	31	20	30
50	35	42	29
39	18	30	21
33	31	35	34
27	17	23	31
29	31	36	37
0	12	38	40
64	29	28	39
36	35	32	31
44	39	41	43

MAINLAND CHINA

%



SPENDING MORE			
21-25	26-35	36-45	46+
46	45	40	53
38	46	45	54
40	56	52	47
33	44	51	52
42	40	34	48
45	43	40	40
49	56	51	60
30	36	34	55
28	39	43	50
46	43	46	54
44	54	58	56

CLOTHING AND JEWELRY PERFORMED WELL IN MAINLAND CHINA WHILE TRAVEL AND HANDBAGS/LEATHER GOODS PERFORMED WELL IN HONG KONG

In the past 12 months, Mainland China consumers have spent an annual average of about RMB 240,000 on luxury items while Hong Kong consumers around HKD 176,000. Most Hong Kong consumers engaged in luxury travel while more Mainland China consumers bought luxury clothing and jewelry.

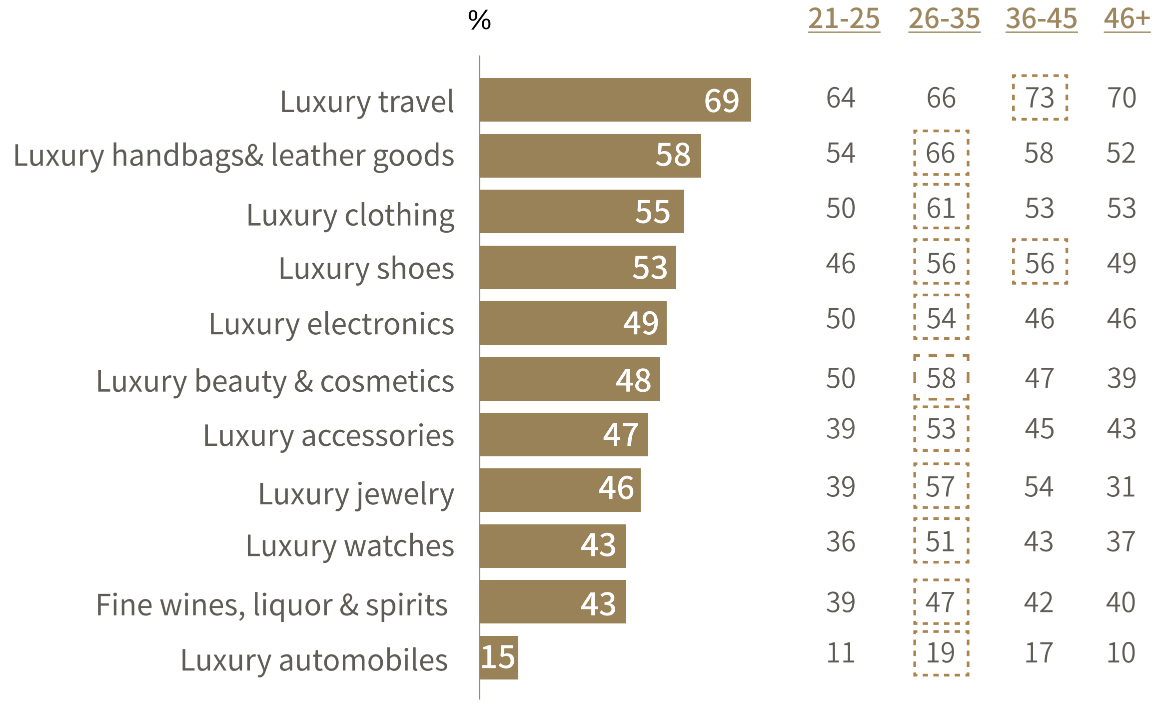
Similar to last report, in Hong Kong, luxury travel won over all other luxury categories, followed by handbags and leather goods, with the latter category being on top in the list of overseas shopping and online shopping among Hong Kong consumers. In addition, 33% of Hong Kong consumers plan to spend more on travel and handbags/leather goods in the next 12 months.

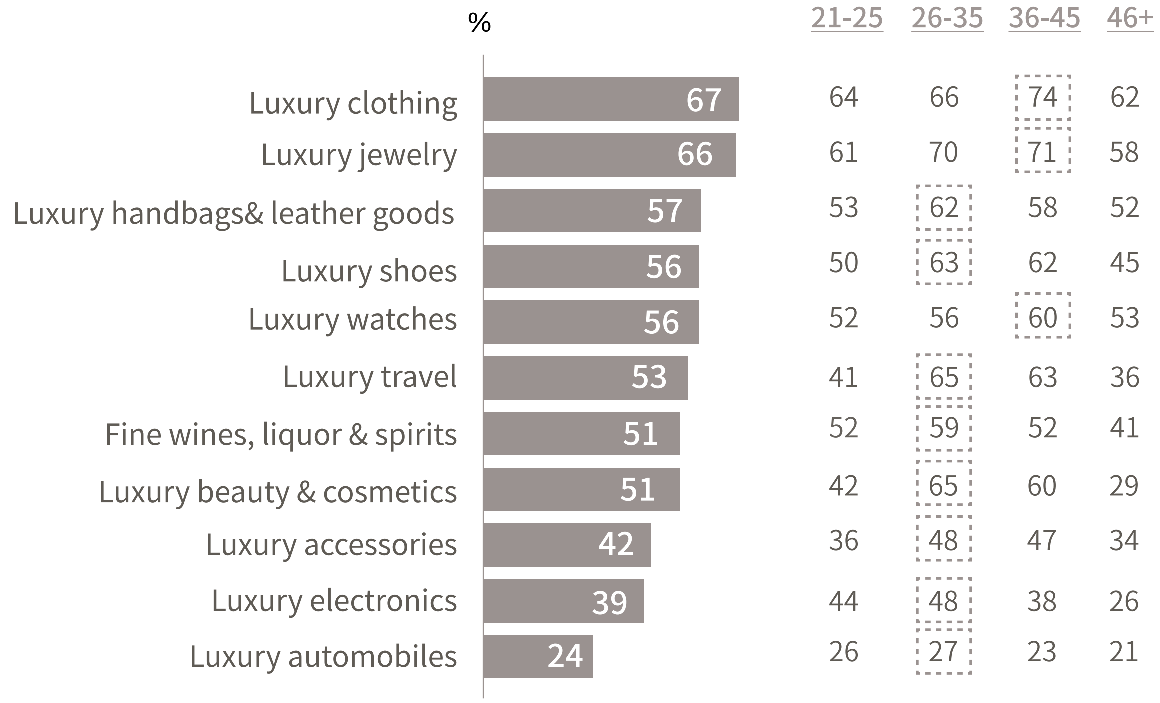
However, Clothing and Jewelry top the list in Mainland China. Clothing and Jewelry also top the list of overseas shopping and Clothing tops the list of online shopping among Mainland China consumers. In addition, 50% of Mainland China consumers plan to spend more on clothing and 46% of Mainland China consumers plan to spend more on jewelry in the next 12 months. The shift from entry-level categories such as beauty and accessory to more high-tier category of clothing and jewelry is reflecting an overall upgrading for consumption habits possibly attributable to an increase in the purchasing power of Mainland China consumers.

HOW MUCH HAVE YOU SPENT ON EACH OF THE FOLLOWING CATEGORY OF LUXURY PRODUCTS IN THE PAST 12 MONTHS?

	HONG KONG	MAINLAND CHINA
Luxury watches	51,000	39,100
Luxury jewelry	59,000	38,700
Luxury clothing	18,200	24,800
Luxury shoes	6,700	16,100
Luxury handbags and leather goods	17,900	24,200
Luxury accessories	8,900	13,500
Luxury beauty and cosmetics	8,800	15,200
Luxury automobiles	433,600	457,400
Fine wines, liquor and spirits	8,800	11,500
Luxury electronics	14,800	18,300
Luxury travel	27,500	26,000
TOTAL	HKD175,700	RMB 237,800

HAVE YOU BOUGHT LUXURY GOODS FROM ANY OF THE FOLLOWING CATEGORIES IN THE PAST 12 MONTHS?





MORE THAN MILLENNIALS

Millennial has been the key consumer target group for almost every luxury brand over the past 2-3 years. The 2019 report shows that total spending on luxury goods was on average higher among Millennials aged 26 to 35 over the past 12 months in both Hong Kong and Mainland China. However, people aged 46 or above generally spend more on majority of luxury items in Hong Kong while Generation Z aged 21-25 generally spend more on each luxury item in Mainland China (except for Watches, Automobiles and Travel), underscoring a very different consumers profile for these two regions.

In Hong Kong, people aged 46 or above generally are the most affluent segment of the population, hence exerting the biggest spending. The massive spending power of Generation Z in Mainland China is somewhat surprising, but it reaffirms the fact that China luxury consumers are much younger compared to their international counterparts and the post-1995 Generation Z is willing to spend the most. For brands that have placed overwhelmingly priority on millennials, it is also important to review existing customer profiles and have a comprehensive strategy in place to reach effectively different consumer targets.

PLEASE INDICATE APPROXIMATELY HOW MUCH YOU HAVE SPENT ON EACH OF THE FOLLOWING CATEGORIES OF LUXURY PRODUCTS IN THE PAST 12 MONTHS, EITHER FOR YOURSELF OR GIFTING FOR OTHERS.

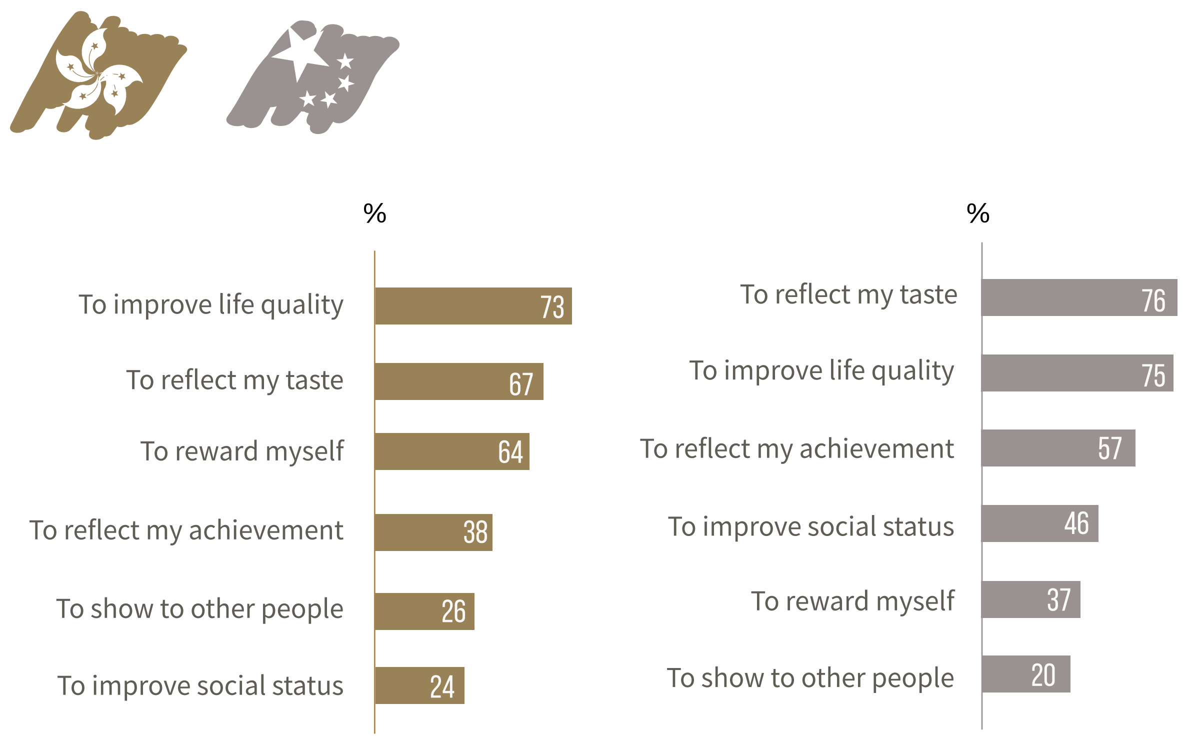
	Total	Age groups			
		21-25	26-35	36-45	46+
Luxury watches	51,000	48,500	43,300	51,300	61,200
Luxury jewelry	59,000	19,100	40,100	43,000	133,100
Luxury clothing	18,200	13,200	16,000	21,100	19,200
Luxury shoes	6,700	3,800	6,800	7,300	6,600
Luxury handbags and leather goods	17,900	11,600	18,700	18,600	18,100
Luxury accessories	8,900	6,500	8,500	9,000	10,000
Luxury beauty and cosmetics	8,800	4,200	8,100	8,300	11,900
Luxury automobiles	433,600	97,400	635,000	369,000	296,000
Fine wines, liquor and spirits	8,800	7,700	9,000	10,100	7,800
Luxury electronics	14,800	11,800	14,200	14,800	16,400
Luxury travel	27,500	14,500	24,000	30,200	31,300
TOTAL	HKD175,700	72,700	227,500	174,300	158,700

	Total	Age groups			
		21-25	26-35	36-45	46+
Luxury watches	39,100	37,300	36,900	38,100	44,300
Luxury jewelry	38,700	44,000	37,600	40,000	35,600
Luxury clothing	24,800	38,600	21,000	21,900	25,500
Luxury shoes	16,100	21,900	13,300	13,300	21,200
Luxury handbags and leather goods	24,200	30,100	24,600	17,300	28,600
Luxury accessories	13,500	20,700	11,100	11,400	16,500
Luxury beauty and cosmetics	15,200	18,200	14,700	15,400	13,700
Luxury automobiles	457,400	371,000	467,700	508,200	439,400
Fine wines, liquor and spirits	11,500	14,600	10,300	10,000	13,600
Luxury electronics	18,300	24,000	14,500	19,200	20,200
Luxury travel	26,000	26,800	21,700	30,500	26,400
TOTAL	RMB237,800	237,600	254,100	250,200	205,000

CHANGING VALUE: IMPROVE LIFE QUALITY VS. REFLECTING SELF-TASTE

When asked about their reasons for purchasing luxury goods, Hong Kong consumers surveyed said they buy luxury in order to improve their life quality while for Mainland China consumers reflecting taste and improving life quality are both important. Compared to the last edition of the report, the ratio of 'improve life quality' has risen substantially, underscoring the fact that the personal tastes of Mainland China luxury consumers are increasingly sophisticated.

WHAT ARE THE REASONS FOR YOUR LUXURY PURCHASE?



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DISTRIBUTION CHANNELS: REGIONS OF PURCHASE AND SALES CHANNELS

SHOPPING ABROAD

In term of nationality, Chinese consumers represents nearly 33% of the luxury industry's sales in 2018, among which 75% are attributed to shopping abroad according to Bain's "Luxury Goods Worldwide Market 2018". With Chinese outbound travel expected to grow substantially in coming years, shopping overseas will see consistent growth.

It is essential for international brands to understand where, what and how Chinese consumers make purchases overseas so that they can fully tap these huge market opportunities.

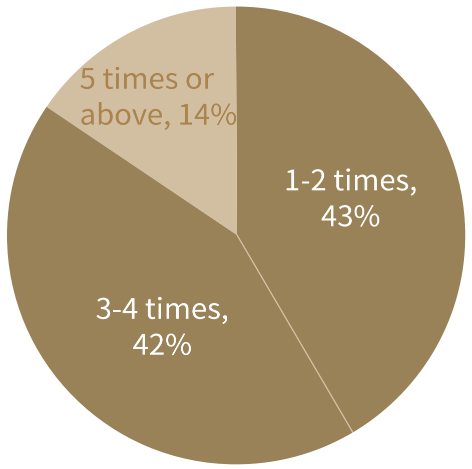
On average, Hong Kong consumers made 3.3 trips in the past 12 months and plan for 3.1 trips in the next 12 months while Mainland China consumers made 3.4 domestic and 2.8 international trips respectively in the past 12 months and plan for 4.2 trips in the next 12 months.

IN THE PAST 12 MONTHS, HOW MANY LEISURE TRIPS HAVE YOU MADE DOMESTICALLY AND OVERSEAS RESPECTIVELY?

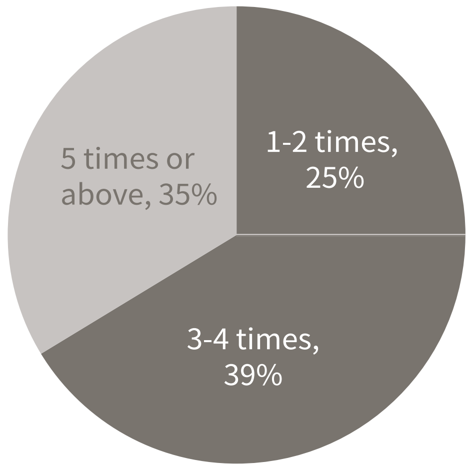
Average no. of domestic travel in past 12 months	Average no. of international travel in past 12 months
–	3.3
3.4	2.8

HOW MANY LEISURE TRIPS DO YOU PLAN TO TRAVEL FOR LEISURE IN THE NEXT 12 MONTHS?

Average 3.1



Average 4.2

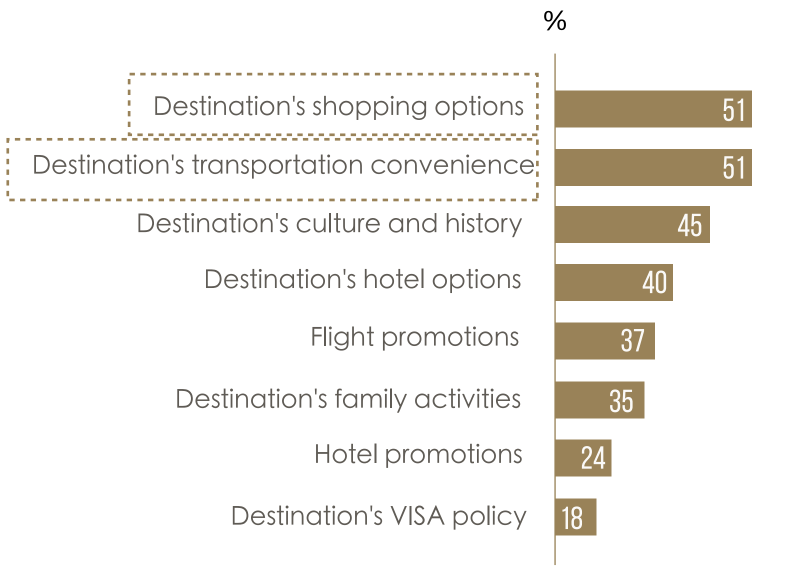


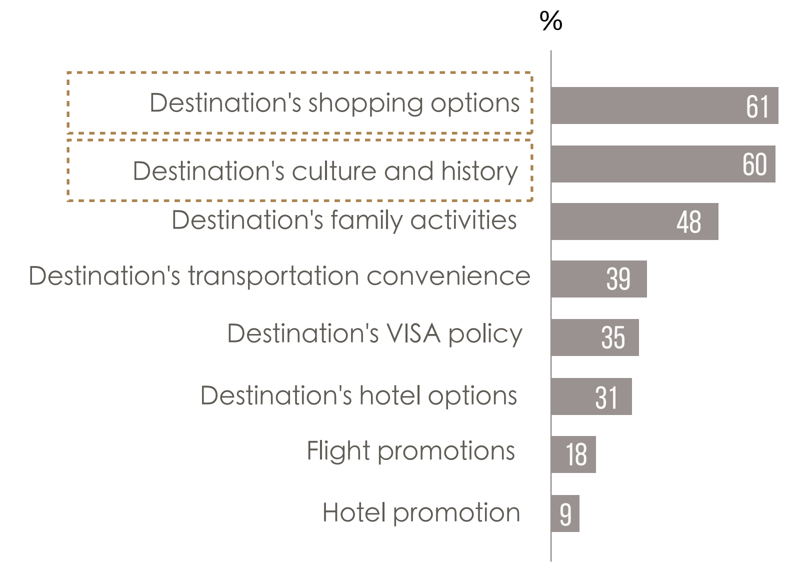
Budget for Shopping

Hong Kong	Mainland China
HKD 55,000	RMB 70,000

For both Hong Kong and Mainland China consumers, shopping options are the most important factor for travel destinations preferences. In addition, Hong Kong consumers value transportation convenience while Mainland China consumers value cultural and historical elements.

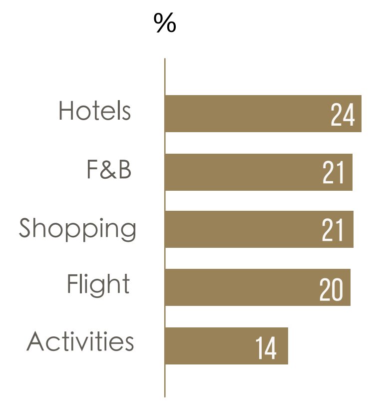
WHAT ARE THE TOP THREE FACTORS AFFECTING YOUR PREFERRED DESTINATION WHEN YOU PLAN YOUR TRAVELS?

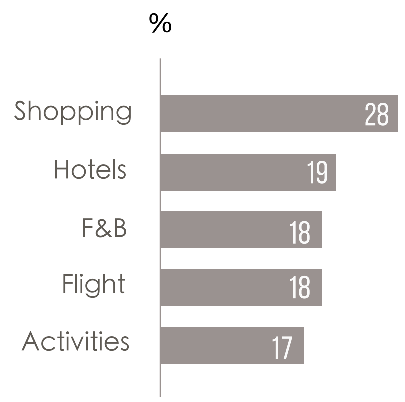




Hong Kong consumers allocate similar budget on hotels, food and beverages, flights and shopping while Mainland China consumers put a heavier focus on shopping (28% of total budget).

WHAT IS YOUR BUDGET ALLOCATION FOR THE FOLLOWING?

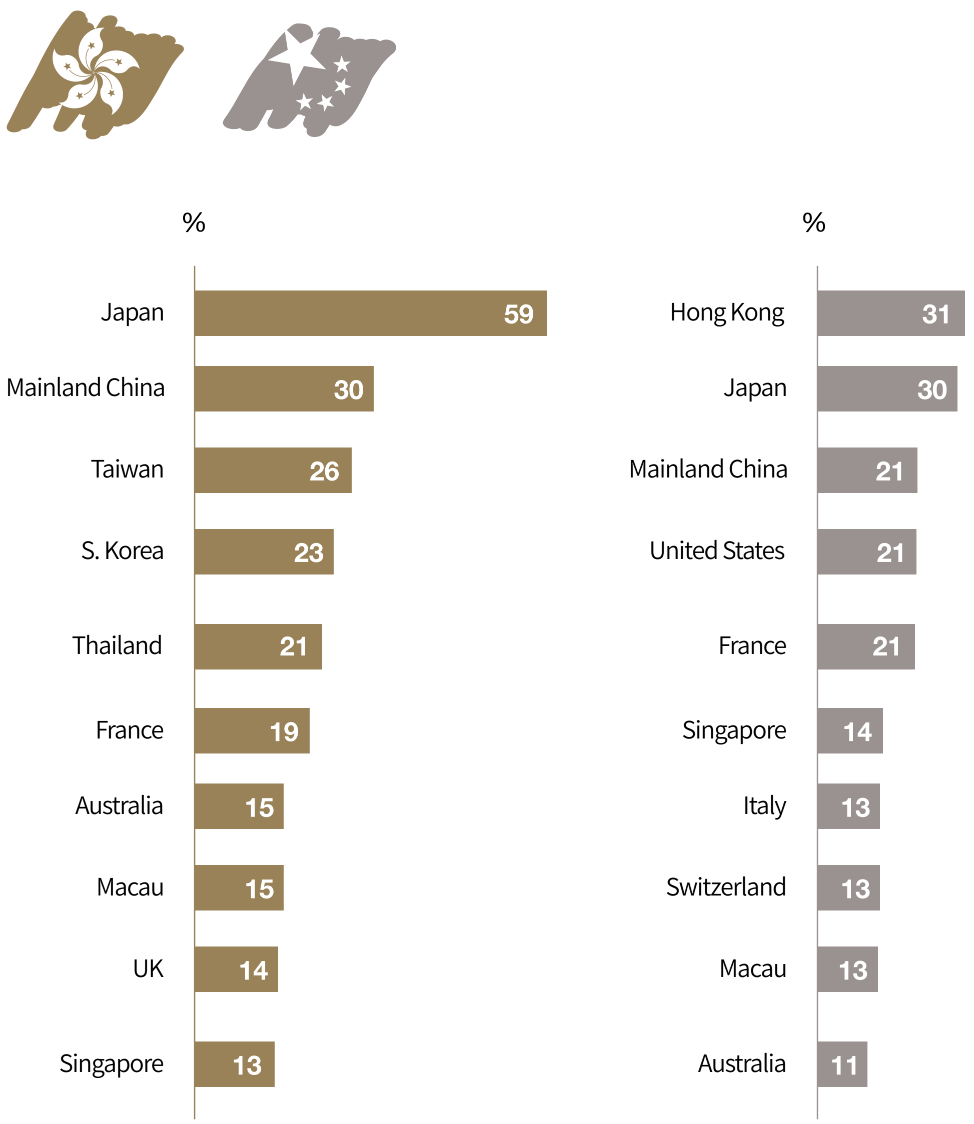




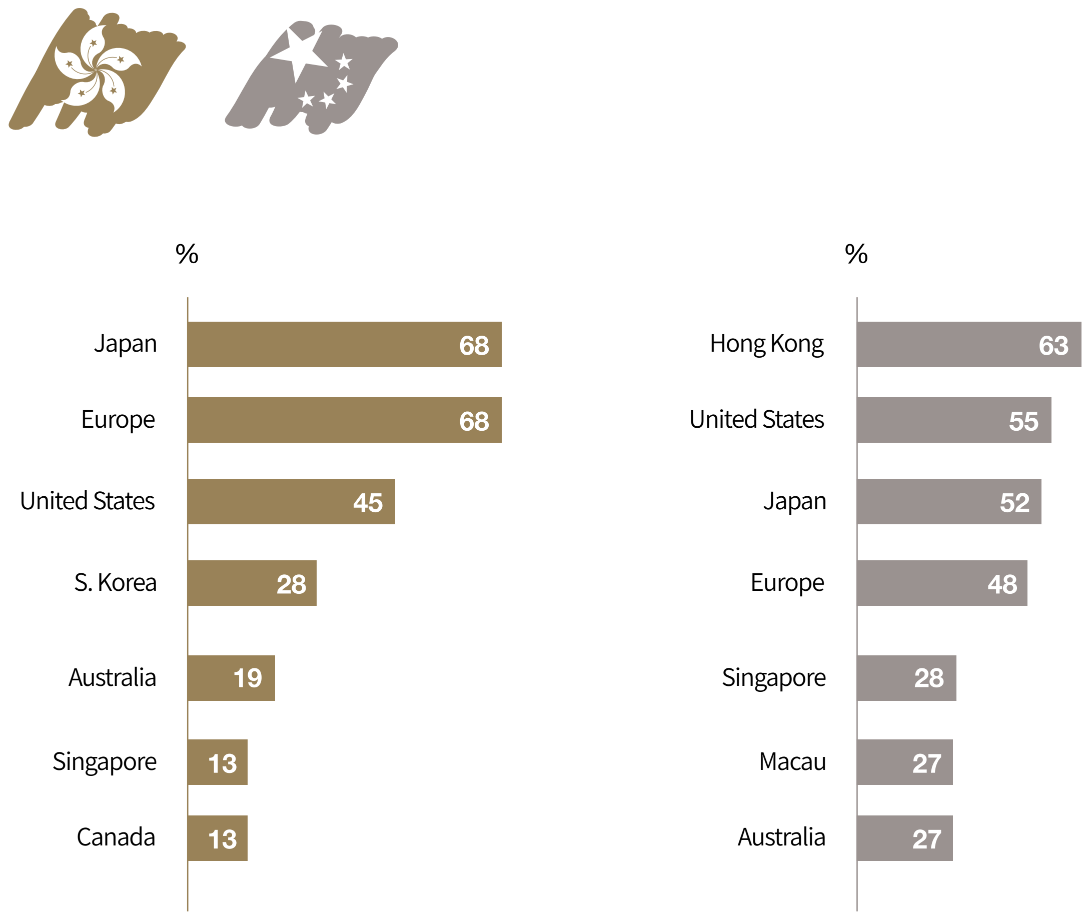
Outbound travel destinations preferred by Mainland Chinese tourists include Hong Kong, Japan and the United States, while Hong Kong travellers prefer Japan, Mainland China and Taiwan.

Hong Kong consumers likes shopping overseas in Japan while Mainland China consumers prefer Hong Kong. The overlapping results for outbound travel destinations and countries to make luxury purchase proves that shopping options is the most important factor affecting travel destinations.

WHICH LOCATIONS HAVE YOU TRAVELLED TO FOR LEISURE OVER THE PAST 12 MONTHS?



IN THE PAST 12 MONTHS, WHERE HAVE YOU GONE TO PURCHASE LUXURY GOODS FOR EACH CATEGORY OF LUXURY ITEMS?



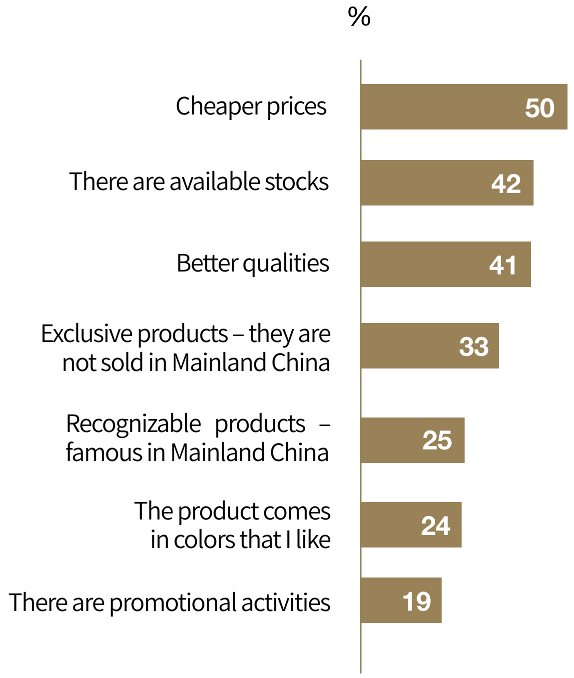
Overall, Mainland Chinese prefers buying clothing, watches and jewelry for shopping overseas while Hong Kong handbags, clothing, accessories. In terms of each nation/region, Hong Kong consumers like traveling to Europe for handbags while Mainland China consumers go for apparel. Hong Kong consumers travel to the United States to purchase electronics while consumers from Mainland China go there to buy clothing and watches. Both Hong Kong and Mainland China consumers travel to Japan to purchase beauty products.

WHAT HAVE YOU BOUGHT IN THE FOLLOWING COUNTRIES/REGIONS IN THE PAST 12 MONTHS?

Europe	Handbags 61%	Clothing 48%	Watches 45%
	Clothing 44%	Watches 43%	Jewelry 40%
United States	Handbags 39%	Electronics 39%	Clothes / Shoes 36%
	Clothing 43%	Watches 36%	Jewelry 33%
Japan	Beauty 47%	Clothing 38%	Handbags 31%
	Beauty 36%	Jewelry 28%	Watches 28%
S. Korea	Beauty 48%	Clothing 27%	Electronics 24%
	Beauty 43%	Clothing 25%	Shoes 14%
Singapore	Handbags 31%	Jewelry 28%	Shoes 26%
	Jewelry 33%	Handbags 24%	Clothing 24%
Mainland China / Hong Kong	Clothing 45%	Accessories 35%	Shoes / electronics 25%
	Jewelry 42%	Clothing 39%	Shoes 34%
Macau	Accessories 27%	Handbags 27%	Clothing 24%
	Jewelry 29%	Handbags 24%	Watches / Shoes 23%

For Hong Kong consumers, price is the main reason of purchasing luxury product outside Hong Kong, mentioned by 50% of Hong Kong consumers surveyed. Mainland China consumers make purchases abroad because the products are famous in China, and are of better qualities, which reminds luxury brands that communications in Mainland China are essential for their global sales. Interestingly, the price factor is mentioned by only 23% of Mainland China consumers surveyed.

WHY DO YOU PURCHASE LUXURY ITEMS OUTSIDE CHINA?

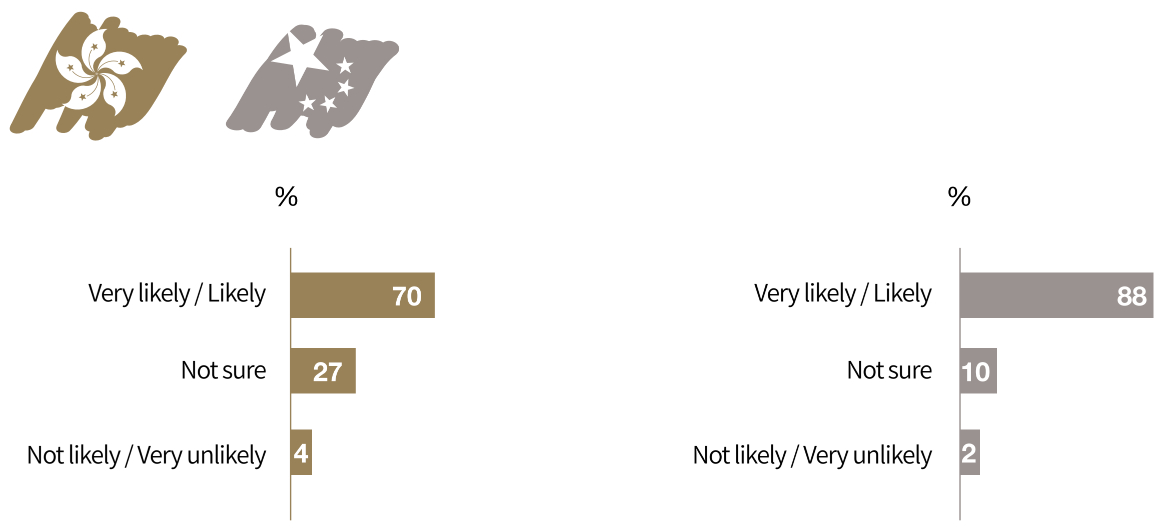


Luxury department stores, duty free shops and brand boutiques are the top three shopping places for luxury consumers.

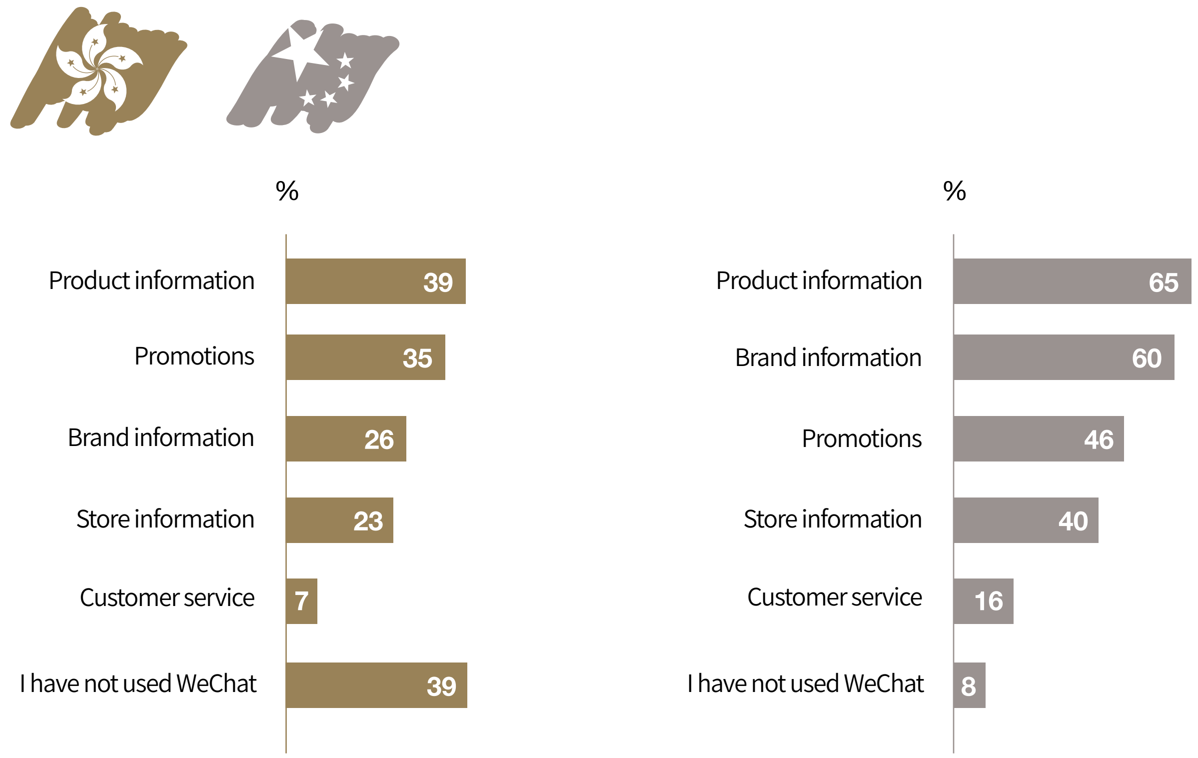
WHEN YOU TRAVEL FOR LEISURE, WHAT ARE THE TOP THREE PLACES YOU SHOP FROM?

When shopping abroad, Mainland China consumers are more likely to buy brands that they have not heard of before and more likely to use Wechat to look for product information (65%) and brand information (60%), compared with product information (39%) and promotion (35%) by Hong Kong consumers.

WHEN SHOPPING ABROAD, WOULD YOU BUY FROM A FOREIGN BRAND THAT YOU HAVE NOT HEARD OF BEFORE?

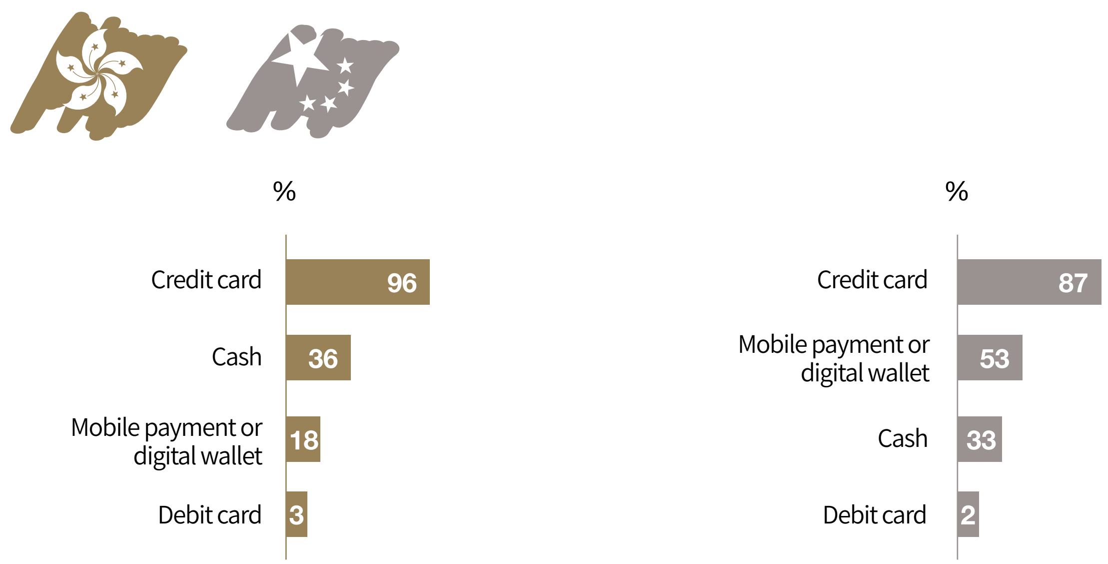


WHEN SHOPPING ABROAD OVER THE PAST 12 MONTH, HAVE YOU USED WECHAT BEFORE OR DURING SHOPPING TO CHECK FOR THE FOLLOWING INFORMATION?



Most Hong Kong and Mainland China consumers like to pay for products with credit cards when shopping abroad. More than half of all Mainland China consumers surveyed pay through mobile payment or digital wallet.

WHEN SHOPPING ABROAD OVER THE PAST 12 MONTHS, HOW DO YOU PAY WHEN YOU BUY DURING THE TRIP?



ONLINE PURCHASES

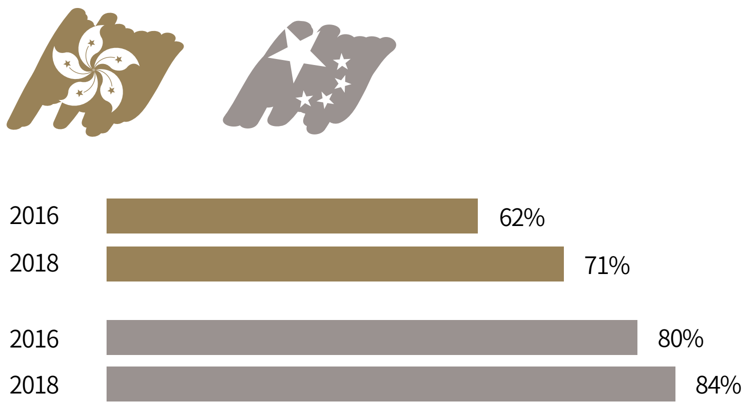
China is a global leader for online shopping, accounting for more than 40 percent of ecommerce transaction value worldwide, up from less than 1 percent about a decade ago. China has also become a major global force in mobile payments, accounting for 11 times the mobile payment transaction value of the United States, according to McKinsey's China' s Digital Economy: A Leading Global Force. This explosion in online e-commerce activity is mainly due to China's data storage infrastructure and logistics facilities, as well as the popularity of digital payment systems and technologies including mobile data.

In 2017, 90 percent of global luxury market sales were generated through offline channels. Thus, traditional sales channels remain dominant in the luxury goods sector. However, there has been an obvious lack of strong growth for traditional sales avenues, with sales increasing only 2 percent year-on-year. And although online sales of luxury goods sales are still relatively low, online growth has been prominent.

This fast-growing online shopping trend is empowered in mainland China by two ecommerce behemoths Alibaba and JD.com, who has also officially launched their dedicated luxury platforms Luxury Pavilion and Toplife respectively in early 2018 to tap into the booming luxury market. Another Chinese digital commerce pioneer -- Tencent -- has also strengthened its ecommerce presence by launching mini-program stores in addition to its existing WeChat stores.

Millennials aged 26-35 is most willing to shop online in both Mainland China and Hong Kong. Mainland Chinese purchased online most clothing, shoes and beauty while Hong Kong handbags, clothing and electronics.

HAVE YOU PURCHASED LUXURY GOODS ONLINE?



WHAT LUXURY ITEMS HAVE YOU PURCHASED ONLINE IN THE PAST 12 MONTHS?

	%	21-25	26-35	36-45	46+
Luxury handbags and leather goods	26	18	31	27	23
Luxury clothing	22	25	21	22	22
Luxury electronics	22	14	18	21	29
Luxury beauty and cosmetics	22	18	32	22	13
Luxury shoes	19	11	22	25	12
Luxury accessories	17	14	23	18	12
Fine wines, liquor and spirits	17	11	13	19	20
Luxury watches	14	14	18	14	11
Luxury jewelry	13	14	17	16	5
Luxury automobiles	4	0	3	7	3
I have not purchased luxury goods online in the past 12 months	29	39	19	27	38

%	Total	21-25	26-35	36-45	46+
Luxury clothing	34	24	32	41	37
Luxury shoes	28	21	35	30	22
Luxury beauty and cosmetics	28	21	35	36	14
Luxury jewelry	23	15	24	25	25
Luxury handbags and leather goods	23	17	27	19	24
Fine wines, liquor and spirits	23	24	26	23	17
Luxury watches	21	21	20	19	22
Luxury accessories	20	16	24	22	15
Luxury electronics	17	17	23	15	13
Luxury automobiles	5	5	6	5	5
I have not purchased luxury goods online in the past 12 months	16	24	32	41	37

Mainland China consumers are more comfortable with purchases online than Hong Kong consumers, with over 70% saying they are willing to buy every luxury item online except for automobiles.

FROM WHAT CHANNELS DO YOU FEEL COMFORTABLE BUYING THE FOLLOWING CATEGORIES?

	Watches	Jewelry	Clothing	Shoes	Handbags
Base (n=)	133	143	170	163	179
Online	**51%**	**49%**	**63%**	**55%**	**59%**
Near-border (e.g. Tmall)	10%	7%	9%	11%	10%
Cross border (international website)	13%	18%	26%	19%	25%
Official websites from brands	40%	40%	50%	41%	44%
Ecommerce on WeChat	3%	2%	4%	4%	5%
Offline	**90%**	**91%**	**91%**	**92%**	**88%**
Physical store in your country	74%	78%	79%	77%	77%
Pop-up store in your country	14%	13%	14%	15%	12%
Outlets in your country	24%	20%	22%	26%	18%

	Accessories	Beauty	Automobiles	Fines wines	Electronics
Base (n=)	144	149	46	132	152
Online	**63%**	**63%**	**37%**	**59%**	**64%**
Near-border (e.g. Tmall)	16%	13%	11%	14%	17%
Cross border (international website)	27%	31%	2%	21%	22%
Official websites from brands	47%	49%	28%	46%	50%
Ecommerce on WeChat	4%	3%	4%	3%	4%
Offline	**88%**	**89%**	**89%**	**92%**	**88%**
Physical store in your country	72%	79%	67%	82%	80%
Pop-up store in your country	14%	15%	24%	11%	7%
Outlets in your country	24%	17%	24%	24%	16%

	Watches	Jewelry	Clothing	Shoes	Handbags
Base (n=)	597	706	718	601	613
Online	73%	70%	74%	78%	75%
Near-border (e.g. Tmall)	9%	11%	12%	16%	11%
Cross border (international website)	35%	31%	37%	34%	36%
Official websites from brands	55%	52%	57%	57%	52%
Ecommerce on WeChat	7%	7%	8%	7%	8%
Offline	**83%**	**81%**	**81%**	**79%**	**76%**
Physical store in your country	61%	59%	60%	56%	56%
Pop-up store in your country	20%	16%	16%	15%	14%
Outlets in your country	20%	18%	18%	19%	18%

	Accessories	Beauty	Automobiles	Fines wines	Electronics
Base (n=)	453	546	261	550	418
Online	77%	80%	57%	74%	73%
Near-border (e.g. Tmall)	10%	15%	7%	15%	15%
Cross border (international website)	38%	43%	23%	36%	31%
Official websites from brands	58%	63%	38%	52%	54%
Ecommerce on WeChat	8%	5%	11%	8%	9%
Offline	**78%**	**77%**	**80%**	**76%**	**76%**
Physical store in your country	59%	59%	54%	56%	51%
Pop-up store in your country	14%	13%	18%	13%	18%
Outlets in your country	17%	16%	16%	17%	18%

Digital channel influences heavily luxury purchase. The frequency of Look Up Online and Purchase Online (LOPO), Look Up Online and Purchase in Physical Stores (LOPP), Look Up in Physical Stores and Purchase Online (LPPO) is over 68% in Mainland China and 62% in Hong Kong. LOPP is the most preferred method. Most Chinese consumers conduct extensive online research before making purchases. Research includes browsing through product specifications, reading product reviews and recommendations, and comparing prices.

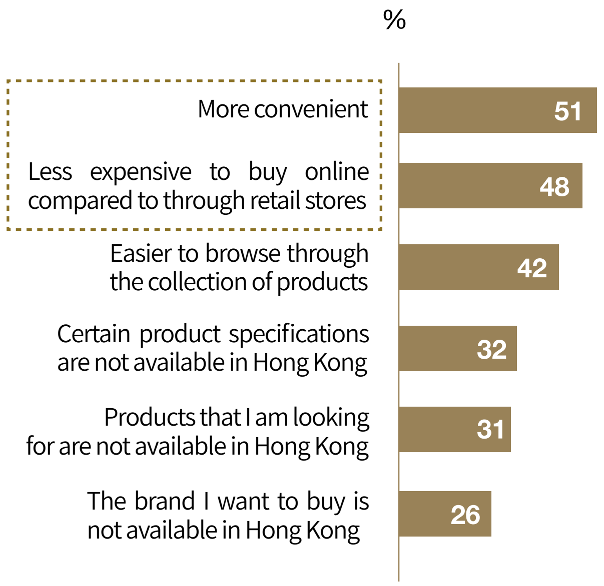
WHAT IS YOUR PREFERRED PURCHASING METHOD AMONG THE FOLLOWING LUXURY CATEGORIES?

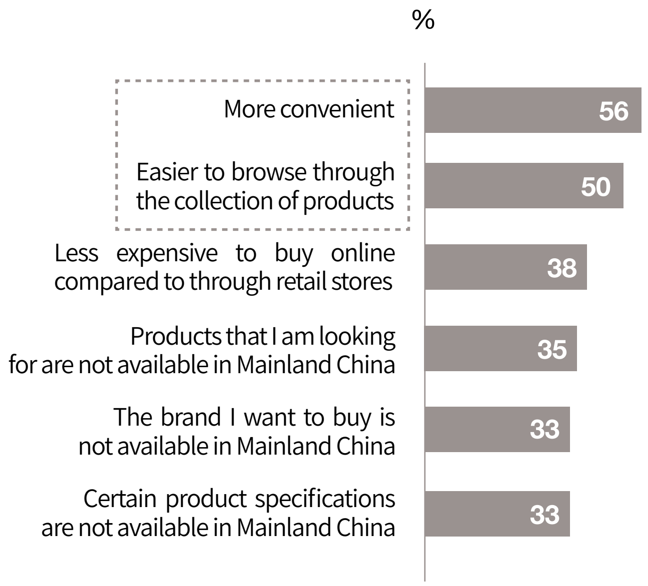
	Look up online	Look up at stores
Purchase online	7%	16%
Purchase at stores	39%	33%

	Look up online	Look up at stores
Purchase online	17%	19%
Purchase at stores	32%	24%

The reason for shopping online: Convenience is the most important reasons for purchasing online for both regions. However, 'products being less expensive' is also important to Hong Kong consumers while Mainland China consumers values more 'Eeasier to browse through the collection online'

WHY DO YOU PURCHASE LUXURY GOODS ONLINE?





Hong Kong consumers look for price while Mainland China consumers look for product specifications from both online and stores.

WHAT KIND OF INFORMATION ON LUXURY PRODUCTS DO YOU USUALLY LOOK FOR ONLINE AND FROM STORES RESPECTIVELY?

From online	From stores	From online	From stores
Price 78%	Price 69%	Product specification 67%	Product specification 70%
Colour 60%	Product specification 69%	Price 59%	Colour 61%
Product specification 58%	Colour 62%	Colour 56%	Price 57%
Size 49%	Size 62%	Mix & match/ advice 52%	Size 57%
Mix & match/ advice 36%	Mix & match/ advice 45%	Size 52%	Mix & match/ advice 55%

Hong Kong consumers prefer purchasing luxury goods from official brands websites while Mainland China consumers like purchasing from JD.com and Tmall, the two ecommerce behemoths in China.

IN THE PAST 12 MONTHS, WHICH ONLINE WEBSITES HAVE YOU PURCHASED LUXURY GOODS FROM?

	%	21-25	26-35	36-45	46+
Official brands websites	44	53	37	42	52
Lane Crawford	37	47	38	39	28
Amazon	30	24	32	32	28
Taobao	22	53	25	15	20
Tmall	21	29	25	20	15
Suning	14	18	19	9	13
Net-a-porter/ Mr Porter	13	6	19	7	15
JD.com	11	12	16	12	5
Luxury Pavilion	11	18	12	6	12
Farfetch.com	10	6	18	9	2

%	Overall	21-25	26-35	36-45	46+
JD.com	44	31	56	51	29
Tmall	36	31	45	39	26
Official brands websites	30	22	34	37	21
Amazon	28	29	35	26	21
Luxury Pavilion	26	26	32	26	18
Vipshop	22	22	27	17	21
Kaola.com	18	21	20	18	15
XiaoHongShu	13	12	17	11	11
Taobao	12	16	14	11	10
Secoo	12	6	13	16	10

Hong Kong consumers prefer paying with credit cards while Mainland China consumers prefer using Alipay.

WHAT ARE YOUR PAYMENT METHODS FOR YOUR ONLINE PURCHASES?

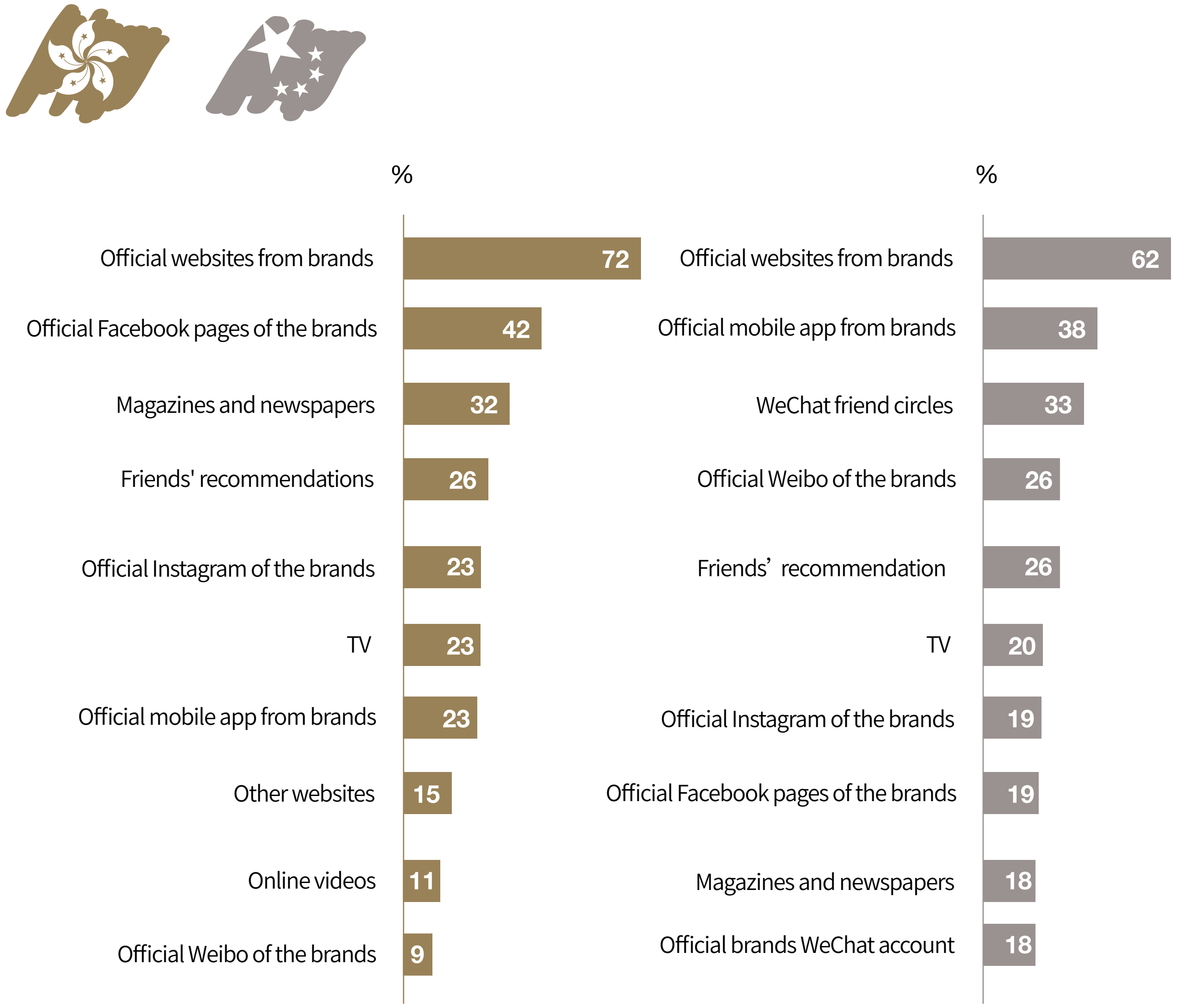
Hong Kong	%
Pay on the websites through credit cards	75
PayPal	44
Alipay	20
Apple Pay	15
Cash on delivery	13
Pay on the websites through bank transfer	8

Mainland China	%
Alipay	72
Pay on the websites through credit cards	37
Cash on delivery	19
Pay on the websites through debit cards	17
Pay on the websites through bank transfer	17
PayPal	15

06
DIGITAL FOCUS

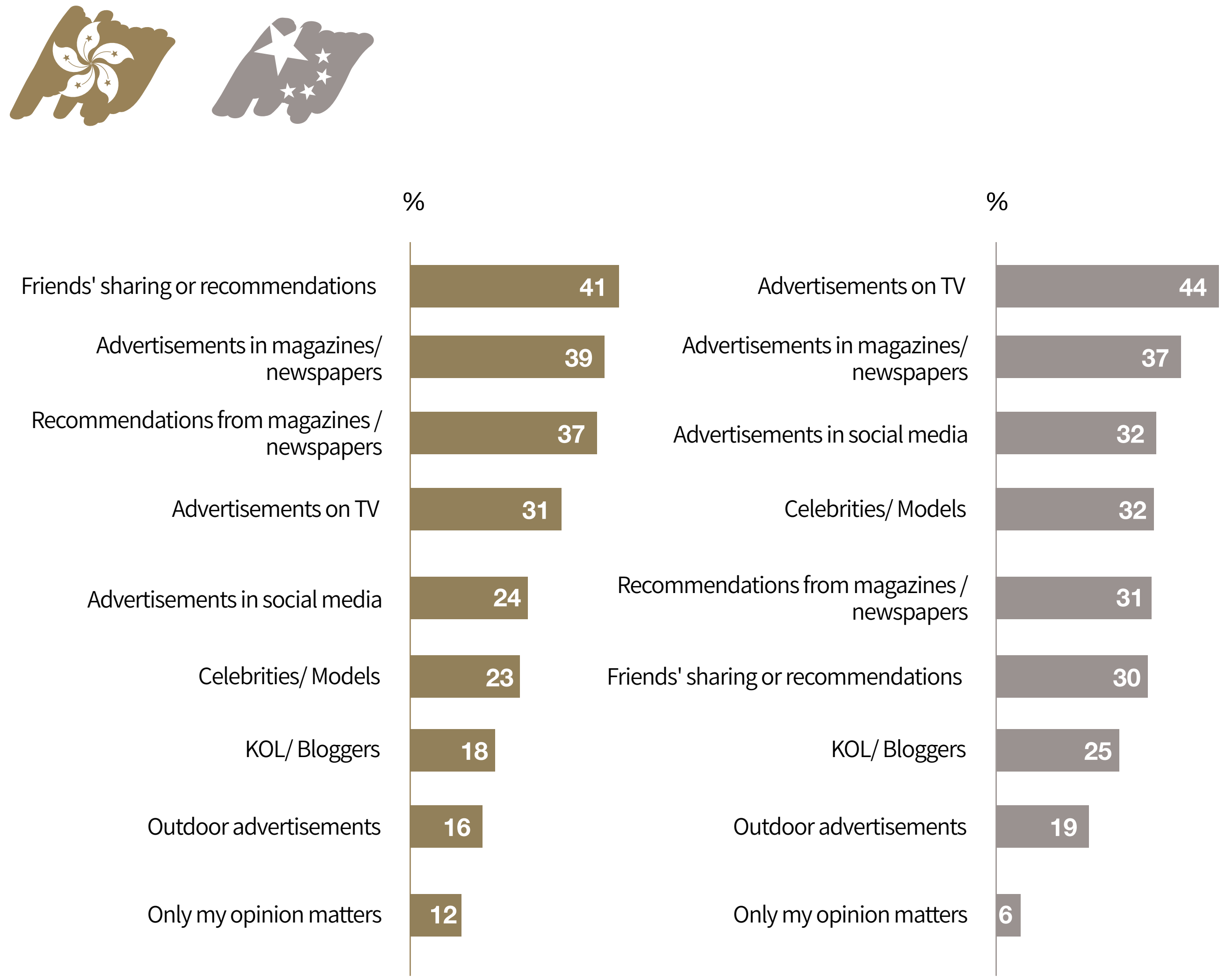
In addition to the increasing use of online methods for purchases, luxury goods consumers mainly use digital channels to obtain brand and product information. Digital channels are dominant in Mainland China, as four of the nation's leading information channels are all digital. In Hong Kong, official websites and Facebook pages are the top channels, while magazines and newspapers are still often used for obtaining luxury brand and product information.

WHICH OF THE FOLLOWING SOURCES DO YOU OBTAIN LUXURY BRANDS INFORMATION FROM?



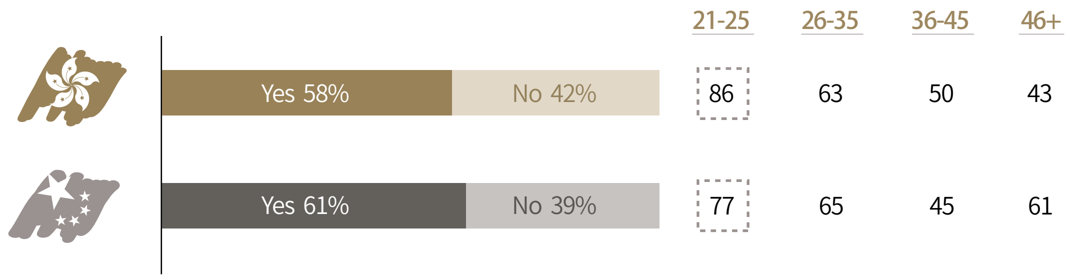
However, when it comes to information channel affecting purchasing decision, Word Of Mouth and magazines are very important to Hong Kong consumers while traditional media is still important for Mainland China consumers, with advertisement on TV and Print the top 2 in Mainland China. Traditional media especially TV and magazines/newspaper are still effective in building up brand image and product credibility.

WHICH INFORMATION CHANNEL INFLUENCE YOUR PURCHASING DECISION?



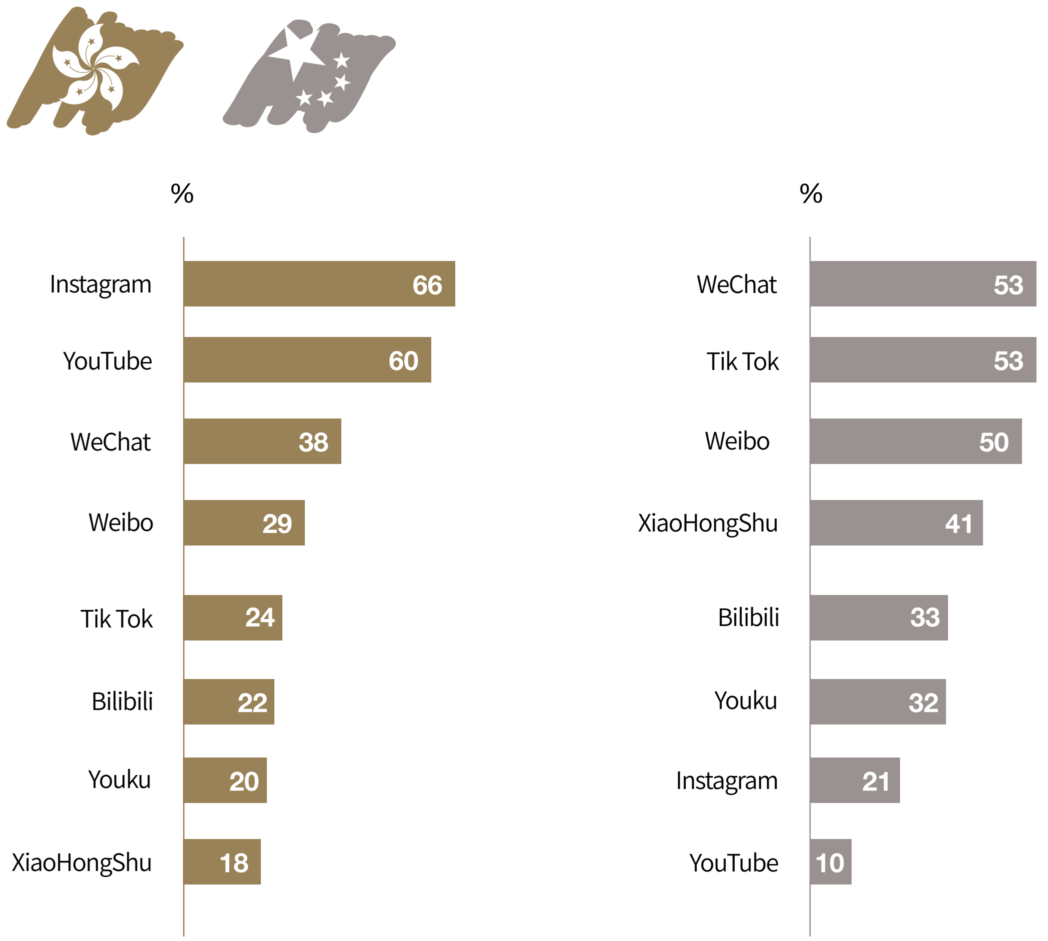
Key opinion leaders (KOL) are increasingly important. About 60% of consumers who follow fashion bloggers or KOLs consider their opinions before making purchases.

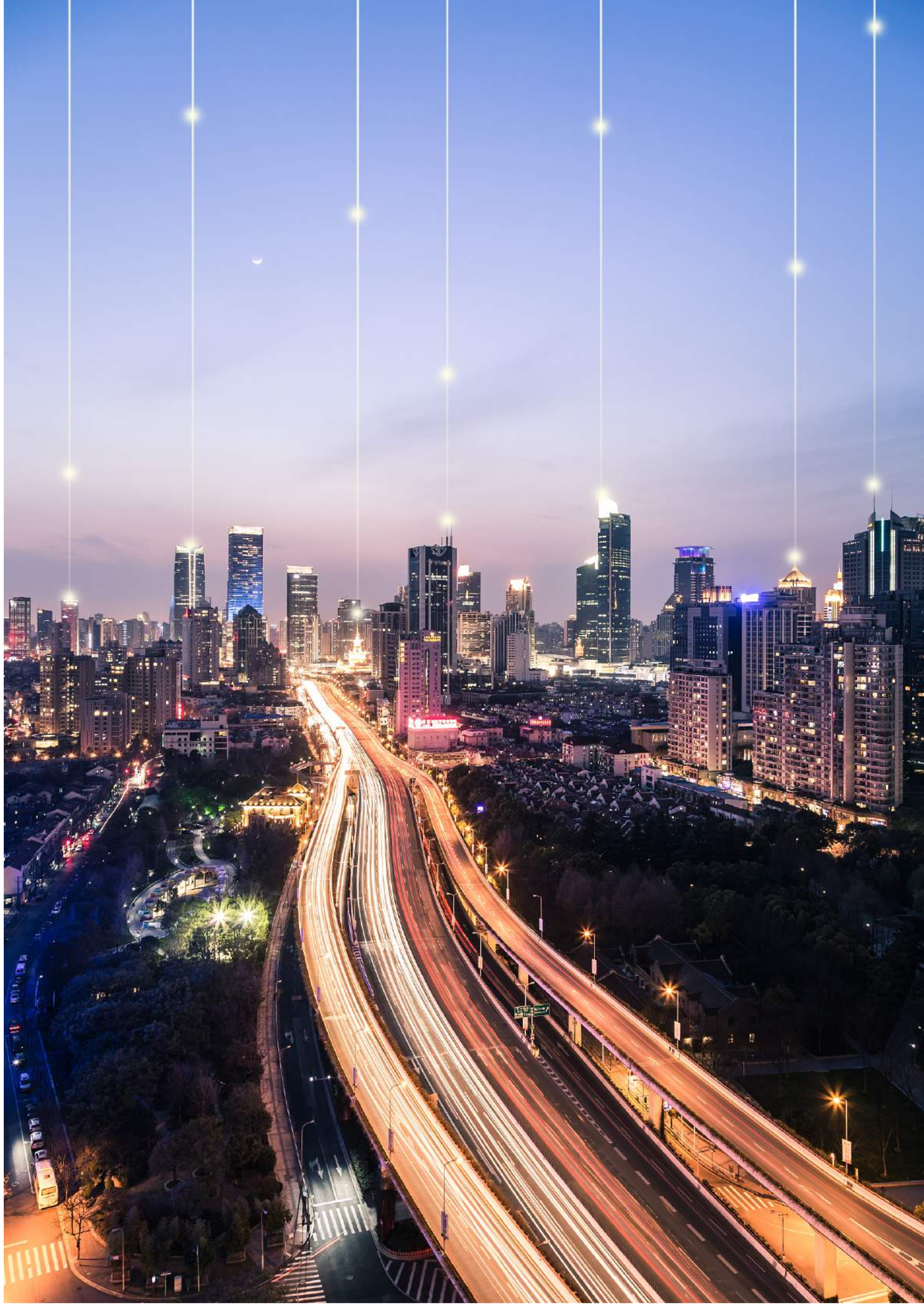
HAVE YOU FOLLOWED OPINIONS BY FASHION BLOGGERS AND MADE PURCHASE IN THE LAST 12 MONTHS?



The top three KOL social platforms are Wechat, Tik Tok and Weibo in Mainland China while Ins, Youtube, Wechat in Hong Kong. Xiao Hong Shu ' s popularity is picking up momentum in Mainland China.

IN THE PAST 12 MONTHS, UNDER WHICH SOCIAL PLATFORMS DID YOU FOLLOW KOLS?



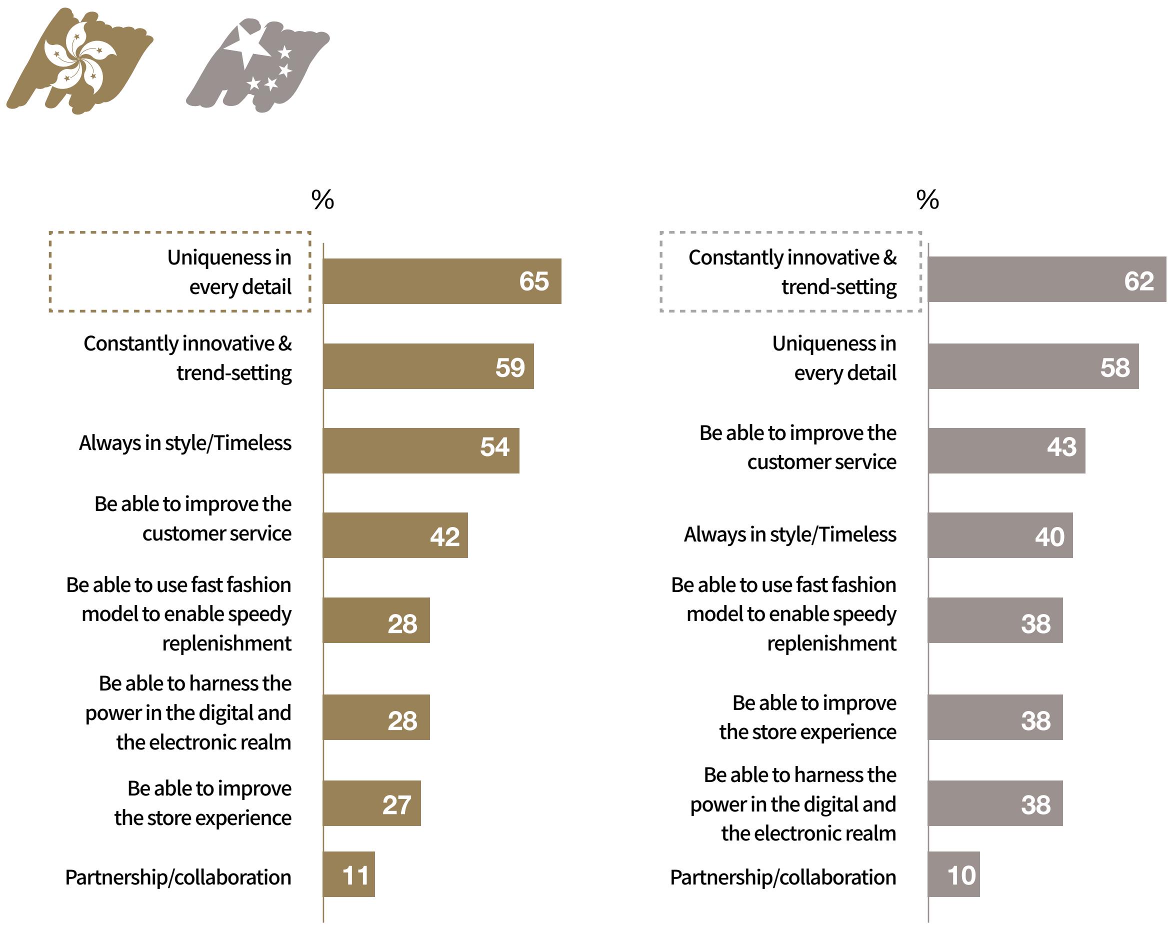


07
WINNING BRANDS, BRAND RECOGNITION, PURCHASES AND PURCHASING INTENTIONS

WINNING BRANDS

Against the backdrop of intensifying competition and the fact that digitalization now offers consumers full access to information, many have asked: What are the ingredients for a winning brand? Two of the most important factors are "uniqueness in every detail" and "constant innovation and trend-setting". Hong Kong consumers are more likely to stress the former, as they value uniqueness, while Mainland China consumers are more inclined to favour innovative and trend-setting brands.

WHAT ARE IMPORTANT ATTRIBUTES OF ‘WINNING BRANDS’ TO YOU?



Hereafter, we will seek to delineate winning brands for various luxury goods categories in Mainland China and in Hong Kong in terms of brand recognition and purchases. It is worth noting that there are marked differences between the two regions. This likely can be explained by differences in each brand's geographic focus, as well as cultural differences. For example, consumers in the Hong Kong market prefer Japanese beauty brands while Mainland China consumers prefer European brands.

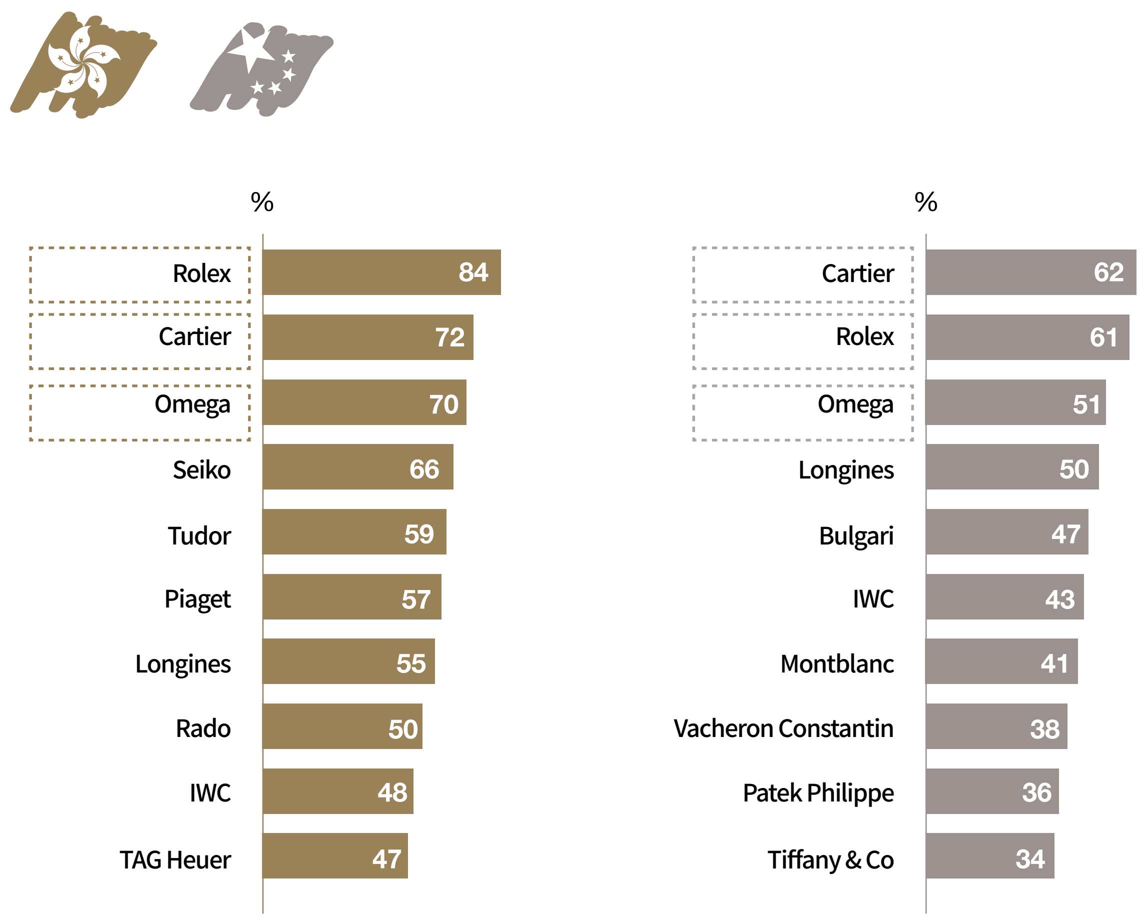
We can also note some interesting difference when compared to the previous reports.

- For Watches & Jewelry, Cartier is the No. 1 for its brand awareness and purchases in the past 12 months in Jewelry category, undoubtedly ‘the king of jewelry’ in both Mainland China and Hong Kong. Meanwhile, Cartier is competing neck-to-neck with Rolex for the watches category crown as they are the top 2 brands in both brand awareness and past purchase. It is worth noting that the millennials and Generation surveyed purchased more Cartier than Rolex.
- For Clothing, Handbags & Leather Goods, Chanel, Gucci, Dior, Louis Vuitton and Hermes remain the top 5 brands in brand awareness and purchases in both Mainland China and Hong Kong. However, Hermes tops the list of brand awareness in both Clothing and in Handbags/Leather Goods.
- For Beauty & Cosmetics, Estee Lauder, Chanel, Lancome, Dior, Shiseido remain the top 5 brands in Mainland China in both brand awareness and purchase. Estee Lauder tops the list for the first time in both brand awareness and purchases in Mainland China.

WATCHES

Rolex, Cartier and Omega are the top three watch brands that receive the highest awareness in both Hong Kong and China. Rolex is leading in Hong Kong. However, Rolex and Cartier are competing neck-to-neck while Longines is almost tie to Omega in Mainland China.

WHICH OF THE FOLLOWING WATCH BRANDS DO YOU KNOW?



Around half of Hong Kong luxury shoppers surveyed have purchased a Rolex in the past 12 months. For Mainland China, Rolex and Cartier are competing neck-to-neck in purchase. It is worth noting that among millennials and Generation Z surveyed, they purchased more of Cartier.

WHICH OF THE FOLLOWING WATCHES BRANDS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?

	%	26-35	36-45	46+
Rolex	47	46	51	47
Cartier	24	33	20	19
Omega	15	13	20	17
Seiko	8	13	5	6
IWC	7	9	2	8
Piaget	7	7	7	6
Longines	7	7	10	6
Chopard	6	7	2	6
Bulgari	6	7	10	3
Rado	6	7	10	3

	%	21-25	26-35	36-45	46+
Rolex	22	11	20	28	23
Cartier	21	24	27	19	15
Omega	14	16	16	16	7
Longiness	13	7	17	14	10
IWC	10	9	14	6	10
Bulgari	7	9	6	7	9
Jaeger LeCoultre	5	5	2	6	6
Vacheron Constantin	4	3	5	7	1
Tiffany & Co	4	3	5	6	2
Montblanc	4	4	4	3	5

In the past 12 months, Hong Kong and Mainland China consumers have spent on average HKD51,000 and RMB39,100 respectively on watches. 46% of Mainland China consumers plan to purchase more watches in the next 12 months versus 36% of Hong Kong consumers.

Most of Hong Kong (86%) and Mainland China (70%) shoppers prefer buying Swiss luxury watch brands. However, 30% of mainland Chinese are also willing to purchase watches made in other regions, especially those made in Germany (16%).

OF WHAT COUNTRIES OF ORIGIN ARE YOU MORE INCLINED TO BUY WATCHES?

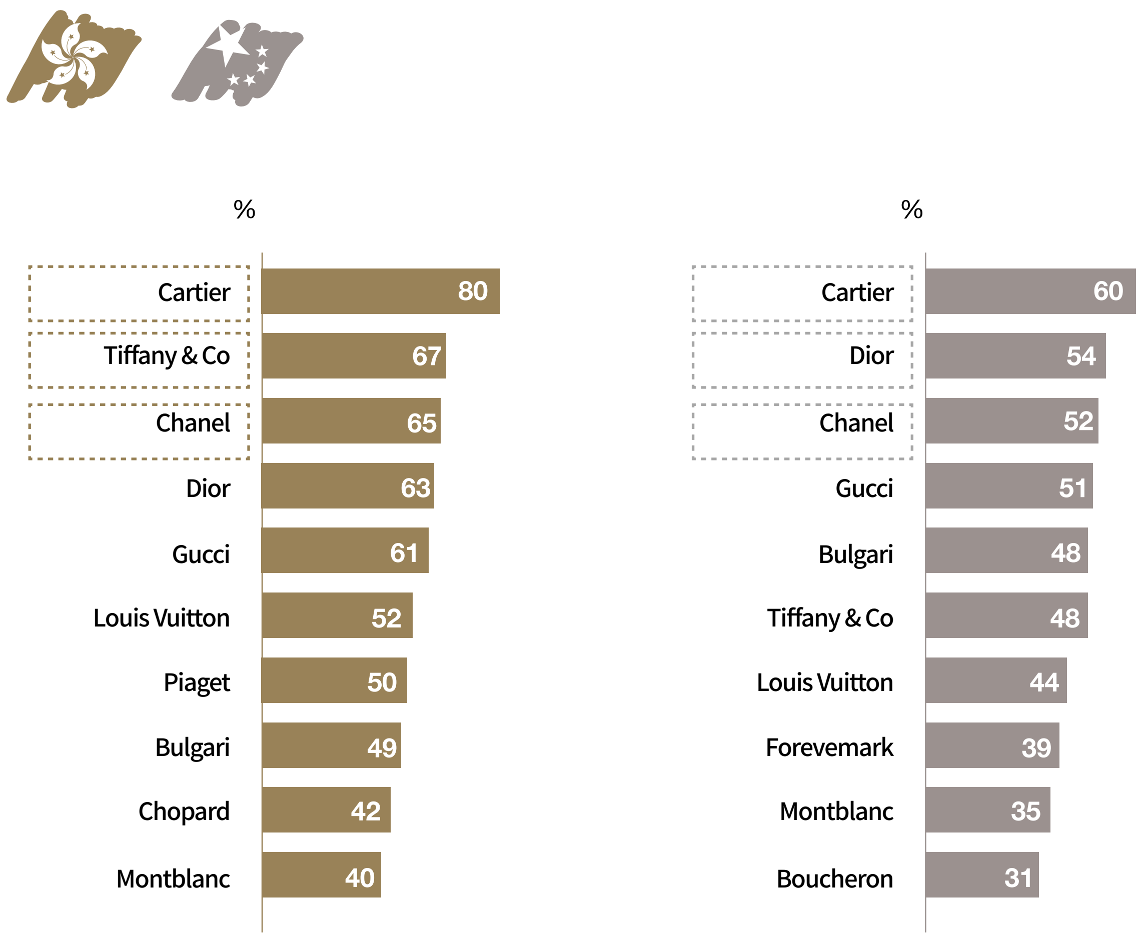
	%
Switzerland	86
Germany	7
Japan	6
China	1

	%
Switzerland	70
Germany	16
Japan	8
China	6

JEWELRY

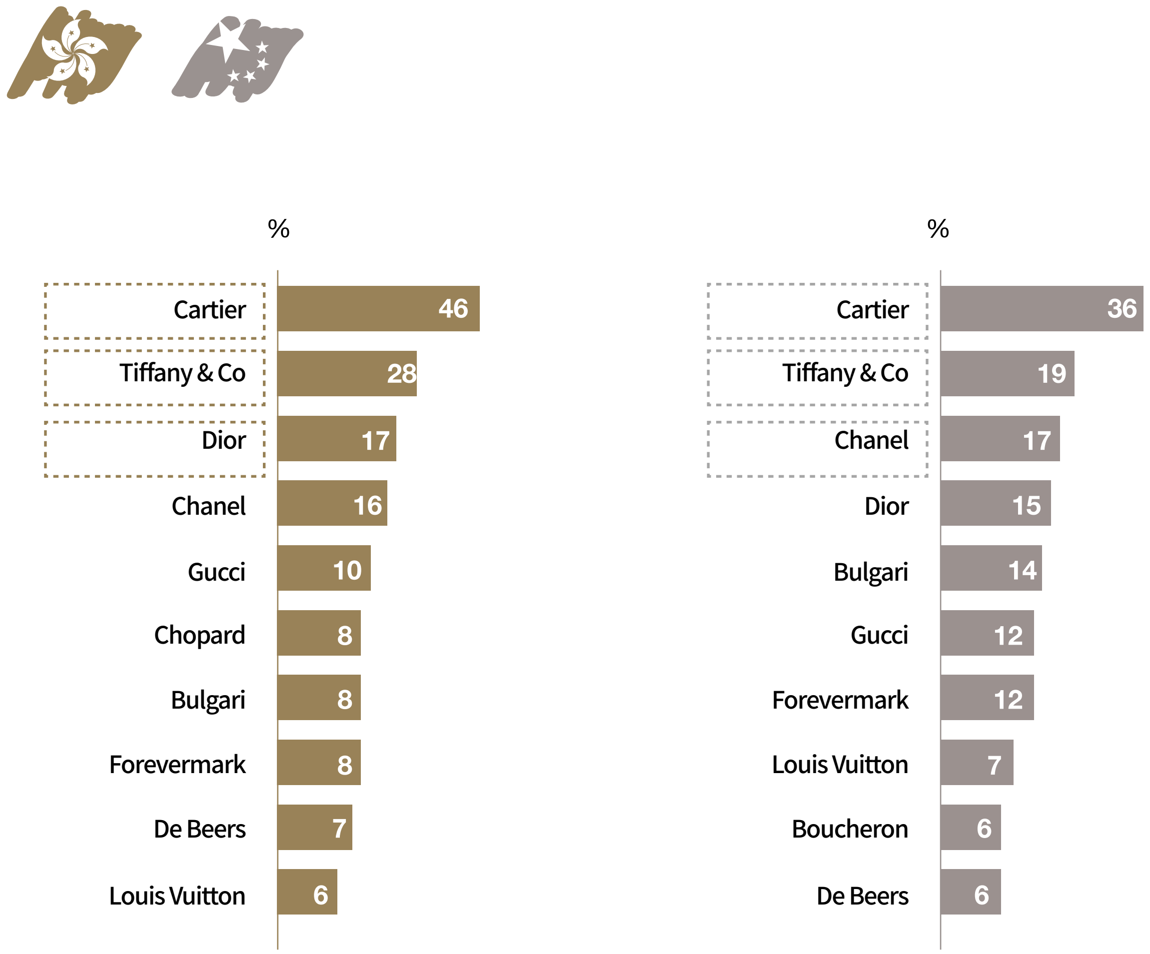
Cartier, Tiffany & Co and Chanel are the three top of mind jewelry brands in Hong Kong while Cartier, Dior and Chanel are leaders in Mainland China.

WHICH OF THE FOLLOWING JEWELRY BRANDS DO YOU KNOW?



Cartier, Tiffany & Co, Dior and Chanel are the top brands surveyed consumers purchased in the past 12 months in both Hong Kong and Mainland China, with Cartier the overwhelmingly leader.

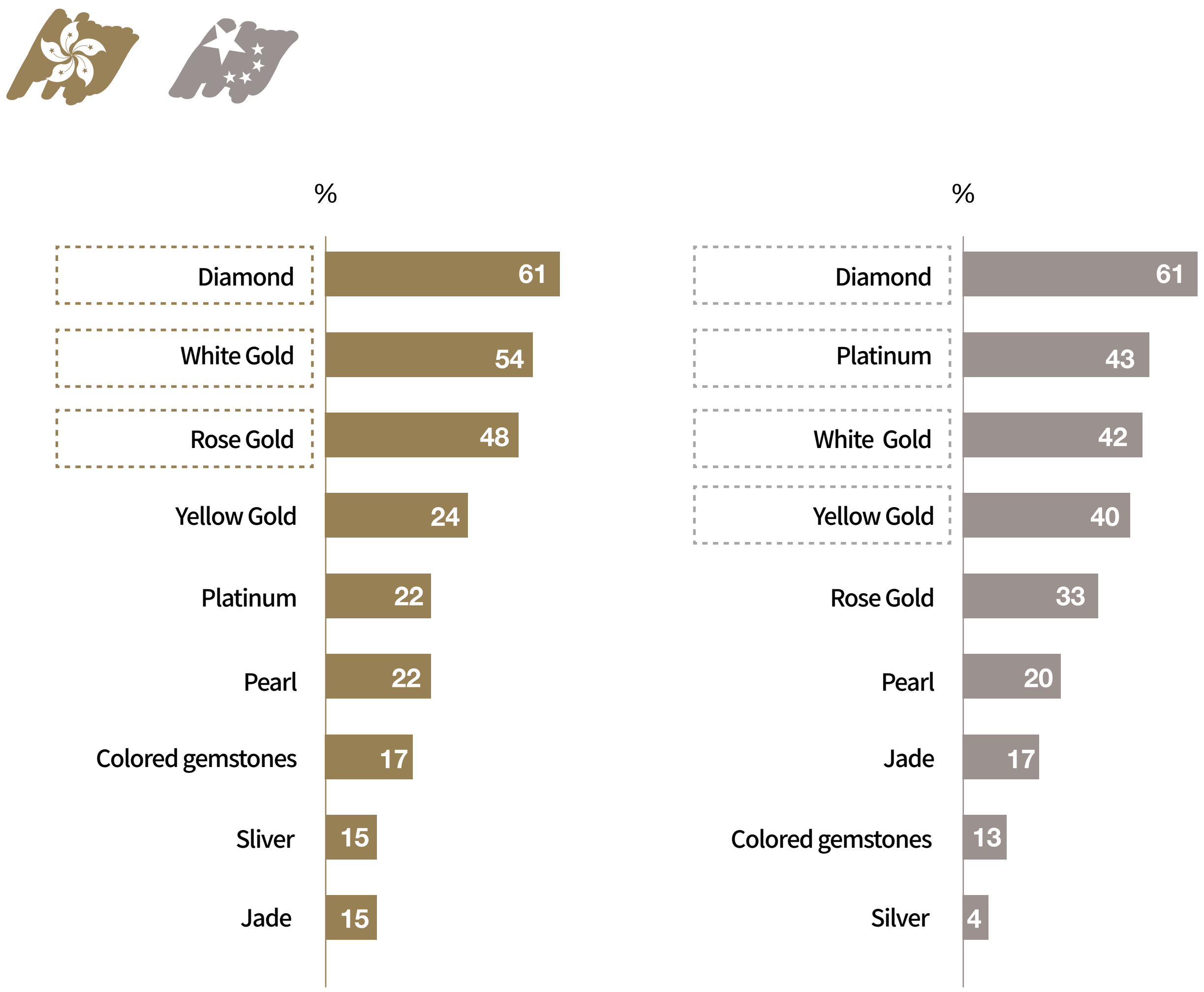
WHICH OF THE FOLLOWING JEWELRY BRANDS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



In the past 12 months, Hong Kong and Mainland China consumers have spent on average HKD59,000 and RMB38,700 respectively on jewelry. 46% of Mainland China consumers plan to purchase more jewelry in the next 12 months versus 27% of Hong Kong consumers.

Diamond is the most preferred materials for both Hong Kong and Mainland China consumers. However, Hong Kong consumers also prefer White Gold and Rose Gold while Mainland China consumers prefer traditional materials including Platinum, White Gold and Yellow Gold.

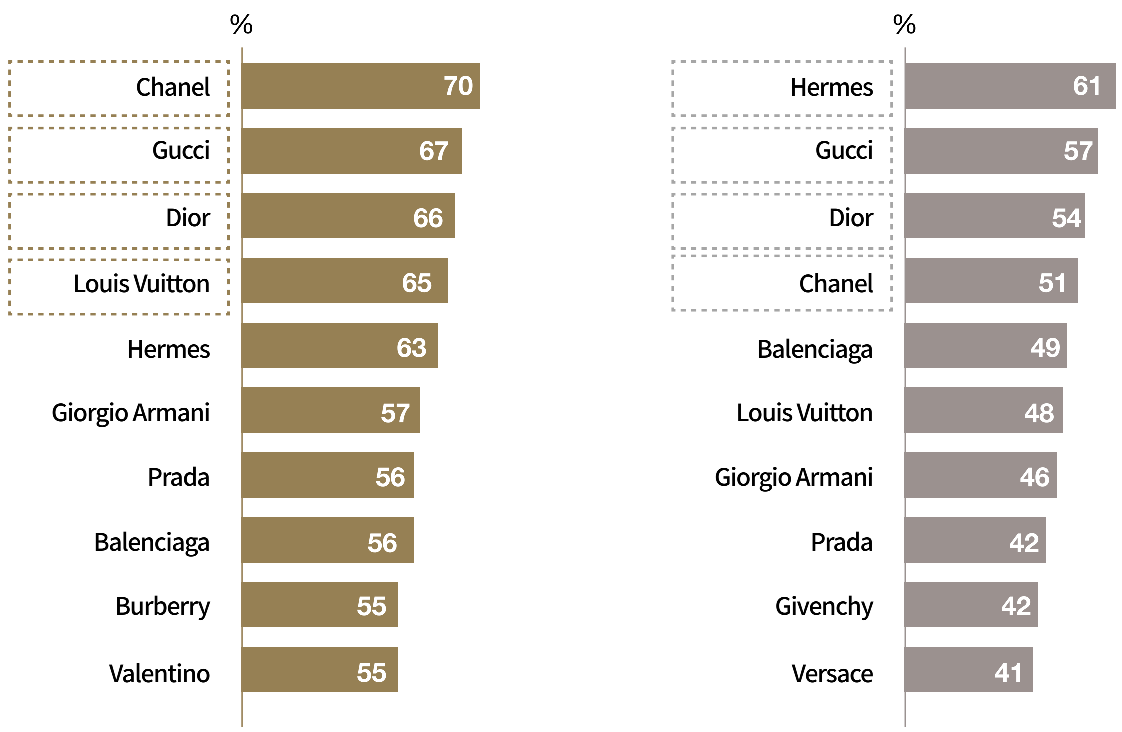
WHICH TYPES OF MATERIALS OF JEWELRY DO YOU LIKE?



CLOTHING

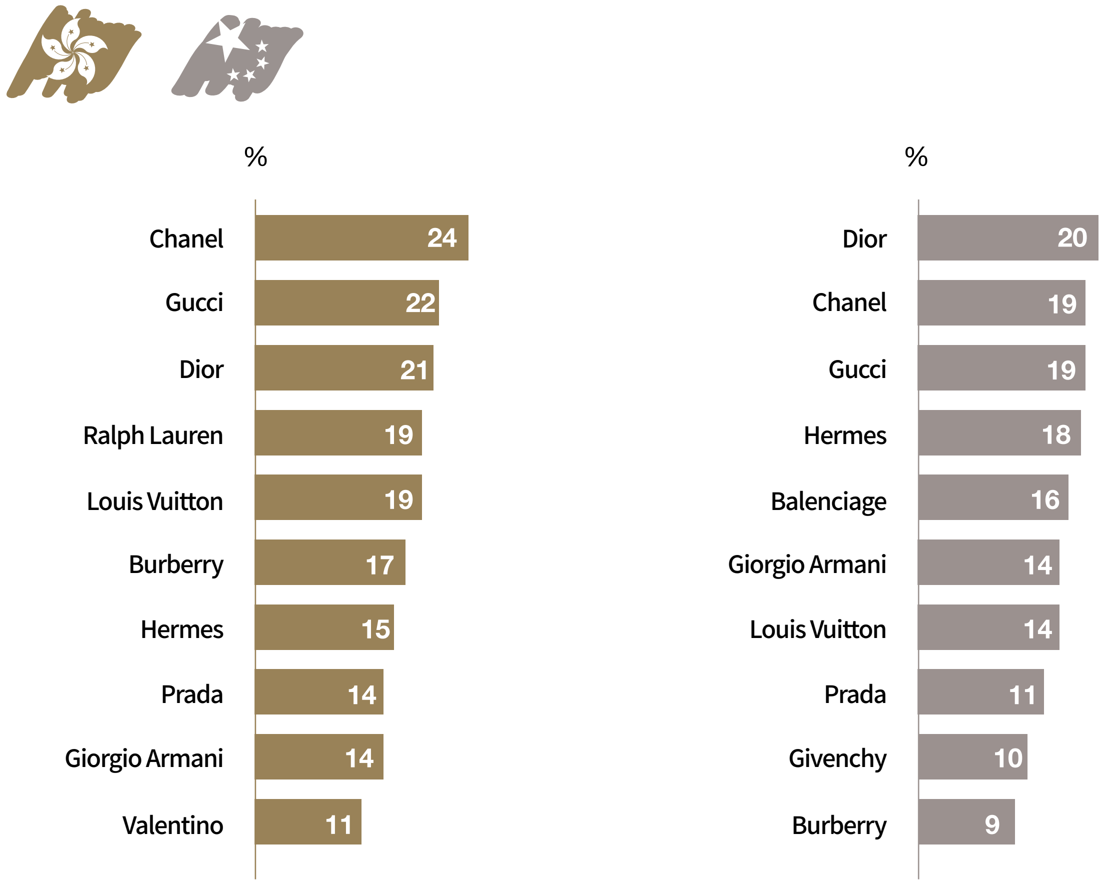
In Hong Kong, Chanel, Gucci, Dior and Louis Vuitton are the top 4 fashion brands with highest brand awareness. But in Mainland China, Hermes enjoys the lead position, followed by Gucci, Dior and Chanel.

WHICH OF THE FOLLOWING CLOTHING BRANDS DO YOU KNOW?



In both Hong Kong and Mainland China, Chanel, Gucci and Dior are the top 3 brands that consumers surveyed like to purchase in the past 12 months.

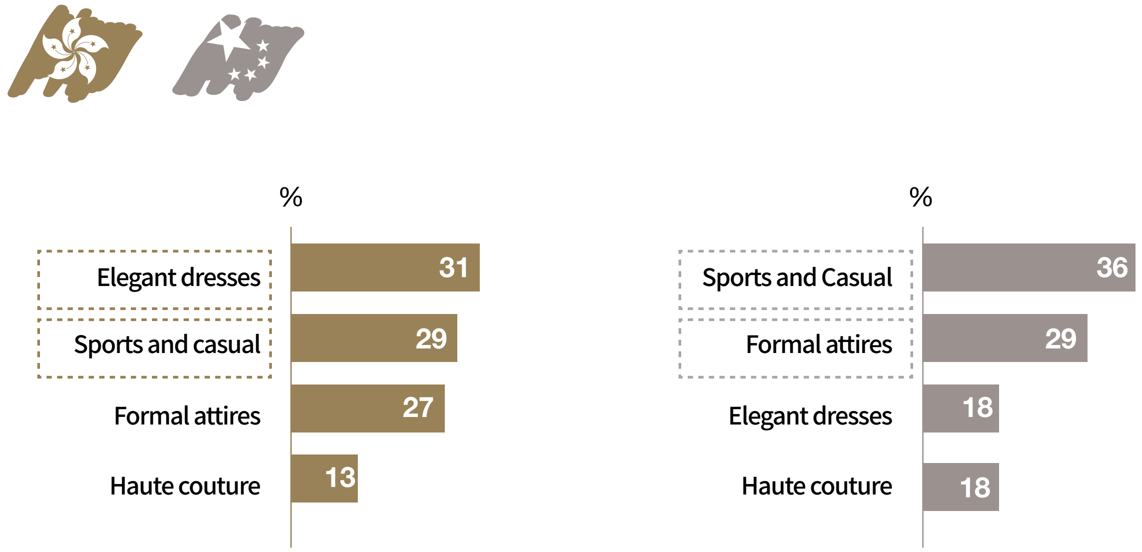
WHICH OF THE FOLLOWING CLOTHING BRANDS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



In the past 12 months, Hong Kong and Mainland China consumers surveyed have spent on average HKD18,200 and RMB24,800 respectively on luxury clothing. 50% of Mainland China consumers surveyed plan to purchase more luxury clothing in the next 12 months versus 37% of Hong Kong consumers.

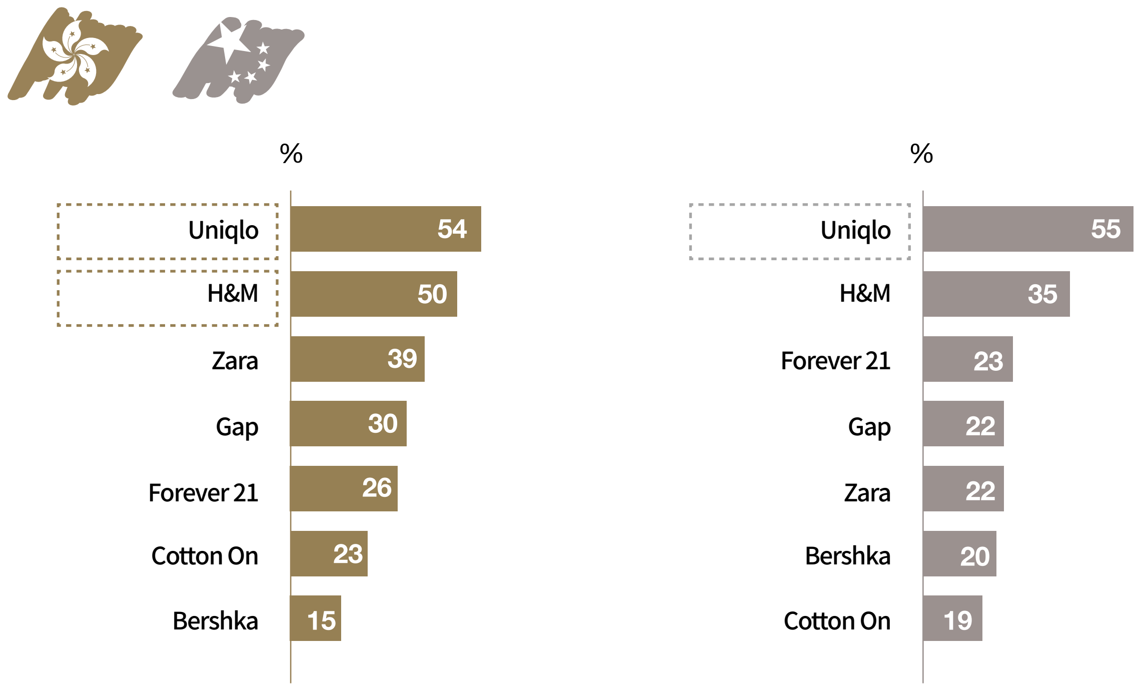
Hong Kong consumers prefer elegant dresses as well as sports and casual style while Mainland China consumers prefer Sports and casual style as well as formal attires.

WHICH STYLE OF FASHION DO YOU LIKE THE MOST?



Uniqlo is the most preferred fast fashion brand in both Hong Kong and Mainland China. The brand leads in Mainland China and is closely followed by H&M in Hong Kong.

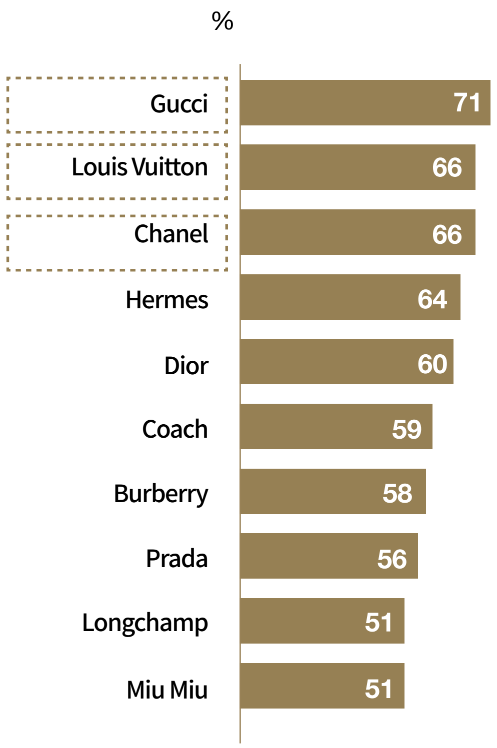
DID YOU PURCHASE FROM THE FOLLOWING FAST FASHION BRANDS IN THE PAST 12 MONTHS?

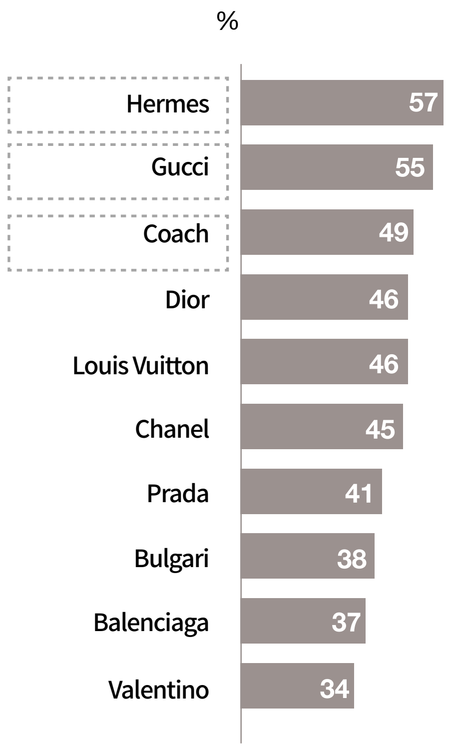


HANDBAGS & LEATHER GOODS

Gucci, Louis Vuitton and Chanel are the top three best-known luxury leather goods brands in Hong Kong. In Mainland China, Hermes, Gucci and Coach top the list. .

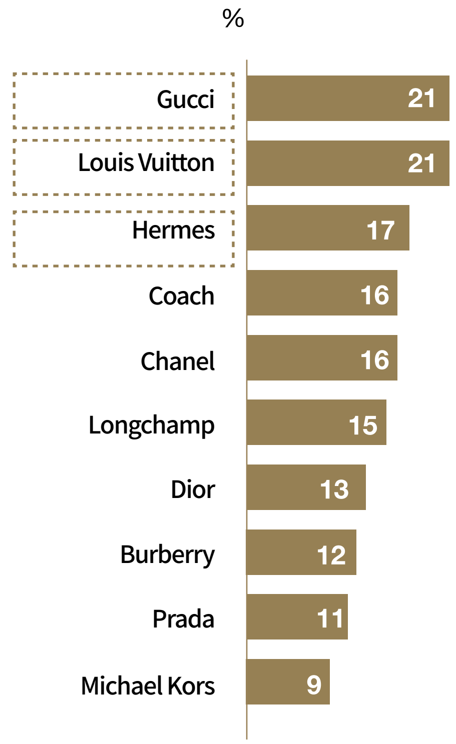
WHICH OF THE FOLLOWING HANDBAGS & LEATHER GOODS BRANDS DO YOU KNOW?

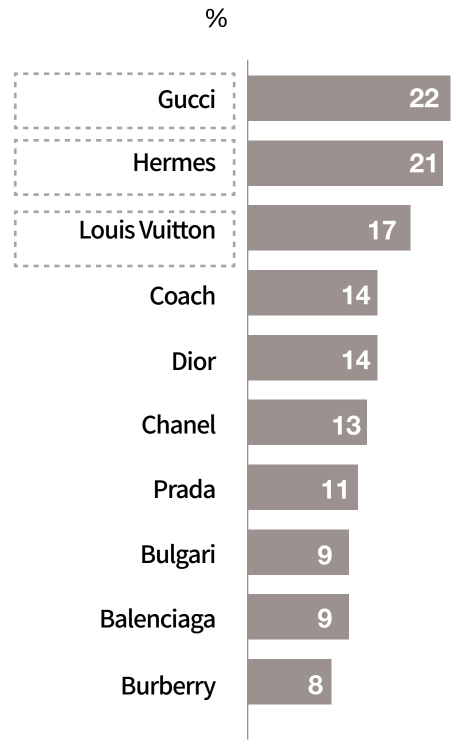




In both Hong Kong and Mainland China, Gucci, Louis Vuitton and Hermes are the top three brands that surveyed consumers purchased in the past 12 months.

WHICH OF THE FOLLOWING HANDBAGS & LEATHER GOODS BRANDS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?

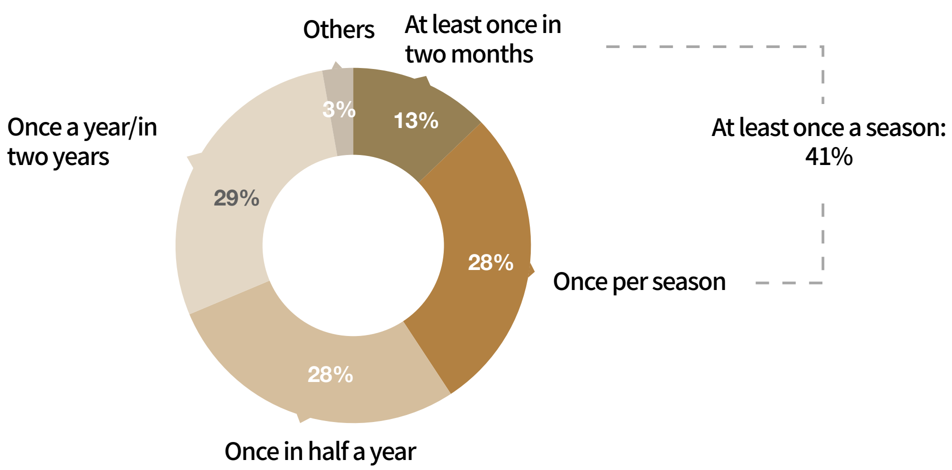


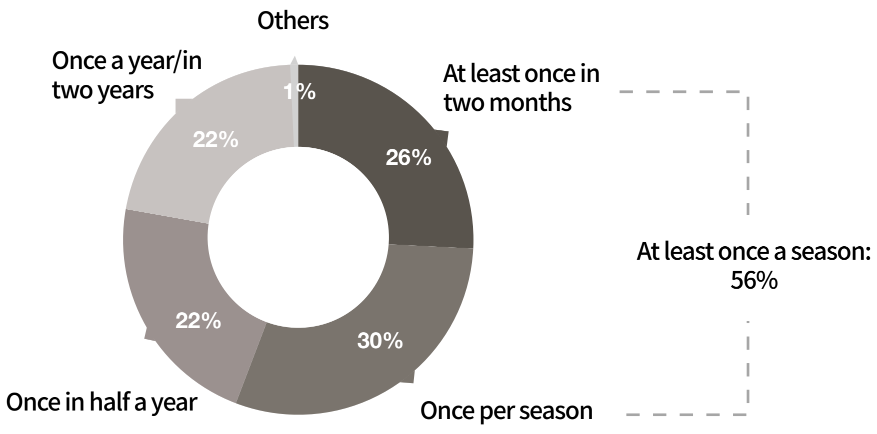


In the past 12 months, Hong Kong and Mainland China consumers surveyed have spent on average HKD17,900 and RMB24,200 respectively on Luxury handbags & leather goods. 41% of Mainland China consumers surveyed plan to purchase more Luxury handbags & leather goods in the next 12 months versus 33% of Hong Kong consumers.

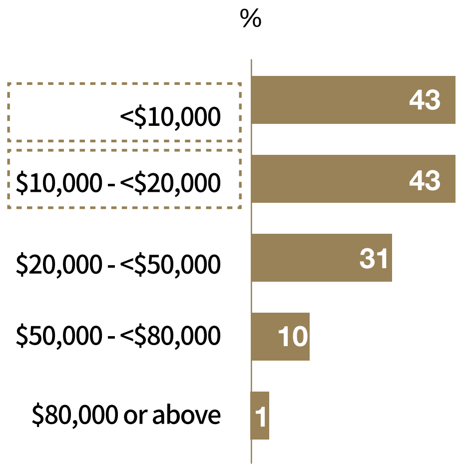
More than half (56%) of Mainland China consumers surveyed purchase handbags at least once a season, while only 41% Hong Kong consumers surveyed do the same. Most Hong Kong consumers surveyed purchase handbags that cost less than HKD 20,000, while most Mainland China consumers surveyed buy handbags that cost between RMB 10,000 and RMB 20,000.

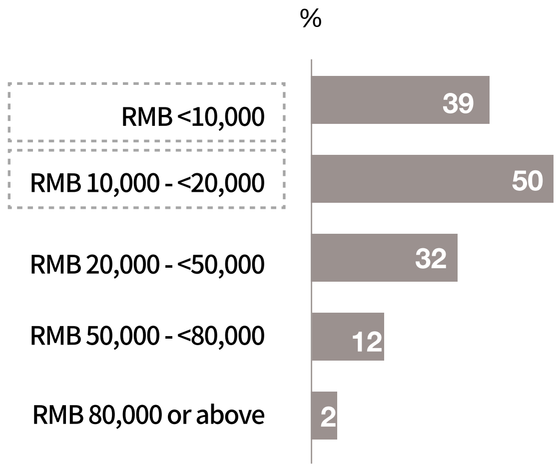
HOW OFTEN DO YOU PURCHASE A NEW HANDBAG?





WHAT PRICE RANGE OF HANDBAGS WOULD YOU PURCHASE?

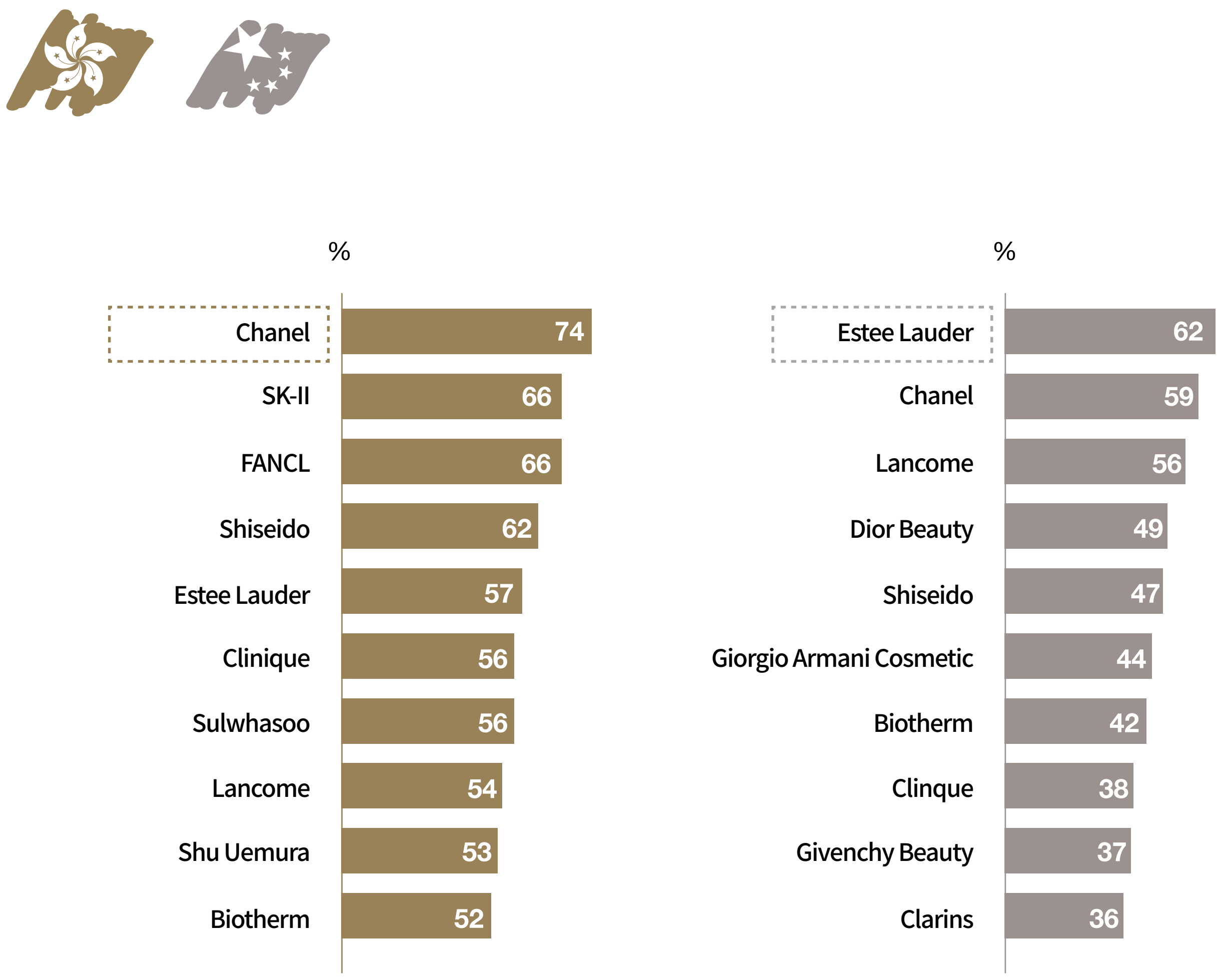




BEAUTY & COSMETICS

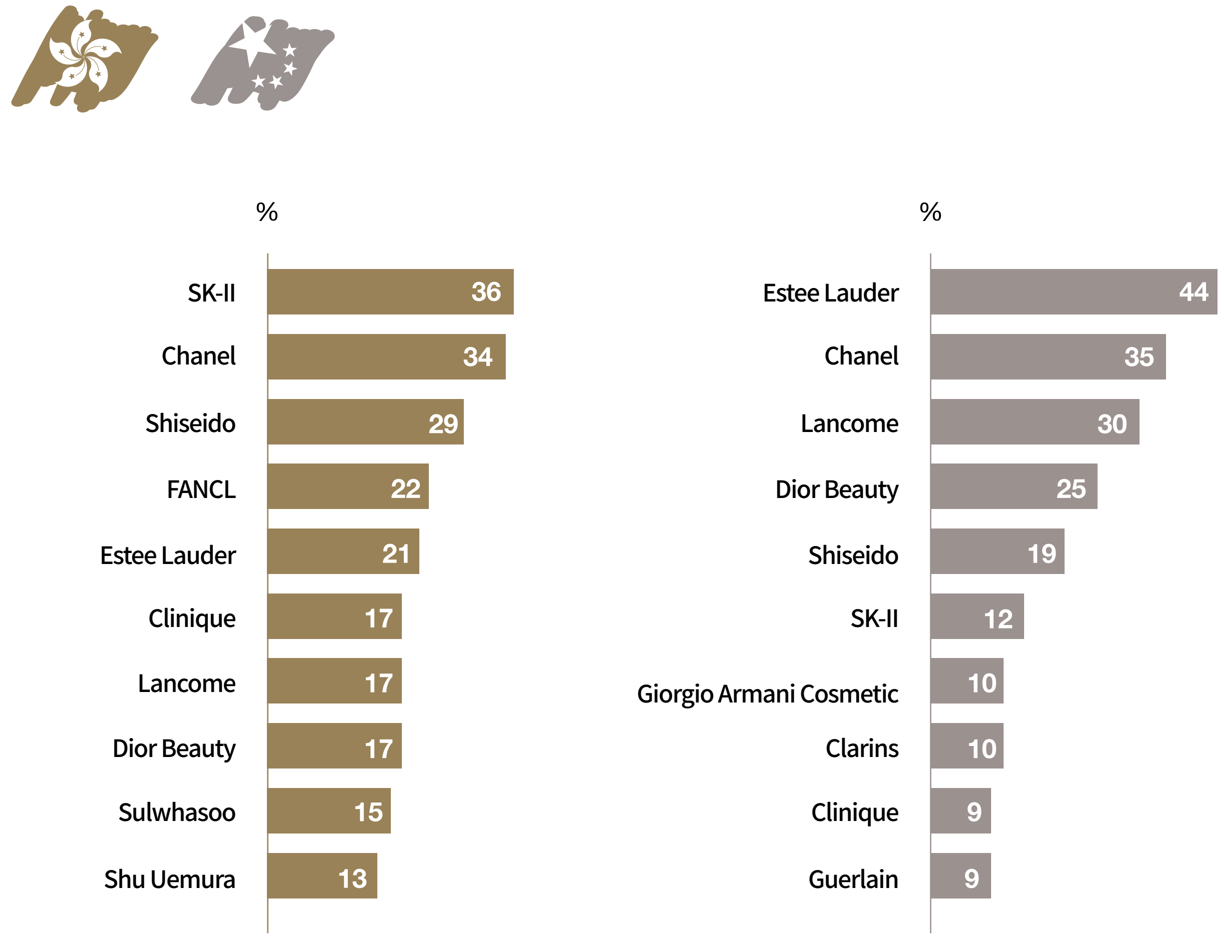
Hong Kong consumers are aware of Chanel the most while Mainland China consumers are aware of Estee Lauder the most.

WHICH OF THE FOLLOWING BEAUTY & COSMETICS BRANDS DO YOU KNOW?



SK-II, Chanel and Shiseido are the top three brands that Hong Kong consumers surveyed purchased while Estee Lauder, Chanel and Lancome are the top three brands for Mainland China consumers surveyed in the past 12 months.

WHICH OF THE FOLLOWING BEAUTY & COSMETICS BRANDS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



In the past 12 months, Hong Kong and Mainland China consumers surveyed spent on average HKD8,800 and RMB15,200 respectively on beauty & cosmetics. 54% of Mainland China consumers surveyed plan to purchase more beauty & cosmetics in the next 12 months versus 34% of Hong Kong consumers.

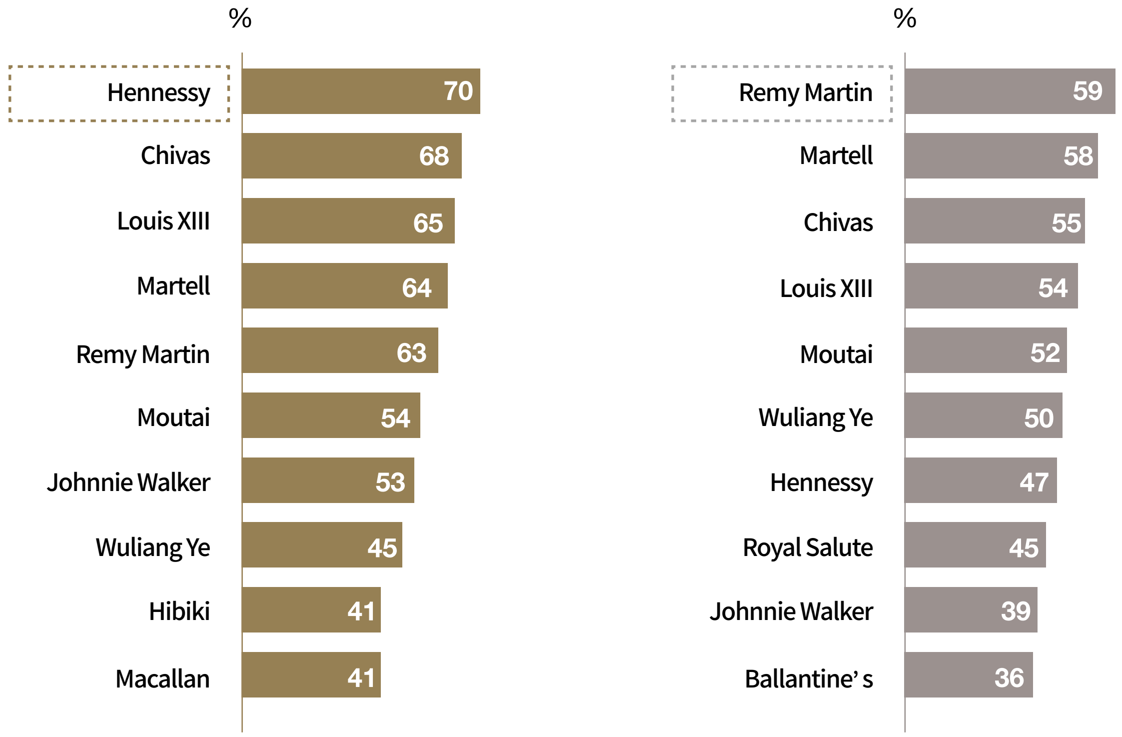
Most of Hong Kong consumers surveyed purchase from physical stores while similar proportion of Mainland China consumers surveyed purchase from physical stores and official websites.

IN THE PAST 12 MONTHS, THROUGH WHICH CHANNELS HAVE YOU PURCHASED BEAUTY OR COSMETIC PRODUCTS?

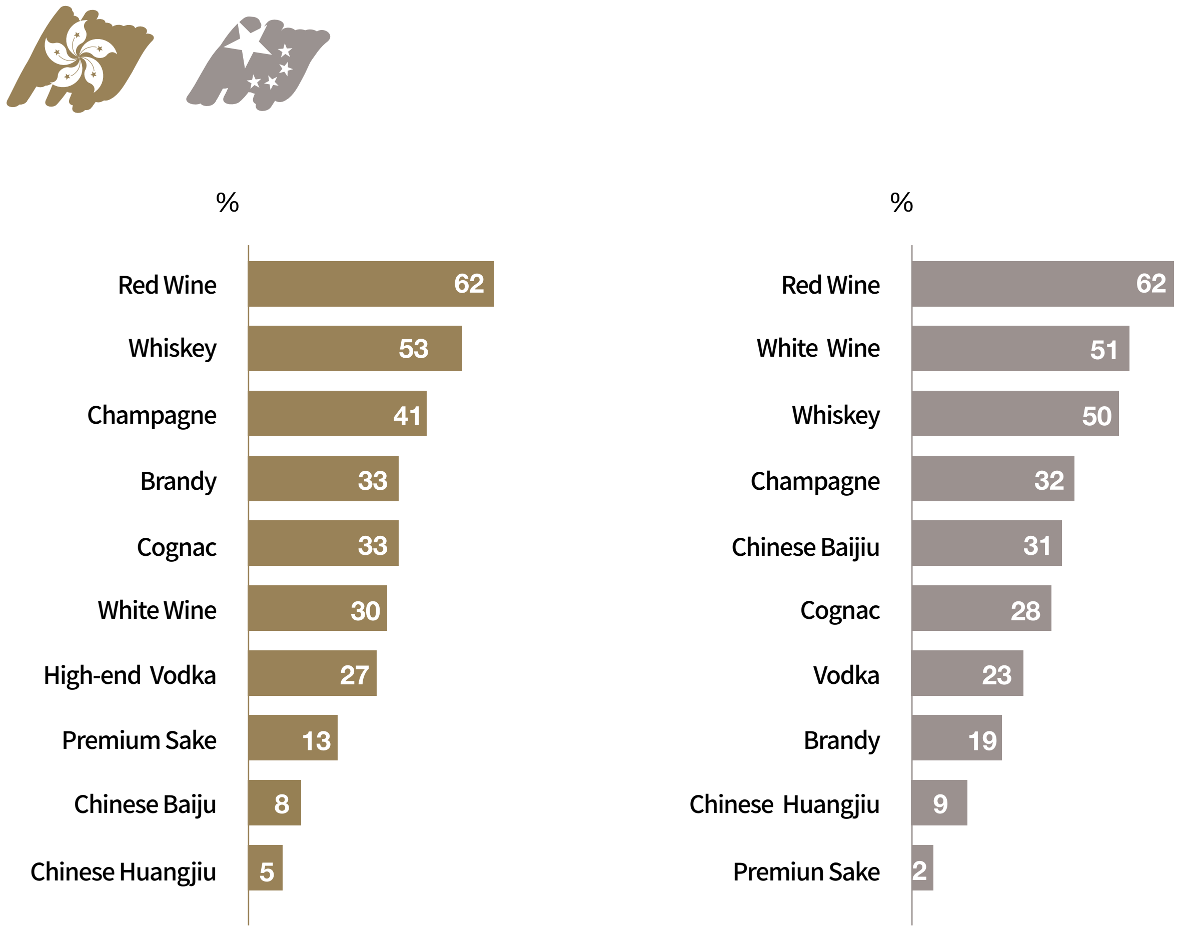
WINE & SPIRITS

Hong Kong consumers are most familiar with Hennessy, while Mainland China consumers are most familiar with Remy Martin. Hong Kong consumers surveyed like purchasing Red Wine and Whiskey while Mainland China consumers surveyed like purchasing Red Wine, White Wine and Whiskey, showing that Wine and Whiskey are most widely accepted by Chinese luxury consumers.

WHICH OF THE FOLLOWING WINE & SPIRITS BRANDS DO YOU KNOW?



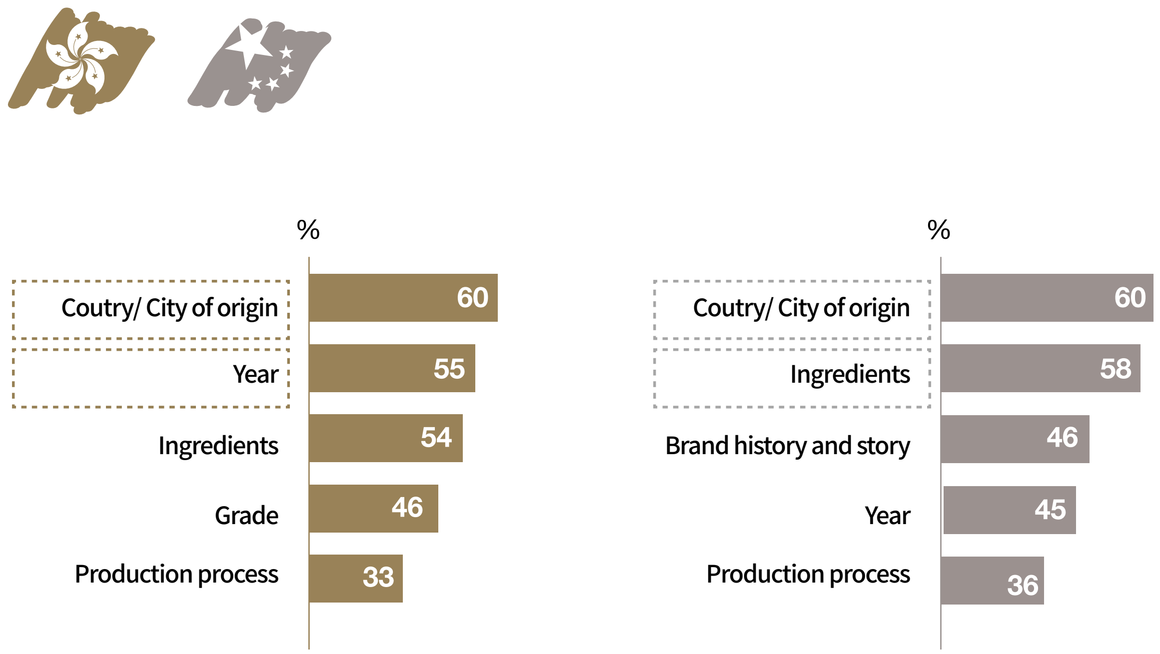
WHICH OF THE FOLLOWING WINE & SPIRITS CATEGORIES HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



In the past 12 months, Hong Kong and Mainland China consumers surveyed have spent on average HKD8,800 and RMB11,500 respectively on Wine & Spirits. 41% of Mainland China consumers surveyed plan to purchase more Wine & Spirits in the next 12 months versus 34% of Hong Kong consumers.

Both Hong Kong and Mainland China consumers surveyed are most interested in information of country/city of origin. In addition, Hong Kong consumers are also interested in vintage year while Mainland China consumers are interested in a product's ingredients.

WHAT INFORMATION WOULD YOU LIKE TO KNOW ABOUT WINE AND SPIRITS?



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