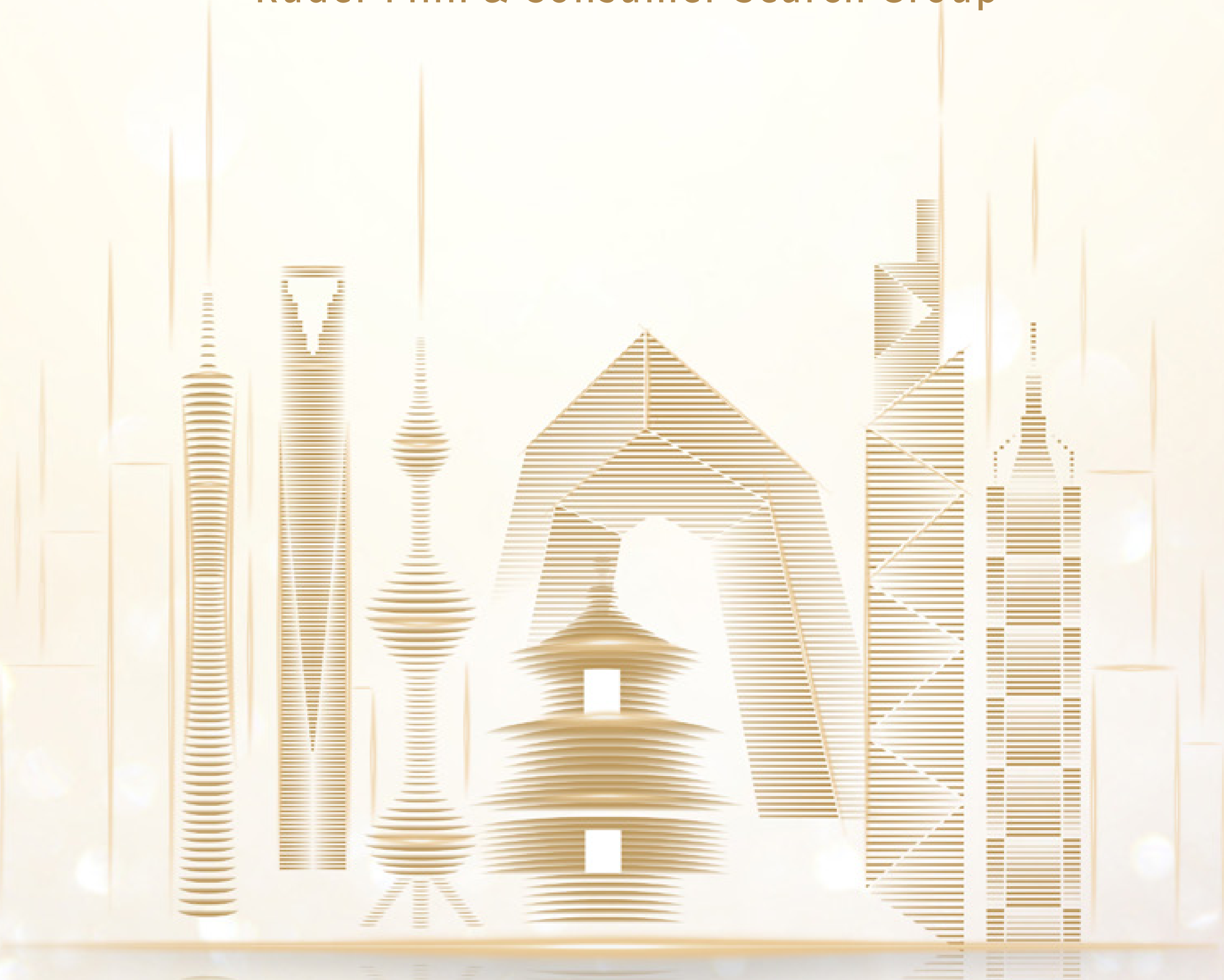
China Luxury Forecast
2020

2020中国奢华品报告
CHINA LUXURY FORECAST 2020

罗德传播集团 与 精确市场研究中心
Ruder Finn & Consumer Search Group



February 2020

TABLE OF CONTENTS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FOREWORD

We are delighted to share with you the 2020 China Luxury Forecast. Since its launch in 2009, the China Luxury Forecast has been closely monitoring Chinese luxury consumers in terms of their purchasing behavior, brand engagement and consumption sentiments.

Notwithstanding the impact of Sino-US trade tensions and regional challenges in 2019, luxury consumption in Mainland China still witnessed a strong growth rate of 26%, outperforming the national GDP growth rate of 6.1%. This growth is reflected in the increasing spending on almost all types of luxury items in 2019, according to our survey. Domestic consumption has continued to grow rapidly over the past three years, with 31% of luxury consumption recorded domestically in Mainland China and 44% occurring locally in Hong Kong. Digitalization is also fueling the development of the China luxury market, introducing new methods for engaging with brands and boosting e-commerce. E-commerce has become a strategic priority winning in the China market, especially for reaching the younger and burgeoning consumers across the country. In addition, the China market is undergoing stronger growth in lower-tier cities, which are set to be the new engine for growth.

However, geopolitical uncertainties and slow growth for the Chinese economy are casting shadows over the 2020 forecast, with a distinct increase in the number of consumers planning to reduce spending in 2020. This less optimistic outlook sets the stage for more challenges coupled with the outbreak of Novel Coronavirus Pneumonia epidemic across China at the beginning of 2020, which is expected to severely affect retail, consumption, and consumer confidence in general.

In the face of a challenging outlook, we hope the 2020 China Luxury Forecast will help you not only understand the changes occurring among Chinese luxury consumers, but also identify opportunities for better satisfying their demands and growing your business successfully in China.

GAO Ming
Senior Vice President
Managing Director Luxury Practice Greater China
Ruder Finn Group

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Executive Director
CSG

EXECUTIVE SUMMARY

02

Global personal luxury goods observed a moderate growth rate of 4 percent, rising to 281 billion euros in 2019, according to Bain & Company 's " Luxury Goods Worldwide Market 2019". As a growth engine, the Mainland China luxury market maintained strong momentum by registering a 26% growth rate to 30 billion euros in 2019. The Chinese consumer remains the biggest luxury buyer in the world, accounting for 35% of global luxury sales in 2019.

Against the backdrop of slowing growth for the Chinese economy, escalating Sino-US trade tensions, and regional challenges, this bullish growth rate stands out as even more spectacular. The luxury industry has become one of the best-performing sectors in the Chinese economy. The booming market can be attributed to a growing number of middle-class households, rising domestic consumption and online sales. Chinese government initiatives aimed at boosting local consumption have paid off, with stricter customs inspections and reductions for import duties and in the VAT rate. In the meantime, luxury brand companies are investing more in terms of narrowing the gap between prices at home and abroad, and improving sales services and providing extra after-sales services with the goal of attracting more local consumption.

Albeit the leader in global e-commerce, China remains at an early stage in terms of developing an online market for luxury sales, which accounts for about 10% of total luxury sales in China. However, e-commerce has become a growth engine for luxury brands in China, growing at a rate of more than 20% annually.

This year, we also analyzed consumers across different tiers of cities. While 1st-and-2nd-tier cities have become too saturated and competing, the 3rd-and-lower-tier cities are still underserved in terms of luxury brands - even while they account for more than 50% of total luxury sales, according to BCG's Chinese Luxury Market Digital Behavior Report.

In addition to these three key engines, the ***2020 China Luxury Forecast*** has inaugurated with this ninth edition some new sections in view of the changing Chinese luxury consumer and the market. We have added a discussion of the influence of KOLs/ celebrities, which is extremely important in the China luxury market, as well as a look at loyalty programs, to provide a more comprehensive understanding of how consumers engage with luxury brands.

The report is based on a survey jointly conducted by Ruder Finn and Consumer Search Group. The survey involved gathering data from 2,100 luxury-goods shoppers, with 1,599 of these consumers residing in Mainland China and 501 in Hong Kong. Among those surveyed, the average annual household incomes are RMB 1,358,040 in Mainland China and HKD 997,360 in Hong Kong. The survey was conducted in December 2019.

Key takeaways from this year's survey are:

1. Less optimistic outlook: The percentage of consumers expecting to spend more during the next 12 months is similar to last year's percentage. But the number planning to spend less witnessed a distinct increase, with 10% of Mainland China respondents and 20% of Hong Kong respondents saying they plan to spend less in 2020, compared to 6% and 12%, respectively, in 2019. Coupled with the outbreak of Novel Coronavirus Pneumonia epidemic across China at the beginning of 2020, consumer confidence in both Hong Kong and Mainland China turned even less optimistic, with Hong Kong facing a more challenging future.

2. Strong performance in 3rd-and-lower-tier cities: On average, consumers in 3rd-and-lower-tier cities spent about RMB 393,000 during the past 12 months, which is more than the RMB 344,100 reported in 1st-tier cities and RMB 275,000 in 2nd-tier cities. Luxury consumers in lower-tier cities have shown strong purchasing power and are poised to become the engine for future growth. Furthermore, consumers in 3rd-and-lower-tier cities are more willing to shop online and spend more on online shopping than those in 2nd-tier cities.

3. E-commerce at official brand websites gaining momentum: In terms of e-commerce platforms for luxury goods, Hong Kong consumers prefer buying through official brand websites while consumers in Mainland China prefer the Tmall/ Taobao/ Luxury Pavilion platforms, followed by official-brand websites and JD.com. It is worthy to note that shopping through official brand websites has increased rapidly to rank number two.

4. Preference for local shopping: Among Hong Kong consumers, 44% of luxury spending was local, while Mainland China consumers spent 31% locally. From the perspective of shopping destinations, Hong Kong consumers said they preferred shopping in Hong Kong, Japan and Europe, while Mainland China consumers preferred shopping in Mainland China, Hong Kong and Japan.

5. Paid cooperation between brands and KOLs/ celebrities highly accepted: Knowledge of paid cooperation between brands and KOLs/ celebrities rarely reduces consumer purchase intentions. Only 9% of Hong Kong and 4% Mainland China consumers' purchase intentions decrease based on knowledge of paid cooperation between brand and KOLs. Meanwhile, 4% of Hong Kong and 1% of Mainland China consumers' purchase intentions will decrease based on knowledge of paid cooperation between brand and celebrities. Mainland China consumers attach more value to KOLs and celebrities than Hong Kong consumers. Among all Mainland China consumers, 3rd-and-lower-tier consumers value KOLs/ celebrities the most.

SURVEY METHODOLOGY

The ***2020 China Luxury Forecast*** was jointly conducted by Ruder Finn and CSG in December 2019 through an online survey of 2,100 consumers in China. Details of respondent profiles are presented in the charts below:

Sample size: 501

Sample size: 1599

ANNUAL HOUSEHOLD INCOME

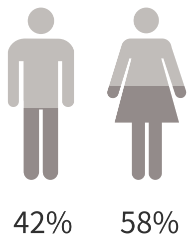
AVERAGE ANNUAL HOUSEHOLD INCOME: HKD 997,360

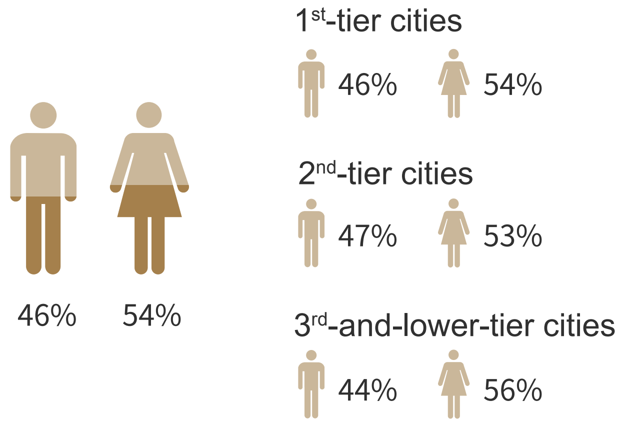
22%	27%	26%	14%	11%
HKD 720,000 - 839,988	HKD 840,000 - 959,988	HKD 960,000 - 1,079,988	HKD 1,080,000 - 1,199,988	HKD 1,200,000 or above

AVERAGE ANNUAL HOUSEHOLD INCOME: RMB 1,358,040

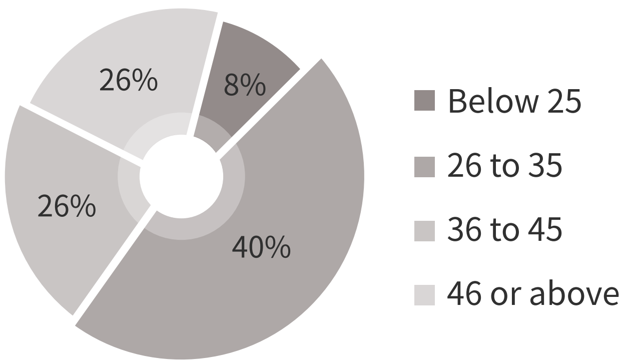
10%	8%	12%	17%	14%	16%	12%	11%
RMB 500,000 - 599,999	RMB 600,000 - 799,999	RMB 800,000 - 999,999	RMB 1,000,000 - 1,199,999	RMB 1,200,000 - 1,499,999	RMB 1,500,000 - 1,799,999	RMB 1,800,000 - 1,999,999	RMB 2,000,000 or above

GENDER

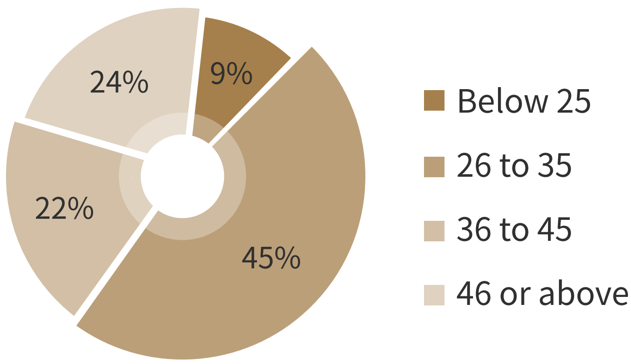




AGE

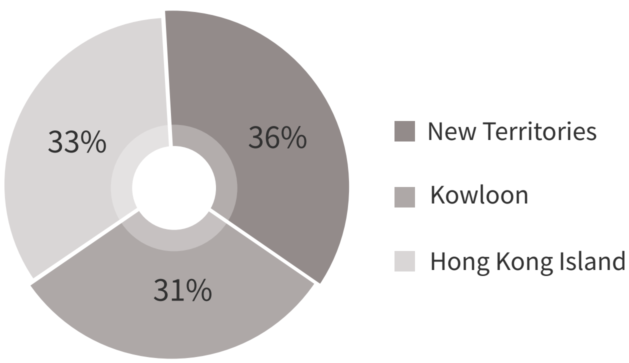


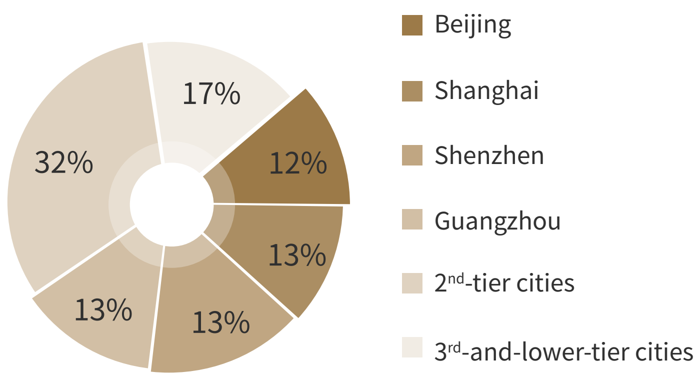
AVERAGE AGE : 38.1 years old



AVERAGE AGE : 36.7 years old

GEOGRAPHY





PURCHASING OVERVIEW AND CONSUMPTION FORECAST

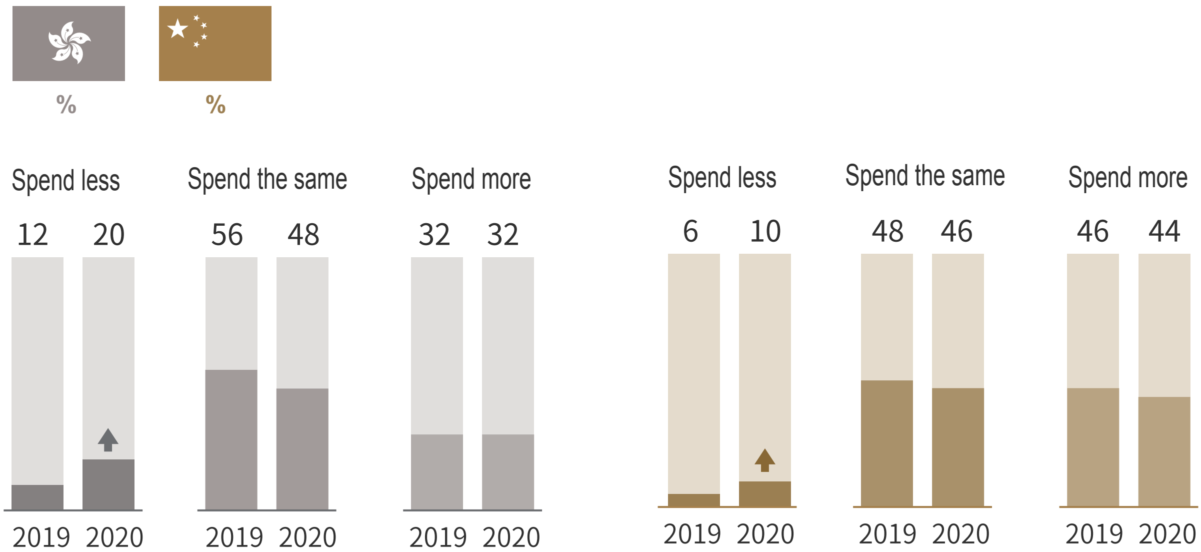
04

- Less Optimistic Outlook
- Strong Performance in 3rd-and-Lower-Tier Cities
- Clothing and Jewelry: The Crown Jewel
- Younger Consumers, More Mature Attitudes

LESS OPTIMISTIC OUTLOOK

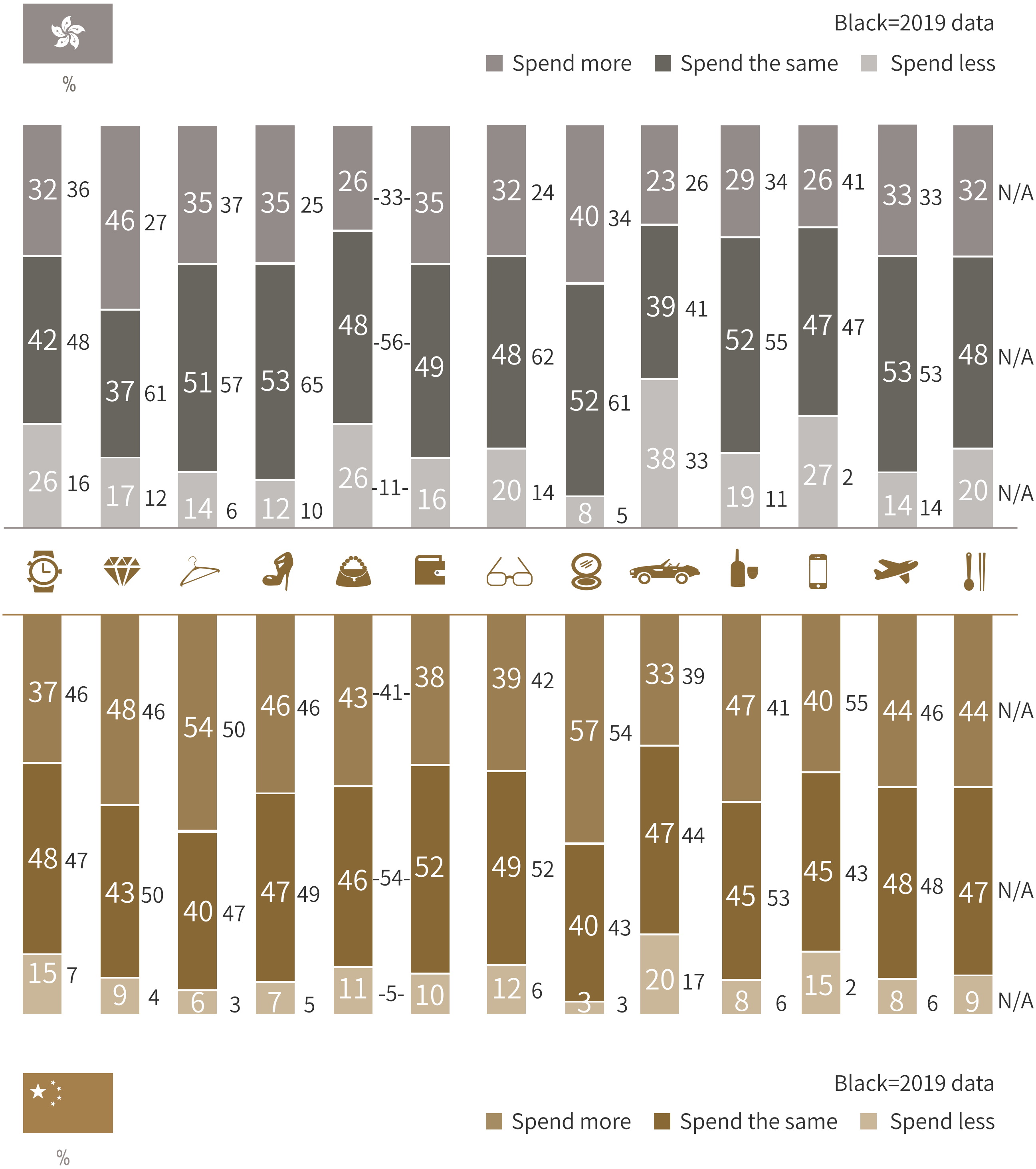
Against the backdrop of slower growth for the Chinese economy, Sino-US trade tensions, and the impact of upheavals in Hong Kong in 2019, the sentiment for luxury looks less optimistic. Compared to last year's report, according to the survey, the ratio of consumers planning to spend more on luxury goods in 2020 shows little change, with 44% of Mainland China respondents and 32% of Hong Kong respondents, respectively, saying they plan to spend more during the next 12 months. However, it is noteworthy that there has been a distinct increase in the number of consumers planning to spend less, with 10% of Mainland China respondents and 20% of Hong Kong respondents saying they plan to spend less in 2020, compared to 6% in Mainland China and 12% in Hong Kong, respectively, in 2019.

WOULD YOU SPEND MORE, THE SAME OR LESS ON LUXURY GOODS IN THE NEXT 12 MONTHS?



Compared with last year, the proportion of consumers planning to spend less increased for almost all product categories except the travel in Hong Kong and the beauty & cosmetics in Mainland China. More consumers will spend less on automobiles, watches, handbags and electronics in both regions. Meanwhile, Hong Kong consumers plan to spend more in jewelry, shoes, accessories and beauty & cosmetics, while for Mainland China consumers spending on beauty & cosmetics, clothing, jewelry and wine & spirits are expected to rise.

WOULD YOU SPEND MORE, THE SAME OR LESS ON THE FOLLOWING LUXURY ITEMS IN THE NEXT 12 MONTHS?



The outbreak of Novel Coronavirus Pneumonia epidemic at the beginning of 2020 dealt an even greater blow to China's retail business, domestic consumption and consumer confidence, creating more challenges for the luxury market in 2020.

STRONG PERFORMANCE IN 3rd-AND-LOWER-TIER CITIES

During the past 12 months, Mainland China consumers on average spent altogether around RMB 330,400 on luxury items, while Hong Kong consumer spent around HKD 167,400. It is particularly interesting to note that consumers in 3rd-and-lower-tier cities are spending about RMB 393,900 a year, an amount that is higher than the RMB 344,100 spent in 1st-tier cities and RMB 275,000 for 2nd-tier cities. According to the 2020 McKinsey China Consumers Survey, the number of households with a yearly disposable income of RMB 140,000 to RMB 300,000 has grown 38% annually in 3rd-and-4th-tier cities, which is higher than the 23% recorded in 1st-and-2nd-tier cities. Moreover, the booming e-commerce market in China is boosting consumption in lower-tier cities, where the physical brand presence is still scarce. Luxury consumers in lower-tier cities have shown strong purchasing power and are poised to become the engine for future growth. Furthermore, consumers in 3rd-and-lower-tier cities are more willing to shop online and spend more on online shopping than 2nd-tier consumers.

HOW MUCH HAVE YOU SPENT IN TOTAL ON EACH OF THE FOLLOWING CATEGORIES OF LUXURY PRODUCTS IN THE PAST 12 MONTHS, EITHER FOR YOURSELF OR TO OFFER TO SOMEONE?

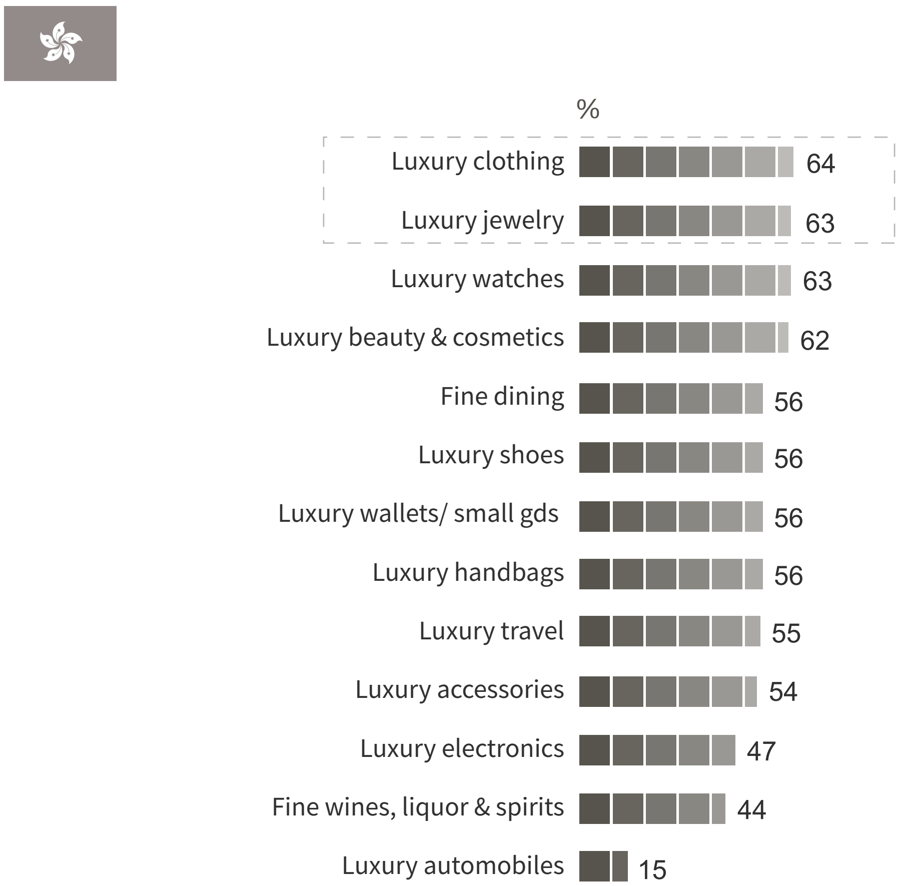
	HONG KONG (HKD)	MAINLAND CHINA (RMB)
Luxury watches	74,900	88,000
Luxury jewelry	53,500	68,900
Luxury clothing	28,600	39,800
Luxury shoes	17,300	29,700
Luxury wallets/ small leather goods	18,600	22,500
Luxury handbags	46,300	50,700
Luxury accessories	12,600	18,800
Luxury beauty & cosmetics	19,000	20,300
Luxury automobiles	1,023,000	1,271,000
Fine wines, liquor & spirits	16,200	30,400
Luxury electronics	21,800	30,700
Luxury travel	38,500	46,900
Fine dining	15,100	20,300
TOTAL	167,400	330,400

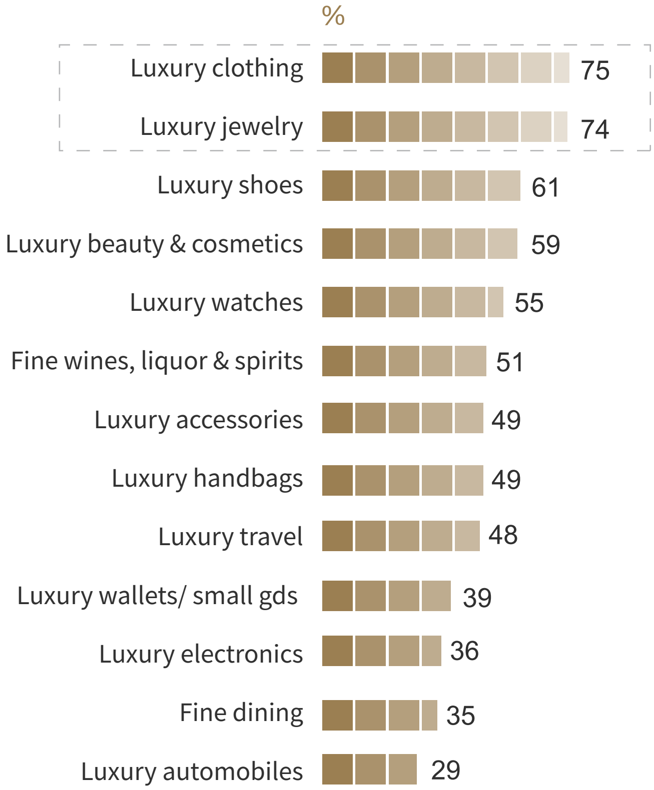
(RMB)	1st - TIER	2nd - TIER	3rd - AND - LOWER - TIER
Luxury watches	85,500	92,700	84,700
Luxury jewelry	67,700	71,500	67,600
Luxury clothing	40,900	38,400	38,700
Luxury shoes	28,900	29,100	33,600
Luxury wallets/ small leather goods	22,000	22,200	24,600
Luxury handbags	51,000	50,100	50,800
Luxury accessories	18,300	18,700	20,400
Luxury beauty & cosmetics	19,100	21,600	21,200
Luxury automobiles	1,263,000	1,295,000	1,295,000
Fine wines, liquor & spirits	30,500	30,200	30,400
Luxury electronics	32,100	28,600	29,700
Luxury travel	50,300	44,700	41,900
Fine dining	20,400	20,800	19,500
TOTAL	344,100	275,000	393,900

CLOTHING AND JEWELRY: THE CROWN JEWEL

Luxury clothing and jewelry remain at the top of the list among luxury categories purchased over the past 12 months in both Mainland China and Hong Kong. Last year's survey had a similar finding. More than 70% of Mainland China consumers and nearly 60% of Hong Kong consumers have purchased luxury clothing and jewelry. Meanwhile, luxury watches and beauty & cosmetics are highly appealing to Hong Kong consumers, while Mainland China consumers are more inclined to purchase luxury shoes and beauty & cosmetics.

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





Meanwhile, it is noteworthy that Hong Kong consumers are more willing to spend on a luxury experience than their Mainland China counterparts, a fact reflected by fine dining and travel choices. Some 56% of Hong Kong respondents have paid for fine dining experiences compared to 35% in Mainland China. Meanwhile, 55% of Hong Kong respondents said they had enjoyed luxury travel compared to 48% in Mainland China. It is understandable that as consumers grow in luxury consumption, their purchase focus is shifted from spending on luxury goods to luxury experience, especially travelling overseas and fine dining. Dining has become one of the most important activities during overseas leisure travel as well. In addition to concrete physical benefits, various experiences such as history & heritage, cultural exploration, high-end services, sensational pleasures can bring unexpected emotional enjoyment.

YOUNGER CONSUMERS, MORE MATURE ATTITUDES

The survey shows that consumers are making their first luxury goods purchases earlier in both Mainland China and Hong Kong. On average, Generation Z consumers between the ages of 21 and 25 said they generally bought their first luxury item at no more than 20 years old, which is two to three years younger than Millennials aged 26 to 35. In general, Hong Kong consumers purchase their first luxury goods at a younger age than those in Mainland China, with 9% of Hong Kong respondents purchasing a first luxury item before the age of 18.

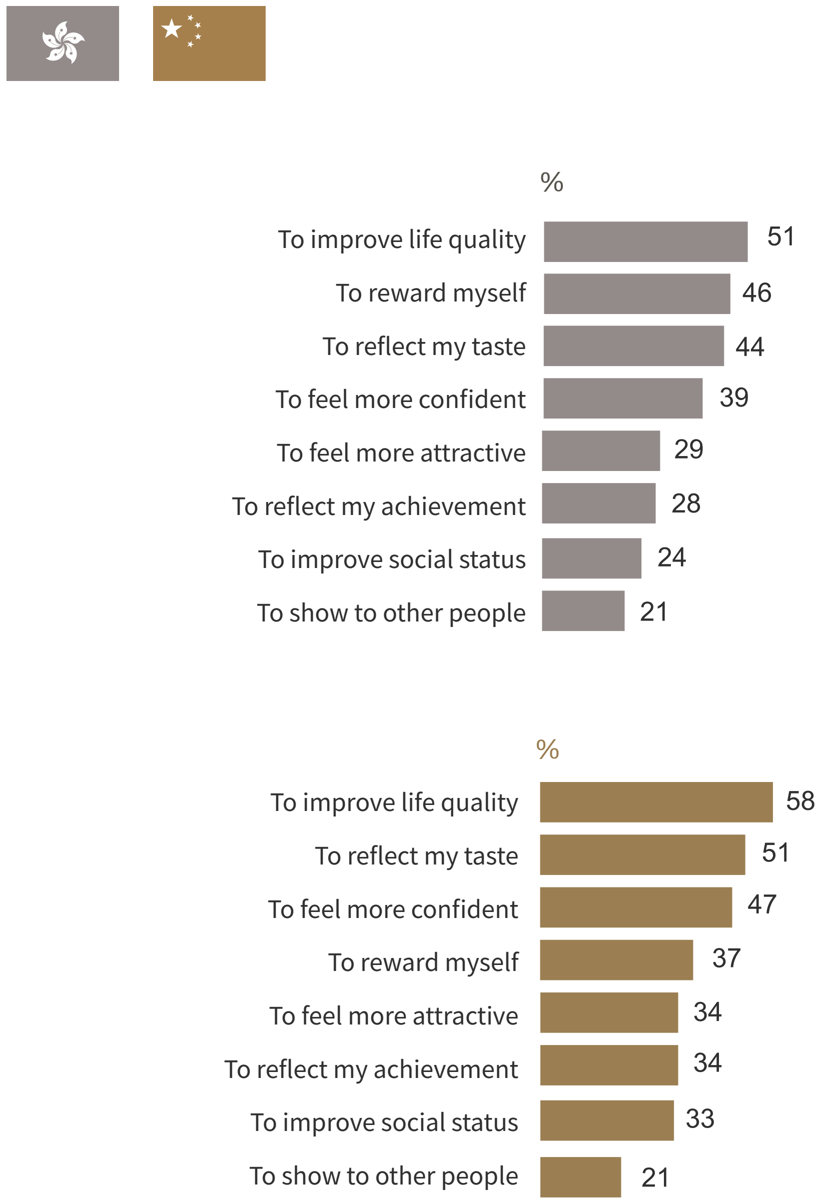
AT WHAT AGE DID YOU FIRST PURCHASE LUXURY GOODS?

%		21-25	26-35	36-45	46+
9	Below 18	20	11	8	3
50	18-24	80	62	46	26
22	25-29	-	21	25	27
12	30-34	-	6	16	23
7	35 or above	-	-	5	21
23.4	Average years old	19.1	21.3	23.7	27.9

%		21-25	26-35	36-45	46+
5	Below 18	15	5	5	1
45	18-24	83	57	28	28
28	25-29	2	32	30	26
14	30-34	-	6	27	22
8	35 or above	-	-	11	24
24.8	Average years old	19.5	22.8	26.6	28.7

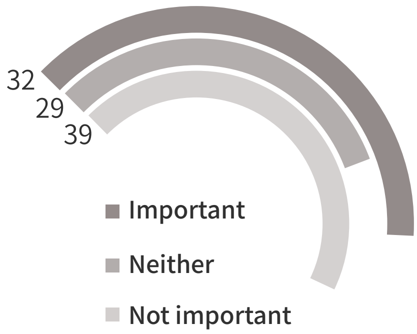
When asked why they buy luxury goods, both Hong Kong and Mainland China consumers said their primary reason revolves around improving the quality of life. This marks the first time that Mainland China consumers have mentioned this reason since the launch of the China Luxury Forecast survey in 2009. Mainland China consumers have shifted from favoring show-off attitudes such as flaunting wealth to seeking more discreet goals revolving around improving personal quality of life. Mainland China consumers have become more confident and are now increasingly sophisticated. The survey found that their consumption philosophy has changed in step with the decade-long development of China's high-end consumer market.

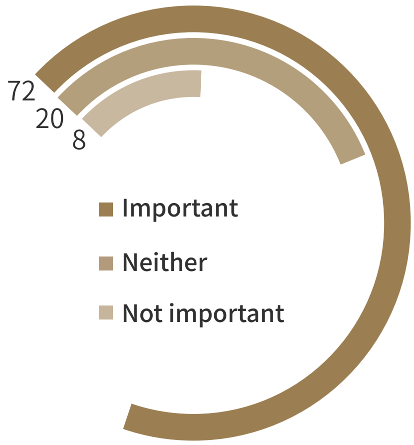
FOR WHAT REASON DO YOU PURCHASE LUXURY GOODS?



Along with more confident consumers comes a growing demand for products reflecting Chinese elements. According to the survey, about 72% of Mainland Chinese consumers and 32% of Hong Kong consumers think it is important to embed Chinese elements into the product/ services they buy. 2019 witnessed an increasing national pride as it is the 70th anniversary of founding People's Republic of China. More and more Mainland Chinese consumers are proud of China because they witness China become stronger in economic development, technological advance and global influence in recent years.

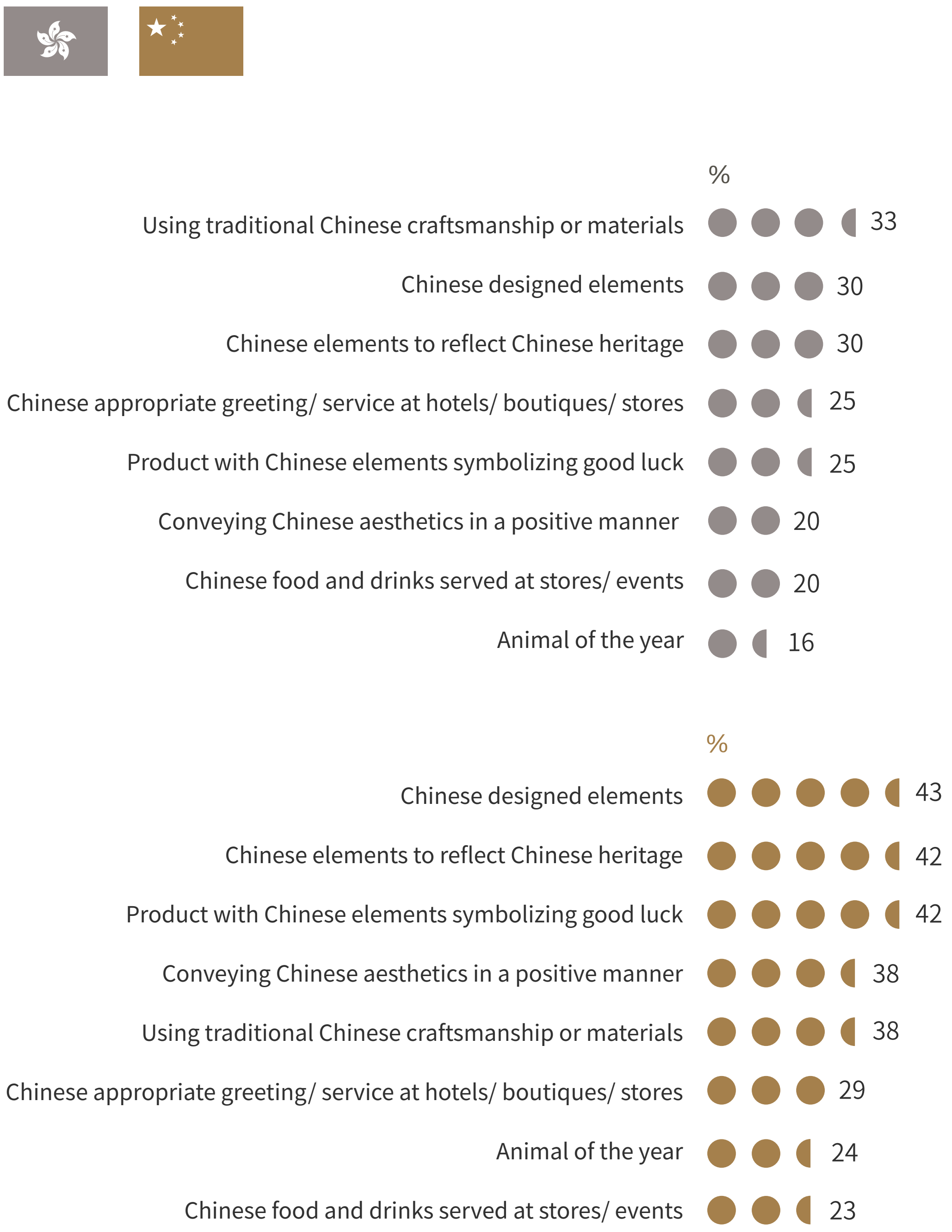
WHEN IT COMES TO LUXURY PRODUCT AND SERVICE, HOW IMPORTANT IS IT TO HAVE CHINESE ELEMENTS EMBEDDED IN THE PRODUCTS OR SERVICES?





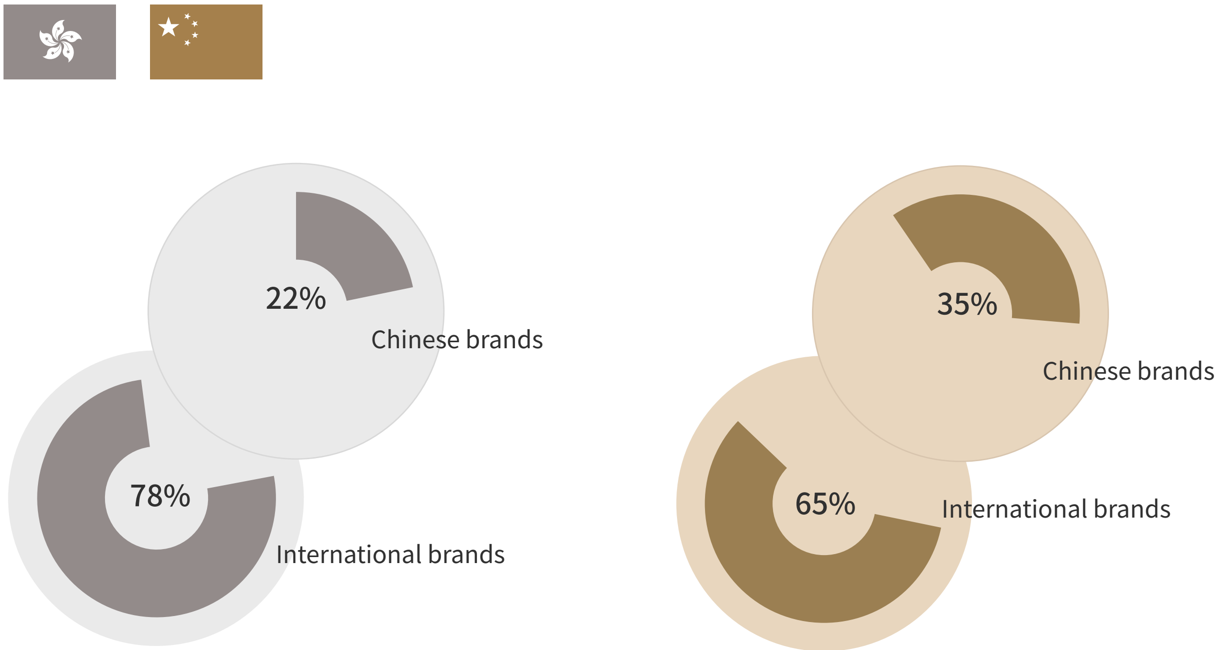
Among all Chinese elements, consumers in Hong Kong prefer products produced with traditional Chinese craftsmanship or materials, while those in Mainland China prefer products with Chinese designed elements.

WHICH OF THE FOLLOWING CHINESE ELEMENTS DO YOU APPRECIATE FOR LUXURY ITEMS?

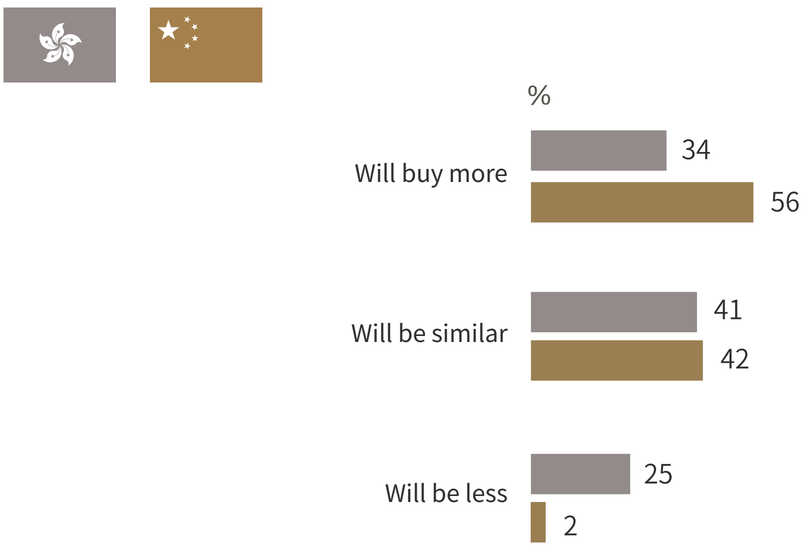


At the same time, Chinese brands are becoming better received among Chinese consumers. The survey shows that Mainland China consumers allocated 35% of their fashion spending to Chinese brands over the past year. Some 56% of Mainland China respondents said they will buy more Chinese fashion brands during the next 12 months.

WHAT PROPORTION DO YOU BUY CHINESE FASHION BRANDS VERSUS INTERNATIONAL BRANDS IN THE PAST 12 MONTHS?



DO YOU THINK YOU WILL BUY CHINESE FASHION BRANDS MORE IN THE NEXT 12 MONTHS?



- E-commerce: Tmall Leads While Official-Brand Websites Gain Momentum
- Price-Conscious vs Convenience-Focused

ONLINE VS OFFLINE PURCHASES

05

E-COMMERCE: TMALL LEADS WHILE OFFICIAL BRAND WEBSITES GAIN MOMENTUM

Since 2018, Hong Kong consumers have shown a greater inclination to shop online, with online shopping in most of product categories increasing slightly. Most online purchases for Hong Kong consumers involved wines & spirits, beauty & cosmetics, accessories and electronics. Mainland China consumers are more likely to shop online than their Hong Kong counterparts, with more than 70% of Mainland China consumers more comfortable purchasing almost everything online except for automobiles, watches and jewelry. It is worth noting that Mainland China consumers are less comfortable buying watches (58%) and jewelry (64%) than they were (73% and 70% respectively) last year.

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

White=2019 data

Base (n=)	187	270	294	177	184	154
Online	51% **54%**	49% **55%**	63% **67%**	55% **63%**	**66%**	-59%- **62%**
Official websites from brands	40%	33%	40%	39%	36%	46%
Cross border (international website)	23%	25%	34%	33%	34%	32%
Near-border (e.g. Tmall)	8%	15%	18%	12%	18%	10%
Ecommerce on WeChat	3%	7%	11%	9%	7%	5%
Offline	**88%**	**96%**	**91%**	**90%**	**91%**	**90%**
Physical store in your country	79%	80%	65%	68%	60%	80%
Outlets in your country	19%	29%	36%	33%	32%	23%
Pop-up store in your country	10%	16%	25%	23%	27%	15%

Base (n=)	246	284	162	213
Online	63% **71%**	63% **74%**	59% **75%**	64% **68%**
Official websites from brands	46%	45%	48%	49%
Cross border (international website)	32%	38%	33%	29%
Near-border (e.g. Tmall)	22%	17%	15%	16%
Ecommerce on WeChat	9%	10%	12%	9%
Offline	**82%**	**77%**	**82%**	**85%**
Physical store in your country	56%	58%	65%	74%
Outlets in your country	35%	26%	22%	22%
Pop-up store in your country	23%	21%	25%	16%

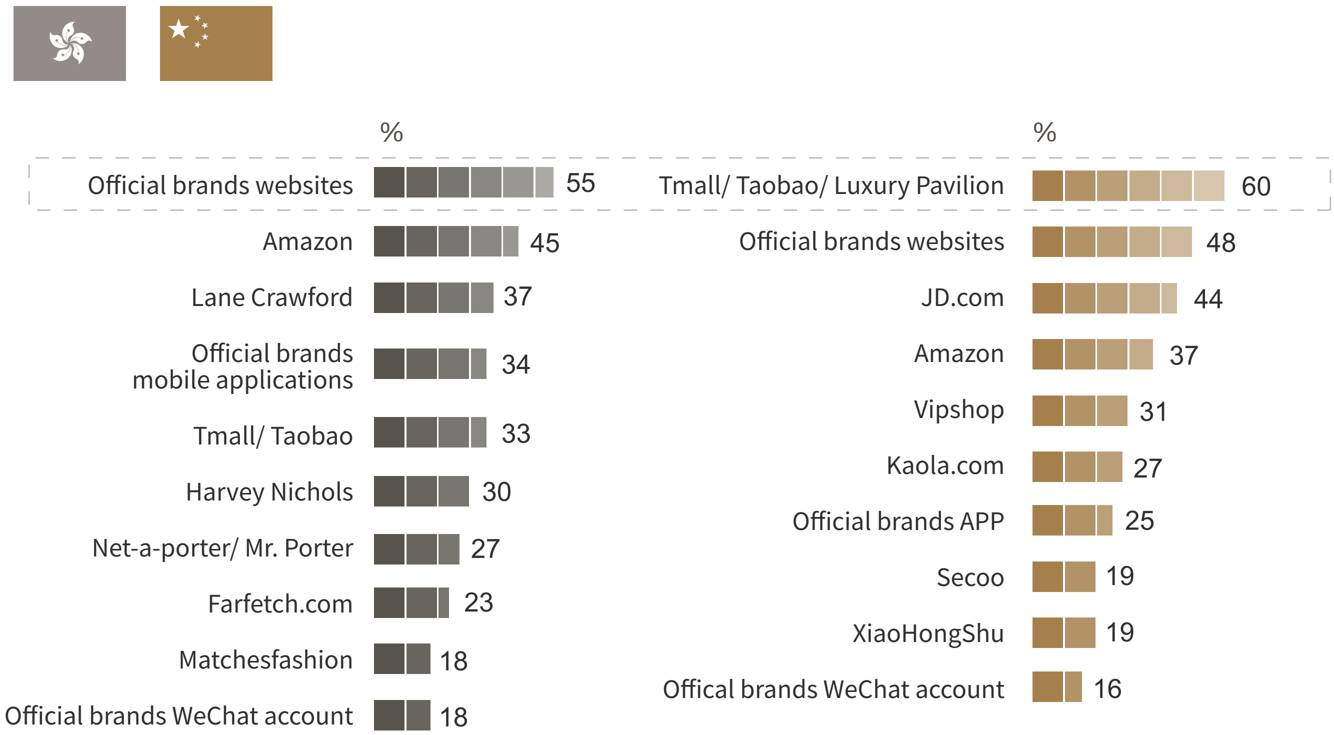
White = 2019 data

	Watches	Jewellery	Clothing	Shoes	Wallets	Handbags
Base (n=)	492	1105	1166	789	462	369
Online	73% **58%**	70% **64%**	74% **72%**	78% **75%**	**73%**	-75%- **75%**
Official websites from brands	36%	40%	46%	44%	39%	44%
Cross border (international website)	24%	29%	36%	35%	38%	33%
Near-border (e.g. Tmall)	17%	16%	24%	30%	27%	21%
Ecommerce on WeChat	6%	8%	14%	11%	14%	9%
Offline	**83%**	**89%**	**86%**	**79%**	**73%**	**71%**
Physical store in your country	72%	70%	54%	50%	46%	50%
Outlets in your country	15%	22%	33%	31%	26%	27%
Pop-up store in your country	8%	17%	20%	20%	18%	13%

	Eyewear	Cosmetics	Cars	Wine & spirits	Phones
Base (n=)	724	921	194	718	540
Online	77% **79%**	80% **80%**	57% **50%**	74% **78%**	73% **82%**
Official websites from brands	46%	44%	19%	45%	47%
Cross border (international website)	36%	42%	21%	38%	37%
Near-border (e.g. Tmall)	29%	27%	20%	24%	29%
Ecommerce on WeChat	18%	12%	14%	12%	12%
Offline	**74%**	**69%**	**80%**	**70%**	**63%**
Physical store in your country	49%	47%	55%	47%	46%
Outlets in your country	31%	25%	25%	24%	20%
Pop-up store in your country	18%	13%	15%	14%	12%

In terms of e-commerce platforms for luxury, Hong Kong consumers prefer buying through the official brand websites (55%) while Mainland China consumers prefer buying through Tmall/ Taobao/ Luxury Pavilion (60%), followed by official brand websites (48%) and JD.com (44%). It is worth noting that the rate of shopping through official brand websites has been increasing significantly and now ranks number two in Mainland China. Mainland China consumers prefer local e-commerce sites like Tmall to official brands' websites because it provides a better user experience in terms of mobile application, user-friendly buying processes, and local language.

IN THE PAST 12 MONTHS, FROM WHICH E-COMMERCE PLATFORMS HAVE YOU PURCHASED LUXURY GOODS?



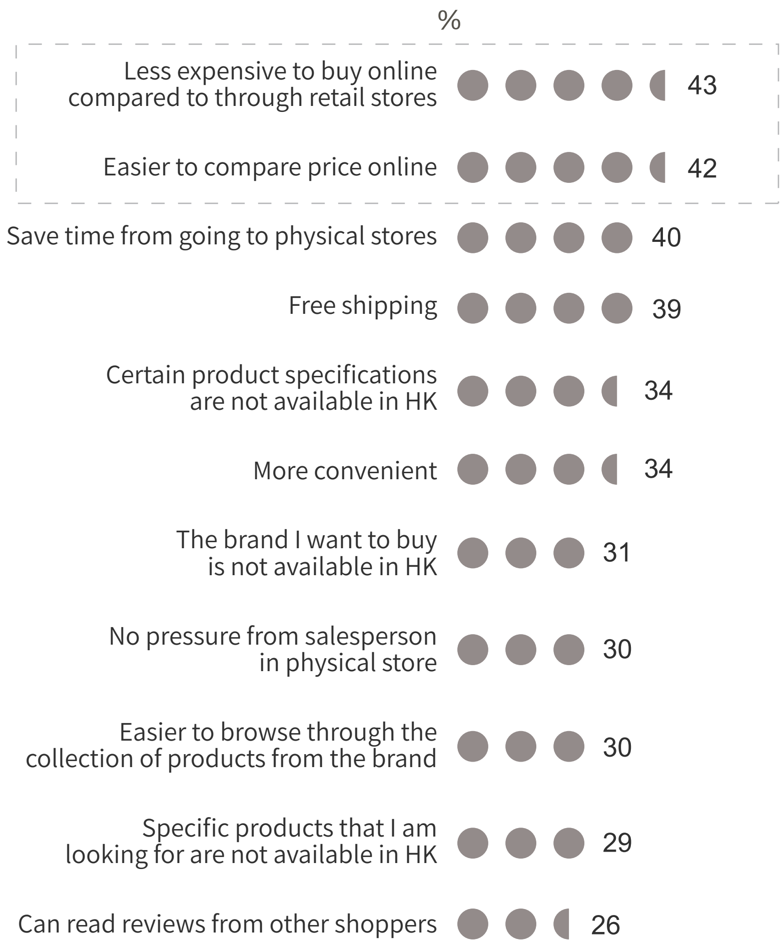
Online purchasing has become the most dynamic growth engine for Chinese luxury spending, registering a growth rate of 27% in 2018 to reach 10% of total luxury sales according to Bain & Company's "Luxury Goods Worldwide Market 2019". The two e-commerce behemoths Alibaba and JD.com have placed a strategic primacy on the luxury market. In addition to launching the dedicated luxury platform Luxury Pavilion in 2018, Tmall fostered a strategic partnership with Yoox Net-a-Porter in 2019 and expanded collaboration with luxury brands launching their official online stores on Tmall. There are more than 150 official online stores offering luxury brands on Tmall's Luxury Pavilion platform. Meanwhile, JD.com has merged its luxury platform Toplife into Farfetch China in 2019, which provides JD customers with access to Farfetch's more than 1,000 luxury brands. According to Gartner L2, the percentage of luxury brands on Gartner L2's index operating a flagship store on JD.com has grown from 11% in 2017 to 20% in 2019.

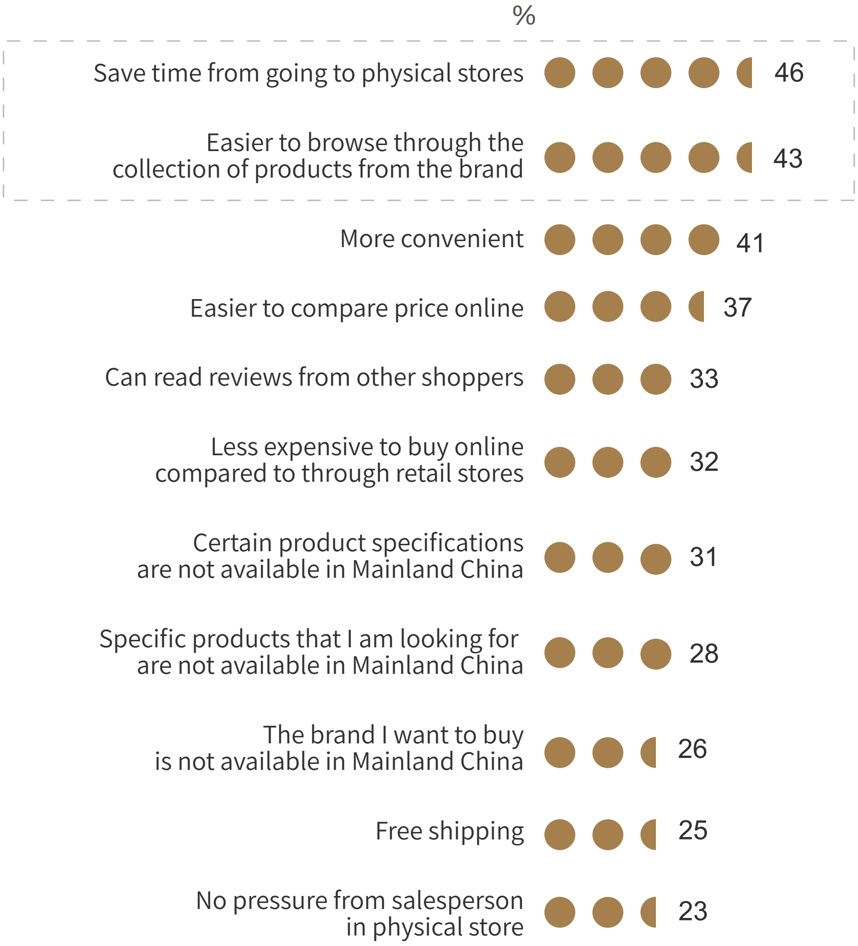
In addition to collaborating with these leading e-commerce platforms, more luxury brands have stepped up their e-commerce businesses by launching their own official e-commerce websites or by driving sales to official e-commerce WeChat mini-programs.

PRICE-CONSCIOUS VS CONVENIENCE-FOCUSED

The reasons for shopping online vary. Hong Kong consumers are price-conscious. They buy online due to cheaper price and because it is easy to compare prices. Mainland China consumers are convenience-focused. They buy online because it saves time and offers an easy way to browse collections.

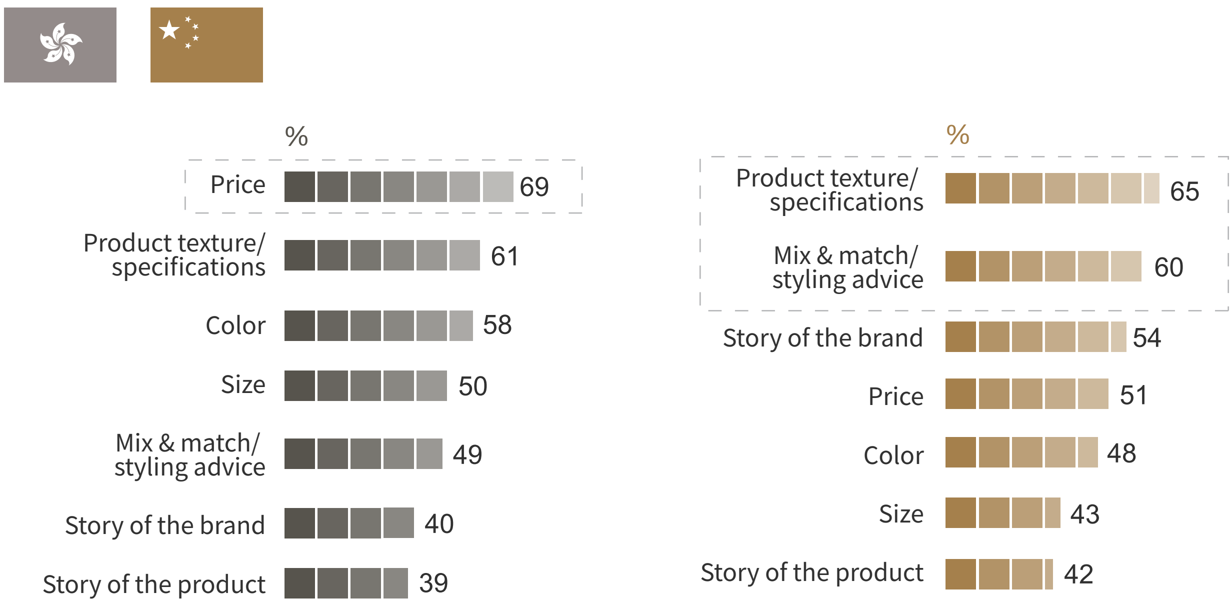
WHY DO YOU PURCHASE LUXURY GOODS ONLINE?




%
Save time from going to physical stores 46
Easier to browse through the collection of products from the brand 43
More convenient 41
Easier to compare price online 37
Can read reviews from other shoppers 33
Less expensive to buy online compared to through retail stores 32
Certain product specifications are not available in Mainland China 31
Specific products that I am looking for are not available in Mainland China 28
The brand I want to buy is not available in Mainland China 26
Free shipping 25
No pressure from salesperson in physical store 23

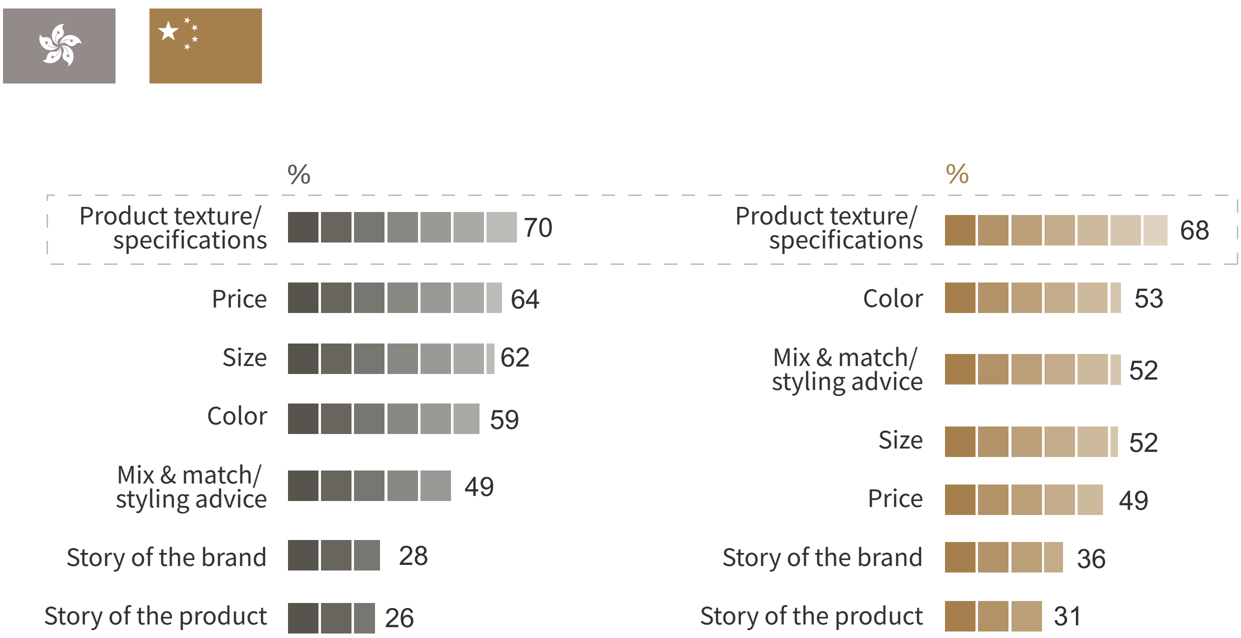
Hong Kong consumers go online to check prices, while Mainland China consumers go online to look for product specifications as well as mix and match advice and product specifications.

WHAT KIND OF INFORMATION ON LUXURY PRODUCTS DO YOU USUALLY LOOK FOR ONLINE?



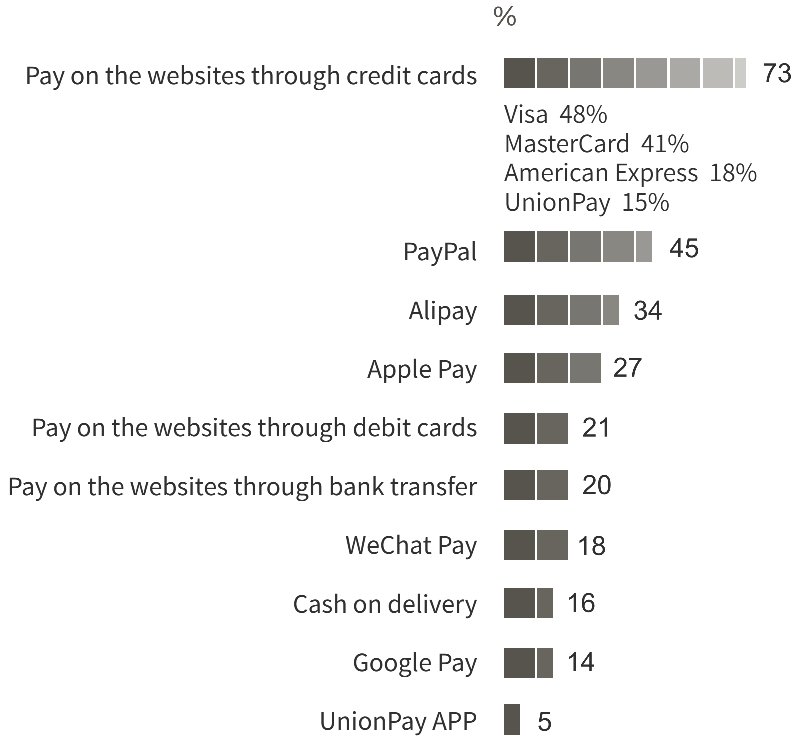
While visiting physical stores, customers from both Hong Kong and Mainland China want to touch the product to check its texture and specifications.

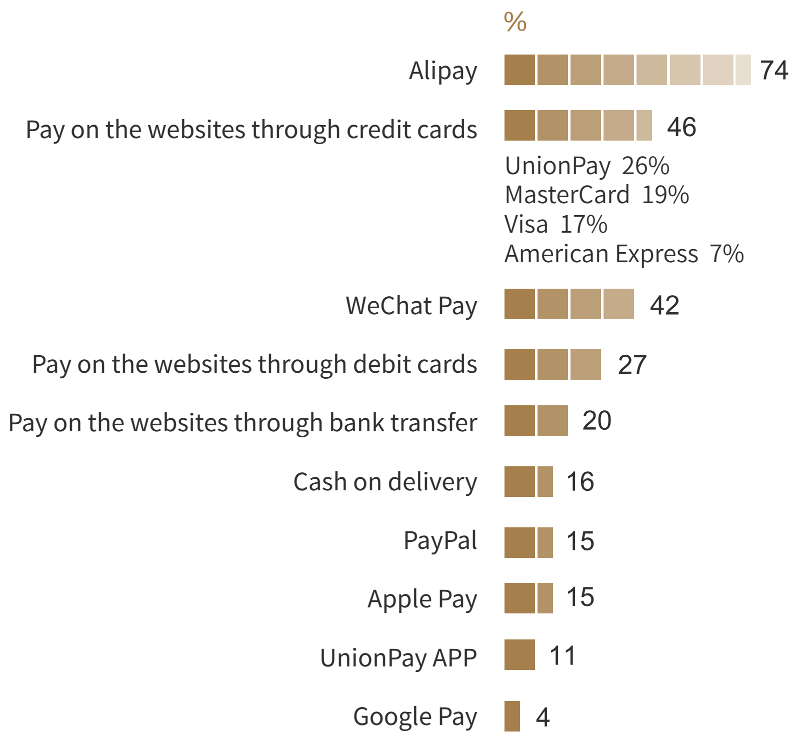
WHAT KIND OF INFORMATION ON LUXURY PRODUCTS DO YOU USUALLY LOOK FOR IN PHYSICAL STORES?



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

WHAT ARE YOUR PAYMENT METHODS FOR ONLINE PURCHASE?





LOCAL AND OVERSEAS SHOPPING

06

- Preference for Local Shopping
- Japan Overtakes Hong Kong as Most Favorite Travel Destination

PREFERENCE FOR LOCAL SHOPPING

Local consumption has clearly emerged as a rising trend over the past three years thanks to the proactive initiatives of the Chinese government to promote local consumption. These initiatives have included reducing import duties and the VAT rate, and stricter customs inspections. Meanwhile, the owners of luxury brands have taken the initiative to narrow the gaps between prices at home and abroad, and by providing better sales and after-sales services. According to the survey, this year Hong Kong consumers have spent 44% of their luxury spending locally while Mainland China consumers have spent 31% locally in the past 12 months.

CONSIDERING YOUR ANNUAL SPENDING ON LUXURY PRODUCTS, WHAT PROPORTION DID YOU SPEND LOCALLY VERSUS OVERSEAS?

	Domestic	Overseas
Hong Kong consumers	**44%**	**56%**
Mainland China consumers	**31%**	**69%**
1st-tier	30%	70%
2nd-tier	32%	68%
3rd-and-lower-tier	31%	69%

In terms of shopping destinations, Hong Kong consumers prefer shopping in Hong Kong, Japan and Europe while Mainland China consumers prefer shopping in Mainland China, Hong Kong and Japan.

IN THE PAST 12 MONTHS, WHICH COUNTRIES OR REGIONS HAVE YOU BEEN TO PURCHASE LUXURY GOODS FOR EACH CATEGORY OF LUXURY ITEMS?

	Any listed products					
Base (n=)	500	173	246	250	147	149
Top 5 places to purchase luxury products						
Hong Kong SAR	70%	58%	54%	53%	54%	48%
Japan	54%	16%	22%	38%	25%	26%
Europe	53%	41%	30%	38%	40%	39%
US	35%	10%	15%	15%	18%	19%
S. Korea	29%	5%	11%	13%	10%	11%
Mainland China	22%	5%	11%	13%	12%	8%

Base (n=)	139	208	245	13*	142	181
Top 5 places to purchase luxury products						
Hong Kong SAR	55%	51%	55%	62%	51%	70%
Japan	21%	28%	45%	0%	23%	24%
Europe	45%	36%	19%	8%	28%	12%
US	14%	13%	14%	8%	19%	15%
S. Korea	8%	12%	19%	0%	9%	7%
Mainland China	1%	8%	11%	0%	8%	6%

*Cautions: small bases (n <30)

	Any listed products					
Base (n=)	1577	416	955	935	649	348
Top 5 places to purchase luxury products						
Mainland China	64%	39%	40%	44%	46%	38%
Hong Kong SAR	61%	35%	39%	33%	33%	32%
Japan	52%	17%	20%	23%	20%	21%
Europe	45%	25%	22%	23%	22%	19%
US	43%	14%	20%	21%	20%	18%

Base (n=)	304	566	760	168	586	395
Top 5 places to purchase luxury products						
Mainland China	41%	44%	40%	53%	41%	47%
Hong Kong SAR	34%	30%	33%	16%	27%	26%
Japan	18%	24%	39%	16%	20%	23%
Europe	22%	22%	23%	13%	25%	13%
US	17%	20%	18%	14%	18%	18%

Hong Kong consumers are more likely to buy electronics, watches, handbags and beauty & cosmetics locally. In Mainland China, the categories most frequently involving domestic purchases are electronics, shoes, clothing and accessories. When shopping overseas, Mainland China consumers like to purchase jewelry, watches and handbags in Hong Kong. Both Hong Kong and Mainland China consumers like to purchase beauty & cosmetics, clothing and accessories in Japan.

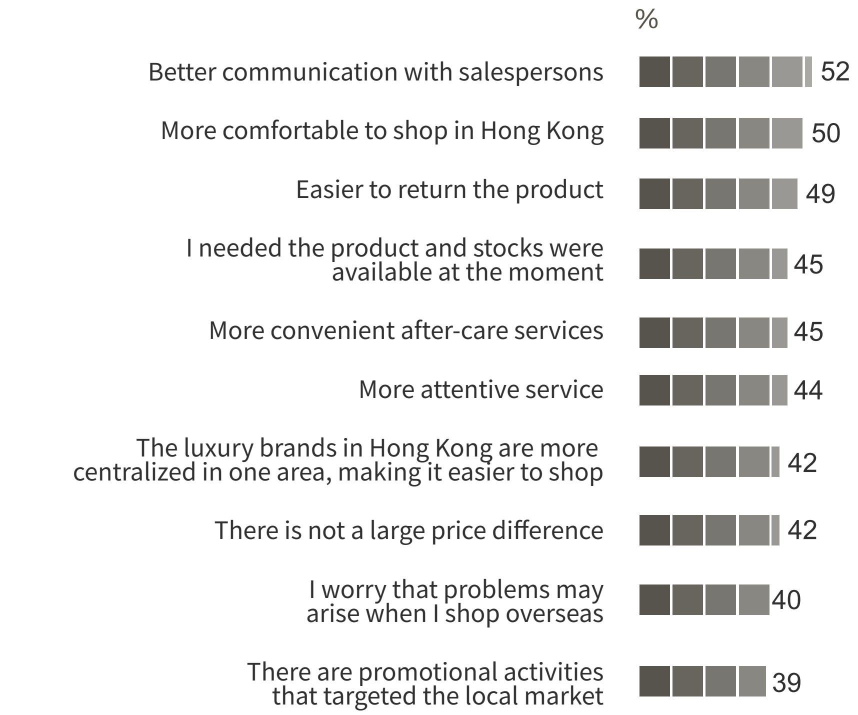
IN THE PAST 12 MONTHS, WHICH COUNTRIES OR REGIONS HAVE YOU BEEN TO PURCHASE LUXURY GOODS FOR EACH CATEGORY OF LUXURY ITEMS?

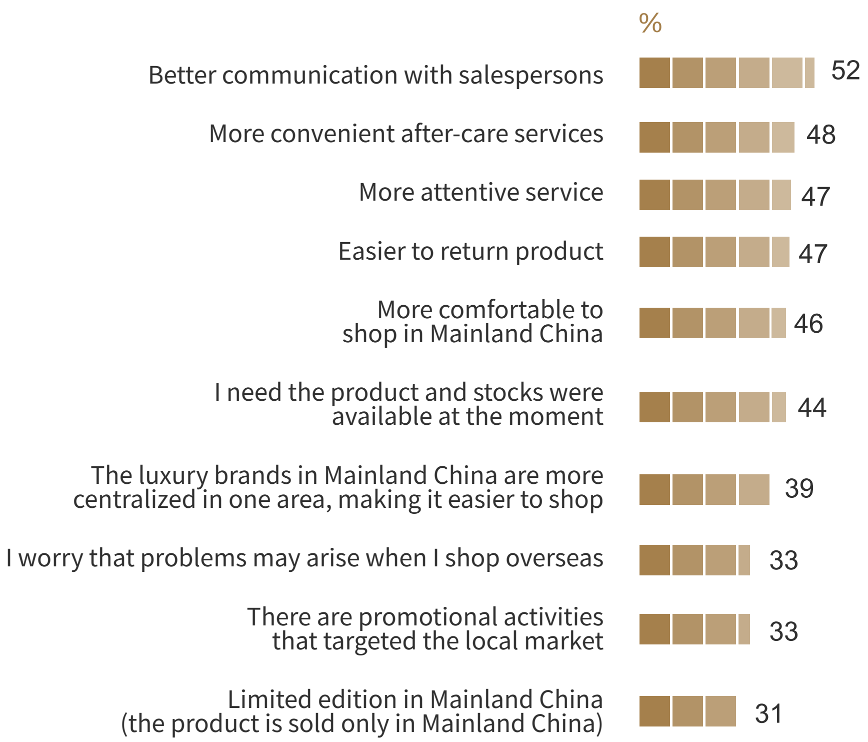
DESTINATION	CATEGORIES TO BUY		
Mainland China	Clothing 13%	Shoes 12%	Beauty/ Jewelry 11%
	Electronics 47%	Shoes 46%	Clothing/ Accessories 44%
Hong Kong SAR	Electronics 70%	Watches 58%	Handbags 55%
	Jewelry 39%	Watches 35%	Handbags 34%
Japan	Beauty 45%	Clothing 38%	Accessories 28%
	Beauty 39%	Accessories 24%	Clothing 23%
Europe	Handbags 45%	Watches 41%	Shoes 40%
	Watches/ Fine Wines 25%	Clothing/ Beauty 23%	Jewelry/ Shoes/ Handbags/ Accessories 22%
US	Small Goods 19%	Shoes 18%	Jewelry/ Clothing/ Electronics 15%
	Clothing 21%	Jewelry/ Shoes/ Accessories 20%	Small Goods/ Beauty/ Fine Wines/ Electronics 18%
S. Korea	Beauty 19%	Clothing 13%	Accessories 12%

As to the reasons why consumers shop locally and overseas, better communication with the salespeople is the top reason for local purchases by both Hong Kong and Mainland China consumers.

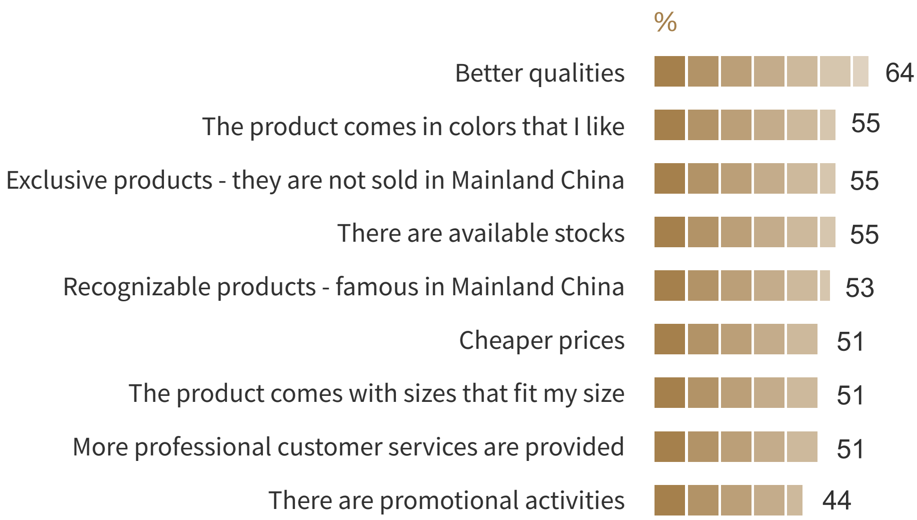
Hong Kong consumers prefer buying outside Hong Kong because prices are lower, while Mainland China consumers make purchases outside Mainland China mainly because the product quality is better.

WHY DO YOU PURCHASE LUXURY PRODUCTS LOCALLY/ DOMESTICALLY?





WHY DO YOU PURCHASE LUXURY PRODUCTS OVERSEAS?



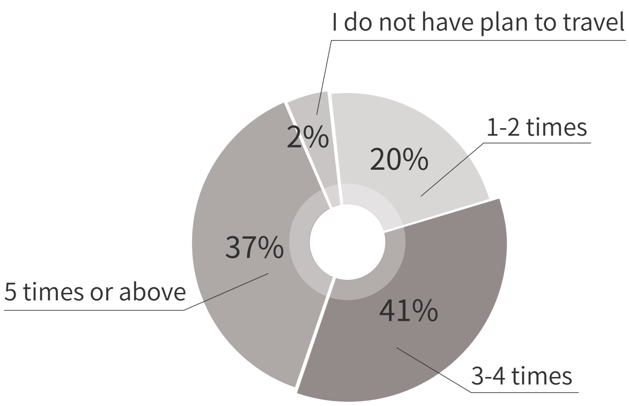
JAPAN OVERTAKES HONG KONG AS MOST FAVORITE TRAVEL DESTINATION

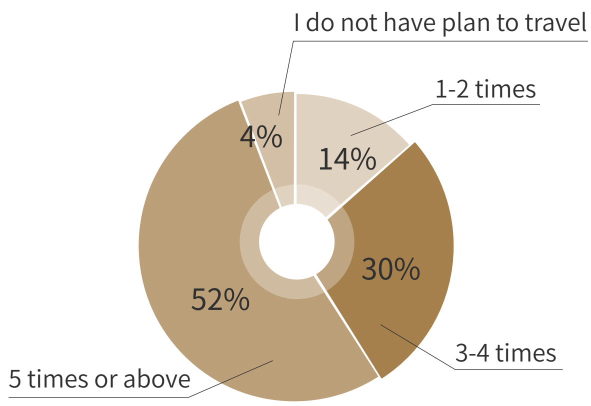
On average, Hong Kong consumers made 4.2 trips while Mainland China consumers made 4.7 domestic and 3.6 international trips, respectively, in the past 12 months. Almost one-third of Hong Kong consumers and more than half of all Mainland China consumers were planning to take more than five leisure trips over the next 12 months.

IN THE PAST 12 MONTHS, HOW MANY LEISURE TRIPS DID YOU HAVE BOTH AT HOME AND ABROAD?

	Average no. of domestic leisure trips in P12M	Average no. of international leisure trips in P12M
	-	4.2
	4.7	3.6

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





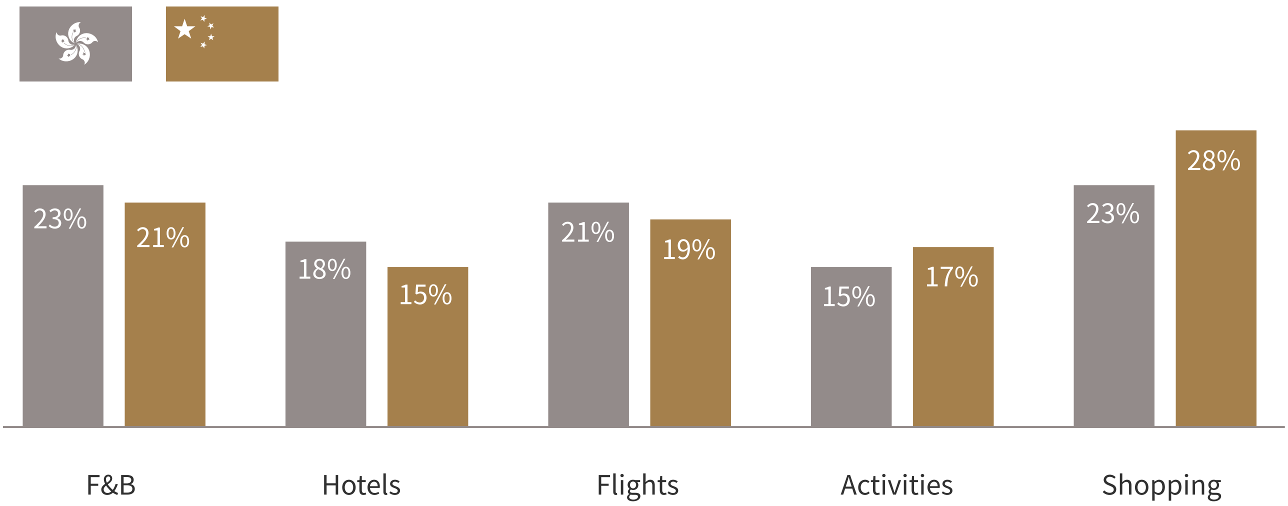
On average, Hong Kong consumers spent HKD 35,000 on the last leisure trip while Mainland China consumers spent around RMB 67,000 excluding flights and hotel expenses.

IN YOUR LAST LEISURE TRIP, HOW MUCH DID YOU SPEND IN TOTAL THROUGHOUT THE ENTIRE TRIP EXCLUDING FLIGHTS AND HOTEL CHARGES? HOW MUCH DID YOU SPEND ON SHOPPING?

	Average spend on the last leisure trip	Average spend on "Shopping" on the last leisure trip
	HKD 35,000	HKD 14,000
	RMB 67,000	RMB 27,000

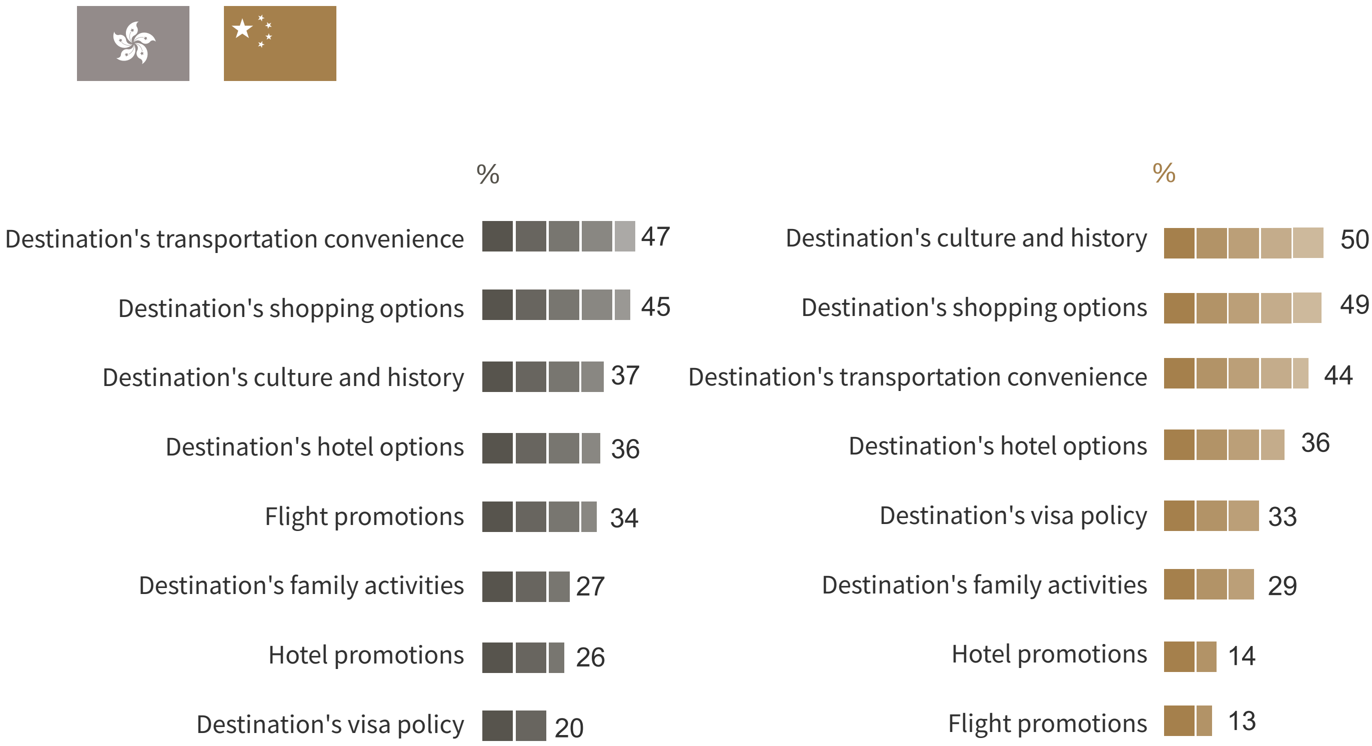
Hong Kong consumers budget similar amounts on food and beverages (23%), flights (21%) and shopping (23%). Mainland China consumers put a heavier focus on shopping, which comprises 28% of the total budget for a trip.

WHAT IS YOUR BUDGET ALLOCATION FOR THE FOLLOWING ITEMS ON TRAVEL?



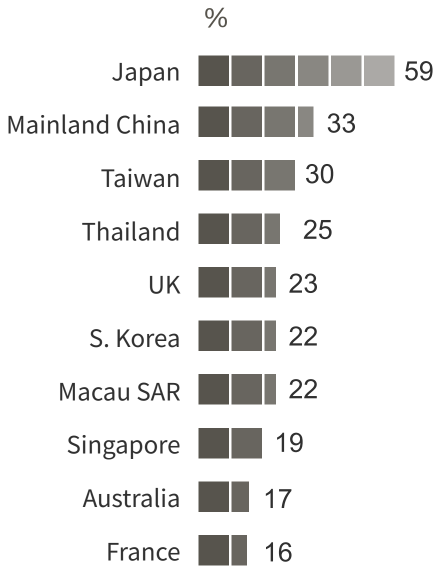
For both Hong Kong and Mainland China consumers, shopping options are a very important factor for travel destinations preferences. In addition, Hong Kong consumers value transportation convenience while Mainland China consumers value culture and historical elements.

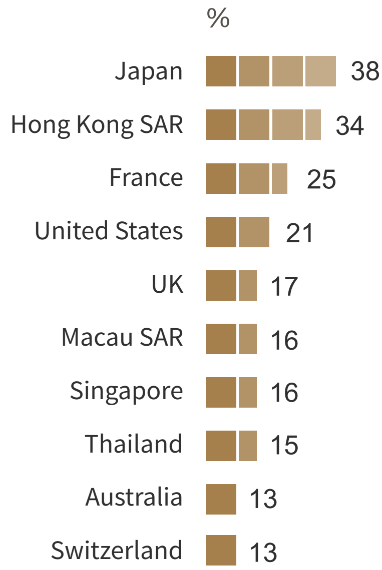
WHAT ARE THE TOP THREE FACTORS AFFECTING YOUR PREFERRED DESTINATION WHEN YOU PLAN YOUR TRAVELS?



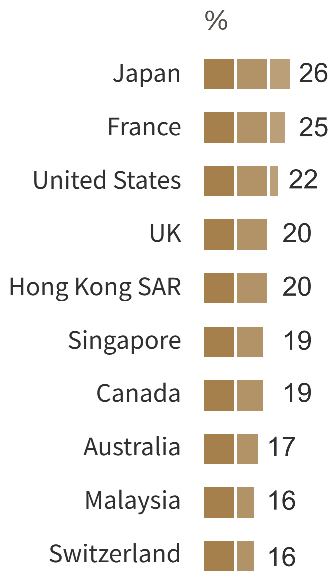
In the past 12 months, outbound travel destinations preferred by Mainland Chinese tourists include Japan, Hong Kong, France and the United States, while Hong Kong travelers preferred Japan, Mainland China and Taiwan. Japan, France and United States topped the list as destinations for Mainland China tourists over the next 12 months while for Hong Kong tourists the destinations are Mainland China, Taiwan, Australia and South Korea. This marked the first time that Hong Kong has lost its position as the top outbound travel destination for Mainland China tourists. Moreover, Hong Kong is not regarded as a top choice for travels planned for the next 12 months. This can be partly attributed to the upheavals in Hong Kong in 2019 and also testifies to the fact that Chinese consumers are more confident about exploring exotic destinations.

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



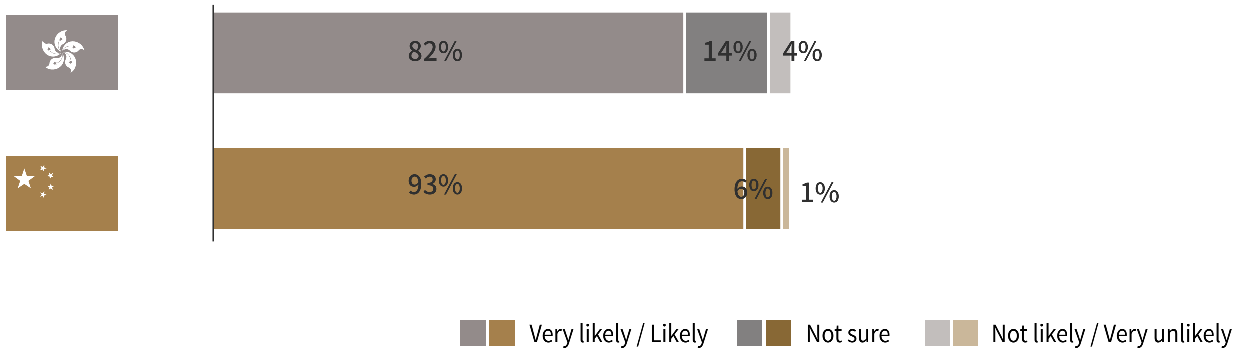


WHICH LOCATIONS DO YOU PLAN TO TRAVEL TO FOR LEISURE IN THE NEXT 12 MONTHS?



When shopping abroad, Mainland China consumers are more likely than Hong Kong counterparts to buy brands about which they previously had not heard (93% vs 82%). Both Hong Kong and Mainland China consumers prefer luxury department stores, followed by standalone brand boutiques and brand outlets.

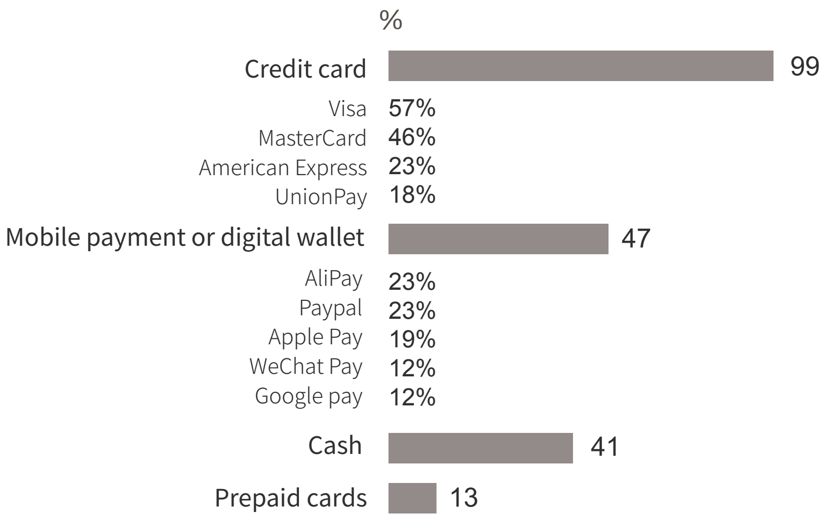
WHEN SHOPPING ABROAD, WOULD YOU BUY FROM A FOREIGN BRAND THAT YOU HAVE NOT HEARD OF BEFORE?

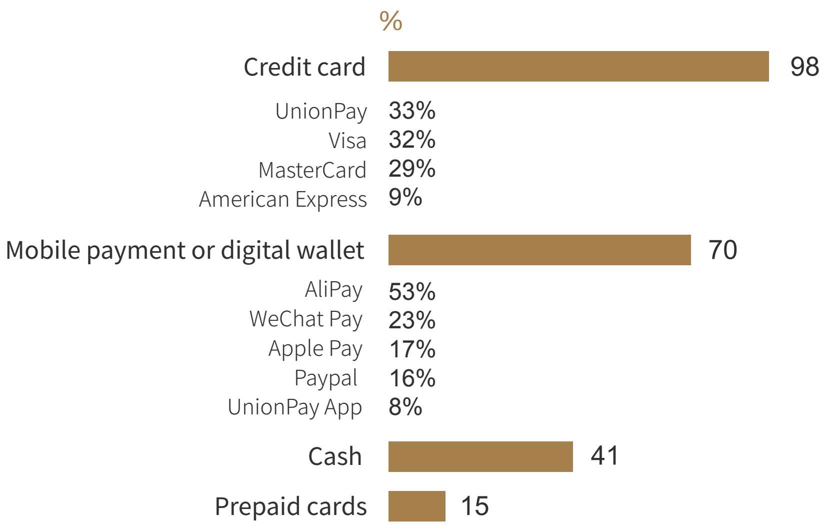


WHEN SHOPPING ABROAD, WHAT ARE THE TOP THREE PLACES YOU SHOP FROM?

Most Hong Kong and Mainland China consumers like to pay for products with credit cards when shopping abroad. However, mobile payment and digital wallet options are gaining popularity in Mainland China, with about 70% of all Mainland China consumers surveyed paying through a mobile payment or digital wallet service compared to 47% of Hong Kong consumers.

WHEN SHOPPING ABROAD OVER THE PAST 12 MONTHS, HOW DID YOU PAY?





INFORMATION AND INFLUENCE

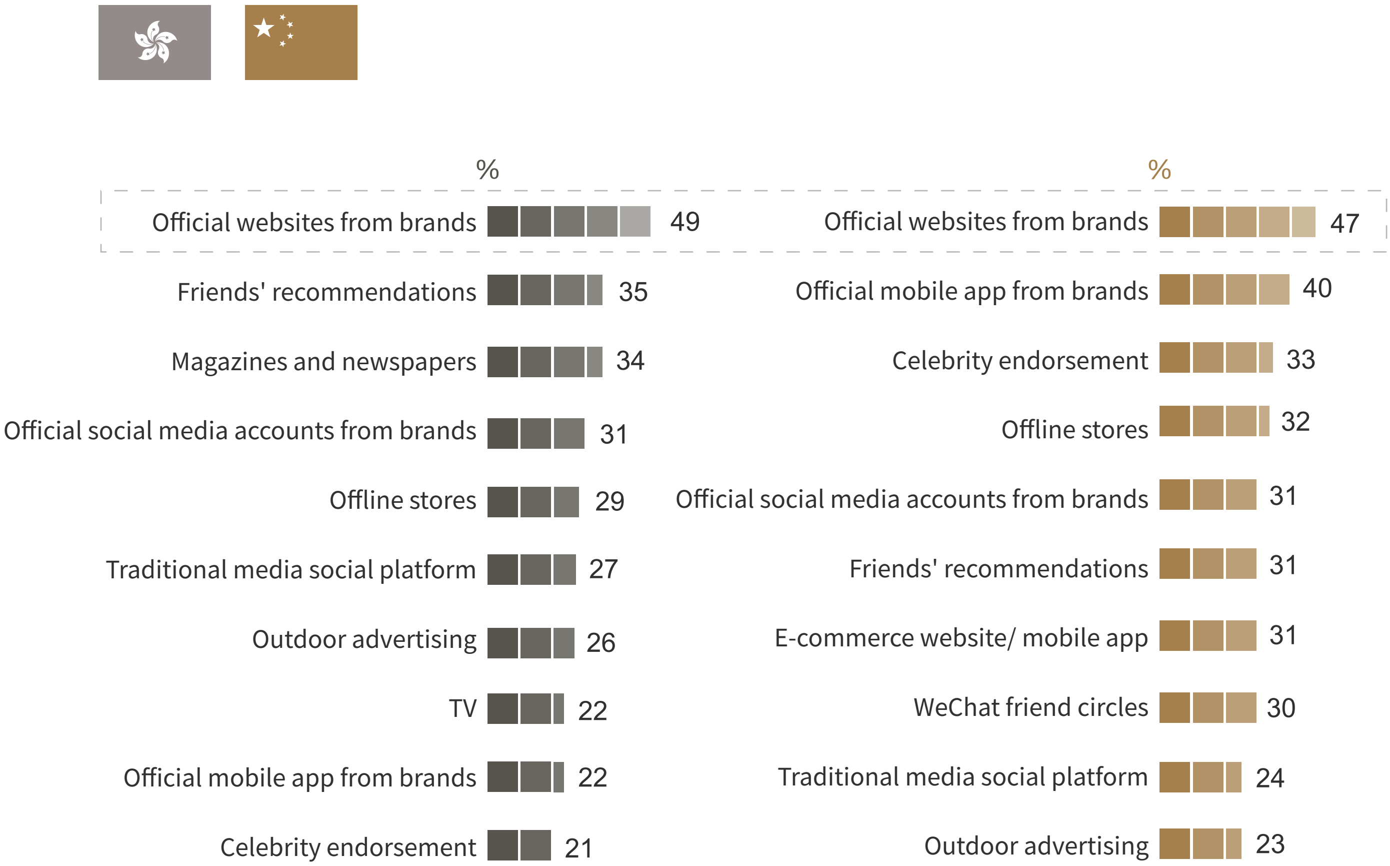
07

- Omni-Channel with Digital Focus
- KOLs and Celebrities Most Influential in Clothing, Beauty & Cosmetics and Jewelry
- Paid Cooperation Between Brands and KOLs/ Celebrities Highly Accepted

OMNI-CHANNEL WITH DIGITAL FOCUS

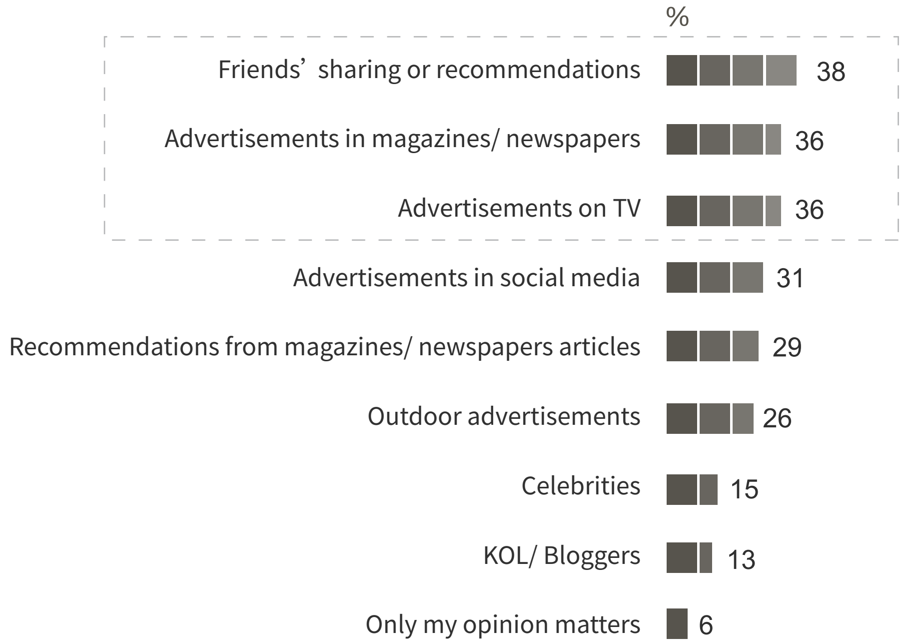
Digitalization has become fully integrated in almost every aspect of the luxury business, with e-commerce and digital marketing receiving focused attention. Luxury goods consumers mainly use digital channels to obtain brand and product information. The official brand websites are the top channel for obtaining luxury brand information in both Hong Kong and Mainland China. Celebrity endorsements, boutiques/ stores, and the social media accounts of brands are also very important in Mainland China. In Hong Kong, official websites are the top channel, while recommendations from friends, magazines and newspapers, and social media accounts are still often used for obtaining luxury brand and product information.

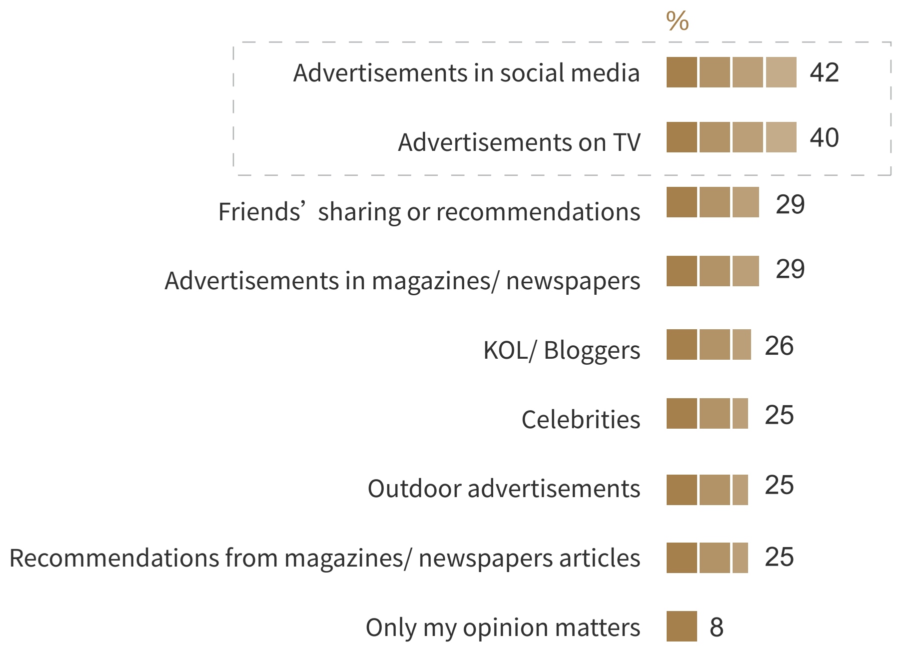
FROM WHICH OF THE FOLLOWING SOURCES DO YOU OBTAIN LUXURY BRANDS INFORMATION?



However, when it comes to information channels affecting purchasing decisions, friend-sharing, print media ads and TV commercials are the key influencers for purchase decisions among Hong Kong consumers, while advertisements on social media and TV commercials are the key influencers for Mainland China consumers.

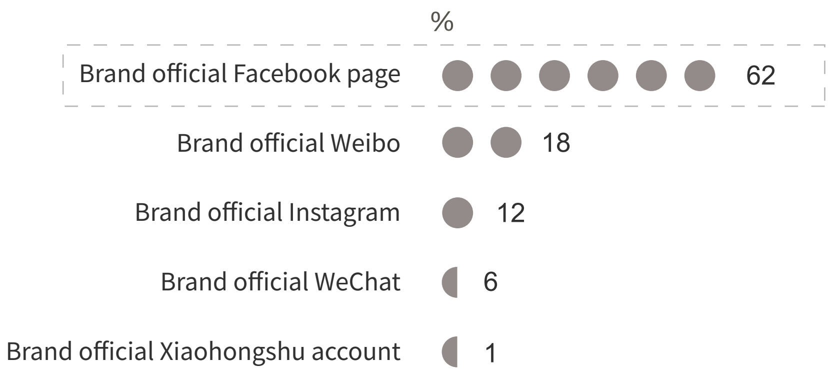
WHICH OF THE FOLLOWING INFORMATION CHANNELS CAN INFLUENCE YOUR PURCHASING DECISION?

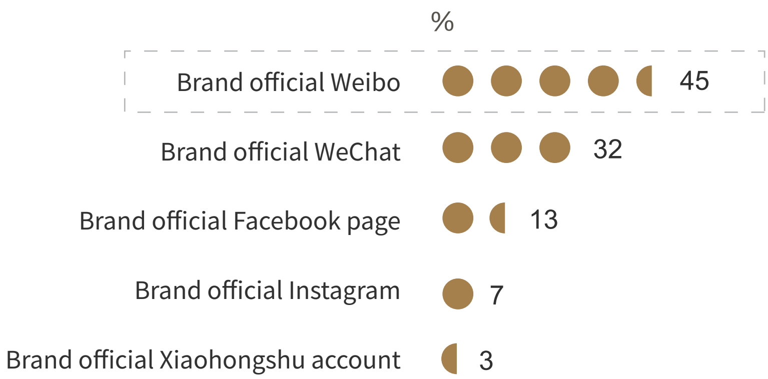




China has a unique social media ecosystem. Social media is the largest attention grabber and way to spend time among Chinese consumers. It is no wonder that almost every luxury brand operates its own social media accounts to engage directly with consumers. According to the survey, most Hong Kong consumers obtain information about brands from official Facebook pages, while most Mainland China consumers obtain information from brands through official Weibo accounts.

FROM WHICH OF THE FOLLOWING BRAND OFFICIAL ACCOUNTS DO YOU MAINLY OBTAIN INFORMATION?

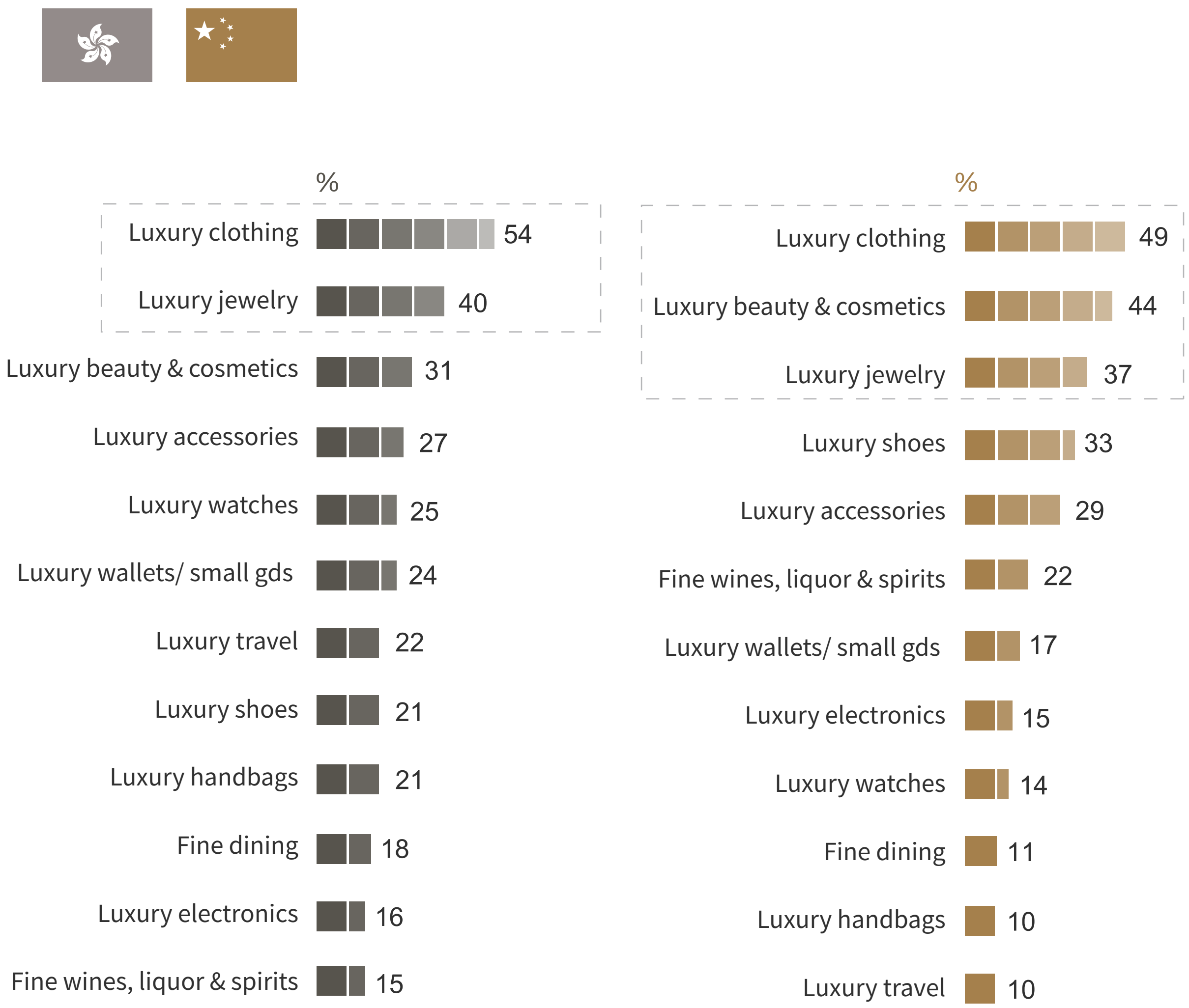




KOL & CELEBRITIES MOST INFLUENTIAL IN CLOTHING, BEAUTY & COSMETICS AND JEWELRY

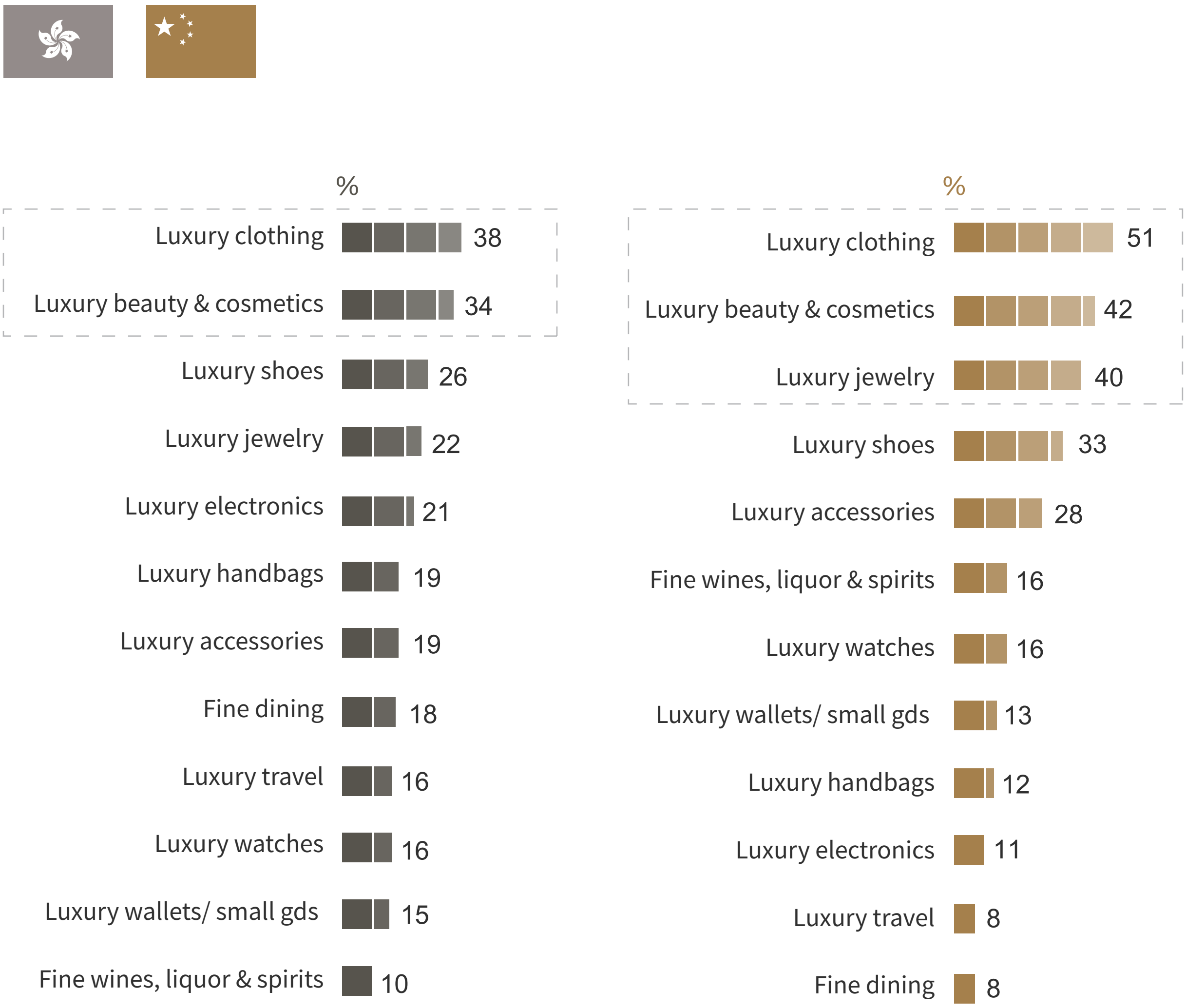
Key opinion leaders (KOLs) are extremely important in China not only for communicating brand stories and product information, but also for directly driving traffic and sales conversions. Clothing and jewelry are the two main categories on which KOLs exert the highest level of influence among Hong Kong consumers. In Mainland China, the top three are clothing, beauty & cosmetics and jewelry.

IN THE PAST 12 MONTHS, WHICH OF THE FOLLOWING LUXURY ITEMS HAVE YOU BOUGHT AS INFLUENCED BY KOLS OR BLOGGERS?



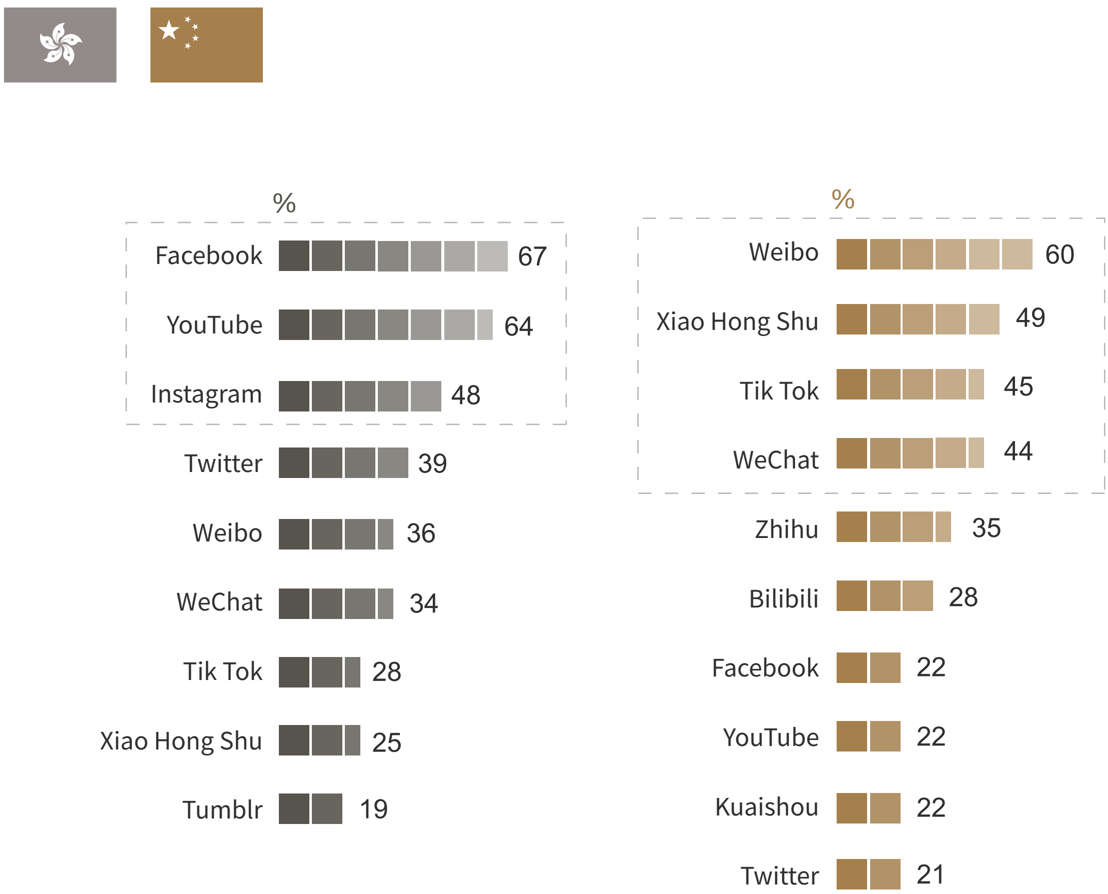
Luxury clothing is the category that is most highly influenced by celebrities in both Hong Kong and Mainland China, followed by luxury beauty & cosmetics and luxury jewelry in Mainland China, and luxury jewelry in Hong Kong.

IN THE PAST 12 MONTHS, WHICH OF THE FOLLOWING LUXURY ITEMS HAVE YOU BOUGHT AS INFLUENCED BY CELEBRITIES?



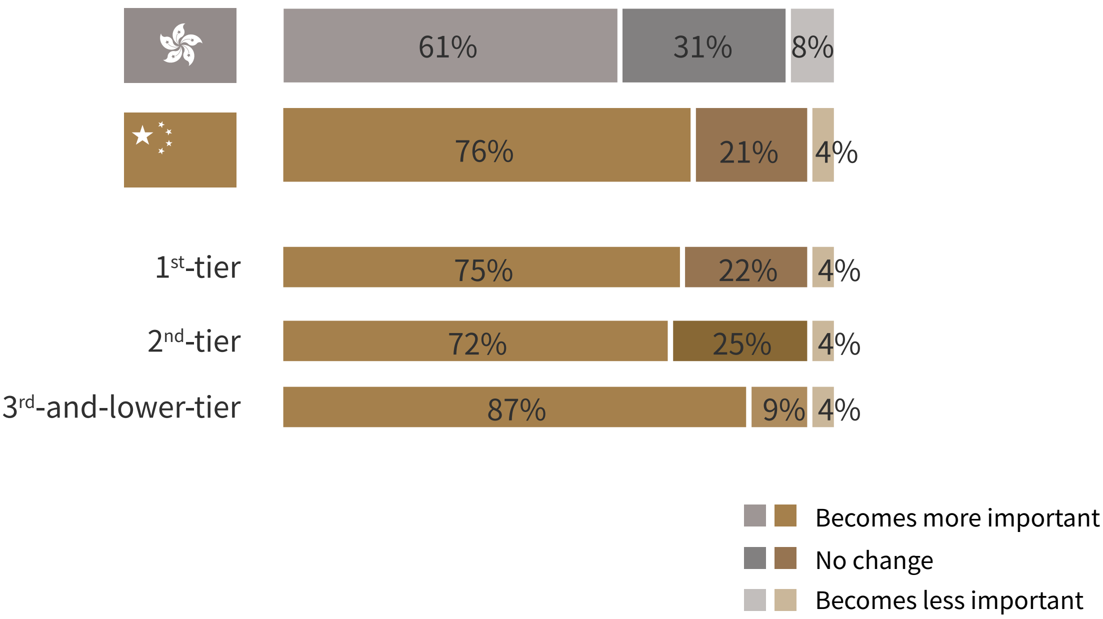
In Hong Kong, key channels for KOLs are Facebook, YouTube and Instagram. In Mainland China, Weibo, Xiao Hong Shu, Tik Tok and WeChat are the top four channels.

THROUGH WHAT CHANNELS DID YOU OBTAIN RECOMMENDATIONS FROM KOLS OR BLOGGERS?

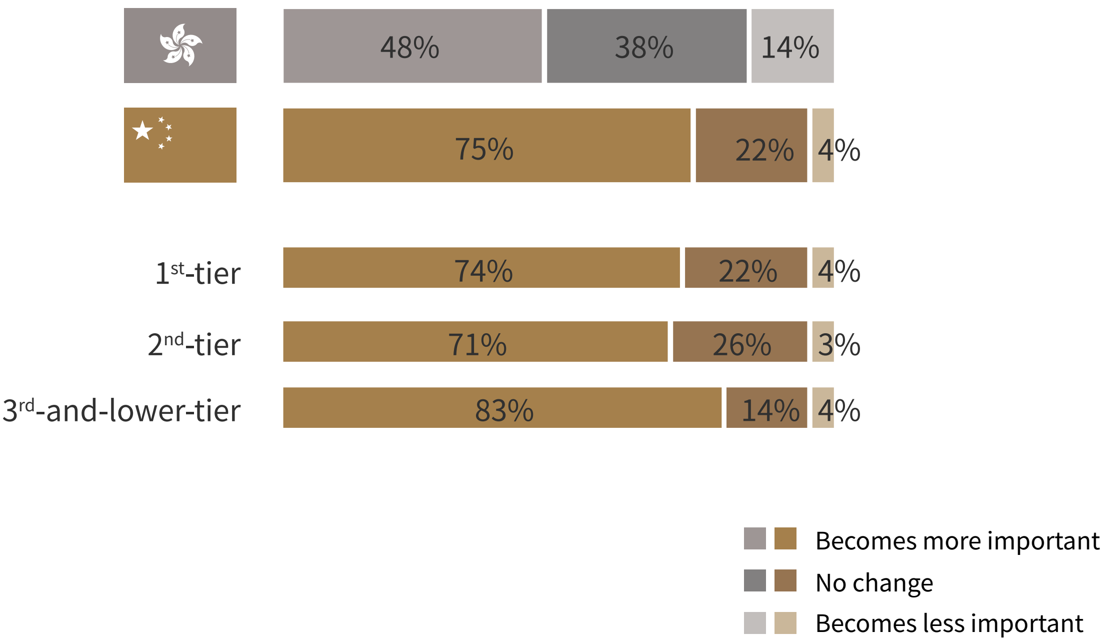


Mainland China consumers attach a higher degree of value to KOLs and celebrities compared to Hong Kong consumers. Among all Mainland China consumers, 3rd-and-lower-tier consumers value KOLs and celebrities the most.

DO YOU THINK THE INFLUENCE OF KOLS OR BLOGGERS WILL UNDERGO THE FOLLOWING CHANGES IN THE NEXT 2 YEARS?

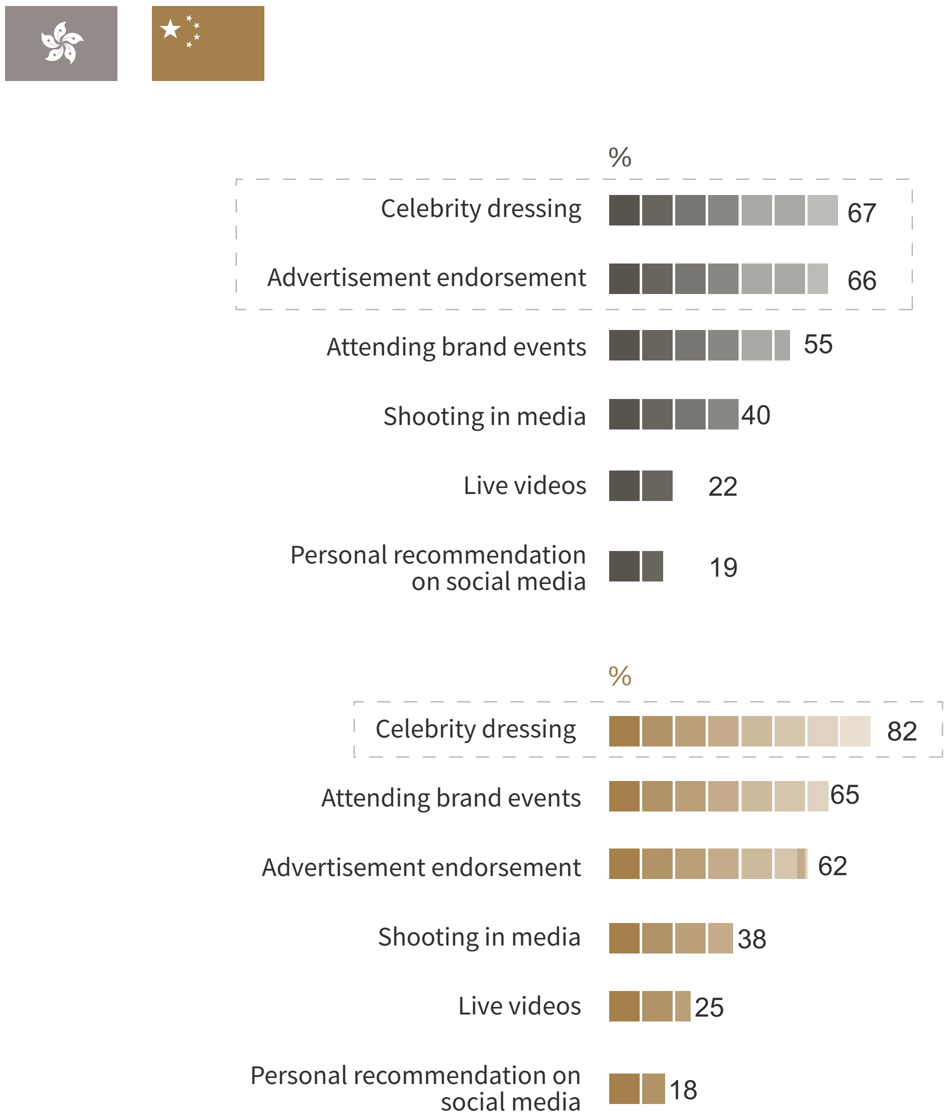


DO YOU THINK THE INFLUENCE OF CELEBRITIES WILL UNDERGO THE FOLLOWING CHANGES IN THE NEXT 2 YEARS?



Celebrity dressing and advertisement endorsements are preferred by Hong Kong consumers while Mainland China consumers are more interested in celebrity dressing.

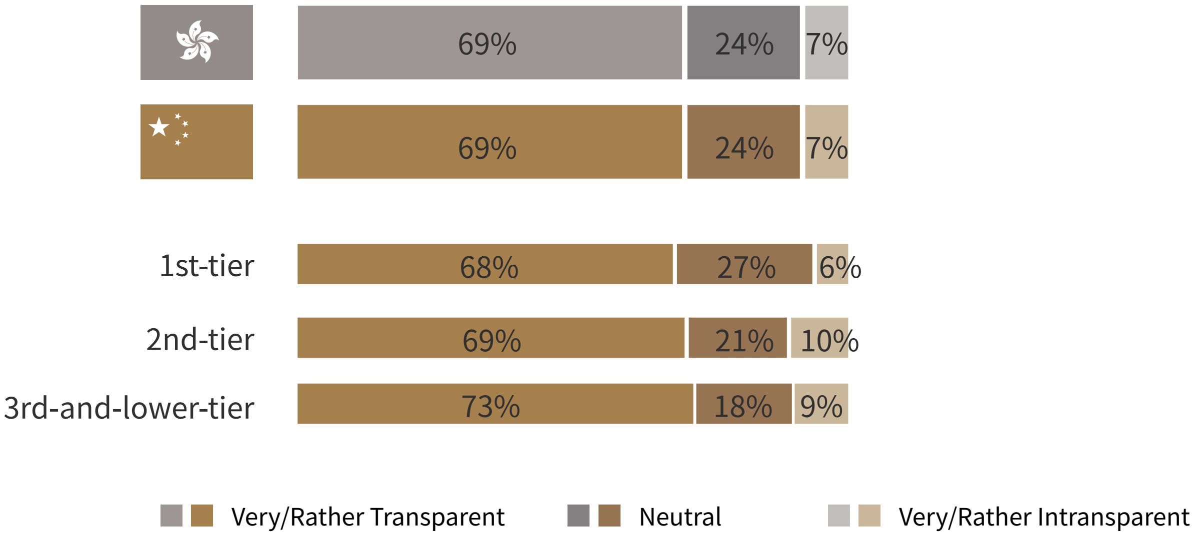
WHAT CELEBRITY RECOMMENDATION DO YOU THINK IS IMPORTANT?



PAID COOPERATION BETWEEN BRANDS AND KOLS/ CELEBRITIES HIGHLY ACCEPTED

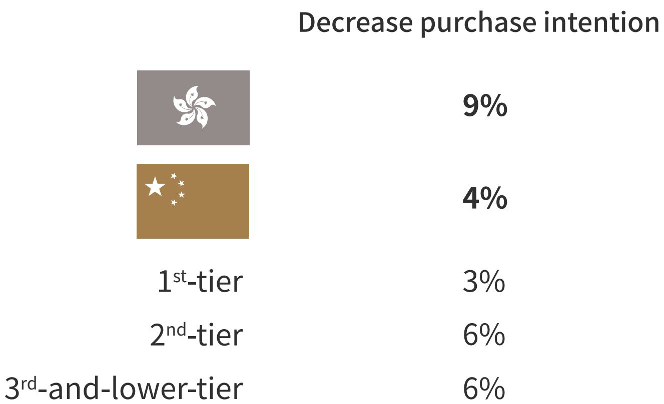
Some 69% of Hong Kong and Mainland China consumers think KOLs/ celebrities are transparent about whether or not payments are received for product recommendations.

HOW TRANSPARENT DO YOU THINK KOLS OR BLOGGERS ARE ABOUT WHETHER THEIR PRODUCT RECOMMENDATION IS A PAID PARTNERSHIP OR NOT?



Knowledge of paid cooperation between brands and KOLs /celebrities rarely reduces consumer purchase intentions. Only 9% of Hong Kong and 4% Mainland China consumer will decrease their purchase intentions based on knowledge of paid cooperation between brand and KOLs; 4% of Hong Kong and 1% Mainland China consumers' purchase intentions will decrease based on knowledge of paid cooperation between brand and celebrities.

HOW WOULD YOUR PURCHASE INTENTION CHANGE TOWARDS THE PRODUCT THAT KOLS OR BLOGGERS RECOMMENDED AFTER KNOWING OF THE PAID COOPERATION BETWEEN THE KOL OR BLOGGER AND BRANDS?



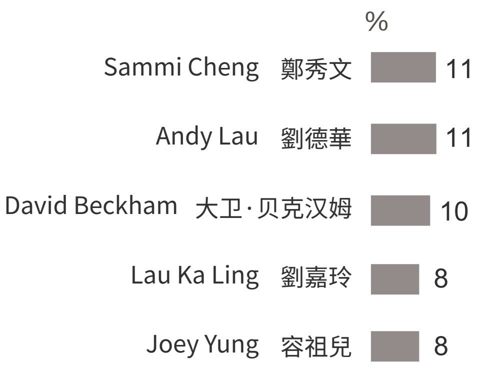
HOW WOULD YOUR PURCHASE INTENTION CHANGE TOWARDS THE PRODUCT THAT CELEBRITIES RECOMMENDED AFTER KNOWING OF THE PAID COOPERATION BETWEEN CELEBRITIES AND BRANDS?

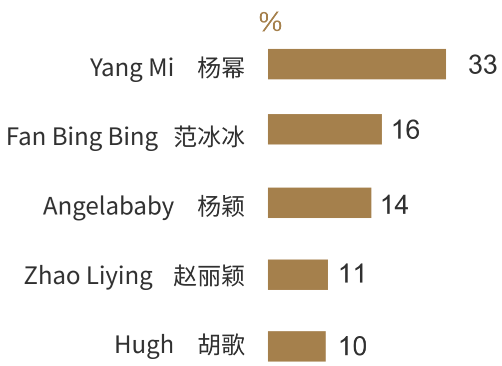
	Decrease purchase intention
	**4%**
	**1%**
1st-tier	0%
2nd-tier	2%
3rd-and-lower-tier	4%

In Hong Kong, Sammi Cheng and Andy Lau are the most popular celebrities influencing Hong Kong consumers on purchase decisions while Yang Mi, Fan Bingbing, Angelababy, Zhao Liying, and Hugh are top five most influential celebrities in Mainland China.

PLEASE LIST 5 CELEBRITIES WHO HAVE AFFECTED YOUR PURCHASE DECISIONS.

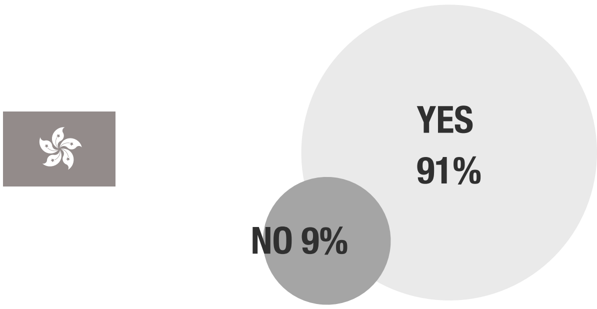


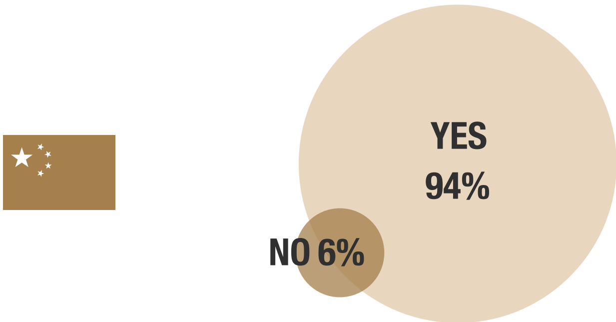


LOYALTY PROGRAMS

Most consumers think loyalty programs are important (91% in Hong Kong and 94% in Mainland China).

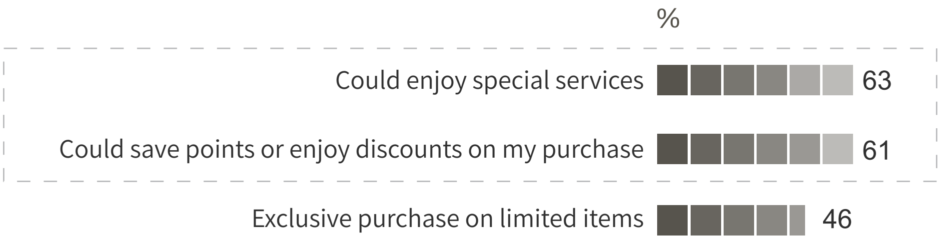
WHEN YOU PURCHASE LUXURY PRODUCTS, DO YOU THINK BEING A MEMBER OF A LOYALTY PROGRAM IS IMPORTANT?

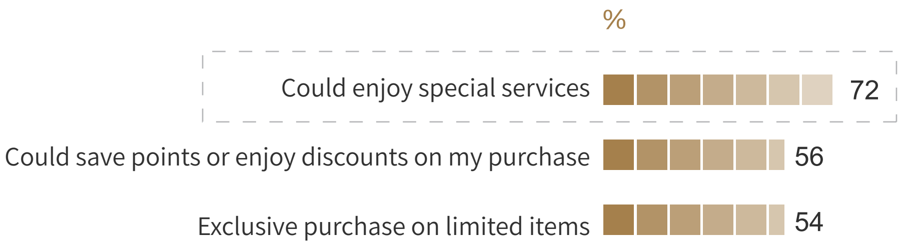




Both Hong Kong and Mainland China consumers choose to become a loyalty member to enjoy special services. Hong Kong consumers also want to accumulate points or enjoy discounts.

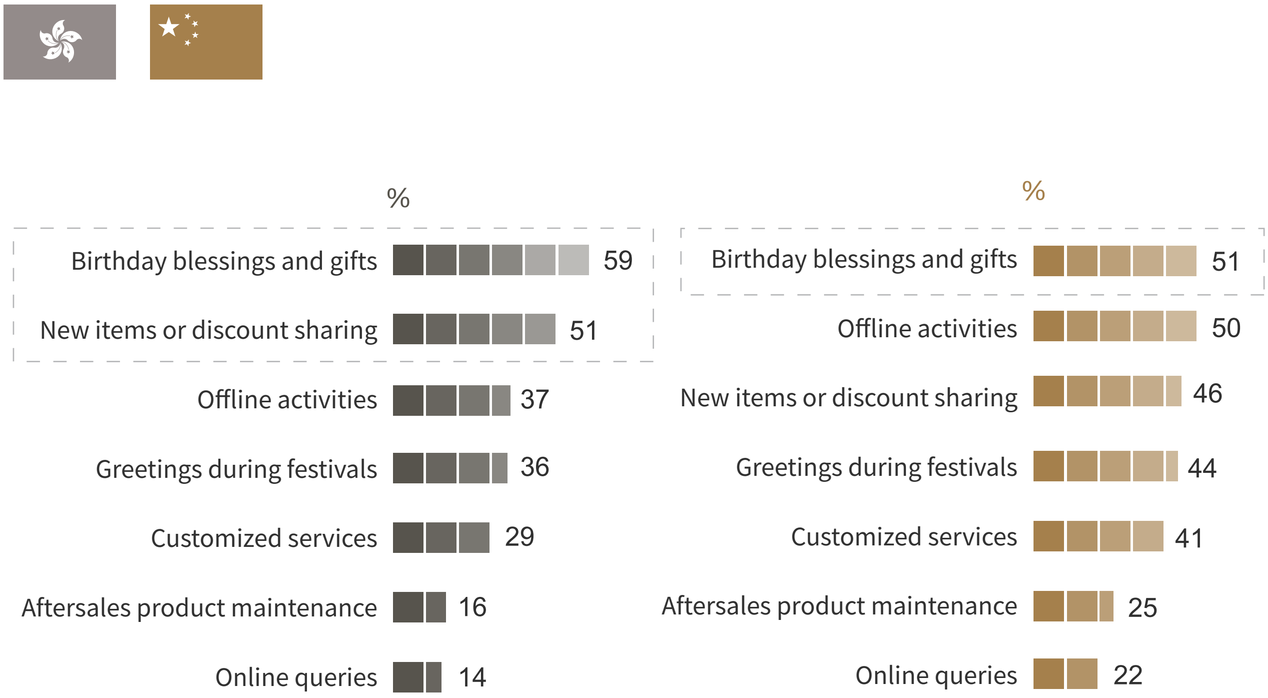
WHY DO YOU THINK BEING A MEMBER OF A LOYALTY PROGRAM IS IMPORTANT?





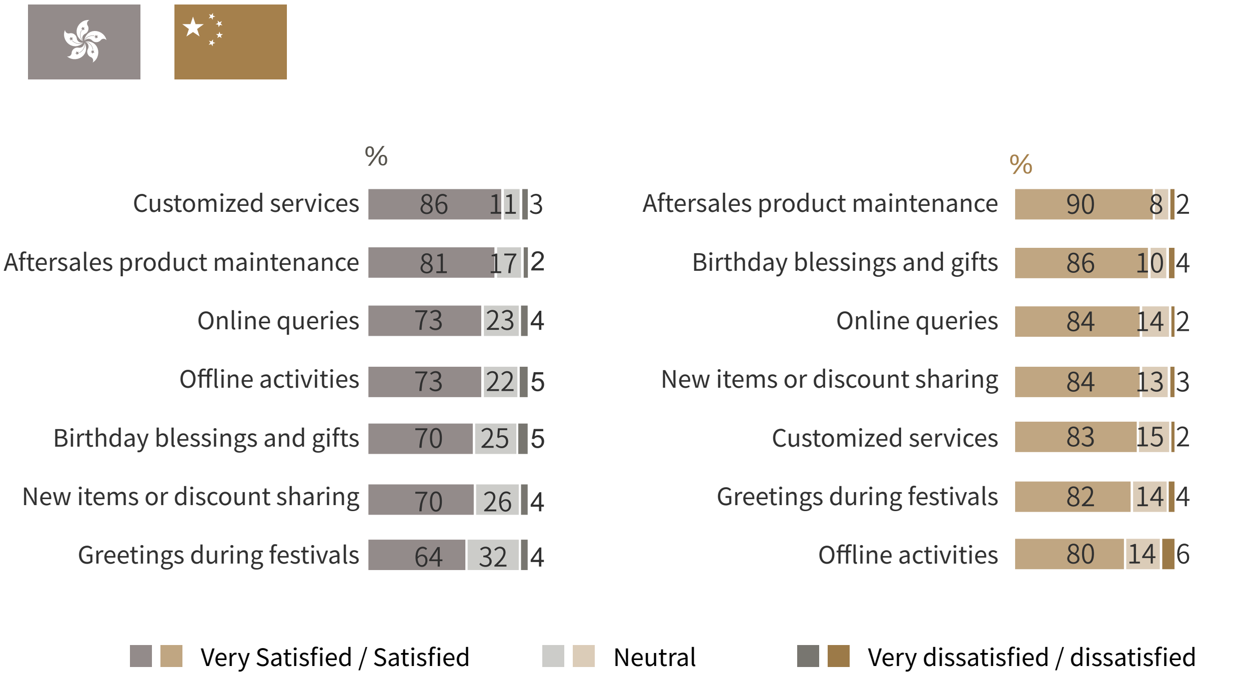
Both Hong Kong and Mainland China consumers most enjoy birthday greetings and gifts. In addition, Hong Kong consumers enjoy new items or shared discounts, while Mainland China consumers enjoy offline activities.

IN THE PAST 12 MONTHS, WHICH OF THE FOLLOWING CUSTOMER SERVICES HAVE YOU ENJOYED?

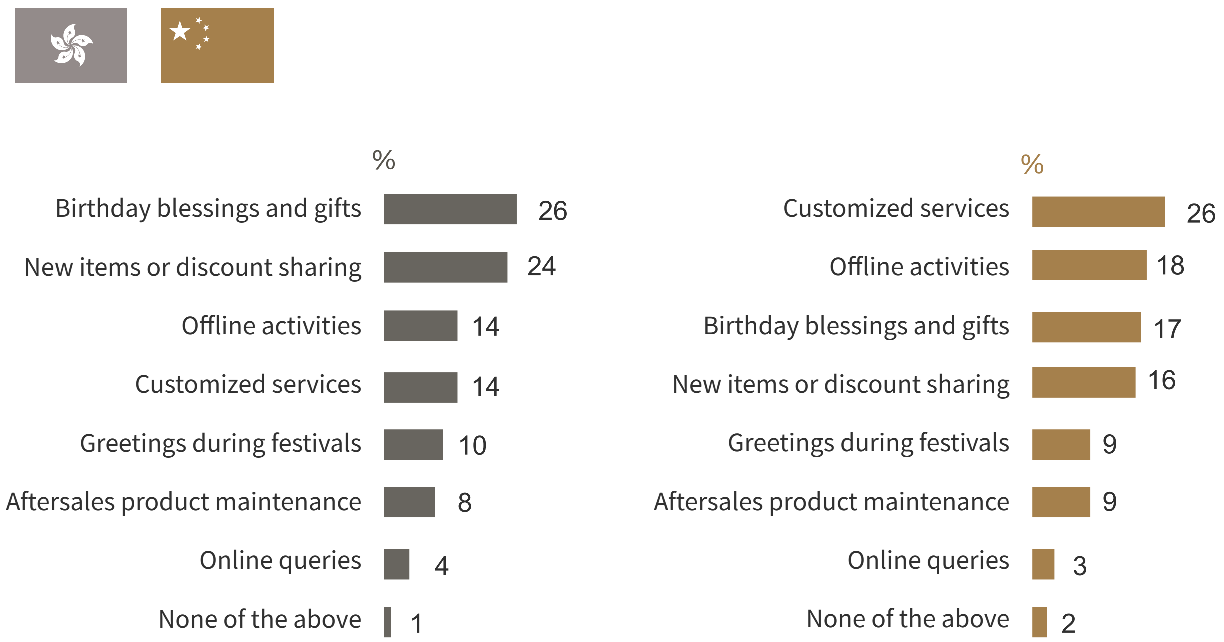


Hong Kong consumers get the most satisfaction from customized services while Mainland China consumers are best satisfied by after-sales product maintenance. However, Mainland China consumers have the highest expectations for customized services.

HOW SATISFIED ARE YOU WITH THE CUSTOMER SERVICES YOU HAVE ENJOYED?



IN THE FOLLOWING CUSTOMER SERVICES, WHICH DO YOU EXPECT TO GET THE MOST?



WINNING BRANDS, BRAND RECOGNITION, PURCHASES AND PURCHASE INTENTIONS

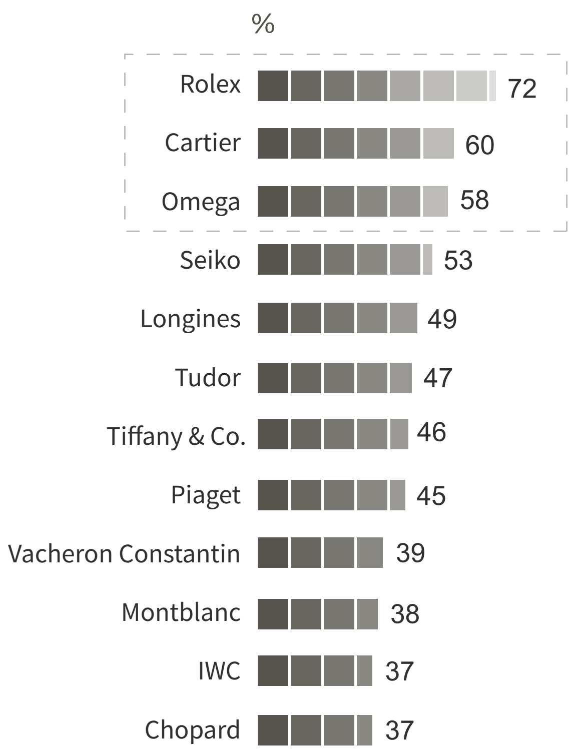
09

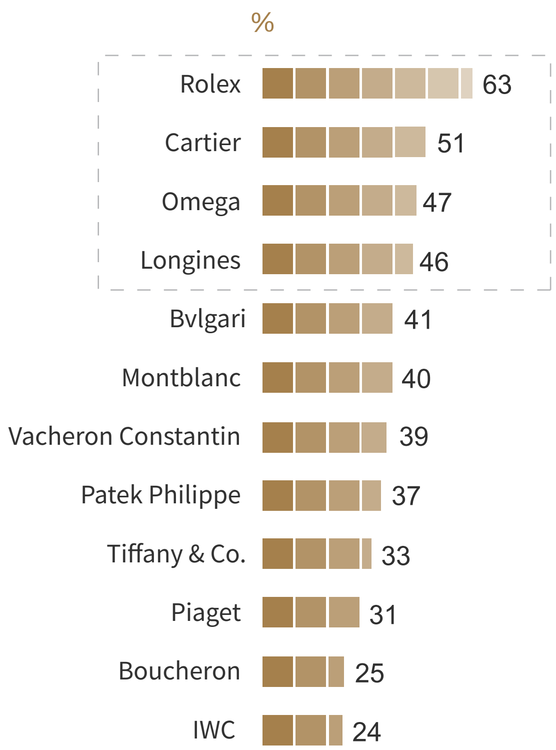
- Watches
- Jewelry
- Clothing
- Handbags & Leather Goods
- Beauty & Cosmetics
- Wine & Spirits
- Travel

WATCHES

Rolex, Cartier and Omega are the top three watch brands that enjoy the highest awareness in both Hong Kong and Mainland China. Rolex strengthened its leading position in both Hong Kong and Mainland China in 2019. Meanwhile, Longines now almost ties Omega in Mainland China in terms of brand awareness.

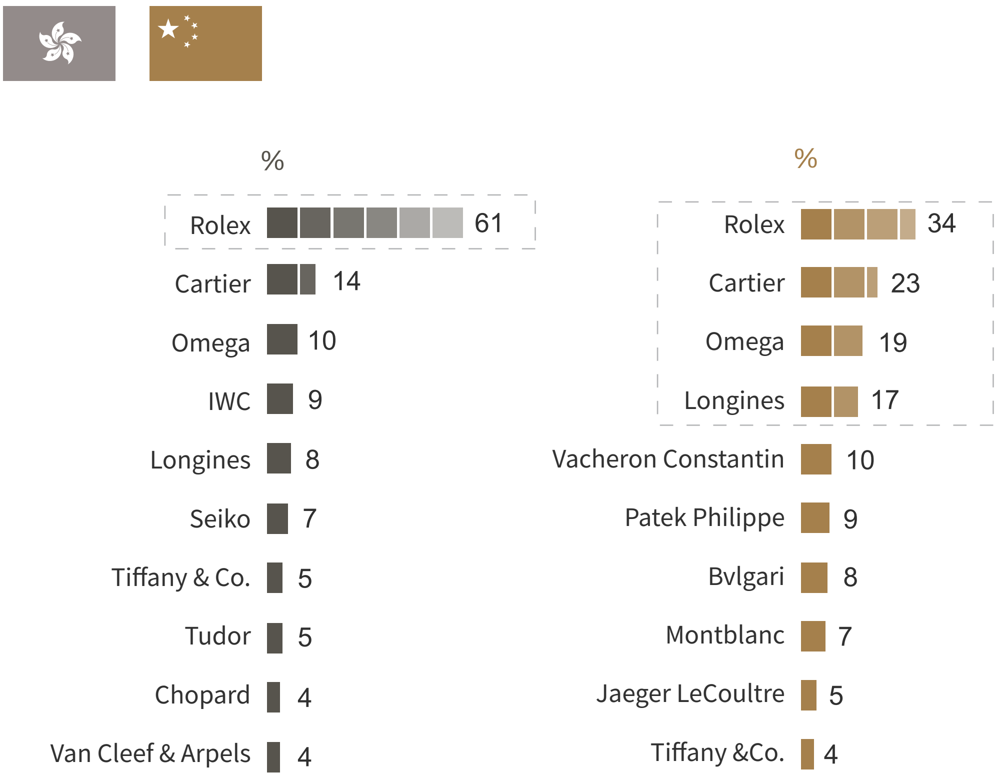
IN THE FOLLOWING WATCH BRANDS, WHICH DO YOU KNOW?





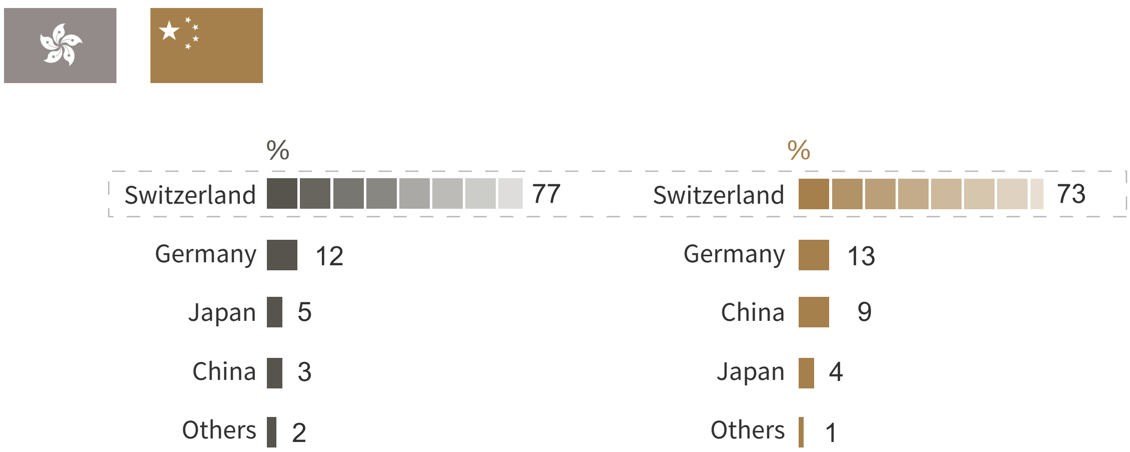
In Hong Kong, Rolex enjoys a clear lead, with around 61% of Hong Kong luxury shoppers surveyed saying they had purchased a Rolex product during the past 12 months. Rolex, Cartier, Omega and Longines are the top four brands purchased by consumers in Mainland China.

IN THE FOLLOWING WATCH BRANDS, WHICH HAVE YOU PURCHASED IN THE LAST 12 MONTHS?



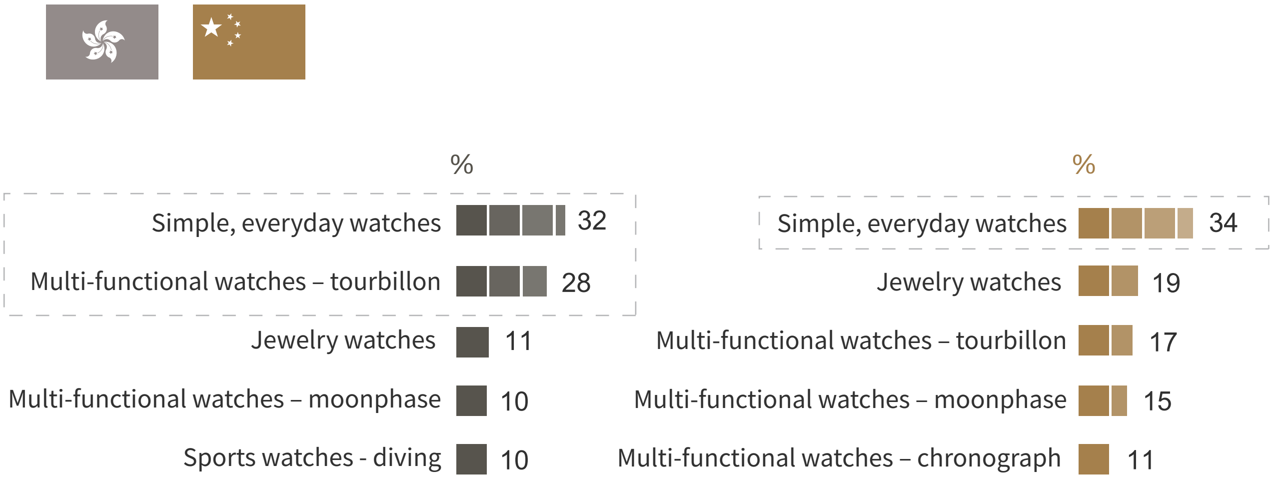
Most shoppers in Hong Kong (77%) and Mainland China (73%) prefer buying Swiss luxury watch brands.

WHICH COUNTRY OF ORIGIN DO YOU PREFER FOR WATCHES?



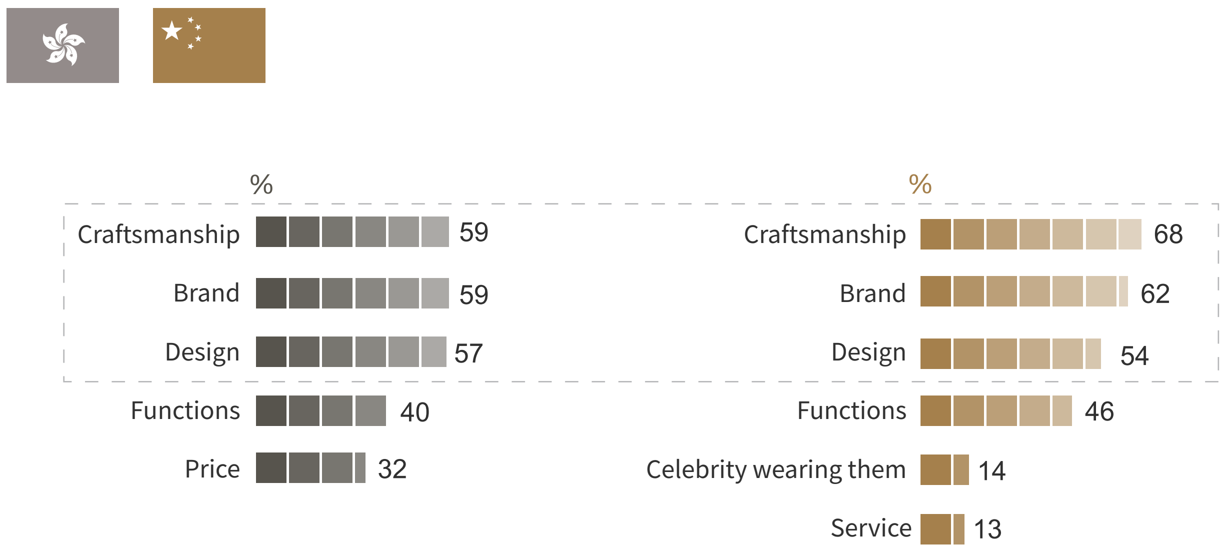
Some 32% of Hong Kong consumers and 34% of Mainland China consumers said they prefer simple, everyday watches, while tourbillon watches are also highly appreciated by Hong Kong consumers (28%).

WHICH STYLE OF WATCHES DO YOU LIKE THE MOST?



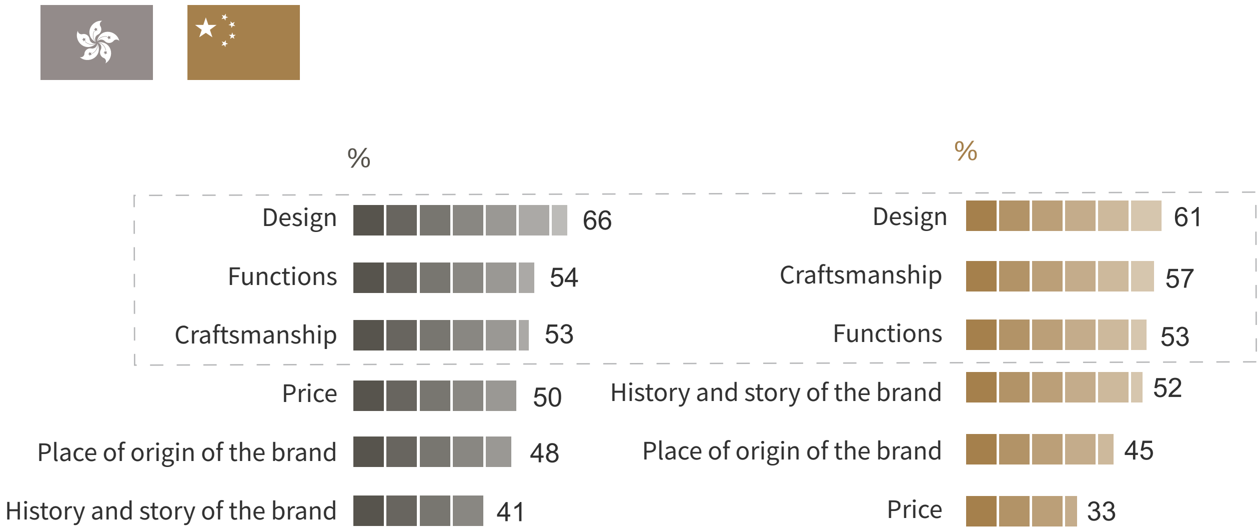
Craftsmanship, brand, and design are the top three factors that go into purchases of a luxury watch in both Mainland China and Hong Kong.

IN THE FOLLOWING FACTORS, WHICH WOULD AFFECT YOUR PURCHASING DECISION OF WATCHES?



In term of information that consumers would like to receive, a product's functionality, design and craftsmanship were frequently mentioned by respondents.

WHAT INFORMATION OF WATCHES ARE YOU INTERESTED IN?

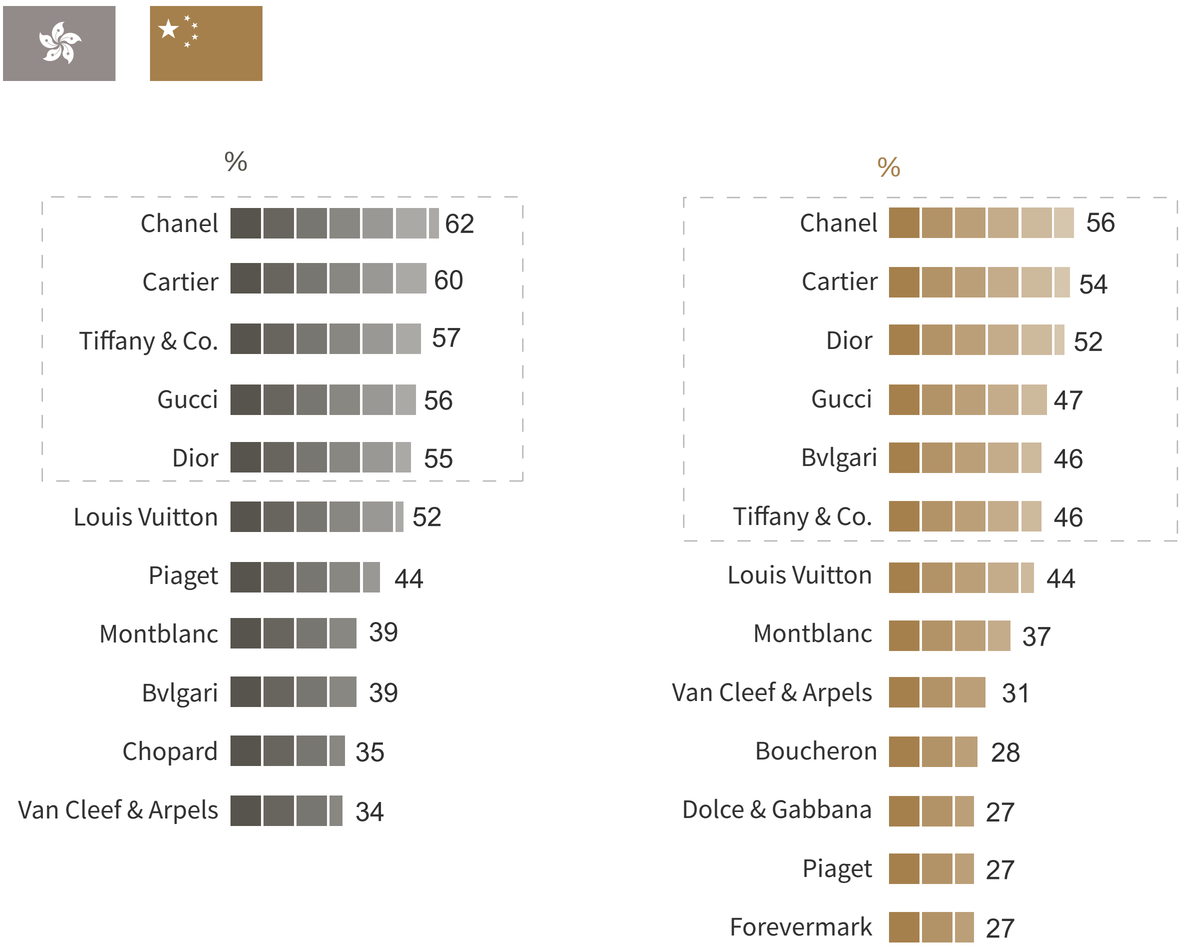


In the past 12 months, Hong Kong and Mainland China consumers have spent on average HKD 74,900 and RMB 88,000, respectively, on watches. Some 37% of Mainland China consumers plan to spend more on watches in the next 12 months versus 32% of Hong Kong consumers. These percentages are a bit below those recorded last year, when they were 46% in Mainland China and 36% in Hong Kong. Some 15% of Mainland China consumers and 26% of Hong Kong consumers plan to spend less on luxury watches during the next 12 months, which are much higher than those posted last year, namely 7% in Mainland China and 16% in Hong Kong.

JEWELRY

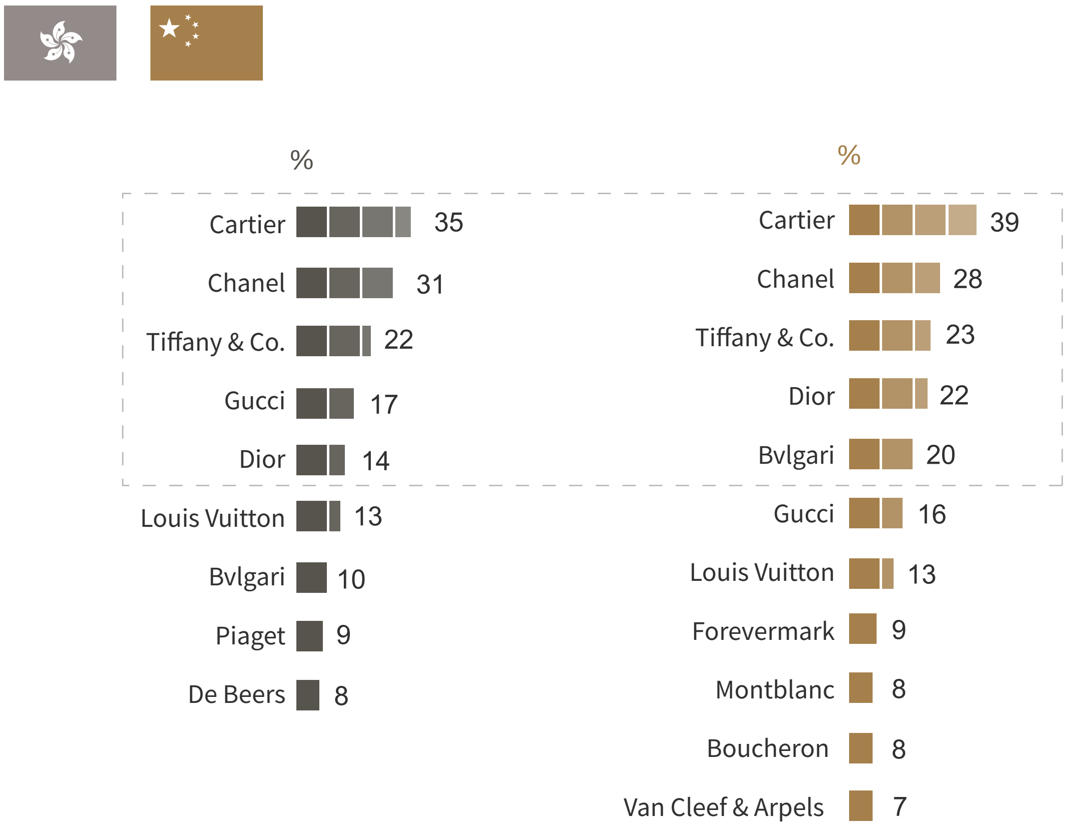
In terms of brand awareness, the top five jewelry brands in Hong Kong are Chanel, Cartier, Tiffany, Gucci and Dior, while Chanel, Cartier, Tiffany, Dior, Gucci, Tiffany and Bvlgari are leaders in Mainland China.

IN THE FOLLOWING JEWELRY BRANDS, WHICH DO YOU KNOW?



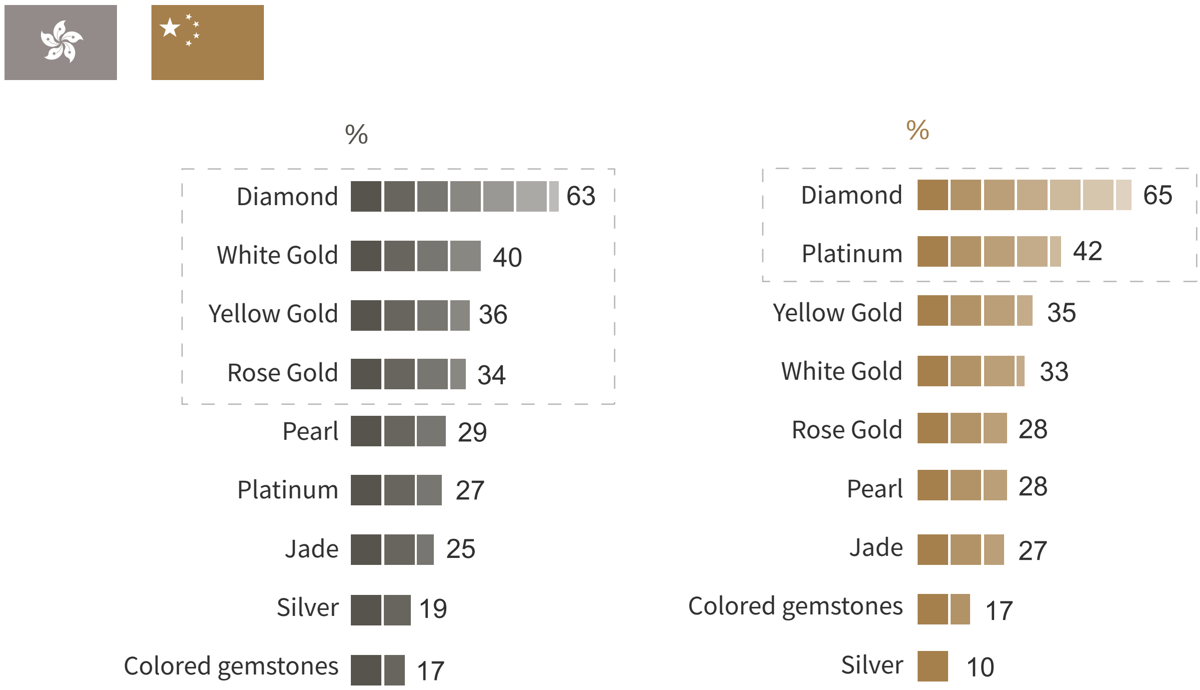
Cartier, Chanel and Tiffany are the top three Jewelry brands purchased by consumers in both Hong Kong and Mainland China last year. Meanwhile, Mainland China consumers surveyed said they like to purchase Dior and Bvlgari as well.

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



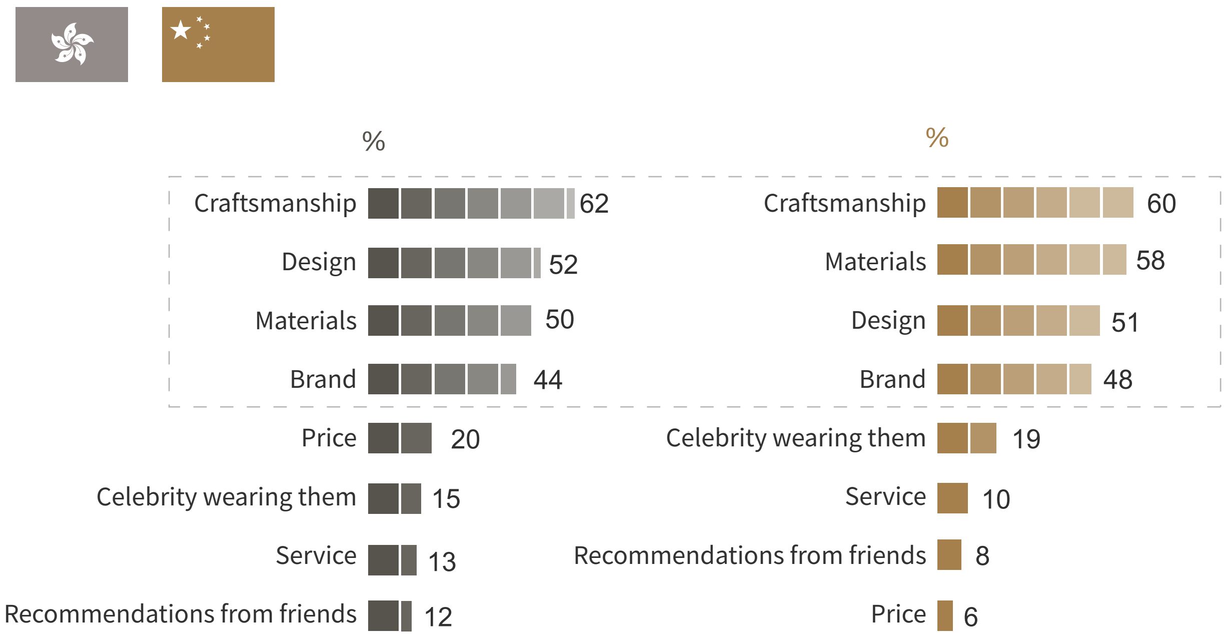
Diamond is the most preferred jewelry material for both Hong Kong (63%) and Mainland China consumers (65%). However, Hong Kong consumers also prefer white gold (40%) while Mainland China consumers prefer platinum (42%).

WHICH TYPES OF MATERIALS FOR JEWELRY DO YOU LIKE?



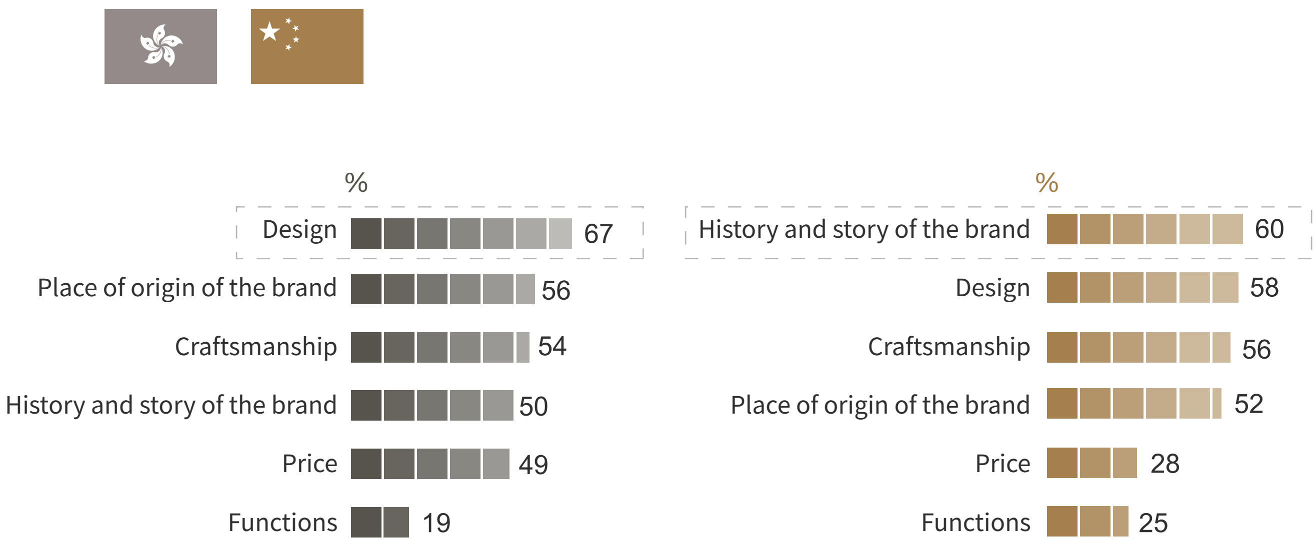
Craftsmanship, design, materials, and brand name are the top factors to consider when purchasing luxury jewelry.

WHICH OF THE FOLLOWING FACTORS WOULD AFFECT YOUR PURCHASING DECISIONS OF JEWELRY?



In terms of information that is interesting for consumers, Hong Kong consumers are more interested in design while Mainland China consumers are more interested in a brand's story.

WHAT INFORMATION ABOUT JEWELRY ARE YOU INTERESTED IN?

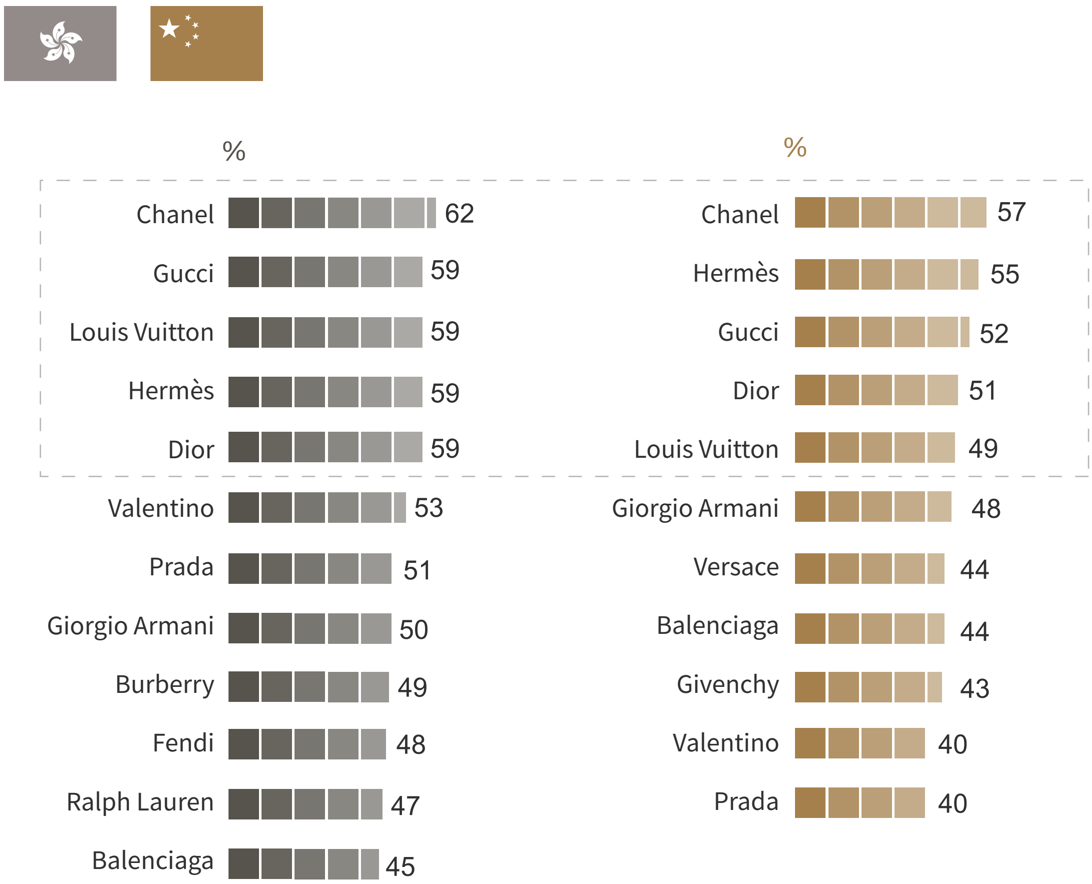


In the past 12 months, Hong Kong and Mainland China consumers spent on average HKD 53,500 and RMB 68,900, respectively, on jewelry. Some 48% of Mainland China consumers plan to purchase more jewelry during the next 12 months versus 46% of Hong Kong consumers.

CLOTHING

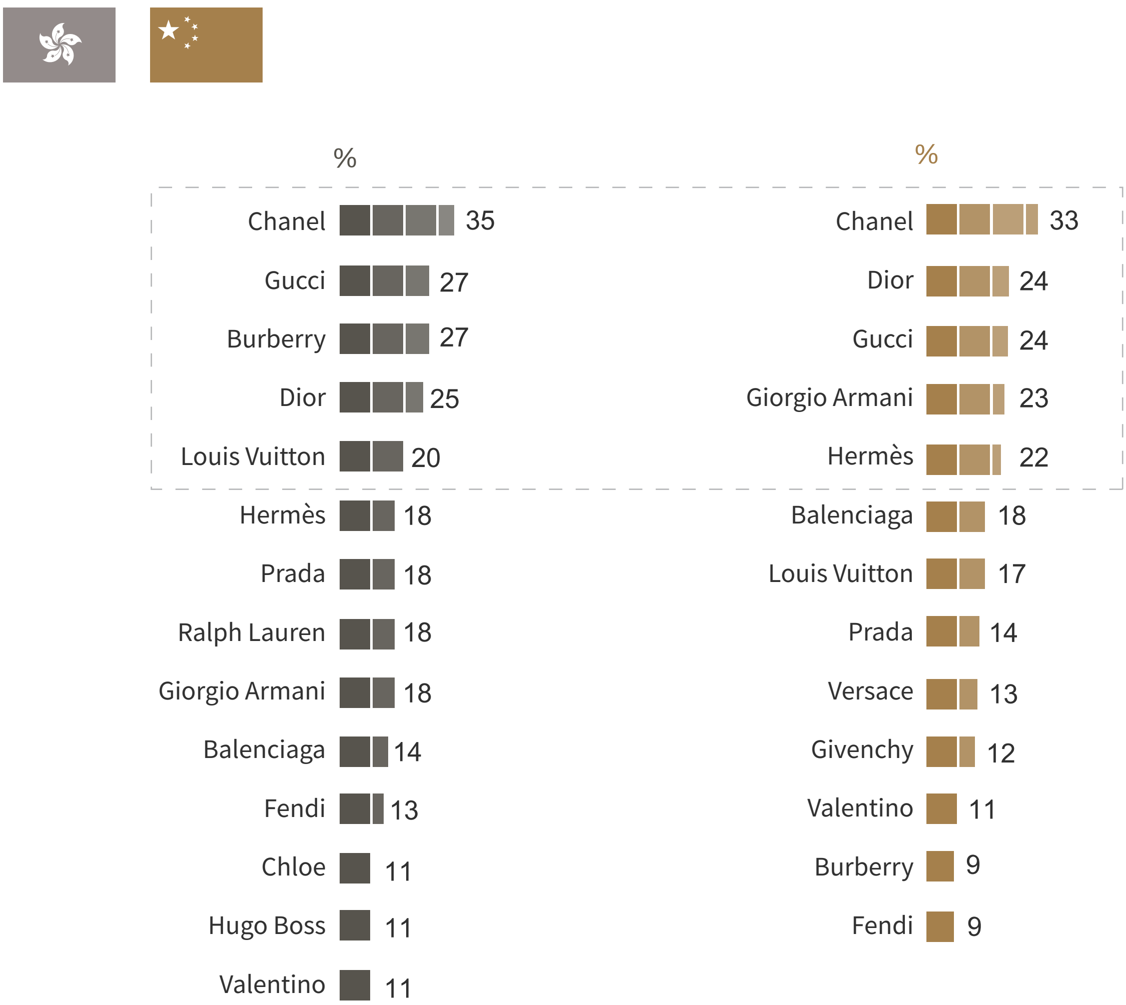
Chanel, Hermès, Gucci, Louis Vuitton and Dior are the five fashion brands with the highest brand awareness both in Hong Kong and Mainland China. Giorgio Armani follows closely behind in Mainland China.

IN THE FOLLOWING FASHION BRANDS, WHICH DO YOU KNOW?



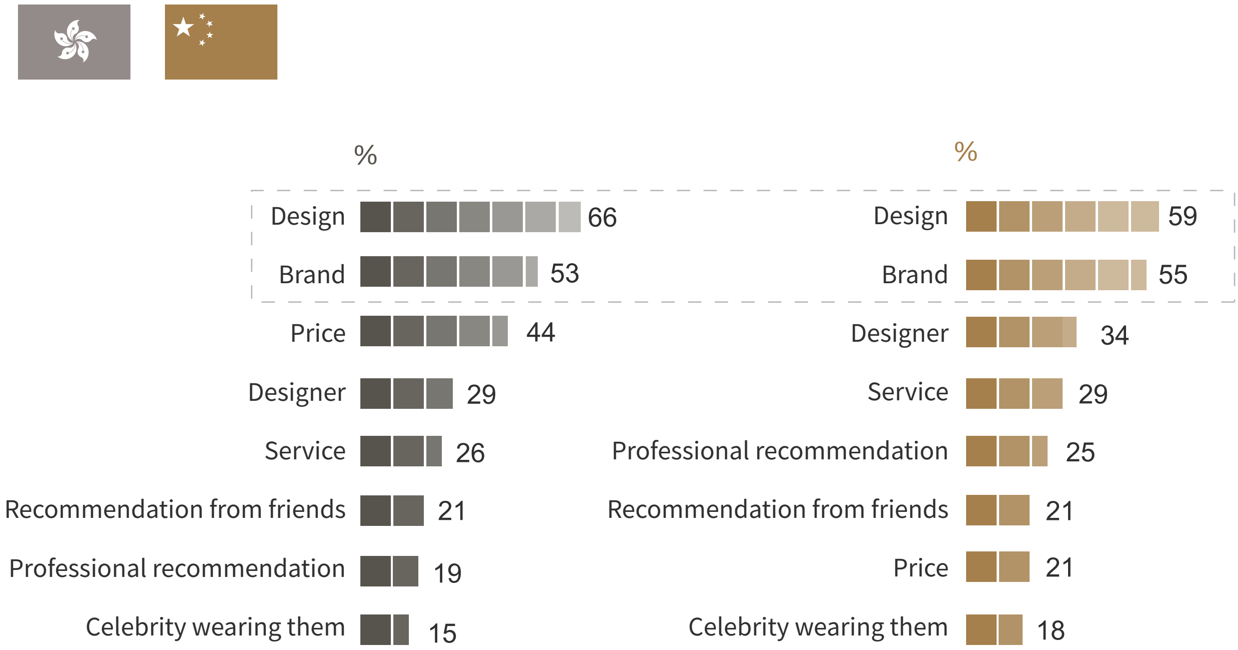
In both Hong Kong (35%) and Mainland China (33%), Chanel is the top fashion brand purchased. Meanwhile, Hong Kong consumers also like to purchase Gucci, Burberry, Dior and Louis Vuitton luxury clothes, while Mainland China consumers also like to purchase Dior, Gucci, Giorgio Armani and Hermès luxury clothes.

IN THE FOLLOWING FASHION BRANDS, WHICH HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



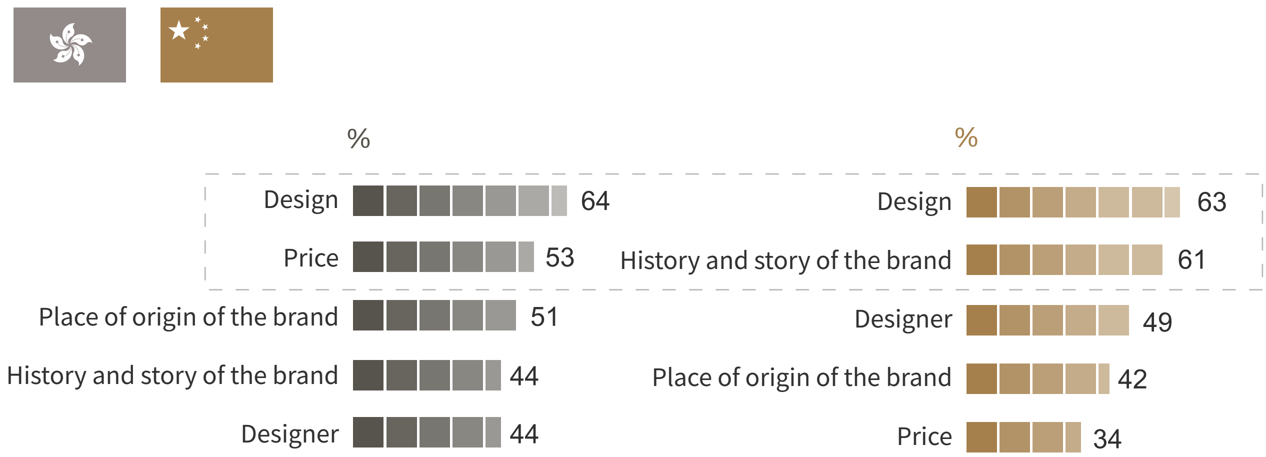
Design and the brand are the top two factors considered by consumers when purchasing luxury clothing in both Mainland China and Hong Kong.

IN THE FOLLOWING FACTORS, WHICH WOULD AFFECT YOUR PURCHASING DECISION OF FASHION CLOTHING?



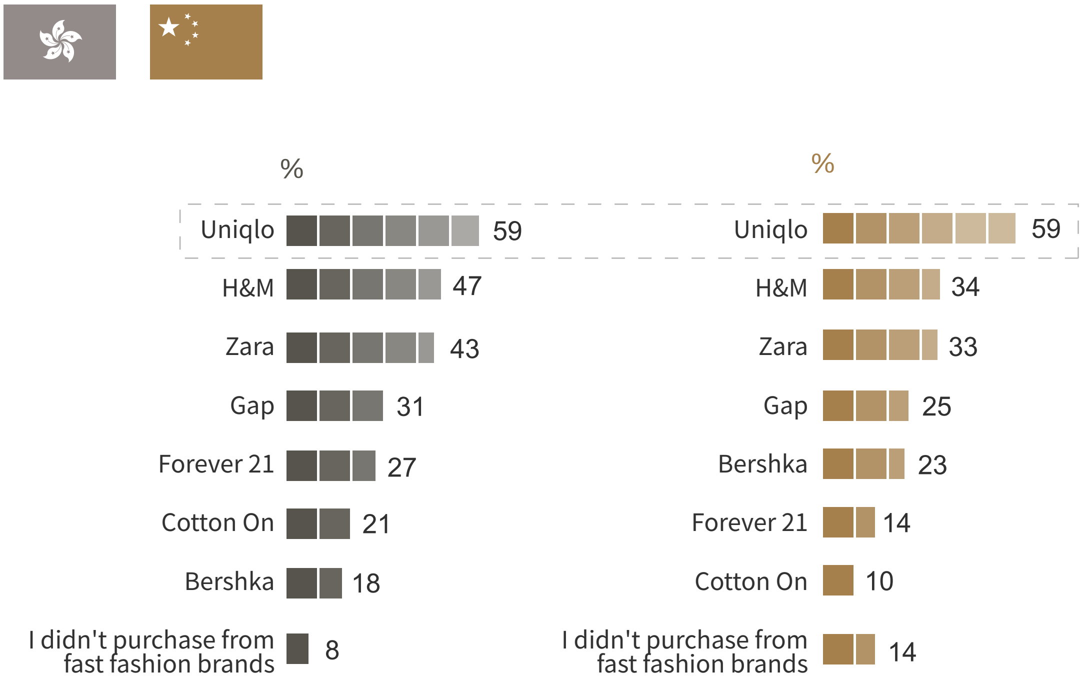
In terms of information that consumers are interested in receiving, Hong Kong consumers focus on design and price while Mainland China consumers are interested in design and brand story.

WHAT INFORMATION ABOUT FASHION ARE YOU INTERESTED IN?



Uniqlo is the mostly purchased fast-fashion brand in both Hong Kong and Mainland China.

HAVE YOU PURCHASED ANY OF THE FOLLOWING FAST FASHION BRANDS IN THE PAST 12 MONTHS?

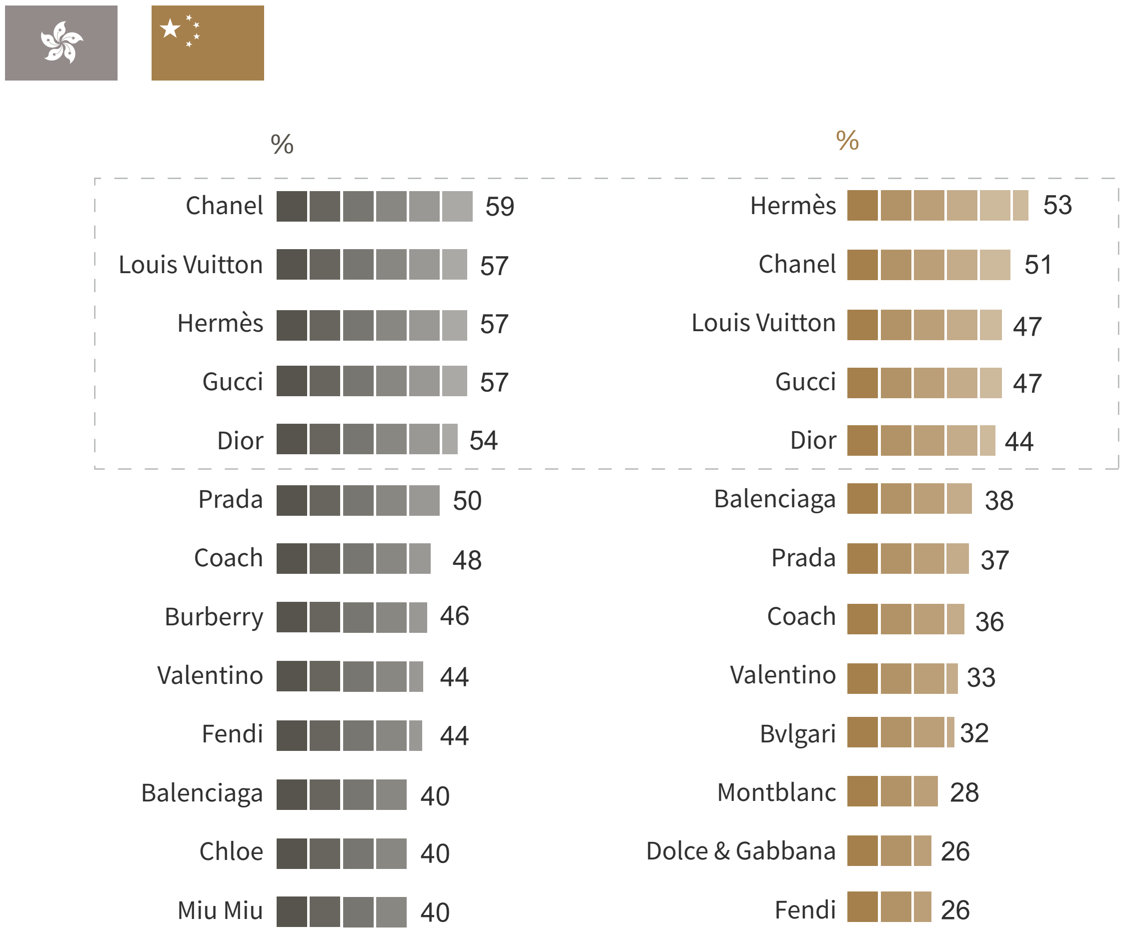


In the past 12 months, Hong Kong and Mainland China consumers surveyed spent on average HKD 28,600 and RMB 39,800, respectively, on luxury clothing. Some 54% of Mainland China consumers surveyed plan to purchase more luxury clothing over the next 12 months versus 35% of Hong Kong consumers.

HANDBAGS & LEATHER GOODS

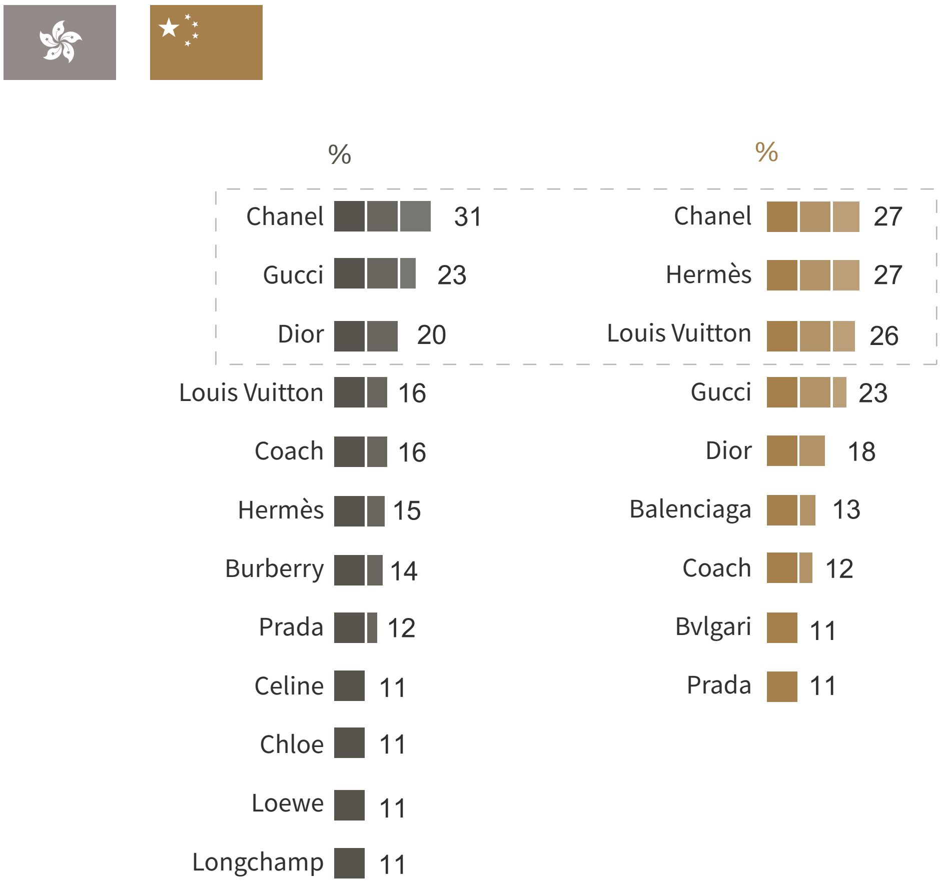
Chanel and Hermès are the best-known luxury handbags and leather goods brands in Hong Kong and Mainland China, respectively. Overall, Hermès, Chanel, Louis Vuitton, Gucci and Dior are the top five handbag brands with the highest brand awareness in both Hong Kong and Mainland China.

IN THE FOLLOWING HANDBAGS AND LEATHER GOODS BRANDS, WHICH DO YOU KNOW?



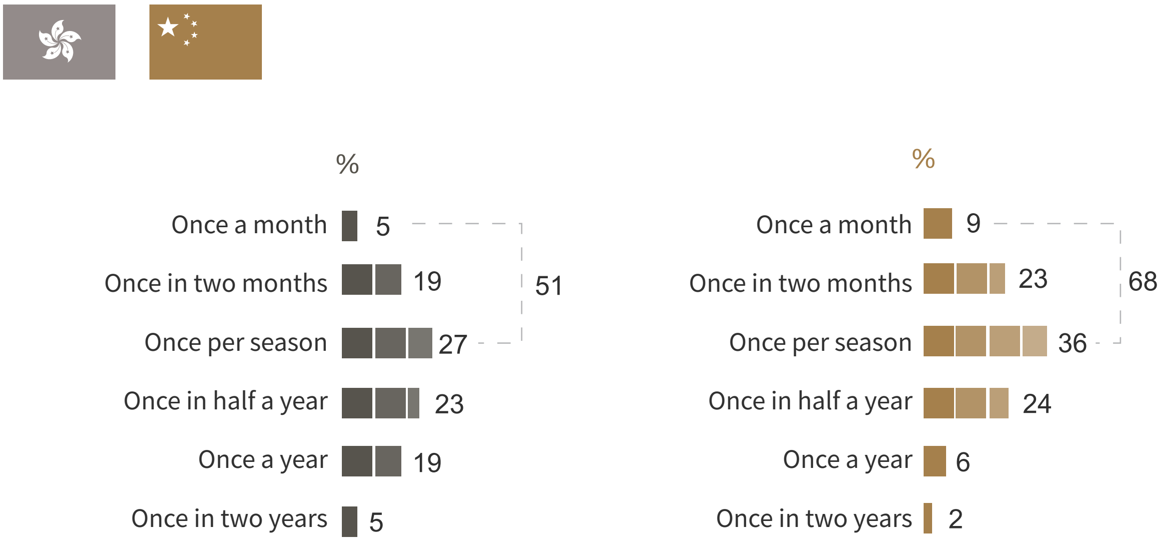
Chanel, Gucci and Dior were the top three brands purchased by Hong Kong consumers while Chanel, Hermès and Louis Vuitton were top three brands for purchases by Mainland China consumers in the past 12 months.

IN THE FOLLOWING HANDBAGS AND LEATHER GOODS BRANDS, WHICH HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



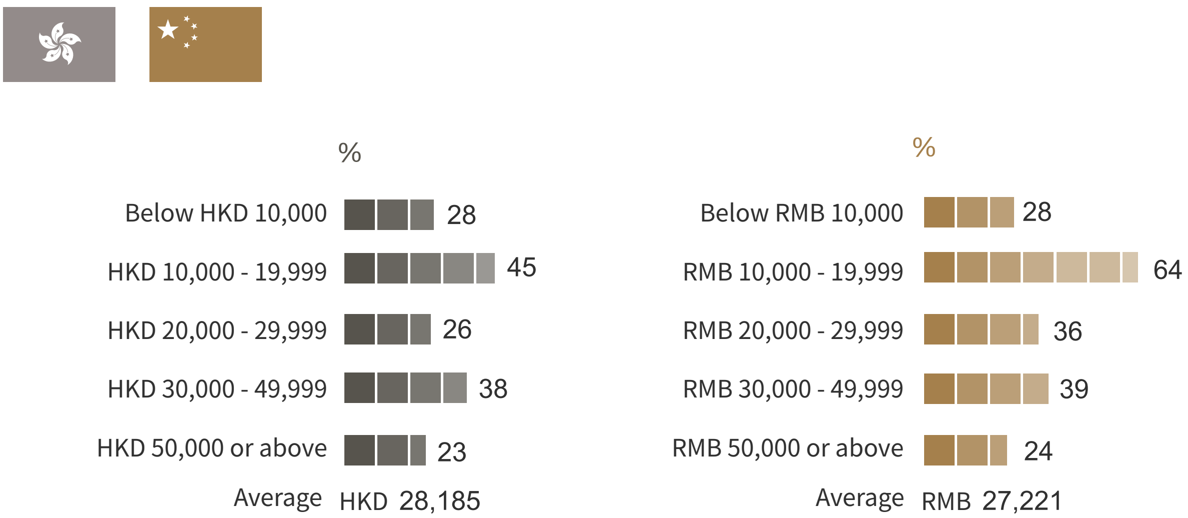
Some 68% of Mainland China consumers surveyed purchase a handbag at least once a season, while 51% Hong Kong consumers surveyed do the same.

HOW OFTEN DO YOU PURCHASE A NEW HANDBAG?



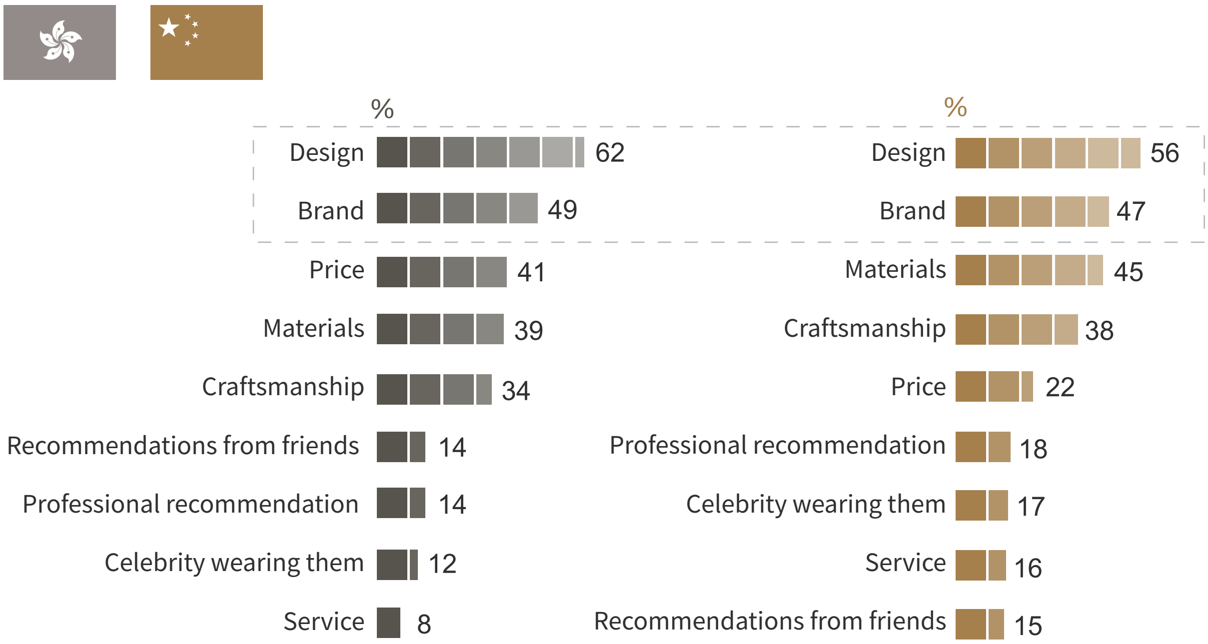
Most Hong Kong and Mainland China consumers surveyed purchase handbags that cost between RMB 10,000 and RMB 20,000, and the average amount spent on a single handbag is HKD 28,185 in Hong Kong and RMB 27,221 in Mainland China.

WHAT PRICE RANGE OF HANDBAGS WOULD YOU PREFER?



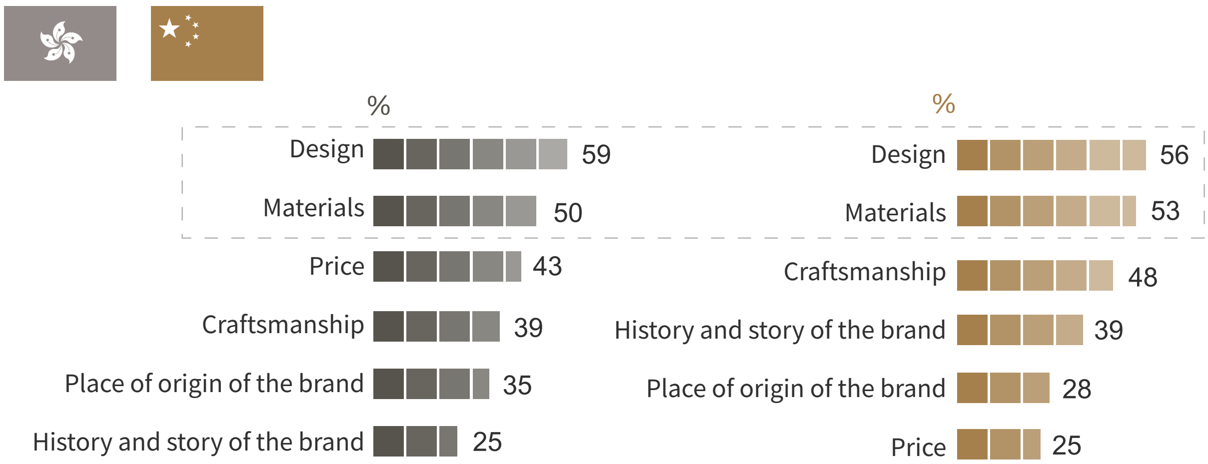
Design and brand are the top two factors considered by consumers when purchasing luxury handbags & leather goods.

IN THE FOLLOWING FACTORS, WHICH WILL AFFECT YOUR PURCHASING DECISION OF HANDBAGS?



In terms of information that consumers want to know, a product's design and materials are at the top of the list for both Hong Kong and Mainland China consumers.

WHAT INFORMATION ABOUT HANDBAGS ARE YOU INTERESTED IN?

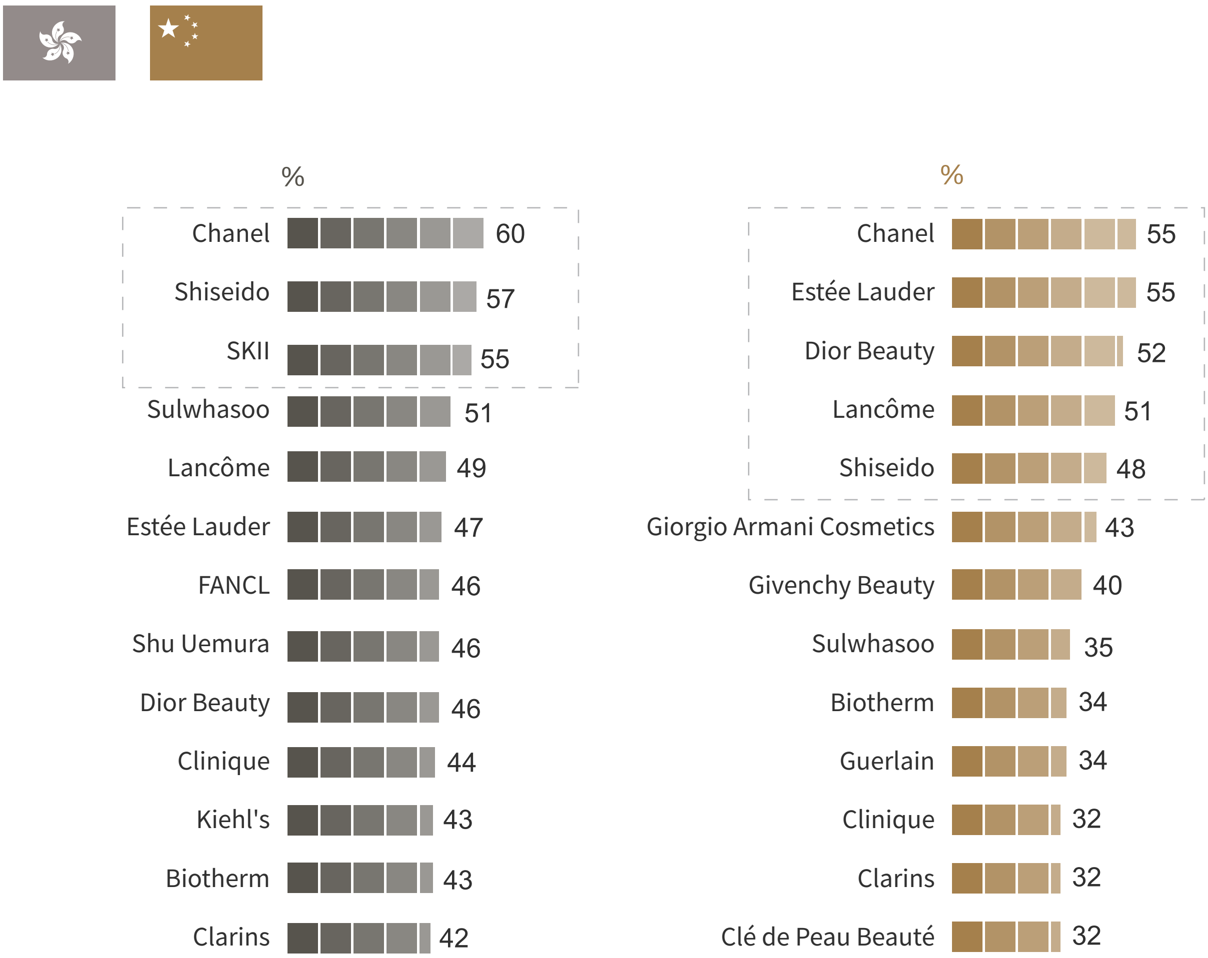


In the past 12 months, Hong Kong and Mainland China consumers surveyed spent on average HKD 46,300 and RMB 50,700, respectively, on luxury handbags, as well as HKD 18,600 and RMB 22,500, respectively, on luxury wallets & small leather goods. Some 43% of Mainland China consumers surveyed said they plan to purchase more luxury handbags during the next 12 months versus 26% of Hong Kong consumers. It is worth noting that 26% of Hong Kong consumers plan to spend less on luxury handbags during the next 12 months, which is much more than last year's 11%. In Mainland China, the figures are 11% now and 5% last year.

BEAUTY & COSMETICS

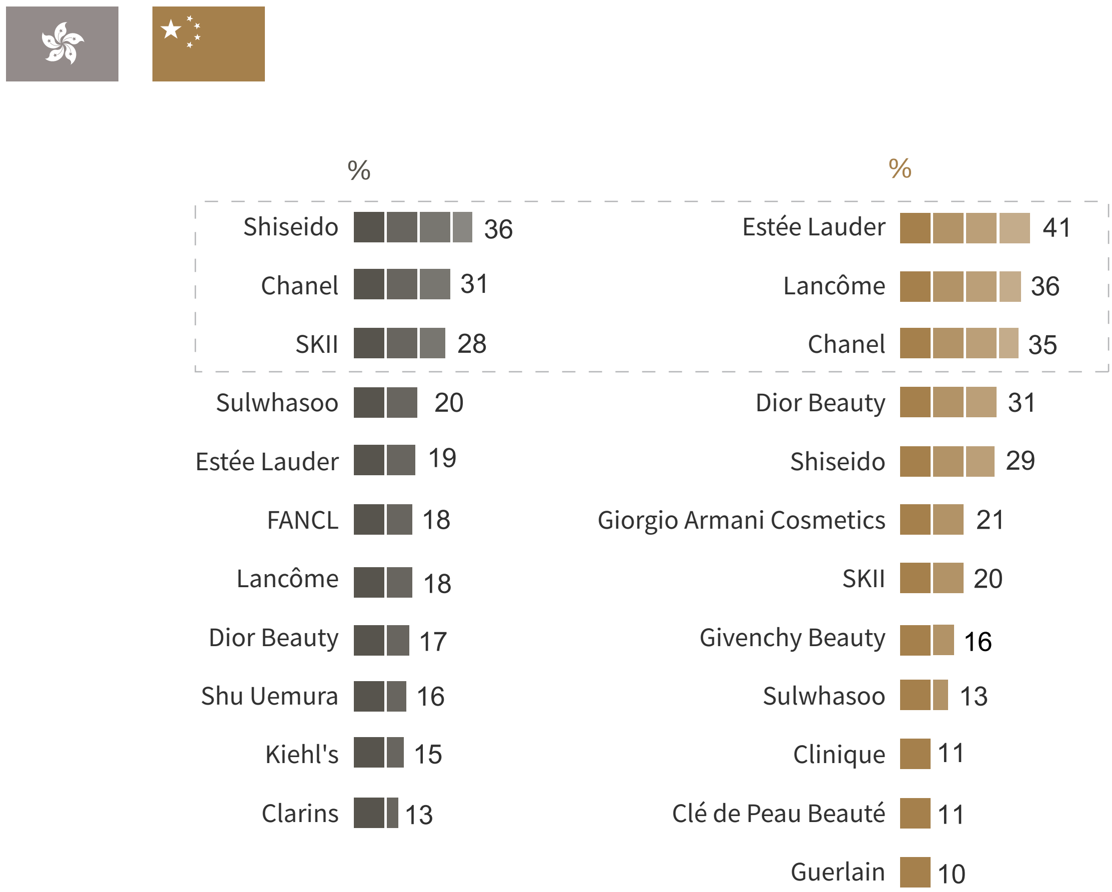
Chanel, Shiseido and SKII are the three best-known beauty & cosmetics brands in Hong Kong, while Chanel, Estée Lauder, Dior Beauty, Lancôme and Shiseido top the list in Mainland China.

IN THE FOLLOWING BEAUTY & COSMETICS BRANDS, WHICH DO YOU KNOW?



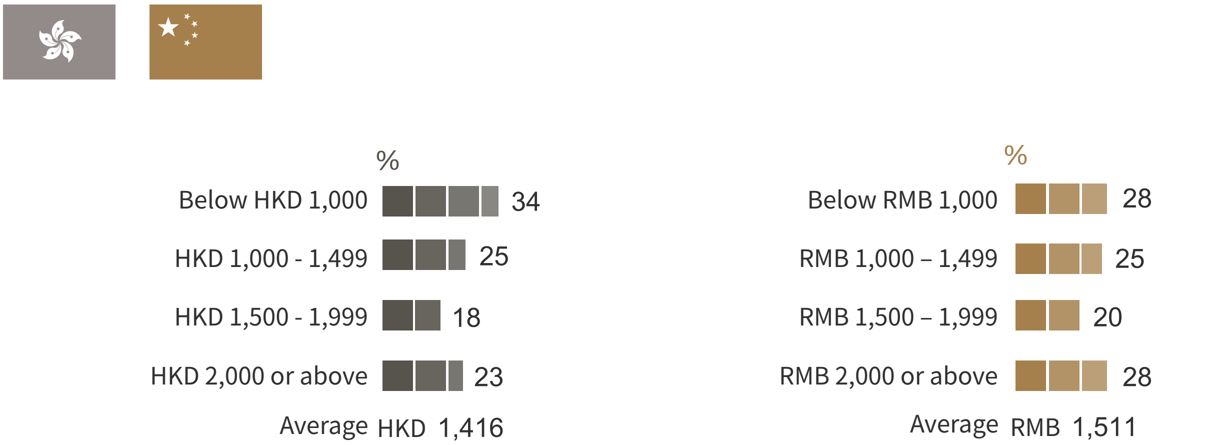
Shiseido, Chanel and SKII are the three brands that Hong Kong consumers surveyed most often purchased, while Estée Lauder, Lancôme and Chanel are the top three brands for Mainland China consumers surveyed in the past 12 months.

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



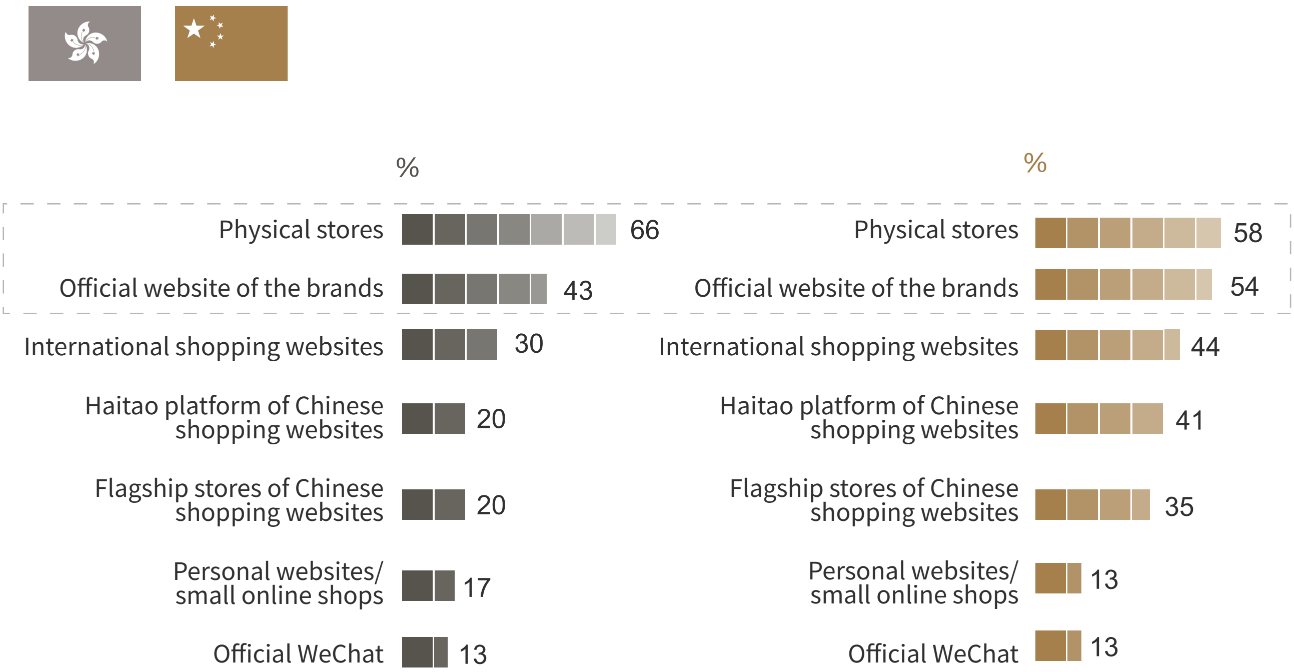
About half of Mainland China and Hong Kong consumers surveyed purchase beauty & cosmetics at least once a month. On average, Hong Kong consumers spend HKD 1,416 while Mainland China consumers spend RMB 1,511 on the most expensive beauty & cosmetics item.

HOW MUCH IS THE MOST EXPENSIVE BEAUTY & COSMETICS PRODUCT THAT YOU HAVE PURCHASED IN THE PAST 12 MONTHS?



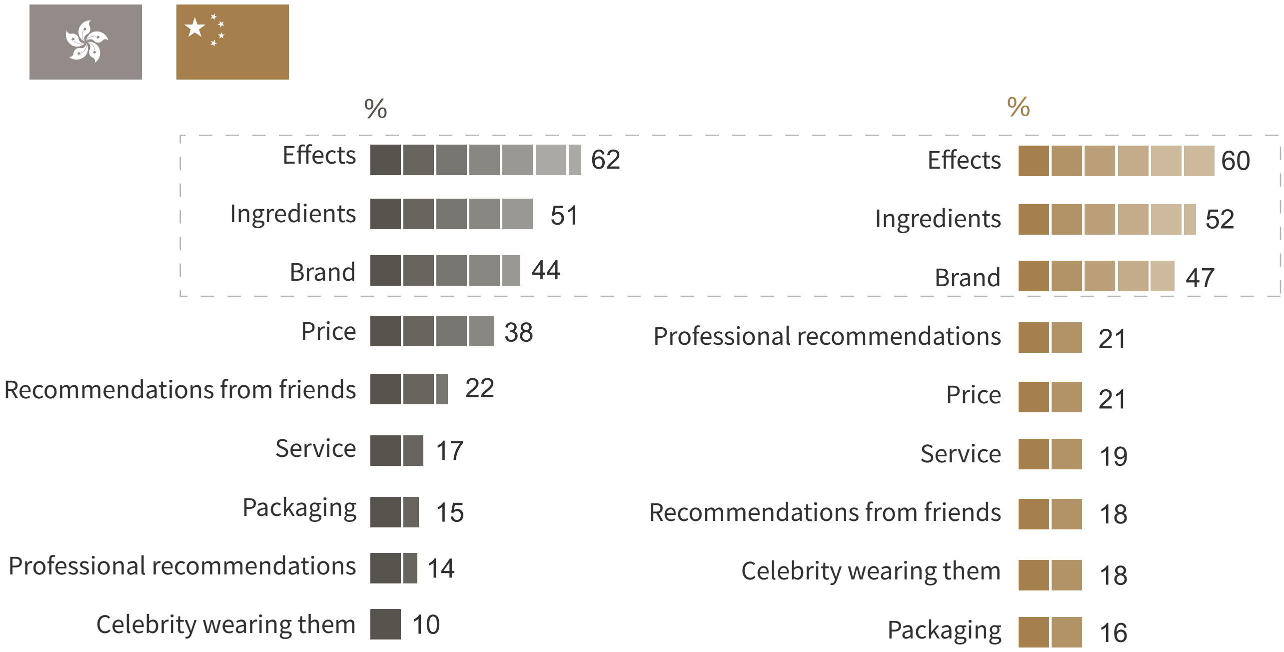
Most of Hong Kong consumers surveyed purchase from physical stores (66%) while a similar proportion of Mainland China consumers surveyed purchase from physical stores (58%) and official websites (54%).

WHICH CHANNELS HAVE YOU PURCHASED BEAUTY & COSMETICS PRODUCTS IN THE PAST 12 MONTHS?



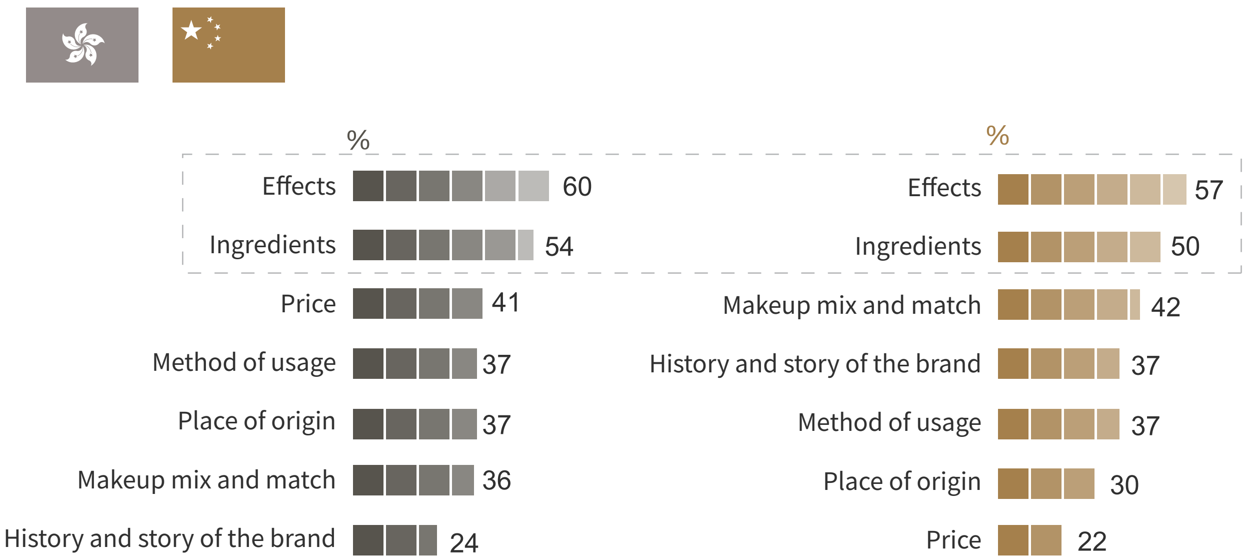
Effects, ingredients and the brand itself are the top factors considered by consumers when purchasing beauty & cosmetics products.

IN THE FOLLOWING FACTORS, WHICH WOULD AFFECT YOUR PURCHASING DECISION OF BEAUTY & COSMETICS?



In terms of information that consumers want to know, a product's effects and ingredients top the list in both Hong Kong and Mainland China consumers.

WHAT INFORMATION ABOUT BEAUTY & COSMETICS ARE YOU INTERESTED IN?

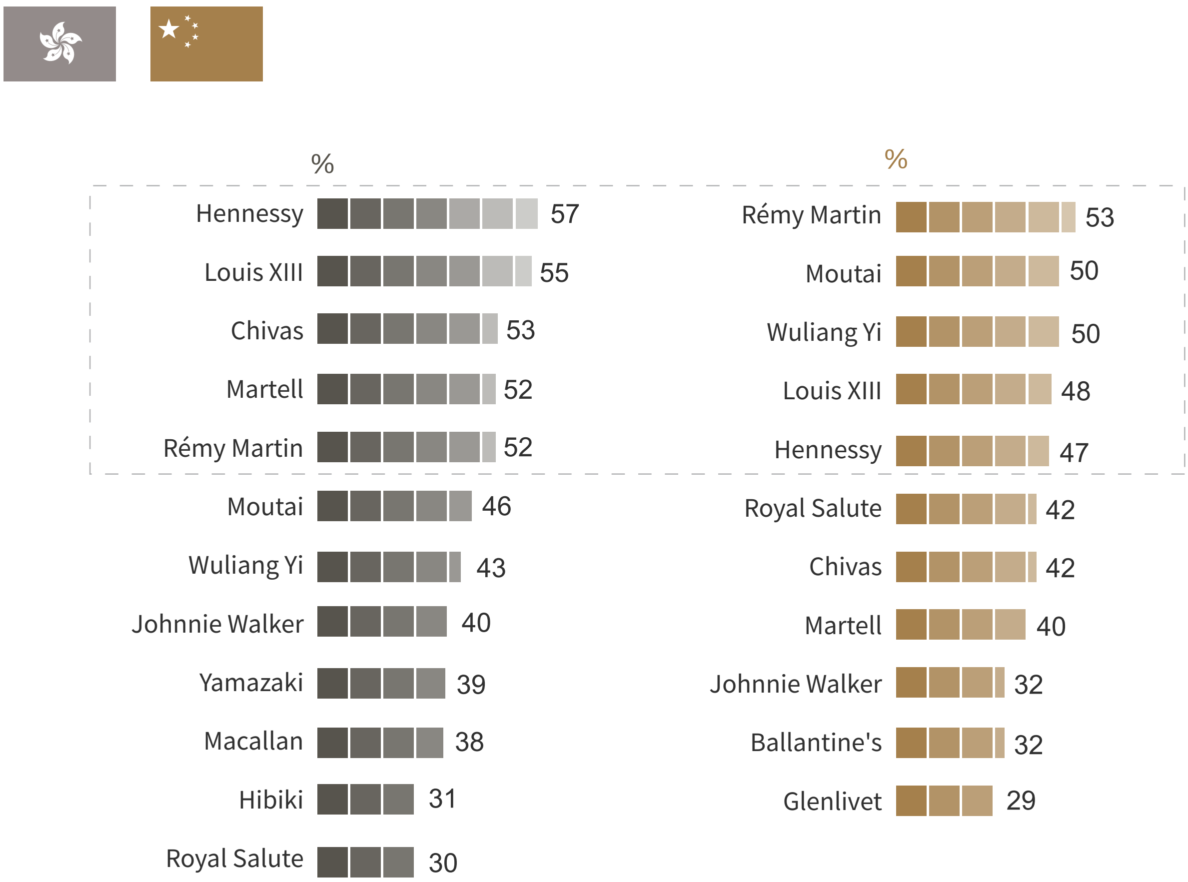


In the past 12 months, Hong Kong and Mainland China consumers surveyed spent on average HKD 19,000 and RMB 20,300, respectively, on beauty & cosmetics. Some 57% of Mainland China consumers surveyed plan to purchase more beauty & cosmetics in the next 12 months versus 40% of Hong Kong consumers.

WINE & SPIRITS

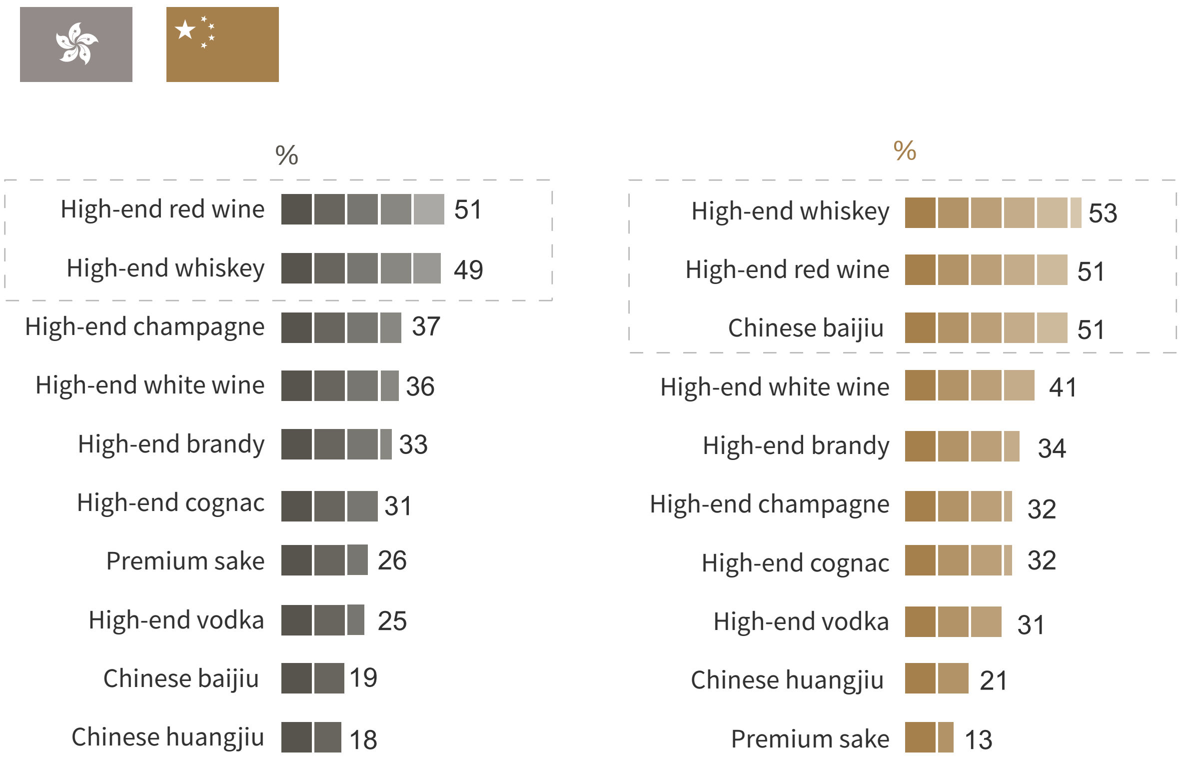
Hong Kong consumers are most familiar with Hennessy, while Mainland China consumers are most familiar with Remy Martin. Hennessy, Louis XIII, Chivas, Martell and Remy Martin are the top five best-known wines & spirits brands in Hong Kong while Remy Martin, Moutai, Wuliang Yi, Louis XIII and Hennessy are leaders in Mainland China.

IN THE FOLLOWING WINE & SPIRITS BRANDS, WHICH DO YOU KNOW?



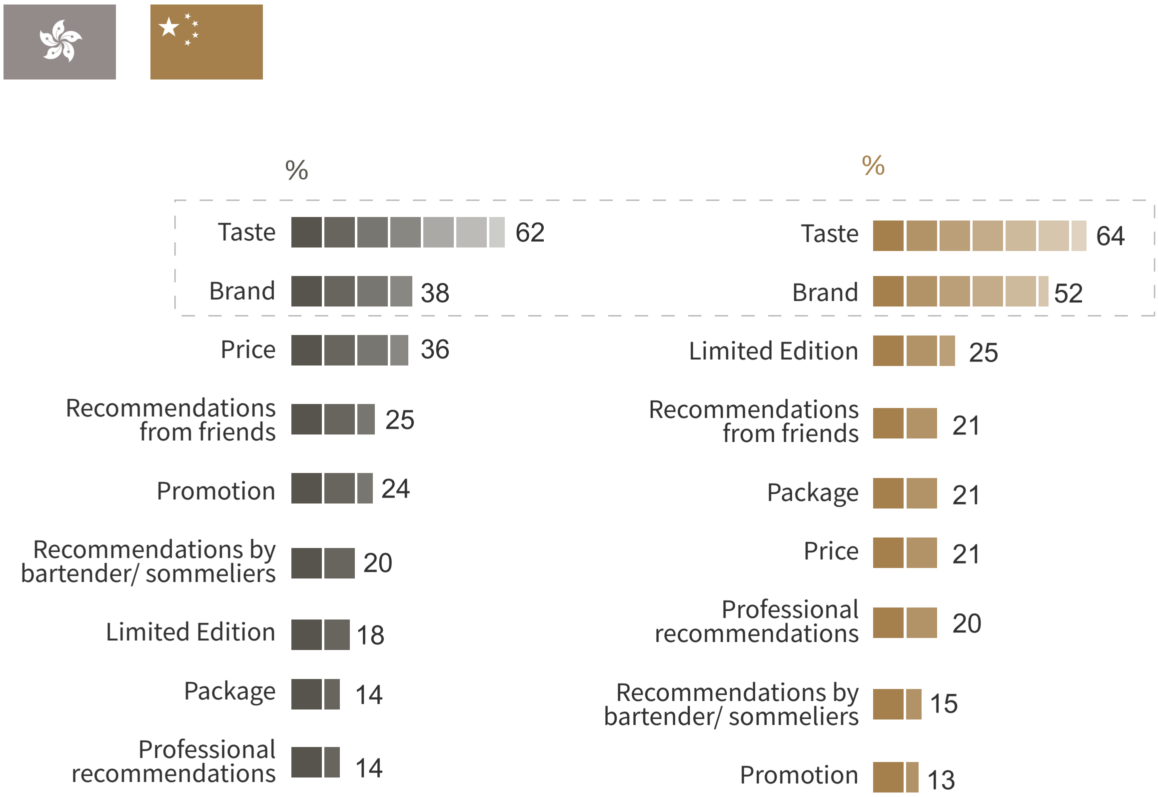
Most Hong Kong consumers purchased high-end red wine (51%) while Mainland China consumers purchased high-end whiskey (53%). High-end red wine and high-end whiskey are the top categories that consumers purchased in the past 12 months in both Hong Kong and Mainland China. What’ s more, Chinese baijiu is still popular in Mainland China.

WHAT TYPES OF WINE & SPIRITS HAVE YOU PURCHASED IN THE PAST 12 MONTHS?



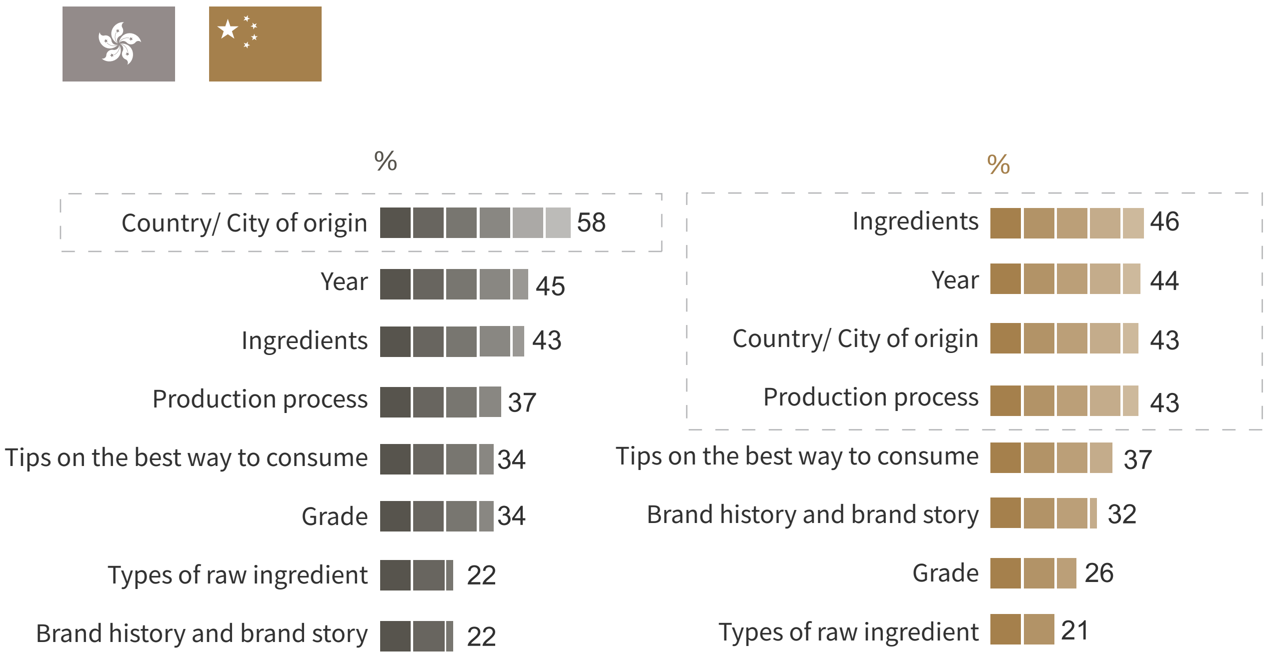
Taste and brand are the top factors consumers consider when purchasing wine & spirits in both Hong Kong and Mainland China.

IN THE FOLLOWING FACTORS, WHICH WOULD AFFECT YOUR PURCHASING DECISION OF WINE & SPIRITS?



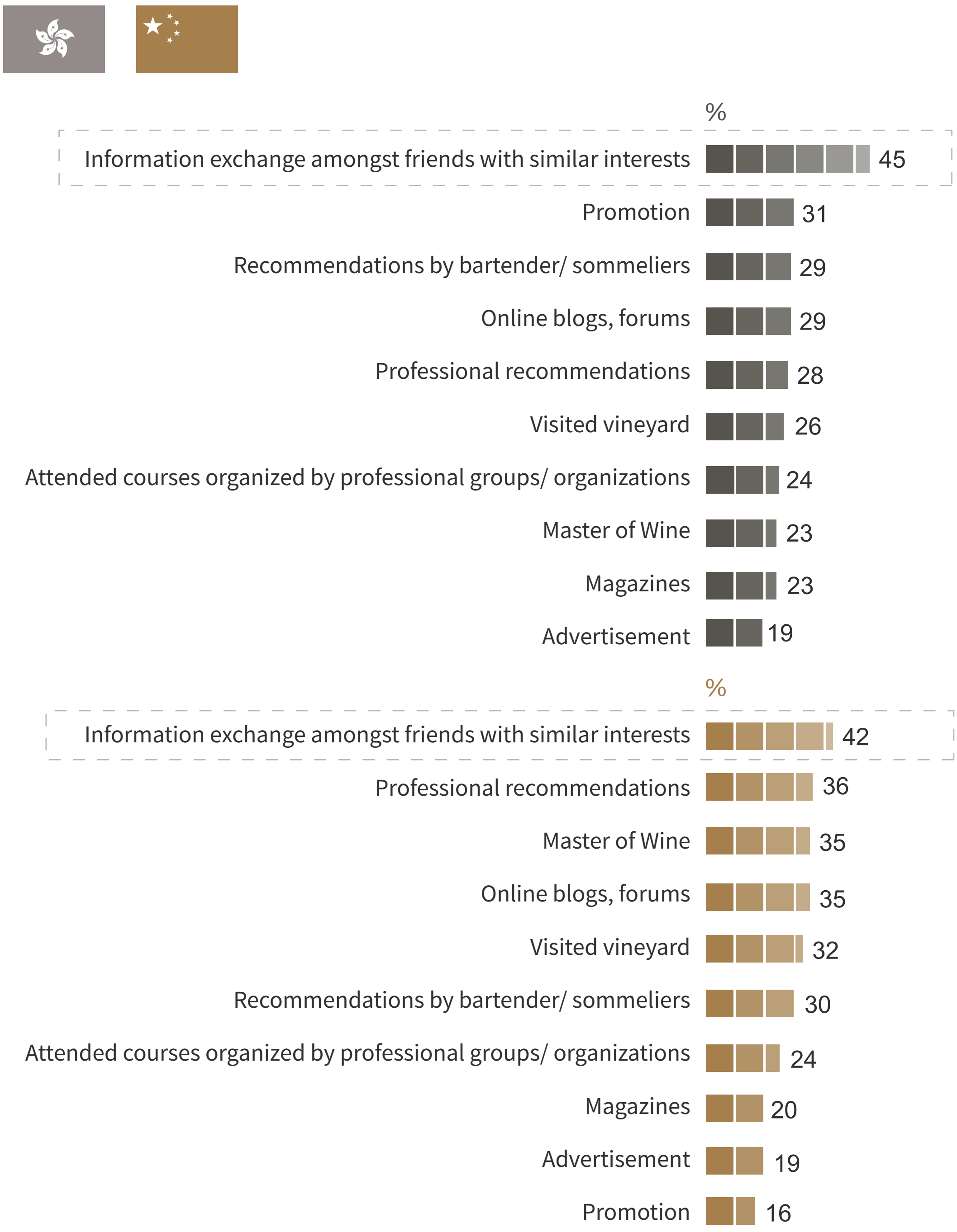
Hong Kong consumers are more interested in a product's country or city of origin, while Mainland China consumers are interested in the ingredients, the production year, the country or city of origin, and the production process.

WHAT INFORMATION OF WINE & SPIRITS ARE YOU INTERESTED IN?



Information exchanged among friends is the top channel for wine & spirits information in both Hong Kong and Mainland China.

HOW DO YOU OBTAIN INFORMATION OF WINE & SPIRITS?

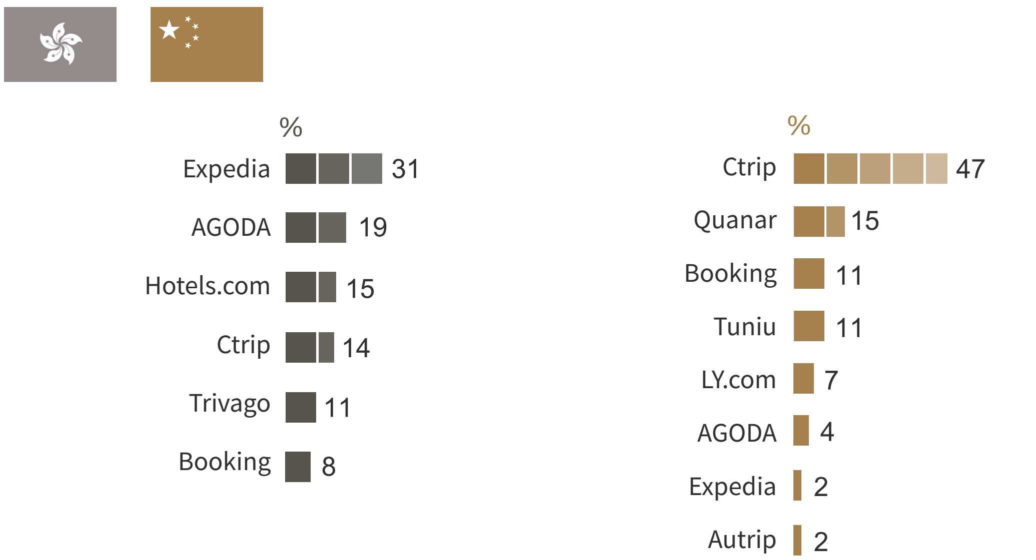


In the past 12 months, Hong Kong and Mainland China consumers surveyed said they spent on average HKD 16,200 and RMB 30,400, respectively, on wine & spirits. Some 47% of Mainland China consumers surveyed plan to purchase more wine & spirits in the next 12 months, versus 29% of Hong Kong consumers.

TRAVEL

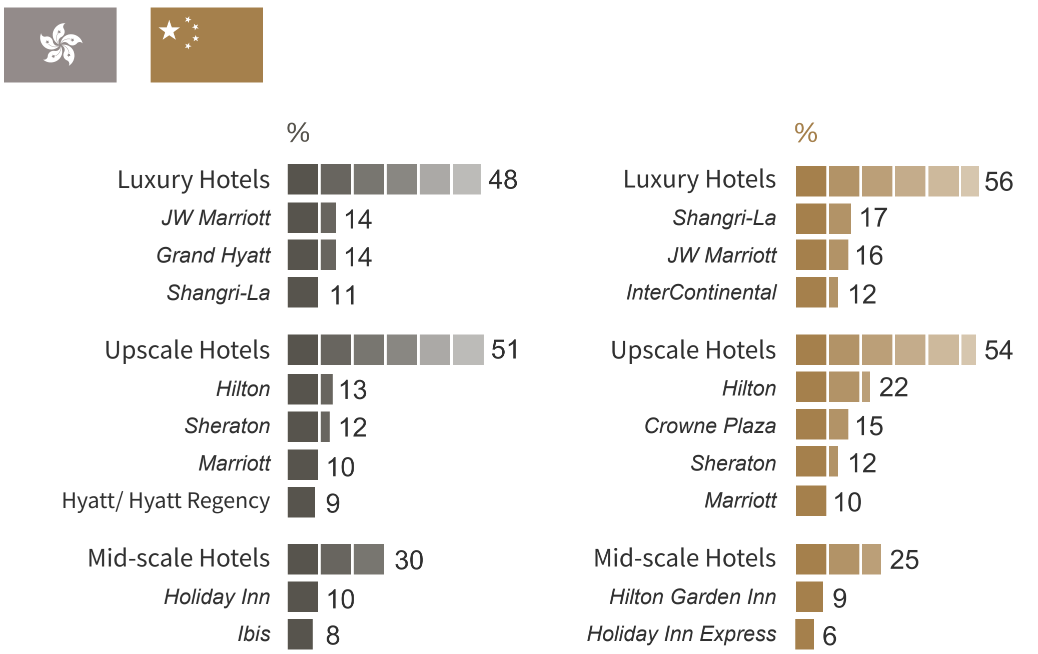
Expedia is the top travel booking website for Hong Kong consumers while Ctrip is the most used website for Mainland China consumers.

THROUGH WHICH ONLINE TRAVEL SITE HAVE YOU BOOKED YOUR LAST LEISURE TRIP?



Most consumers stayed at luxury hotels and upscale hotels during their most recent leisure trip.

WHAT HOTEL DID YOU STAY DURING YOUR LAST LEISURE TRIP?



In the past 12 months, Hong Kong and Mainland China consumers surveyed spent on average HKD 38,500 and RMB 46,900, respectively, on travel. Some

44% of Mainland China consumers surveyed said they plan to spend more on travel during the next 12 months versus 33% of Hong Kong consumers.

SUGGESTION FOR BRANDS

In view of the fact that Chinese consumers are more discerning and segmented, as well as considering the use of digitalization and intensifying competition, luxury brands that want to win in the China market must constantly innovate and work toward setting trends, offer products and services that are unique in every detail, and maintain a distinguished style and image.

Here are some of our suggestions.

1. Product: Chinese consumers appreciate uniqueness in products and expect to have more customized services. Moreover, Mainland Chinese consumers are more confident about purchasing products with Chinese elements. Hence, products that offer customization and Chinese elements can be of interest to Mainland Chinese consumers. In addition, Chinese consumers purchase more often than before and during short intervals, which makes it important for luxury brands to release new products more frequently.

2. Digital story telling: New content is becoming more important in terms of competing for the average consumer's fragmented attention span. Considering that digital channels have undoubtedly become dominant in obtaining brand information, it is important to create interesting digital contents with good visuals/ videos on brand websites, on brand social media accounts, and on other digital platforms. Also necessary is to collaborate with KOLs while leveraging their authenticity, content-creation opportunities, and influence over fans while co-creating diversified content for brands.

3. E-commerce: E-commerce is a must for reaching the large numbers of low-tier city consumers in China, who are overall younger. For those brands to launch an e-commerce presence, it is suggested different approaches are applied in view of brand positioning and reputation. It is more appropriate for an established and higher-end luxury brand to have an official e-commerce website or a mini-program WeChat store to maintain its exclusivity and luxurious brand image. For entry-to-mid-level brands with limited brand awareness, cooperation with leading platforms such as Tmall or JD.com may prove more efficient. Meanwhile, official brand e-commerce websites shall provide a better user experience especially in developing flexible mobile application, designing user-friendly buying process and leveraging creative contents for driving e-commerce.

4. Offline activation: Physical stores are still important for brand image and awareness while frontier sales services are regarded as one of the most important reasons for luxury purchases. Luxury brands will implement a tiered offline store management strategy by having flagship stores in 1^{st}-tier cities that function as brand showroom and experience centers, and then test new 3^{rd}-and-lower-tier cities with popup stores. Meanwhile, brands shall invest more in frontier sales training for brand/ product information, sales and communication skills, and customer relations management programs.

AUTHORS

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