

Sell luxury goods in China

A Big Country—Read China by figures

Europe

- Population: 0.728 billion
- Area: 10,400,000km²
- GDP Y2012(Euro Area): est. 14,550 billion/USD



China

- Population: 1.4 billion
- Area: 9,602,716km²
- GDP Y2012: est. 8,039 billion/USD



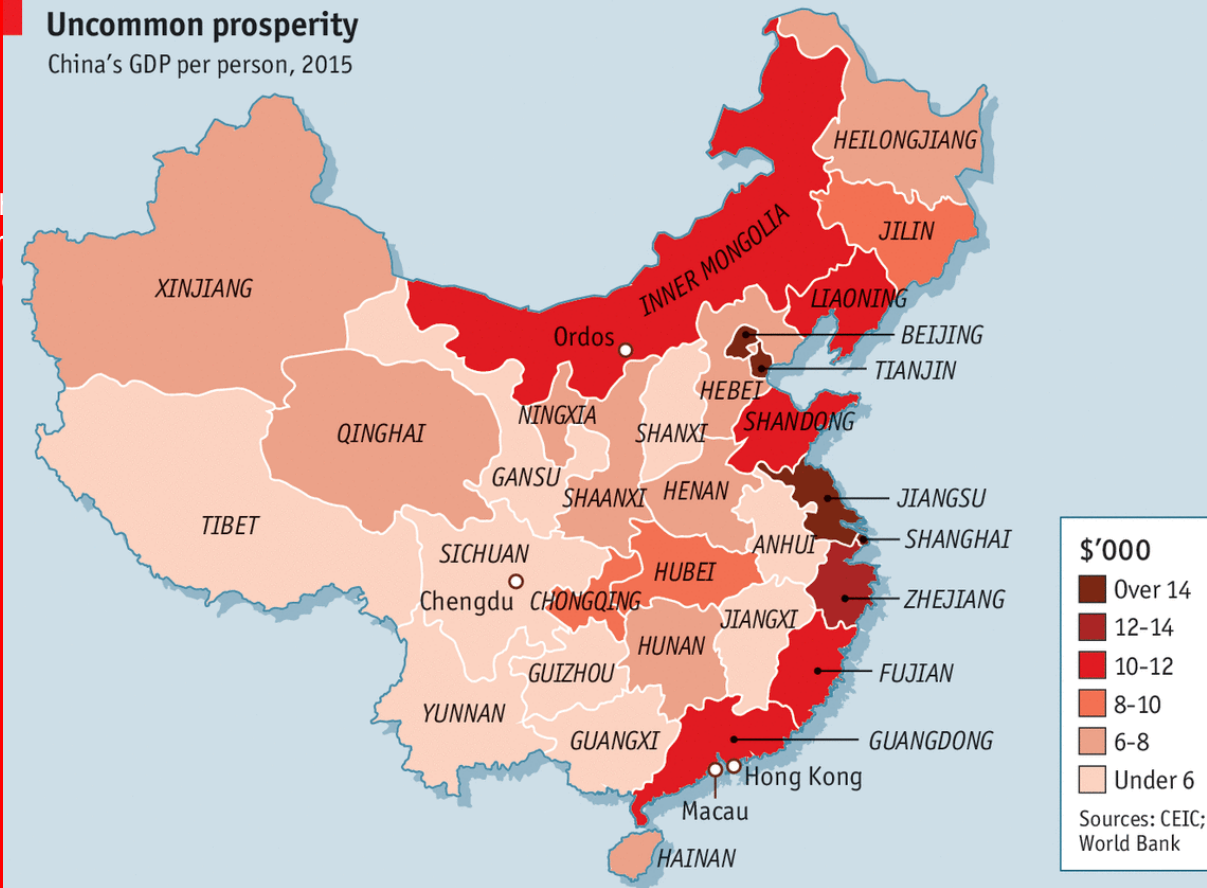
Unbalanced Development

- 1.4 Billion People in China (22% of total world population) and 650 Cities -
- 160+ Cities with population over 1million
- 22 Cities with an urban population above 2million
- 33 cities with an urban population 1m-2m
- 286 cities with an urban population under 200,000

North
5 pr
7%
5%

Uncommon prosperity

China's GDP per person, 2015



Urbanization

- One billion people will live in China's urban centers by 2030.
- 350 million people will be added to China's urban population by 2025, of which 240 million will be migrants.
- Rapid urbanization to increase middle-class population to 600 million
- By 2025, China will have 219 cities with population exceeding one million and 24 cities with more than five million inhabitants.



Source: Mckinsey Global Institute

Agenda

- ☐ **China and its Market**
- ☐ **The root of Chinese culture**



Chinese Religion

Confucianism

*Ruism in Chinese Character

儒

- * Confucianism, also known as Ruism, from the teachings of the Chinese philosopher Confucius.
- * The core of Confucianism is humanistic, with particular emphasis on the Importance of the family and social harmony, rather than spiritual values.

*Portrait of Confucius



Chinese Buddhism



- * Over the course of approximately two thousand years, Chinese Buddhism ideas and practices have shaped Chinese culture in a wide variety of areas, including art, politics, literature, philosophy, medicine, and material culture.

Chinese Taoism



- * Taoism, also known as Daoism, is a religious of Chinese origin with an emphasis on living in harmony.
- * Throughout Chinese history, Taoism was nominated several times as state religion. After the 17th century, it fell from favor.

Chinese Classical Art

From ancient times the Chinese have the notion of nature-worship. This kind of aesthetics is thought to be the heart of Chinese culture. We could find that ancient people pay a lot of attention on the nature.



Hieroglyphic (Oracle)



Wang Xizhi was a Chinese calligrapher traditionally referred to as the Sage of Calligraphy.

Yan Zhenqing was a leading Chinese calligrapher and a loyal governor of the Tang Dynasty.



Calligraphy



Chinese Zodiac

Landscape Painting 牡丹



To Chinese, Plum, orchid, bamboo, chrysanthemum means the Chinese appreciates with the personality and conduct.

Peony is one of the most popular flowers in traditional Chinese painting.

To Chinese, 12 zodiac represent 12 personalities.

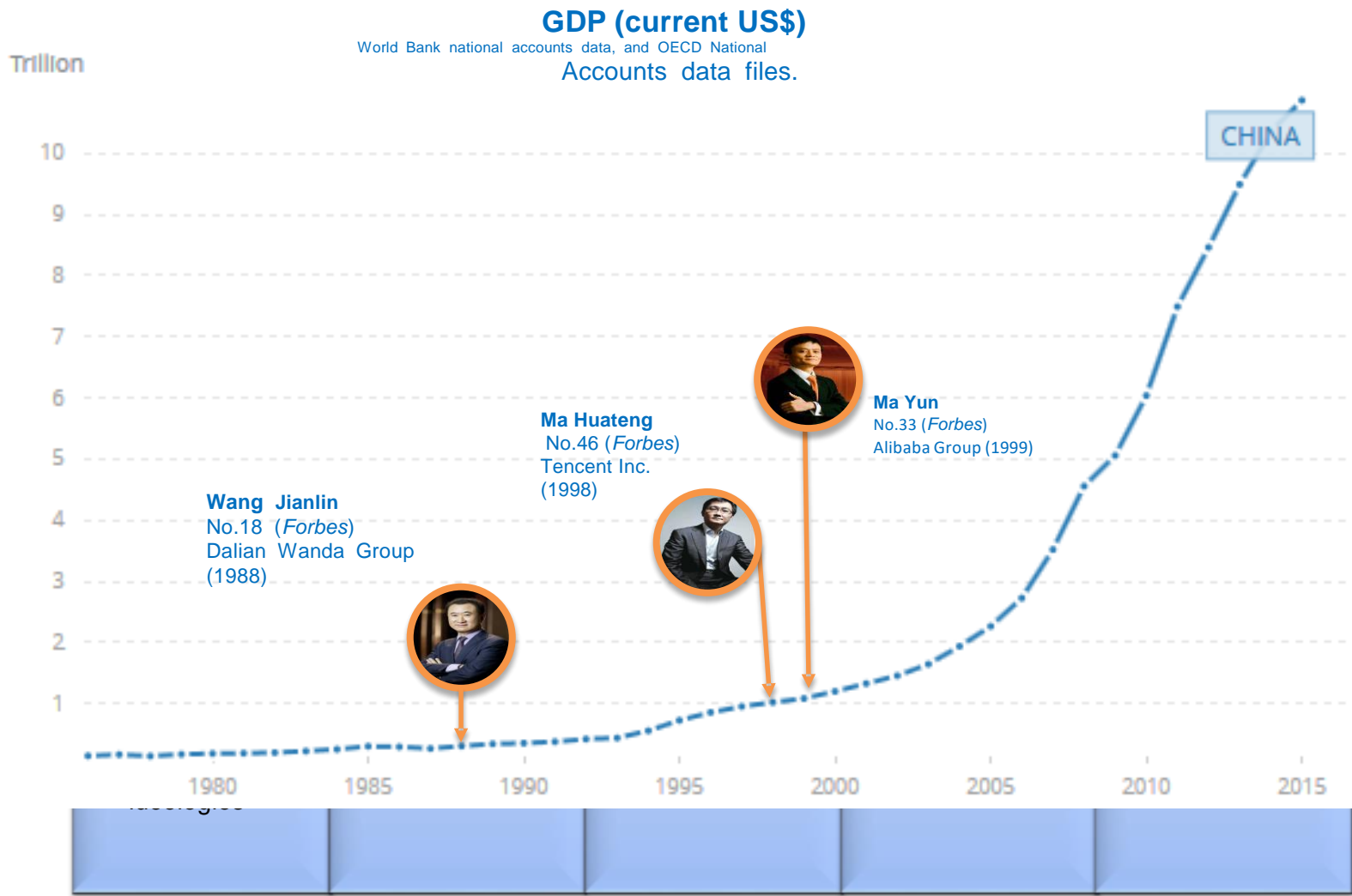
What Has Not Been Changed?

- *Values from traditional teachings of Confucianism / Taoism / Buddhism are still followed –
 - *compassion, politeness, proper behavior
 - *National Pride / Patriotism
- *Respect to Family values are part of traditions passed down for centuries practiced by their fathers' and their fathers' fathers'...
- *Appreciation to Art, culture and nature.
- *Traditional festivals / family reunion and get together, e.g Chinese Lunar New Year and Mid Autumn Festival
- *Importance of the Chinese zodiac in Chinese culture –
- *zodiac is also linked with traditional fortune telling and Fengshui 風水 practices.



Stick with the points “Never Changed” will never go wrong

The main actors in driving China economy



Agenda

- ☐ **China and its Market**
- ☐ **The root of Chinese culture**
- ☐ **Market trend analysis**



Luxury trend in China

What's Powering China's Market for Luxury Goods ?

- It was the second year in a row of 20% growth for luxury goods in China.
- Brands benefited from repatriation purchase, a focus on millennial, increased digitalization and China's expanding middle class.
- Although growth was robust overall, some companies outperformed with growth rates in excess of 25%, while others lagged with less than 10% growth. The winners' strategies offer clear lessons for the future

China's luxury goods market is humming along nicely, with a second straight year of 20% growth in 2018. Think of it as a powerful machine running on four engines operating in perfect alignment. More than 70% of millennials have a positive financial outlook and 81% of them expect their income to increase.

China Luxury spending - Engine 1 Repatriation

The Chinese government's **reduction in import duties and strict controls over gray markets**, combines **with brand's effort to narrow the price gap** with overseas markets, have led more Chinese consumers to make their **luxury purchase in China, instead of travelling** to previous bargain locales such as Honk Kong, Seoul, Tokyo and cities in Europe.

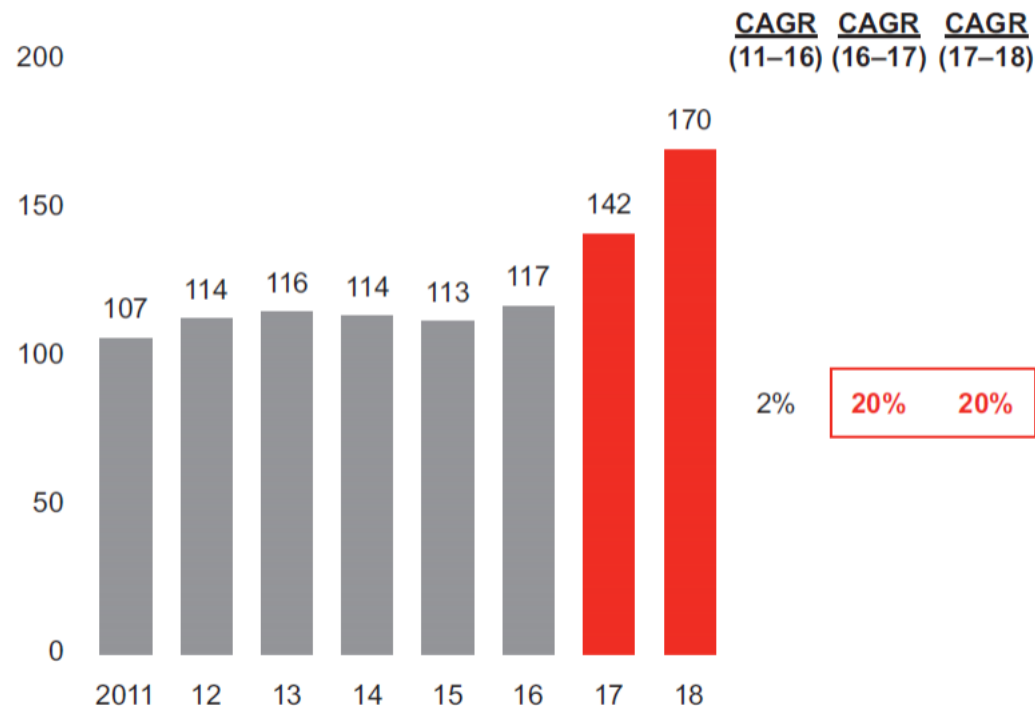
Chinese consumers made 27% of their luxury spending in China in 2018, up from 23% in 2015, and we anticipate that this **share will increase to 50% by 2025**.

But this doesn't mean that Chinese consumers are buying less abroad. Luxury spending by **Chinese shopper now represent 33% of the global market**

Domestic market growth has been led by millennials and female category products

Figure 1: The domestic luxury market posted 20% growth in 2018, driven by millennials and women

Mainland China luxury market (RMB billions)



Highlights

- After spectacular growth in 2017, momentum remained strong
- Millennials contributed almost all of the incremental growth of China's luxury market over the past year
- Category rebalancing continued, with women's spending outpacing men's

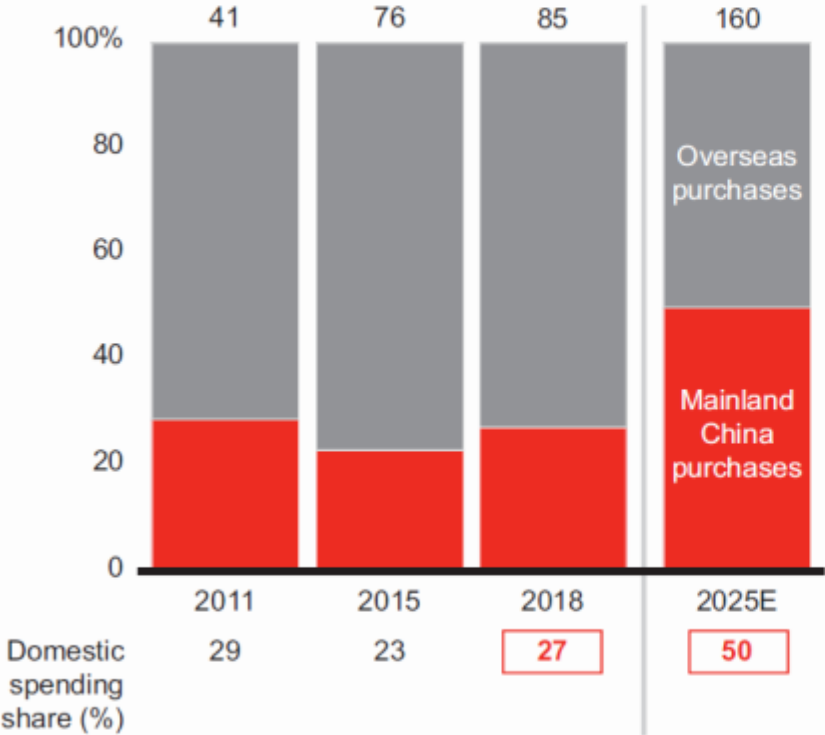
Note: CAGRs are based on constant exchange rates

Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

China Luxury spending repatriation

Figure 2: The repatriation of spending will continue in the coming years

Channel breakdown for Chinese luxury goods spending
(€ billions)



Why Chinese shoppers are buying locally instead of overseas



Import duty reductions



Stricter control over gray markets



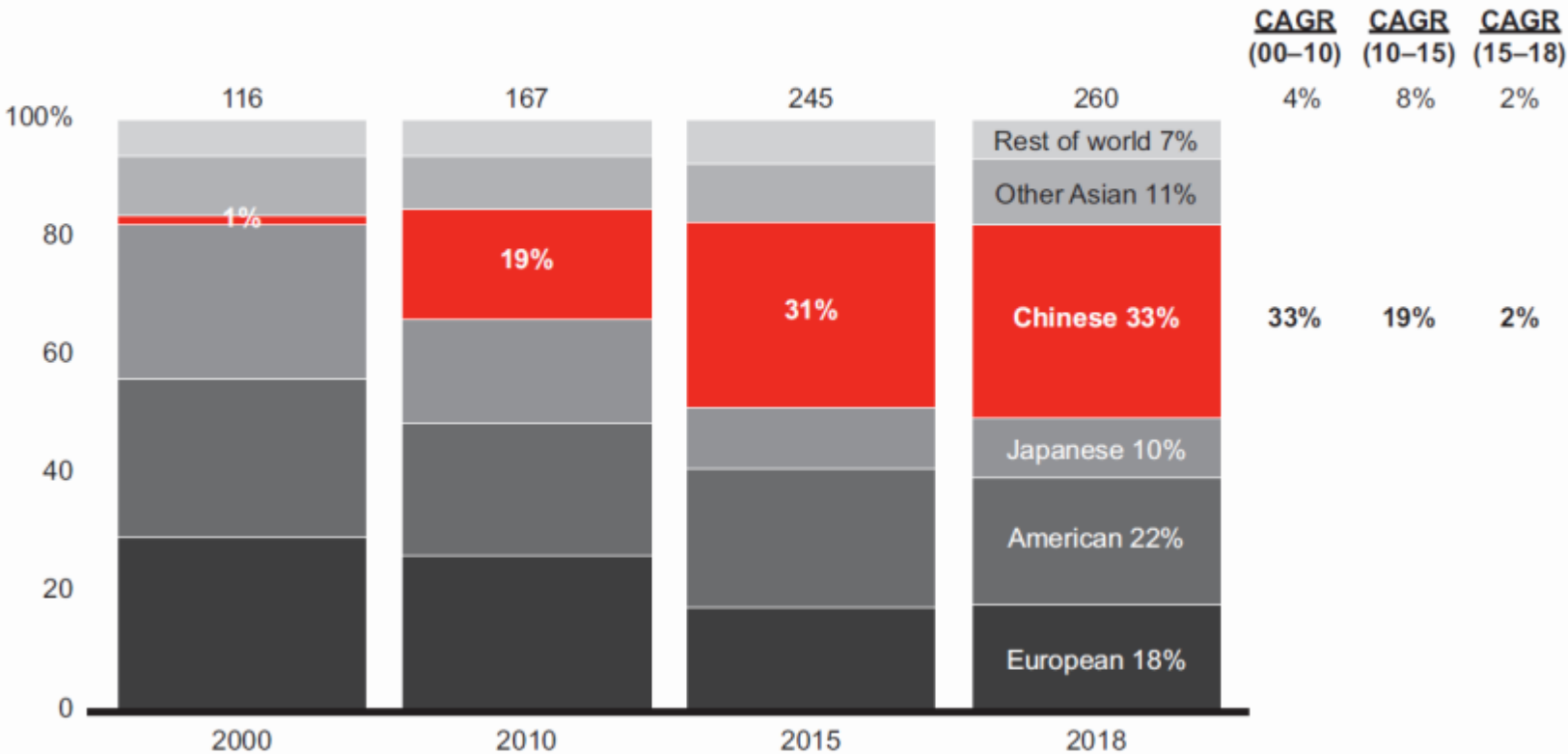
Price harmonization

Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

China luxury spending

Figure 3: Chinese spending represented 33% of the global luxury market in 2018

Global luxury market by consumer nationality (€ billions)



Note: Segments do not add up to 100% due to rounding
Sources: Bain Luxury Goods Worldwide Market Study, 2018; Bain analysis

China Luxury spending - Engine 2 Millennials

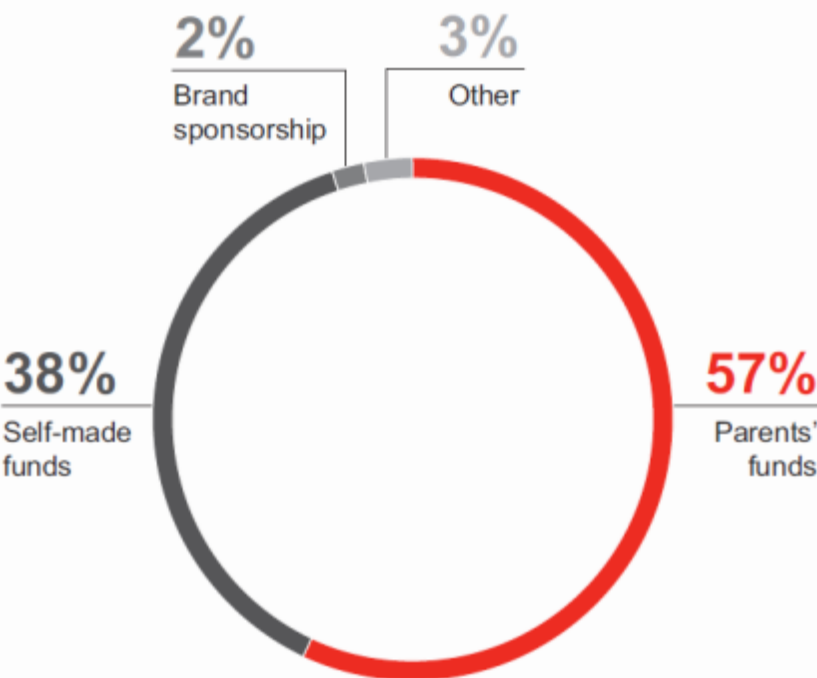
Consumers aged 23 to 38 are willing to spend on luxury brands, and financially able to do so. **Fully 70% of China's millennials own their own homes**, twice the rate of US millennials. And they can get funding from their parents if they want to buy luxury goods. Moreover, these **young consumers are well informed about luxury and eager to embrace innovative trends**, such as the **convergence of high fashion and sportswear**. Millennials are the big market for luxury sportswear product like Balenciaga's triple S sneakers and accessories created by LV and Supreme (fashion brand with roots in skateboarding).

Unlike old generation, **millennials are more heavily influenced by what they consider to be cool than by brand names or product pricing**. They value newness more than discount, they rely on social media and freely share their opinions online. Like their counterparts in all ages groups, millennials women buy more luxury than man do (cosmetics grew more than 25% while watches less than 10%)

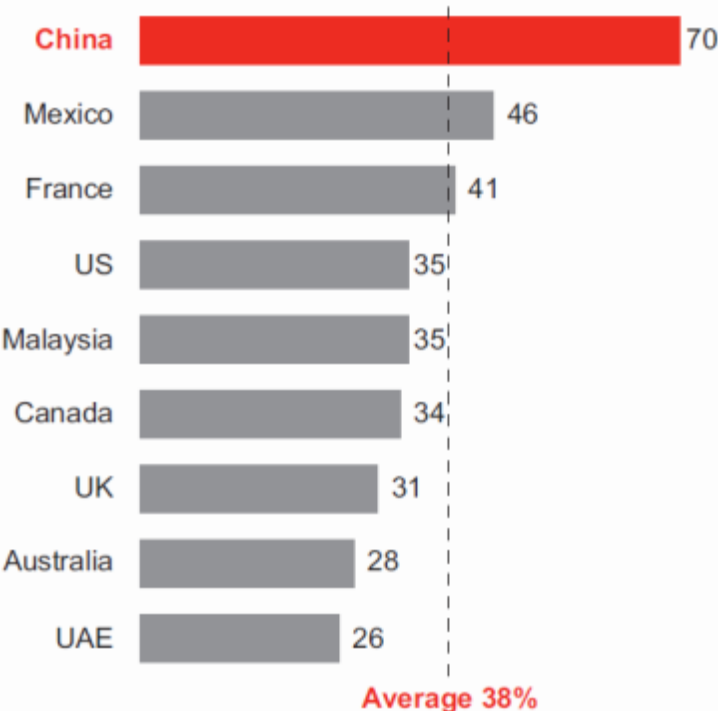
China millennials

Figure 4: Chinese millennials are financially able to spend on luxury brands

Source of funding for luxury fashion purchases



Millennial homeownership percentage



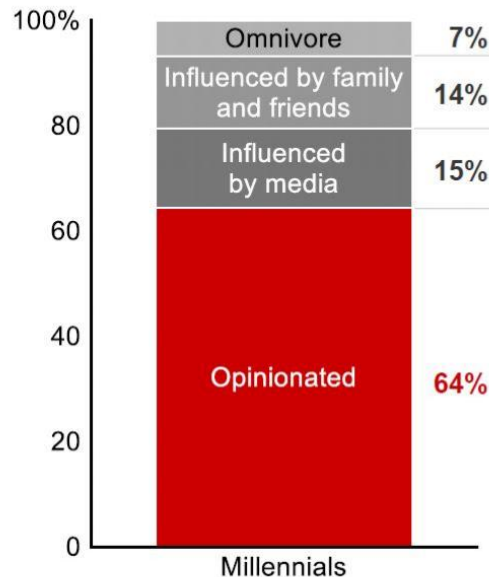
Sources: Gold Standard Research Center and Tencent study (n=4,534 Chinese millennial consumers); *Beyond the Bricks*, HSBC, February 2017; analyst reports; Bain analysis





Millennials are knowledgeable and opinionated about Luxury products

MILLENNIALS ARE MORE OPINIONATED

"How would you describe your luxury shopping behavior?"

Percentage of luxer type of millennials in survey respondents (n=502)



TYPE	MOTTO and DESCRIPTION
	"Whatever is fine..." <ul style="list-style-type: none"> Less knowledgeable about product differences
	"I want the same as my friends" <ul style="list-style-type: none"> Easily influenced by recommendations from acquaintances
	"Let's buy what the celebrities wear" <ul style="list-style-type: none"> Make decisions based on information on media platforms
	"Only my opinions matter" <ul style="list-style-type: none"> Knowledgeable and discerning about brands and products; spread voice on social media

HIGHLIGHTS

- As **one-child generation**, millennials are more **educated** and grown up, with a **multitude of choices**
- Fast development of **Internet and social media** with transparent information sources helps millennials build their own mindsets
- Millennials are keen on creating their **own unique style** profile

*"As Chinese millennials are **maturing**, they become more **selective and demanding**. The generation tends to develop **savvier spending habits**, while **not compromising on quality or taste**."*

Executive, Luxury Brand

Sources: Bain China luxury consumer survey, 2017 (N=1,170); Expert interview; Lit research; Bain analysis

China Luxury spending - Engine 3 Digitalization

Digitalization covers both e-commerce and consumers engagement through digital platform. There has been much **progress in terms of engaging customers**, but little progress on the e-commerce front. Online luxury sales increased by 27% in 2018 to reach 10% of total luxury sales (still driven by cosmetics..others remain very low). Four types of online channel have been active in the domestic luxury market.

1 Brand.com give companies ultimate control and the ability to charge full price.

2 Cooperator channels (Tmall flagship store, WeChat) give brands some control while allowing them to benefit from the platform's steady flow of traffic.

3 Aggregators (JD.com, Tmall's luxury pavilion) enable brands to outsource the responsibility of building and operating high traffic channels.

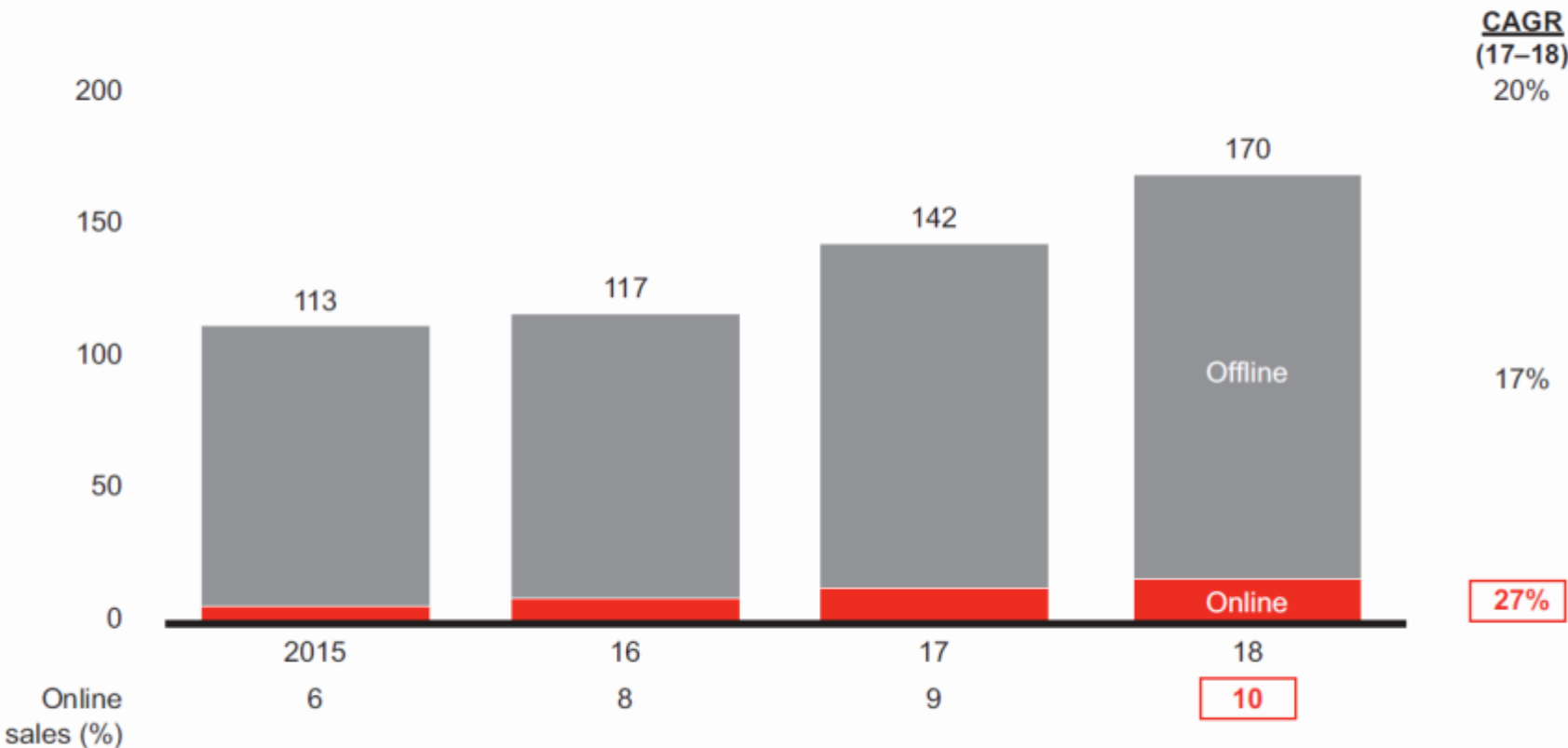
4 Luxury vertical sites (Secoo, Mei.com) make it possible to move goods at a discount.

In 2018, more brands looked for ways to expand their online presence through collaborations with leading e-commerce platform, while others maintained a focus on their brand.com

China online penetration

Figure 5: Online luxury sales outgrew the overall market in 2018, but online penetration remains low—except in cosmetics

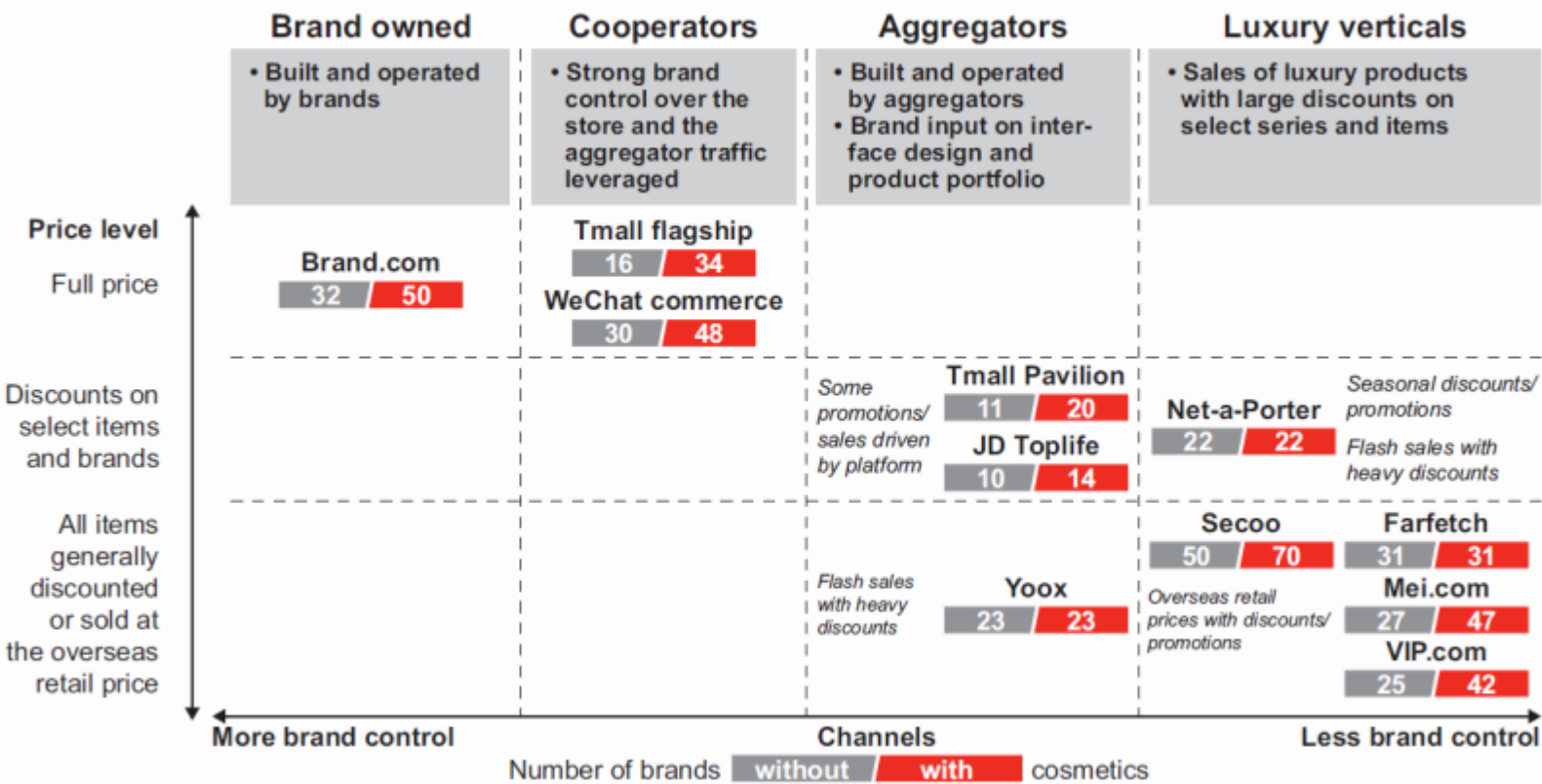
Mainland China luxury sales by channel (RMB billions)



Note: Online sales include official online channels only
Source: Bain analysis

China online channels

Figure 6: Four types of online channels were active in the domestic luxury market



Notes: As of February 2019; analysis includes 76 luxury brands (20 cosmetics, 26 watches and jewelry, 30 lifestyle, shoes and handbags); only domestic online channels included
 Sources: Brand interviews; Bain analysis

China online channels

It was also a year of heavy deal activity, including the following highlights:

- JD.com and L Catterton's \$175 million investment in Secoo
- Richemont's acquisition of Yoox Net-a-Porter (YNAP)
- YNAP's strategic partnership with Alibaba.com
- The merger of JD.com's Toplife with Farfetch

Figure 7: Recent deals among online platforms have led to the emergence of three online ecosystems for luxury brands in China



China online channels

It is after all, an **omnichannel world**.

As each year passes, **luxury brands learn more about how to integrate online and offline sales, how to use digital engagement campaigns to get consumers into their stores and how improve the in-store experience.**

Winning brands are taking these omnichannel lessons to heart.

For instance, they are thoughtfully adjusting their physical footprint, with increasing emphasis on larger store and like for like growth

China Luxury spending - **Engine 4 Expanding middle class**

Middle class consumers will represent an estimated 65% of all Chinese households by 2027.

All signs point to a continuing rise in average per-capita income among China's urban population. This expanding **middle class continues to produce first time buyers of luxury goods.**

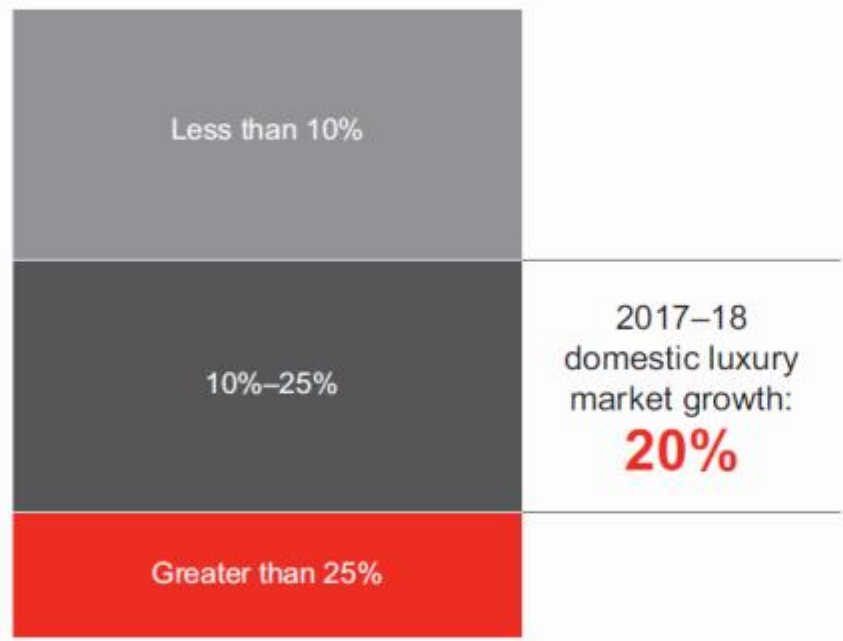
While luxury sales are robust in China, not every brand executive feels euphoric. As their incomes rise, and as they spend more on luxury goods, Chinese consumers are becoming increasingly discerning. Some brands are more successful than others at serving these needs, resulting in a distinct polarization in luxury brands' performance. **The reality is that some brands have done better for the second year in a row, and some have done worse for a second year in a row.**

China expanding middle class

Figure 8: Luxury brand performance varied in 2018, but outperformers followed several winning strategies

Performance of the top 20 luxury fashion and lifestyle brands

Distribution of brands by growth rate



Winning strategies

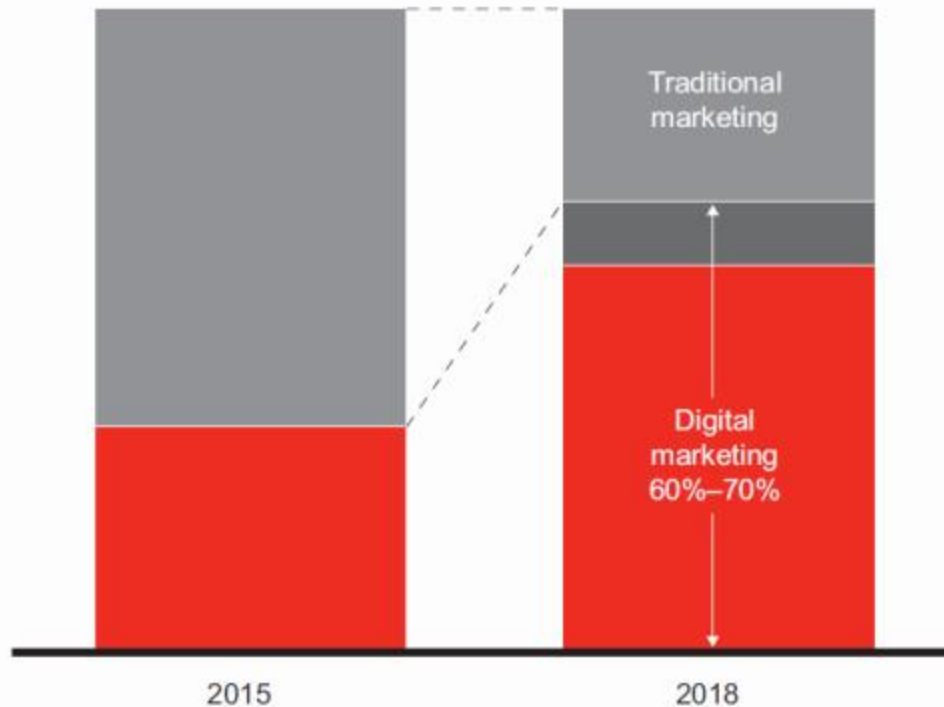
-  **Improve access to consumers through digital and influencer marketing**
-  **Attract attention with frequently renewed product launches, visual merchandising and brand image**
-  **Take advantage of scale to offset the increasing cost of doing business in China**

Note: Top 20 brands based on revenue
Source: Bain analysis

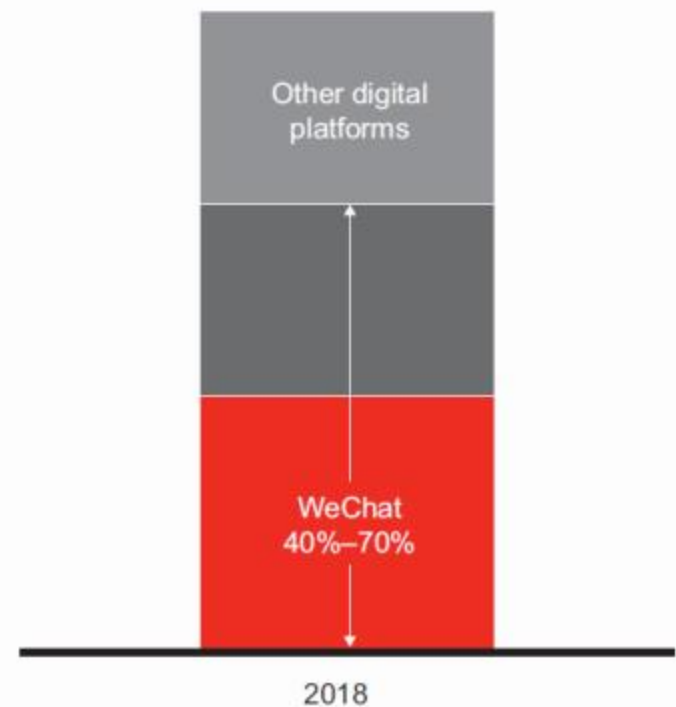
China expanding middle class

Figure 9: Brands are increasing their spending on various online and social media platforms, with many favoring WeChat

Marketing spending split



Digital marketing spending split

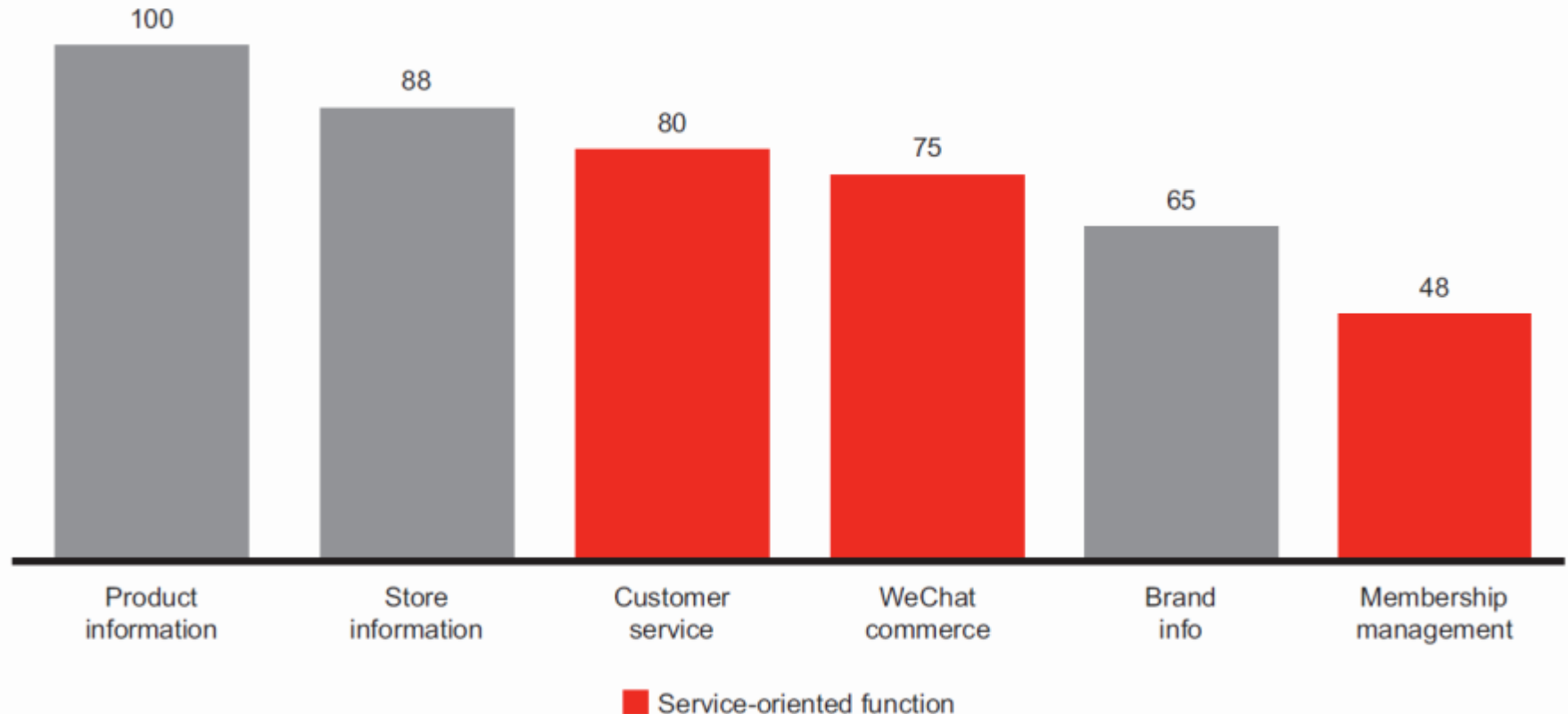


Note: Top 40 brands based on revenue
Sources: Brand interviews; Bain analysis

China expanding middle class

Figure 10: Brands use WeChat to identify and target consumers, eventually leading to both online and offline sales

Percentage of the top 40 luxury brands using WeChat official account functions



Note: Top 40 brands based on revenue
Sources: WeChat; Bain analysis

China luxury spending – Looking ahead

Turbocharged engine inevitably lose steam: **China's economic growth is slowing, albeit in a controlled manner.** Real estate price are likely to flatten, reducing the positive wealth effect on Chinese households.

Still, **luxury brands can expect a promising year ahead in China.** Luxury sales will remain healthy, though they are unlikely to keep pace with 20% growth.

That expansion will results from the same positive forces that made 2017 and 2018 so strong. **The Chinese government is expected to maintain its adjustment of import duties to encourage domestic consumption, as well as to reduce the VAT rate.** It is likely to continue imposing strict control over passengers and parcels at customs, and to more **carefully supervise the army of “daigou agents”** who purchase overseas for local consumption. And brands will continue to narrow the price gap with overseas markets

China luxury spending – Looking ahead

China's millennials will not lose their taste for luxury goods, nor their willingness to buy.



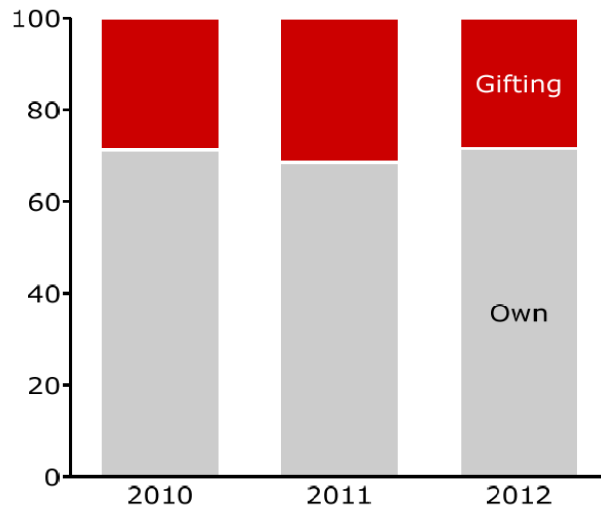
Lessons learning - Observe, Capture, Analyze the changing of customer behaviors

□ Chinese Economical & Political Environment

1. Anti corruption from 2014 caused gifting market share, est. 30% of total revenue, is now gone; and those people won't come back in 5 years time if the central government continues its political policy. Therefore, the market mix changed from gifting purpose towards self purchase.

"What percent of the luxury goods you've purchased is for gifting vs. own consumption?"

% of luxury spending



By 2017, Gifting business almost gone.

Source: Bain Survey of Luxury Goods Consumers in Mainland China 2012 (n=4,616)

Lessons learning - Observe, Capture, Analyze the changing of customer behaviors

□ Chinese Economical & Political Environment

2. Mix of Consumers changed -



Gifting business

Traditional Business Elite

Nouveau Riche, Empowered Women

- Strong economic strengths
- Seek to show social status
- Early adopters of the latest and expensive products
- Sought after Entry Luxury/ Monograms
- Active information-seeker
- Values Peers' Comments/ WOM



C-Level Management (CEO CFO etc) , Self-owned entrepreneurs Professional, Millennials

- High % Self-Made Individuals
- Sensitive to brand design & culture
- Occupational-Lifestyle Advantage
- Values Technology as part of their life
- Living in both physical and digital worlds
- Willingness to experiment

Lessons learning - Observe, Capture, Analyze the changing of customer behaviors

- Chinese Economical & Political Environment
- Chinese seems to buy more in US, Korea, Japan and domestic...



□ Bain Luxury Report 2012 - LUXURY GOODS WORLDWIDE

□ Bain Luxury Report 2015 – LUXURY GOODS WORLDWIDE Fall-Winter

Lessons learning - Observe, Capture, Analyze the changing of customer behaviors

□ Chinese Economical & Political Environment

3. Mix of Products changed - from reality purchase shifted to dream luxury purchase

Product offers changed from 50's through Present – take wedding ritual as an example.

- Gold jewelry as bridal essentials appeared from the 80s; But Millennials trend to buy diamond instead of golds



Lessons learning - Observe, Capture, Analyze the changing of customer behaviors

Media Evolution In China

CHINA BECOMES THE LEADER ON DIGITAL IN THE WORLD

1980s

PRINT ERA



1990s

TV WAS A MUST



2000s

INTERNET BUBBLE

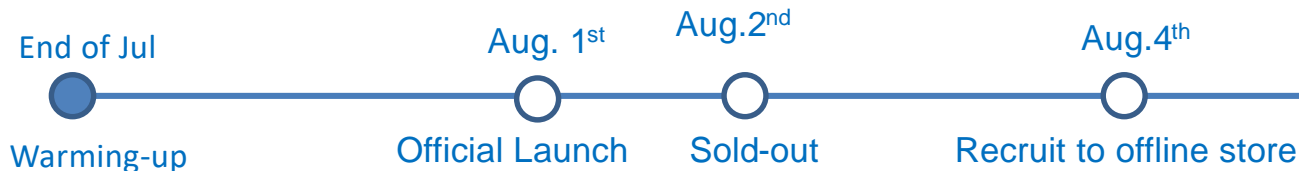


2015s

MOBILE IS BOOMING



E-commerce Case Study Lady Dior Chinese Valentine's Day in 2018

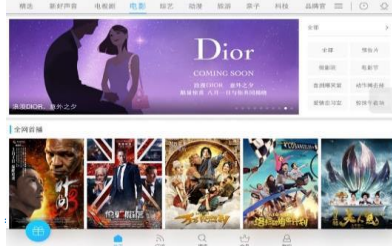


Video Site Dior Channel

Dior Channel on LeTV

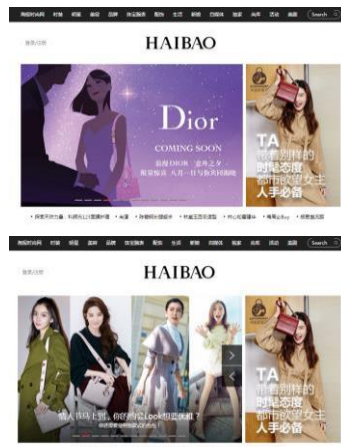


Youku Display

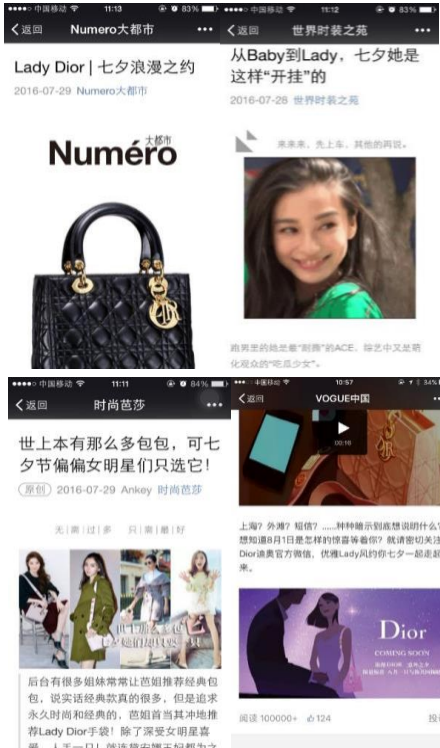


Fashion Vertical With KOLs

Haibao Display



Bazaar, Vogue, Elle Wechat editorial



Official Social Account

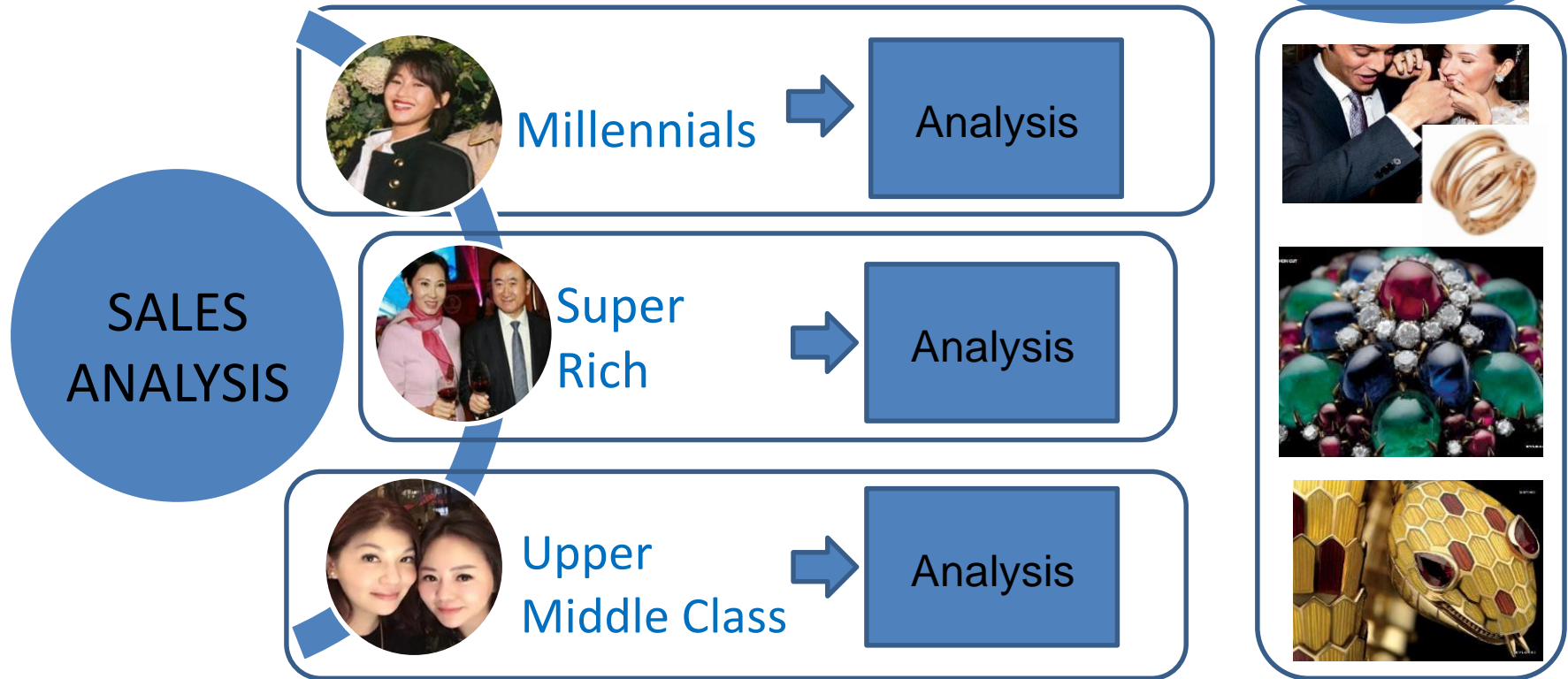


Agenda

- ☐ **China and its Market**
- ☐ **The root of Chinese culture**
- ☐ **Market trend analysis**
- ☐ **Strategy to penetrate the market**



Roadmap of Segmentation



Who we need to speak to?

SUPER RICH

HNWIs (High Net-Worth Individuals), with at least RMB 10M in INVESTABLE assets



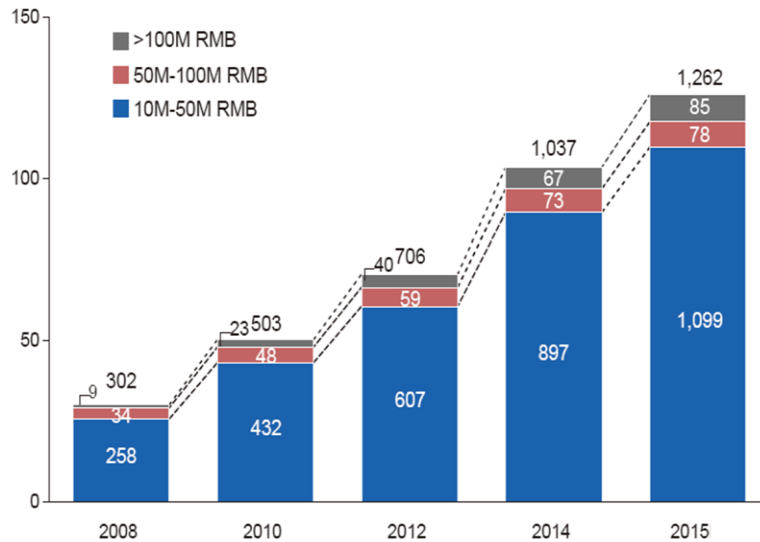
- ✳ Care about wealth preservation & inheritance
- ✳ Preference on “true luxe”

Source: Bain China Private Wealth Report 2015
Credit Suisse Research Institute, Global Wealth Report 2015

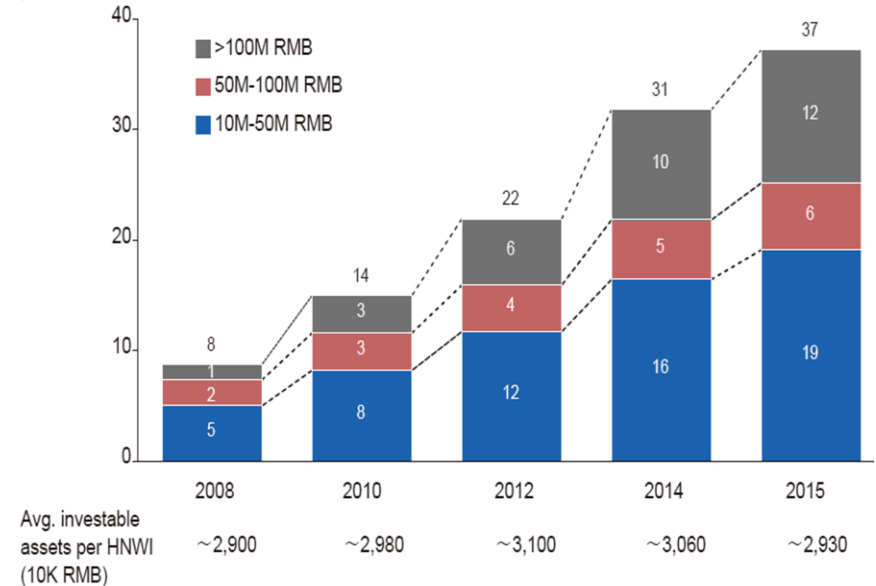
Chinese HNWIS Base Keep On Increasing

- ✦ By end 2014, more than 1 million HNWIs. Average investable assets per capita were about RMB 30 M
- ✦ By end 2015, number of Chinese HNWIs reach to **1.3M** (+22% YOY) and their investable assets reached **RMB 37 trillion (total)**
- ✦ **Seven** provinces or municipalities with more than 50,000 HNWIs:
Guangdong, Shanghai, Beijing, Jiangsu, Zhejiang, Shandong and Sichuan

Number of individuals with investable assets greater than 10M RMB (K)



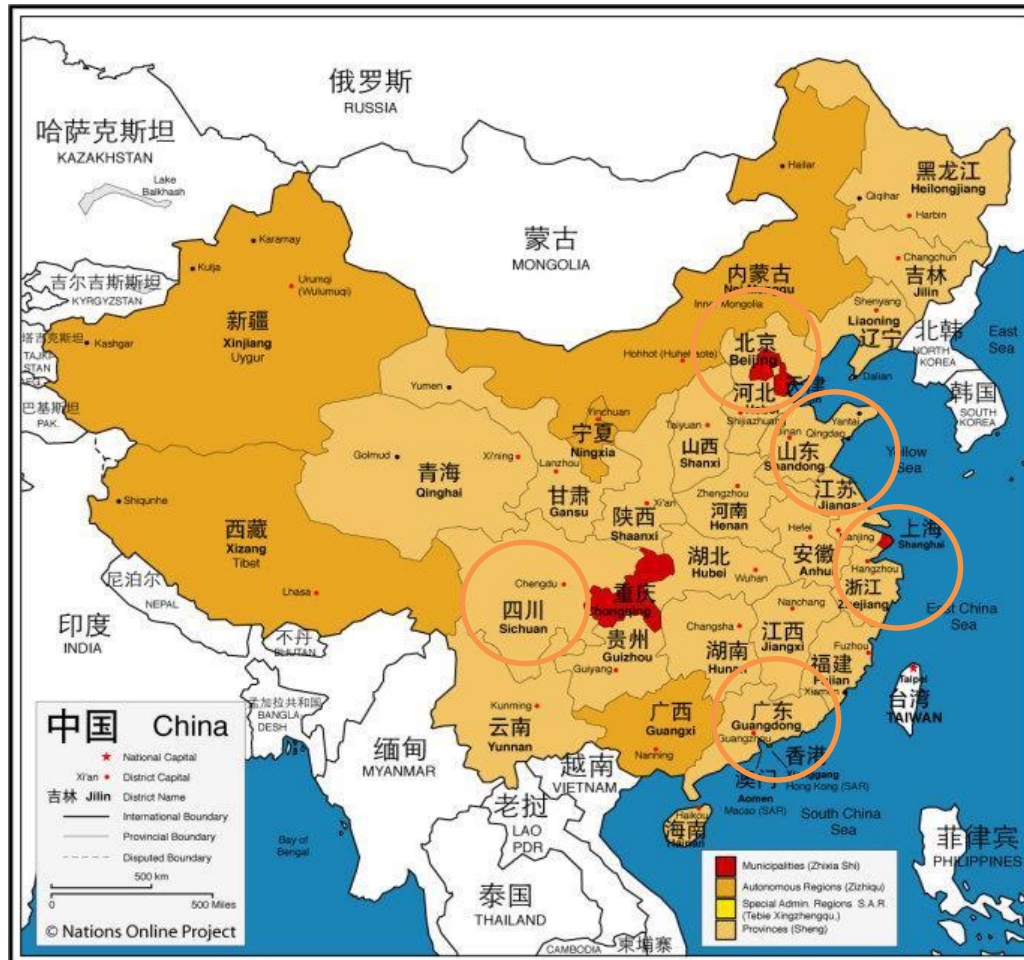
Investable assets of HNWIs (T RMB)



Source: Bain China Private Wealth Report 2015

Chinese HNWIS Base Keep On Increasing

- ✦ **Seven** provinces or municipalities with more than 50,000 HNWIs:
Guangdong, Shanghai, Beijing, Jiangsu, Zhejiang, Shandong and Sichuan



Who we need to speak to ?

MIDDLE CLASS

Family yearly investable income above
RMB 1M



- ✱ Focus on family (children & parents) and personal career
- ✱ Willing to raise living standards

Source: Bain China Private Wealth Report 2015
Credit Suisse Research Institute, Global Wealth Report 2015

The Continuously Emerging Middle Class

- ✳ By end 2015, China middle class group has reached to 109 Mil. Total wealth is USD 7.34 trillion, ranking after USA & Japan.

**A typical
Chinese middle
class is:**



- ✳ Having family
- ✳ Loves luxury goods
- ✳ Buy organic food from super market
- ✳ Addicted in social network



- ✳ Tend to afford all kinds of luxury products
- ✳ Highly motivated to be recognized as moving up the social class
- ✳ Particularly sensitive to the luxury iconic and actively seeking information about the latest trends

Source: Credit Suisse Research Institute, Global Wealth Report 2015

Who we need to speak to ?

MILLENNIALS

*Part of Middle Class, the
generation carried out from
1980's*



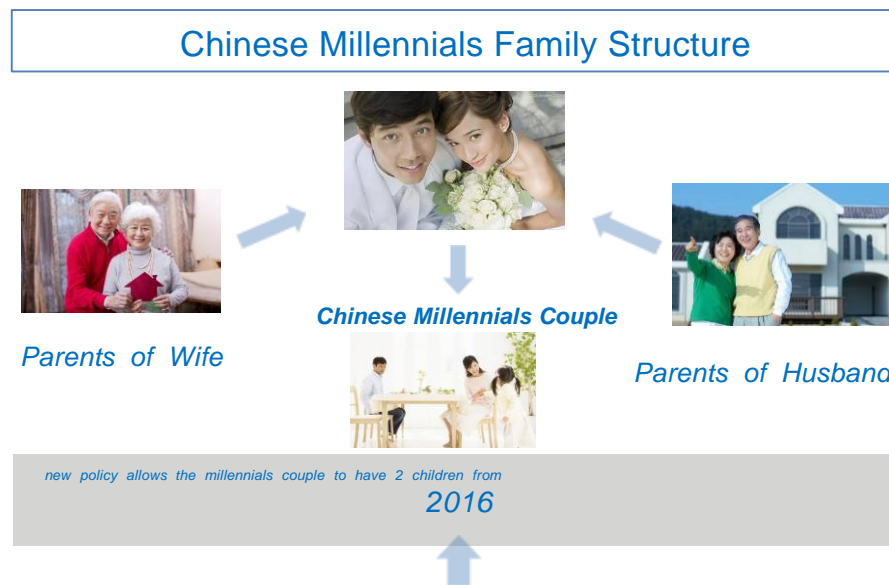
- ✦ Earn income to fuel passions
- ✦ Living world without forgetting responsibilities

Source: Bain China Private Wealth Report 2015
Credit Suisse Research Institute, Global Wealth Report 2015

Chinese Millennials

The generation of Chinese millennials is the “ONLY CHILD” generation carried out from 1980’s.

Chinese millennials are given all the financial resources of the whole family and from 2 families when getting Married. , ie. real estate properties, family property, education investment, luxury consumption...



Again, the M. generation is given responsibility to have 2 children to enrich the society structure.

Effects of the 2nd child policy: Impact form 10 years later..

1. Leading to a new lifestyle of pursuing Happiness, Education, Investment..
2. Seeking for real luxury will be the new trend.

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- ☐ **Chinese consumers**



What Luxury Means to Chinese Customers ?

2000 - 2013



2016.....

As Expensive as Possible

Price for money

Brand as big as possible

Fashion and style

Brand vs Product

Product vs Brand



Celebrities in China

- Super star endorsement helps build the brand awareness, brand royalty and attract media attention
- With the booming of Chinese luxury market, Chinese Celebrities were treated more seriously
- Luxury brands invite more than one big celebrities for events



Chinese celebrities at “Save the Children” Party in Rome



Zhang Ziyi presenting Bulgari Shanghai Plaza66 Boutique Reopening Party

Forbes China Rich Top 10

2010	Wrld Ranking	Name	Gender	Age	Fortune (billion \$)	Company Name
1	103	Zong Qing hou	Male	64	7	Wahaha Group
2	154	Liu Yong Xing	Male	61	5	East Hope Group
3	176	Zhang Jing Dong	Male	46	4.5	Suning
4	189	Wang Chuanfu	Male	44	4.4	BYD Auto
5	212	Xu Jiayin	Male	51	4	Hengda Group
6	232	Wu Yajun	Female	46	3.9	Longhu Real Estate
7	249	Liang Wengen	Male	53	3.6	SANY Group
8	249	Ma Hua Teng	Male	38	3.6	Tencent Group
9	258	li Yanhong	Male	41	3.5	Baidu
10	277	Chen Fashu	Male	49	3.4	New Huadu Industrial

- Billionaire list world total 1011 pax
- Chinese increase from 28 to 64
- China real estate booming enriched more developers

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- ☐ **Chinese consumers**
- ☐ **The challenges in the market**



The Challenges in China Market

- **1 - Continued expansion into tier 2/3 cities, with a slower pace**

- **2 – Leading brands emphasizing more and more on improving customer experience**

- **3 – Talents recruitment and competitors**

- **4 –Online Marketing--Social media**

- **5 – Luxury ecommerce in China is emerging**

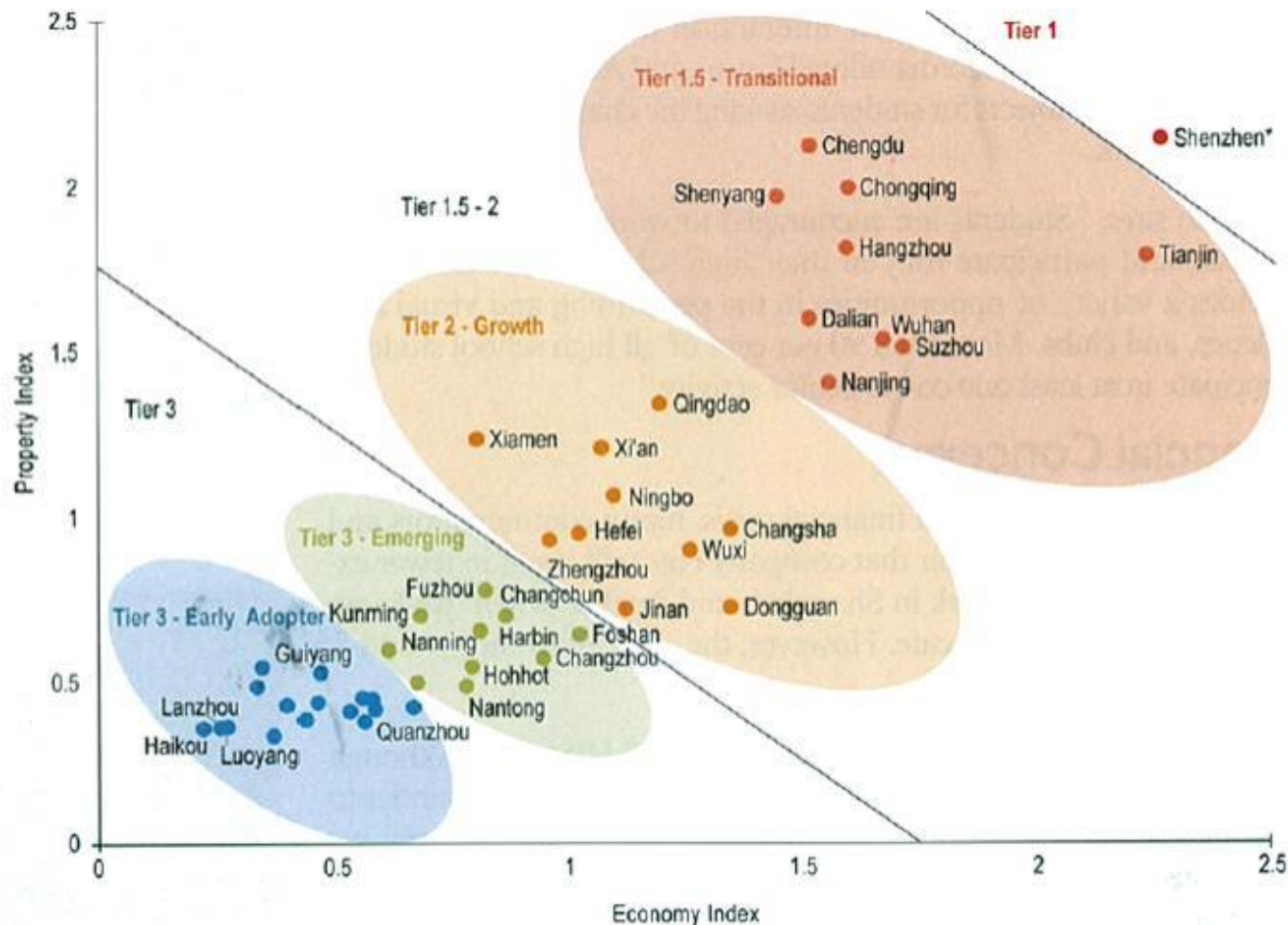
- **6 – Heritage-focused brand building activities**

- **7 – Emerging Chinese-culture-inspired luxury brands**

- **8 – Risk of negative media exposure**

The Challenges in China Market

1 – City evolution curve 2012, a city hierarchy taking shape



City Evolution Curve

Cities are positioned on our City Evolution Curve based on a combination of Economic and Property Indicators;

Economy – Economic size and growth, metropolitan population, infrastructure, openness, labour, education, wealth and business environment

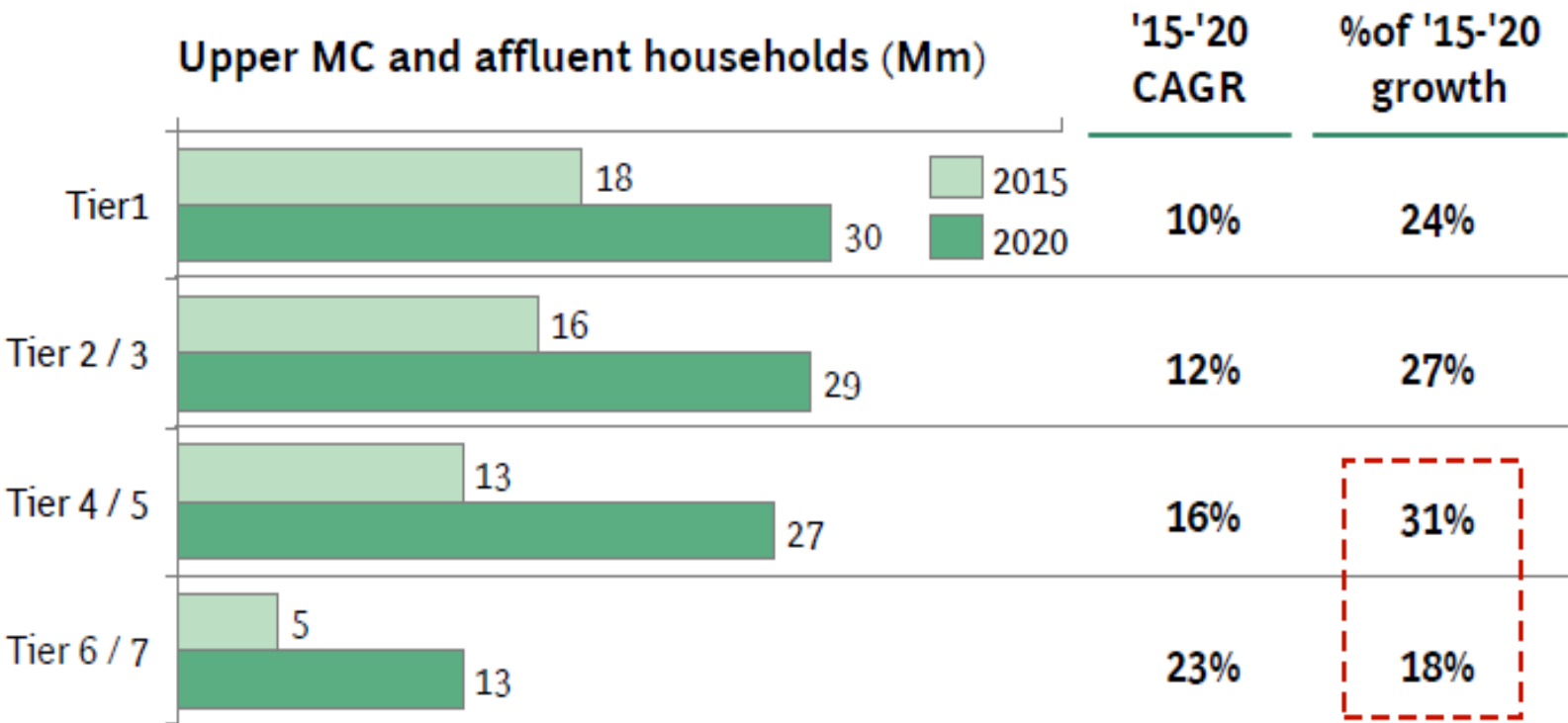
Property – Investment volumes, stock, developer activity, corporate concentration, retailer concentration, internationally-branded hotels

* Tier 1 benchmark

Source: Jones Lang LaSalle

Low tier cities are where the action is

1 – City evolution curve , a city hierarchy taking shape



The Challenges in China Market

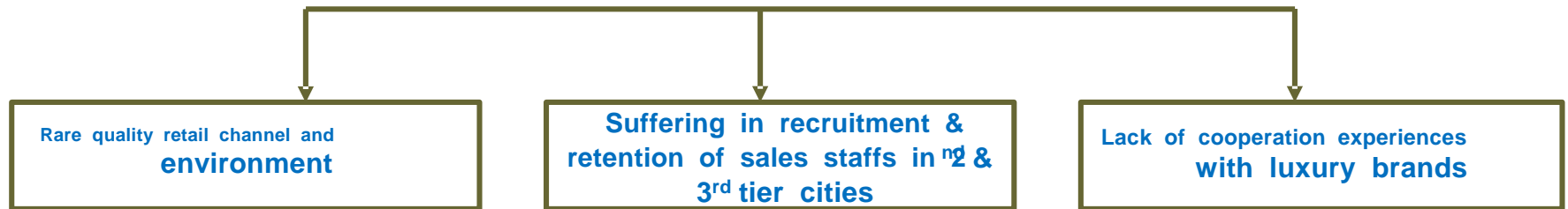
2 – Many brands upgrading existing stores to improve shopping experience



The Challenges in China Market

3 – Talents recruitment and competitors within the luxury brands appeared in 2nd & 3rd tier cities

The capacity of man power and limited retail space



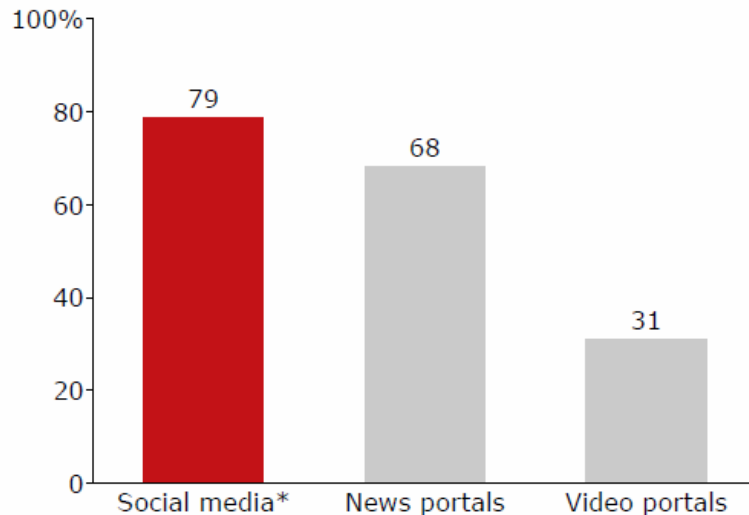
The Challenges in China Market

4 – Proliferation of online marketing through social media to generate excitement and increase mindshare

Social media has become most popular info source for luxury consumers

"Where do you normally get information on luxury goods on internet?"

% of respondents who use Internet as info source



*Social media includes blogs, microblogs and BBS

Source: Bain Survey of Luxury Goods Consumers in Mainland China 2011 (n=1,959); Literature search; Site visits; Bain analysis

Brands actively exploring various Chinese social media platforms



Bulgari on Sina Weibo



Coach on Renren



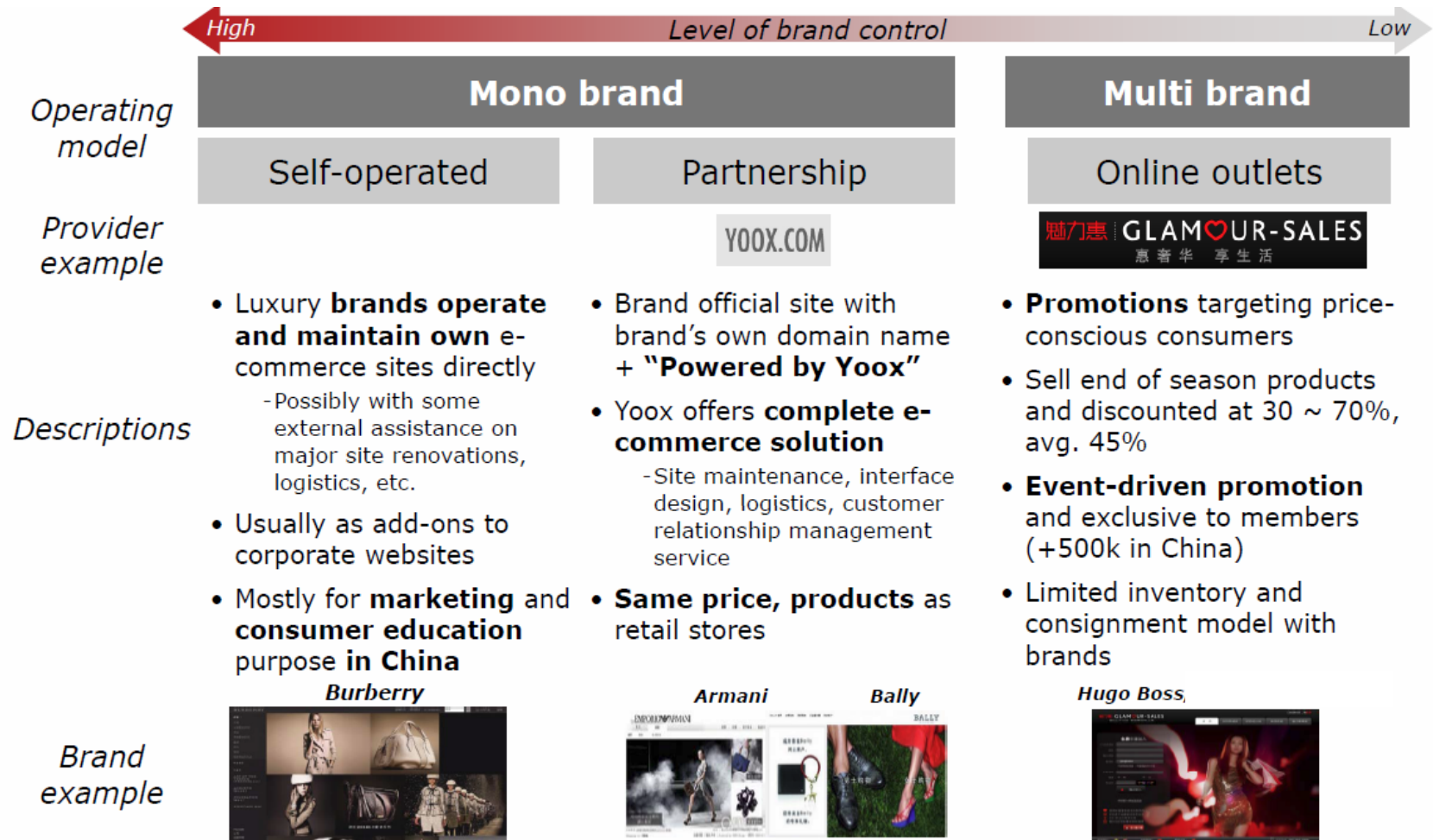
Lancome on iPhone app



LV on Jiebang

The Challenges in China Market

5 – Luxury ecommerce



The Challenges in China Market

6 – Brands deepening communication efforts with consumers by actively showcasing culture & heritage

Brands showcasing culture & heritage
in top tier museums



"Louis Vuitton Voyages" Exhibition

Exhibited iconic travel pieces & handbags with history of travel in National Museum of China, Beijing from May to Aug 2011



BVLGARI

"125 years of Italian Magnificence" Exhibition

Showcased 600 pieces of Bulgari jewelry & its 125-year history in National Museum of China from Sep to Nov 2011



CHANEL

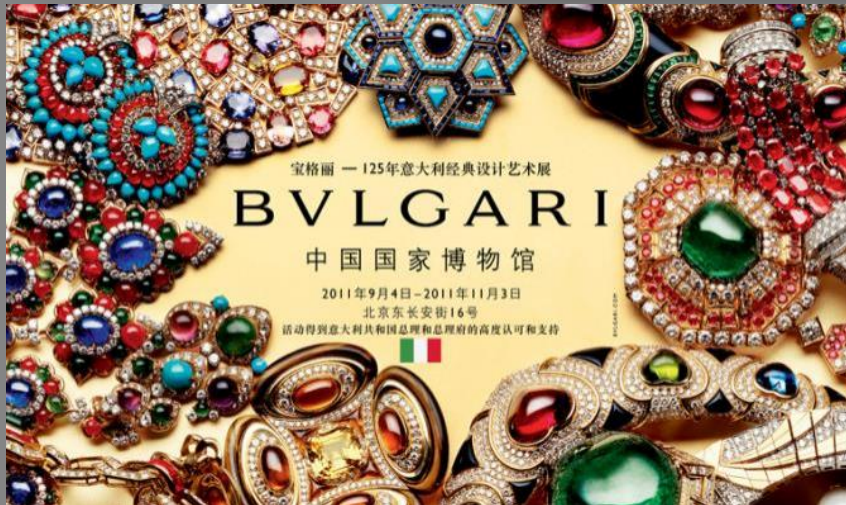
"Culture Chanel" Exhibition

Exhibiting >400 pieces from Chanel's past and present, including paintings, drawings, etc, at National Art Museum of China from Nov to Dec 2011



Continual Luxury Brand Building Activities

- Brands deepening communication efforts with consumers by actively showcasing culture & heritage
- Continuing but varying scale of efforts to raise bar of brand awareness or preference



The Challenges in China Market

7 – Opportunity/Challenges Chinese luxury brands emerging, although still at experimental stage; some with support from western luxury companies



("UP DOWN")

Brand origin

- Brand **co-created by Hermes and Chinese designer**
 - Hermes created Shangxia brand in 2008 with Chinese artist Jiang Qiong'er as brand CEO & Creative Director

Brand concept

- **Chinese heritage deeply rooted, with Chinese craftsmanship**
 - Pushed Chinese influence from product design further to utilize **Chinese artisans** and **rare local materials** like zitan wood
 - Product launch once a year with many items taking months to make
 - Offers **handcrafts, clothing & accessories**

Market strategy

- **Target Chinese customers** and then expand outside China
 - 1st store launched in Shanghai in Sep 2010 and plan to launch stores in **Beijing and Paris by 2013**
 - 60-70% customer base are Chinese **opinion-leaders** with wide age range and deep cultural background



qeelin

- **Jewelry brand created by Hong Kong designer & French entrepreneur**

- Founded and opened its first store in Paris in 2004, entered Mainland China in 2008

- **Integrate traditional Chinese inspiration and French craftsmanship**

- Each piece of jewelry has a remarkable Chinese culture inspired symbol

- **Aim to obtain international recognition first**

- 9 boutiques around the world, with steady expansion plan
- Plan to open store in Shenyang, Dalian in the future

- **Plan to expand into luxury watch category**



The Challenges in China Growing Market

8 – With prosperity of online media, luxury brands need to proactively manage negative media exposure in China

Luxury brands getting more scrutiny from consumers and authority

- Luxury brands are **scrutinized** for **quality issues**, some even got **penalized**
- Increasing complaints on brands' inadequate **after-sales service** in China, which is often **complex** and **time consuming**
 - Many brands don't have customer service hotline in China

"Chinese consumers used to assume that luxury brands have superior quality simply because of their big name and high price. However, consumers are becoming more aware of their legal rights in recent years."

Lawyer, China Consumer Association

Brands sometimes unintentionally got associated with negative publicity

- Prosperity of online media facilitated **broadcasting** of negative events, especially those related to **social tensions** such as labour dispute, corruption, quality issues, etc
- **Showing-off** of luxury products often cause unprecedented public discussions and criticisms on social media

"Luxury brands have been building their premium image with good quality and cultural background. But they often get associated with showing-off of wealth, which may have negative impact on them."

Industry expert



Brands need to be more sensitive to media exposure risks & proactively manage PR in China

