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Luxuriously succeeding in China

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To succeed, luxury brands in China must speak to the aspirations and yearnings of young Chinese and help them become a “better me”

Today China is the most important luxury market in the world. With their voracious appetite for luxury goods, Chinese consumers currently snatch up over 32 percent of all global luxury goods.

And China will only become more important as a luxury market. According to a report titled “*Making Luxury Brands Matter To The New Generation Of Chinese Middle-Class Consumers*” by global advertising, marketing and public relations agency Ogilvy, 70 percent of luxury growth in the next five years will come from China.

In terms of dollar value, Chinese luxury consumers will account for 40 percent of global luxury purchases - equivalent to 162 billion euros or 1.266 trillion renminbi - in 2024, up from 32 percent in 2017.

With the consumers of one country responsible for almost half of the world’s luxury sales, luxury brands are all agog to know the answer to one question: what makes a luxury brand succeed in China?

Annie Hou, Vice President of Strategy & Innovation at Ogilvy Beijing and the co-author behind that report, provided some answers to that billion-dollar question at an SMU Centre for Marketing Excellence seminar titled *Marketing Luxury To Chinese Millennial Consumers*. Held on November 8, the event is part of the Luxury Marketing Series of seminars.

ARE YOU TALKING TO ME?

The hard reality is that while some luxury brands are thriving in China, many others are failing.

One key reason certain luxury brands are winning in China, Hou told the audience of 88 top executives, decision makers and marketing students, is that these brands are able to connect with Chinese young consumers – millennials and Generation Z – on a deep emotional level. “It’s about making your brand matter to young Chinese consumers,” pronounced Annie.

Hou’s research revealed that in five years, 68 percent of luxury consumers in China will be aged 18 to 30 and born after the Nineties.

Based on first-hand observations and interviews with young luxury consumers in China conducted between July and October 2018, the report reveals that there are three main emerging segments of Chinese luxury shoppers: independent women, metrosexual men (“beautiful men”) and teenagers. All three segments have one aspiration in common: to become a “better me”.

For young Chinese consumers, luxury is anything that makes them “a better me”. For instance, a balanced lifestyle is luxury to many.

“For the new generation of Chinese consumers, a luxury brand is a symbol of a quality life, a symbol of a refusal to compromise, of being one’s unique self,” explained Hou. “It is a companion, a demonstration of their talent and experience, a symbol of their desire for a better self and a better life....It is a badge of Me.”

Young luxury consumers in China hold these six values dear:

- “I am proud to be me”
- “Beauty is power”
- “Talent is everything”
- “Loneliness has a cure”
- “Passion is worth pursuing”
- “The future is mine”

Young Chinese consumers yearn to be perceived as “an interesting person” and “a talented person”. For them, “status is less about material items or financial status, and more about having a wealth of experience or knowledge,” the report explains. Hou elaborates:

“Their understanding and knowledge of luxury brands are more sophisticated and deeper than their parents’ generation. Overall, we see they are growing into the new generation of luxury consumers. Luxury goods are only a reflection of their growing needs and wants for a high-quality life.

“The definition of luxury is different for all consumers now. It could be a memorable experience. It could be based on what a consumer is passionate about. With these consumers, connecting with their passion is very important.”

DRIVEN TO LONELINESS?

Another key hallmark of the young Chinese luxury consumer is extreme loneliness.

More than 40 percent of post-90s luxury Chinese consumers own pets and 50 percent of them think of their pets as their relatives and friends. An indicator of the immensity of their loneliness is the size of the loneliness market in China: it is currently worth 3 trillion renminbi.

Young Chinese luxury consumers are also a driven lot. They are avid lifelong learners (globally, they are the top value contributor to mobile learning and sharing platform Himalaya), they are willing to take action (60 percent will organise events or raise money for their idols) and they are risk-takers (they choose jobs according to their passion, disregarding the size or stability of the company).

MAKE YOUR BRAND MATTER BY SPEAKING TO THE VALUES OF YOUNG PEOPLE

According to Hou, luxury brands should change their game plan in six ways:

- From “a badge of status” to “a badge of me”
- From “showing money” to “showing talent”
- From “unapologetic mentality” to “companion mentality”
- From “scarcity” to “virtual rarity”
- From “a lifetime achievement” to “a lifetime recruitment”
- From “offline” to “omnichannel” customer experience

Anchor luxury marketing around these attitudes and values, Hou told the audience.

For instance, focus on how your brand can help young consumers display their knowledge or showcase a unique experience. Customise and personalise your luxury products. Connect with the passions of young consumers.

In China, Ogilvy has successfully made luxury brands more relevant to young consumers. Among the agency's triumphs is Ermenegildo Zegna. Known for its men's suits, the Italian brand had become associated with middle-aged rich businessmen and had grown increasingly irrelevant to young Chinese consumers who wear streetwear to meetings. To counter that, Ermenegildo Zegna launched a new streetwear line called XXX, which successfully revitalised the brand's image.

Only by speaking to young consumers' values and attitudes, Hou concluded, will your brand matter to luxury consumers in China.

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