A New Generation of Chinese Consumers Reshaping the Luxury Market

2021 Tencent X BCG China Digital Luxury Report

Preface

Perhaps the most important theme running through 2021 for Chinese luxury market is the rise of a new generation of consumers. This report looks at how brands can adapt to this generational shift and create new growth momentum.

On one hand, luxury consumers are getting younger. On the other, the post-90s generation, who are now entering their 30s and establishing careers and families, will quickly become a major driving force behind market growth. Research shows that consumers born between 1990 and 2000 now account for 50% of total luxury consumers, contributing 46% of luxury sales. We are now at a generational turning point. Growing up in a time of economic prosperity as well as the rise of accessible Internet, the post-90s generation has experienced mindset shifts, and their purchasing needs, habits and profiles are radically different from those of the 1st generation of Chinese luxury consumers.

Existing heavy-spending consumers must not be left behind by brands. Although they only account for 11% of total consumer base, they make up 40% of luxury sales. As major brands have strengthened their digital marketing capabilities, this segment has seen increased demand for personalization and exclusivity. To better satisfy this discerning group, brands need to provide integrated omnichannel service offerings.

2021 marks the 4th year that Tencent Marketing Insight (TMI) and Boston Consulting Group (BCG) have collaborated on exploring the luxury market trend of mainland China. Over the past few years, we have witnessed how companies have constantly adapted their digital marketing strategies to cope with an ever-changing market landscape. We closely follow the market dynamics every year, and we remain committed to constantly improving our research methods. We hope that this series of reports will offer brands more accurate insights into market dynamics, driving informed marketing strategy making and improving returns on those strategies.

About this study

	Consumer surveys	Case studies
Sources	Quantitative consumer survey	Tencent Ads
Sample size	Surveyed ~4,700 consumers[1] of mainland China[2] who have purchased luxury goods during June 2020 -June 2021	Selected from 1,000+ cutting-edge cases
Key outputs	Purchasing behaviors & trends, segment profiles, demand insights	Use cases and case studies of luxury brands

1. Consumer coverage: 18-55 years old; tier 1–5 cities
2. This report focuses on consumers of mainland China without covering consumers living in Hong Kong, Macao and Taiwan because of different consumer behaviors, duties etc.

This report focuses on the following key luxury categories

Category	Sub-categories	Threshold price
1. Ready-to-wear	1.1 Outerwear	>RMB 10,000
	1.2 Shirts/T-shirts and other topwear	>RMB 1,500
	1.3 One-piece dresses	>RMB 9,000
	1.4 Suits/sets	>RMB 12,000
	1.5 Sweaters/knitwear	>RMB 3,000
	1.6 Skirts/trousers and other bottom wear	>RMB 1,900
	1.7 Expensive ready-to-wear	>RMB 50,000
2. Handbags	2.1 Handbags	>RMB 7,600
	2.2 Expensive leather	>RMB 40,000
	2.3 Exotic leather	>RMB 80,000
3. Footwear	3.1 Footwear	>RMB 2,300
	3.2 Expensive footwear	>RMB 10,000
4. Accessories	4.1 Sunglasses/eyewear	>RMB 1,400
	4.2 Scarves/small leather goods	>RMB 1,400
5. Jewelry & watches	5.1 Jewelry	>RMB 9,000
	5.2 Watches	>RMB 15,000
	5.3 High-priced jewelry	>RMB 200,000
	5.4 High-priced watches	>RMB 200,000

Note: This report does not include accessible luxury, high-end cosmetics or personal care categories

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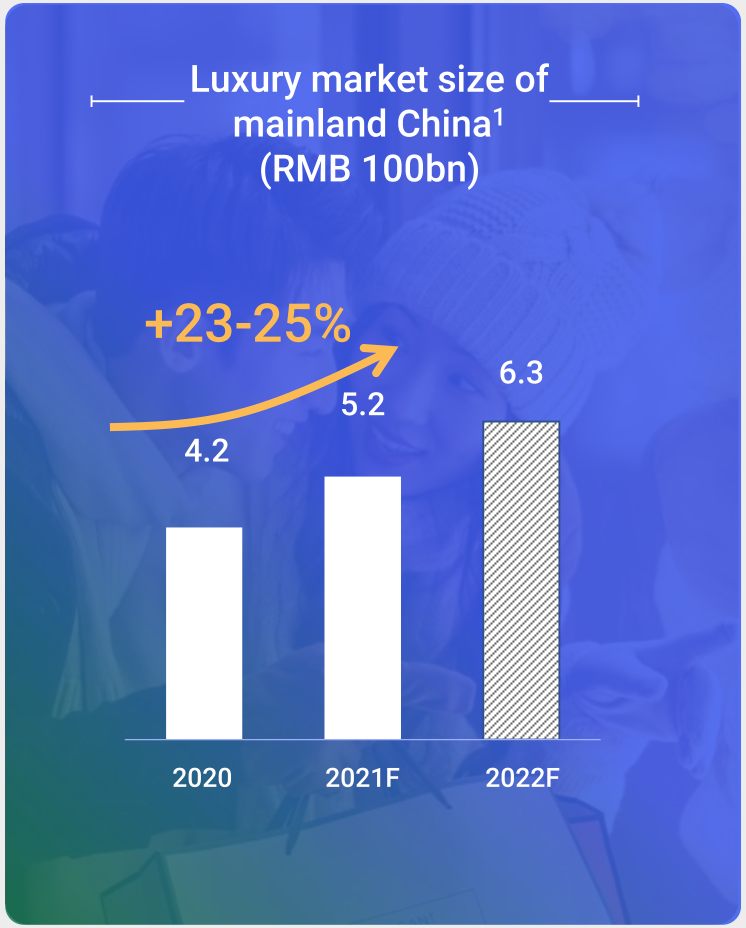
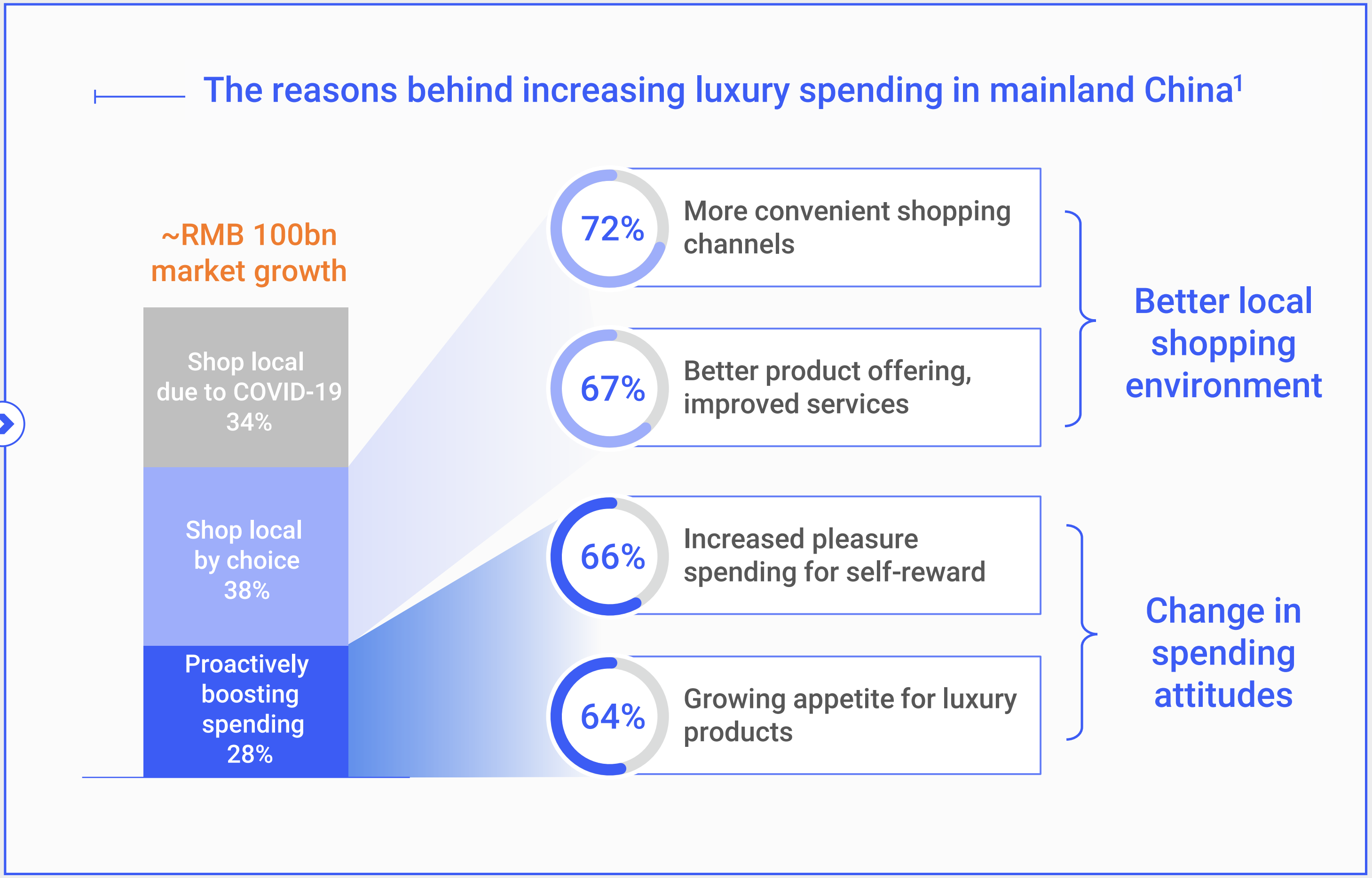
PART 01

Decoding Growth

Luxury market of mainland China[1] is forecasted to grow by 23%-25% in 2021, driven by a combination of multiple factors





1. This report focuses on consumers of mainland China without covering consumers living in Hong Kong, Macao and Taiwan because of different consumer behaviors, duties etc.
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); expert interviews; BCG analysis

The booming luxury market of mainland China[1] is seeing a big demographic shift that has spawned some new consumer needs and behaviors

Luxury market trends

1. Consumer segments

- **Rise of younger consumers:** post-90s have become the backbone of luxury market, representing 50% of total consumer base and expected to grow their spending by 25-30% in the next year.
- **Existing heavy-spending consumers are still important:** heavy-spending consumers (annual luxury spending >RMB 300K) make up 11% of consumers but contribute 40% of sales, and their spending is expected to grow by 25-30% next year, driven by better brand service and the increase in resale value.
- **Consumer landscape:** after analyzing the purchasing power of different age groups, we identified two priority consumer segments with highest potential: post-90s light/medium-spending consumers, and heavy-spending consumers.

2. Consumer mindset

- **Post-90s generation cares more about "self-rewarding":** the new generation of consumers are strongly self-aware and social-driven, hoping to reward oneself and get premium services/experiences.
- **Consumers tend to switch more frequently from brand to brand:** less than 40% of them claim to be loyal to specific brands.

3. Category structure

- **Dual focus on leisure and valuableness:** consumers prefer more expressive ready-to-wear and footwear, and high-value investment pieces.

4. Channel preference

- **Digital ecosystem building continues to grow in importance:** online channels are forecasted to hit 22% market share in 2021, up from 20% a year ago.
- **The brand-operated WeChat Mini Program is enjoying growing popularity among post-90s consumers** with strong buying power: it is expected to post a nearly 30% sales growth in the next year.

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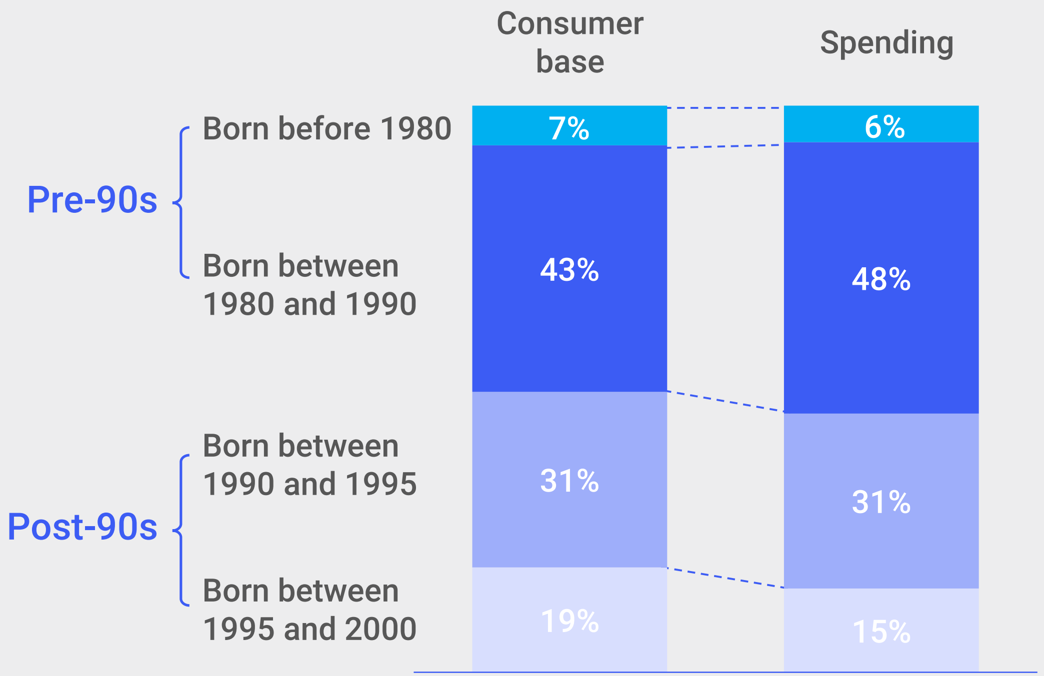
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); expert interviews; BCG analysis

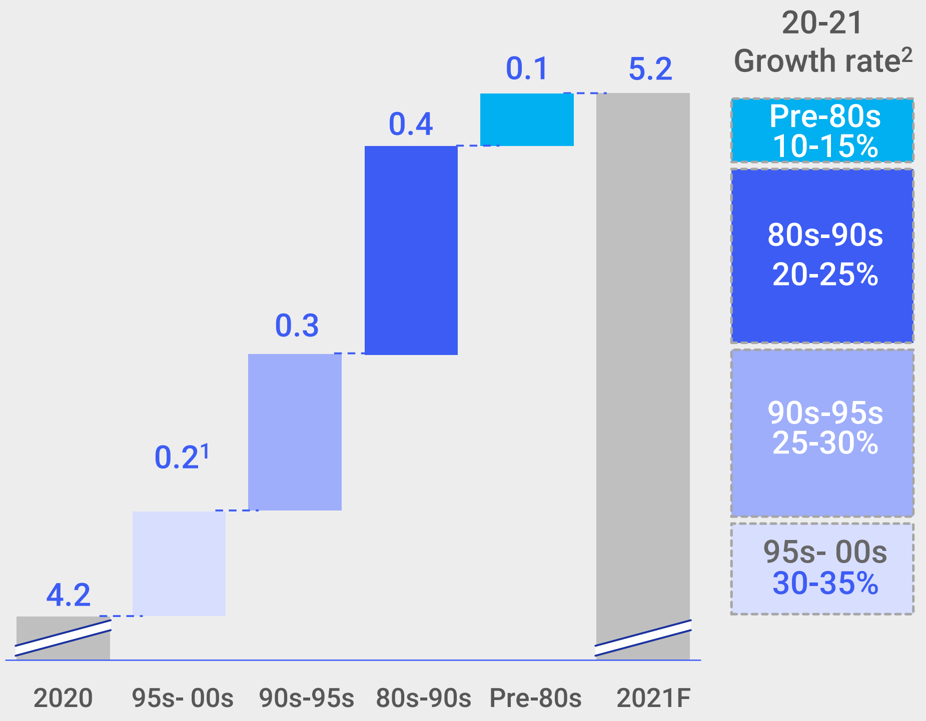
Consumer segments

Post-90s consumers have become a major market force, representing half of total luxury consumer base and 46% of luxury sales

Breakdown of luxury consumer base and sales by generation



Contributions to luxury market growth (RMB 100bn)

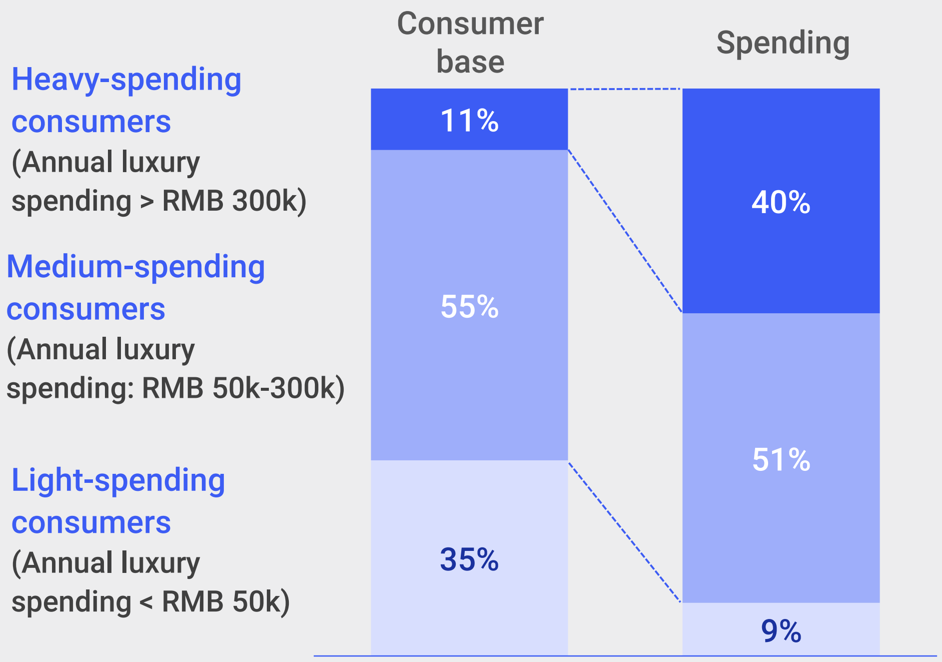


1. Absolute growth value; 2. Segment growth rate in the past year
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

1 Consumer segments

Heavy-spending consumers, 11% of total consumer base, contribute 40% to total sales; the spending of medium- and light-spending consumers is also growing rapidly

Breakdown of luxury consumer base and sales by spending power



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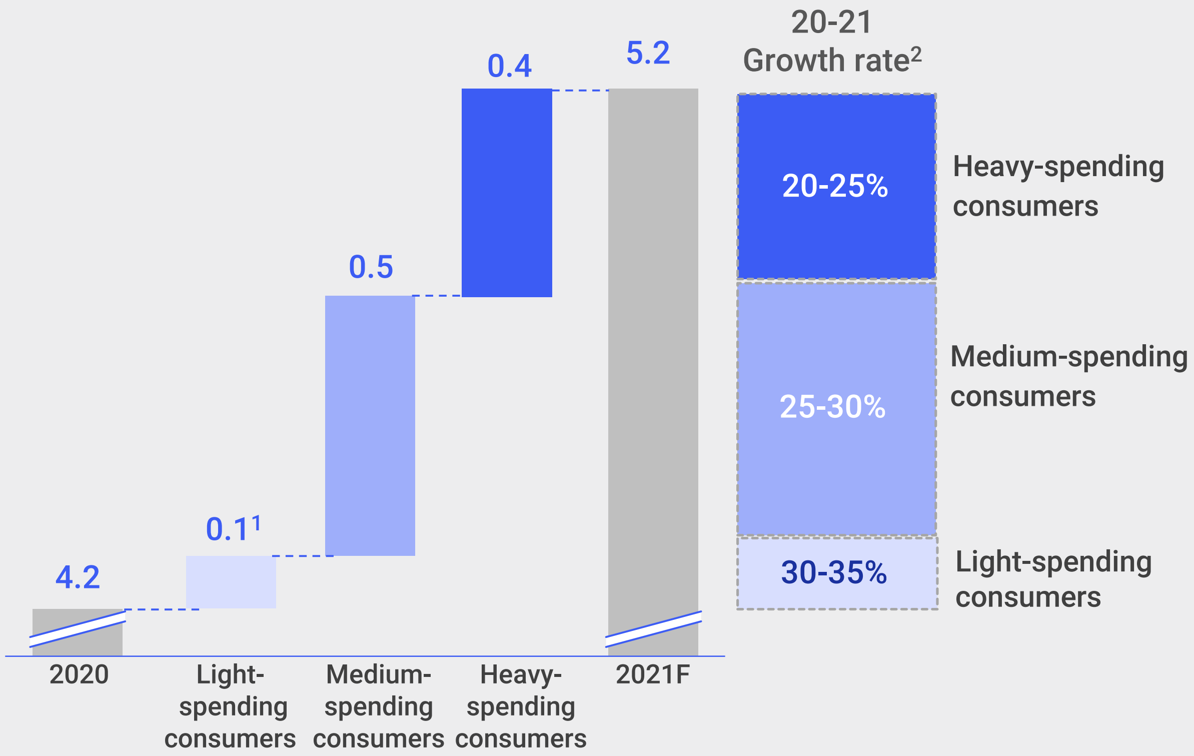
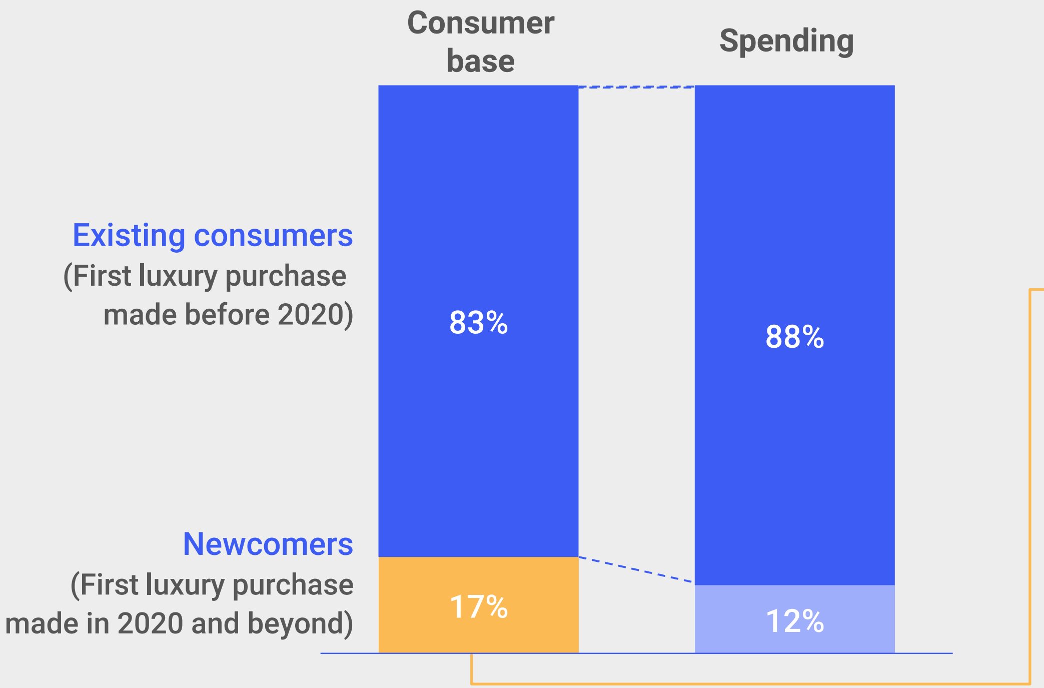


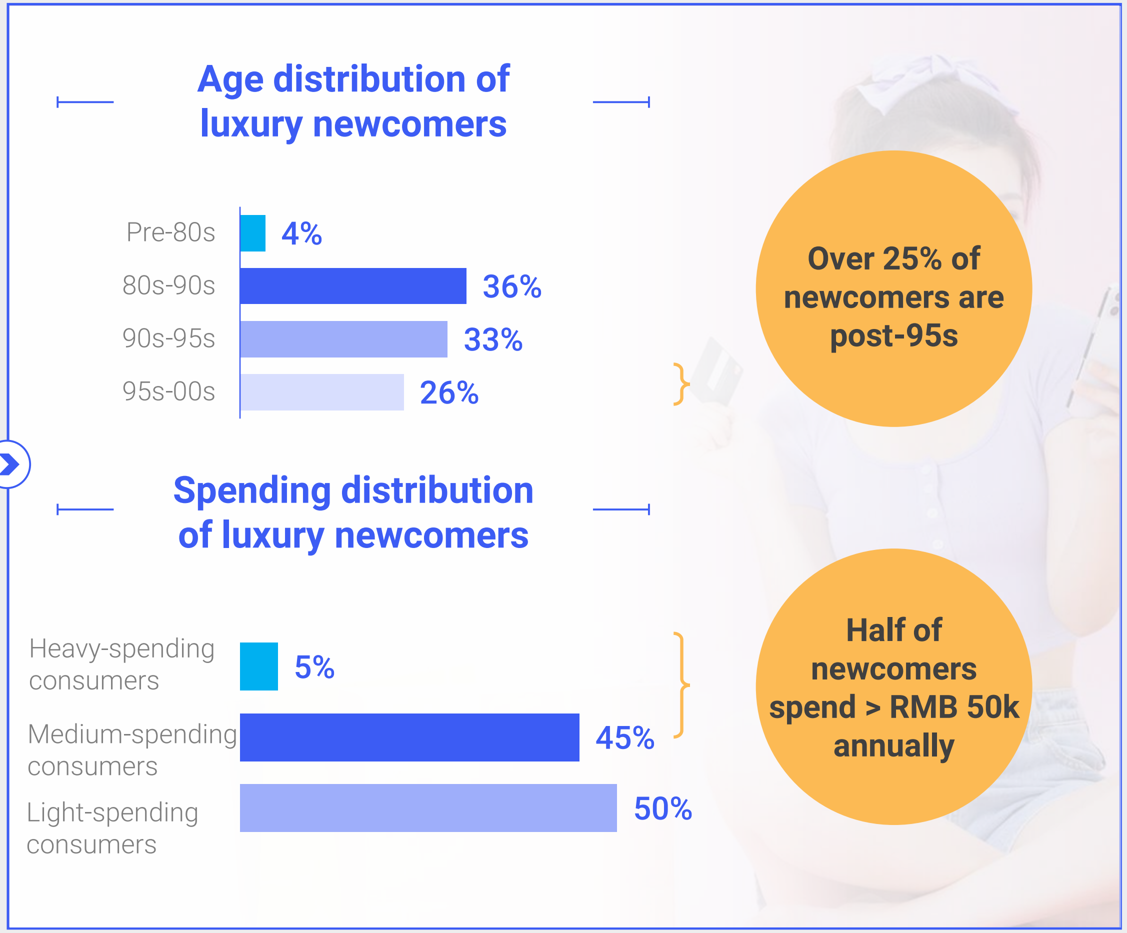
1.Absolute growth value; 2. Segment growth rate over the past year
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

1 Consumer segments

Luxury newcomers (17%) are jumping in, mostly post-90s with strong purchasing power; half of them spent more than RMB 50K on luxury goods per year

Breakdown of luxury consumer base and sales by the time of first luxury purchase





Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

Consumer segments

Consumers segmented into 6 groups based on age & spending: heavy-spending consumers spent the most while post-90s light/medium-spending consumers showed the fastest growth

> Average | ~Average | < Average

Annual spending[1]	Post-90s generation	Pre-90s generation
Heavy-spending consumers	 Post-90s heavy-spending consumers; % of consumers | 5%; % of spending | 18%; 2020 spending growth +24%	 Pre-90s heavy-spending consumers; % of consumers | 6%; % of spending | 22%; 2020 spending growth +23%
Medium-spending consumers	 Post-90s medium-spending consumers; % of consumers| 26%; % of spending | 23%; 2020 spending growth +31%	 Pre-90s medium-spending consumers; % of consumers| 29%; % of spending | 28%; 2020 spending growth +22%
Light-spending consumers	 Post-90s light-spending consumers; % of consumers| 19%; % of spending | 5%; 2020 spending growth +37%	 Pre-90s light-spending consumers; % of consumers| 15%; % of spending | 4%; 2020 spending growth +21%

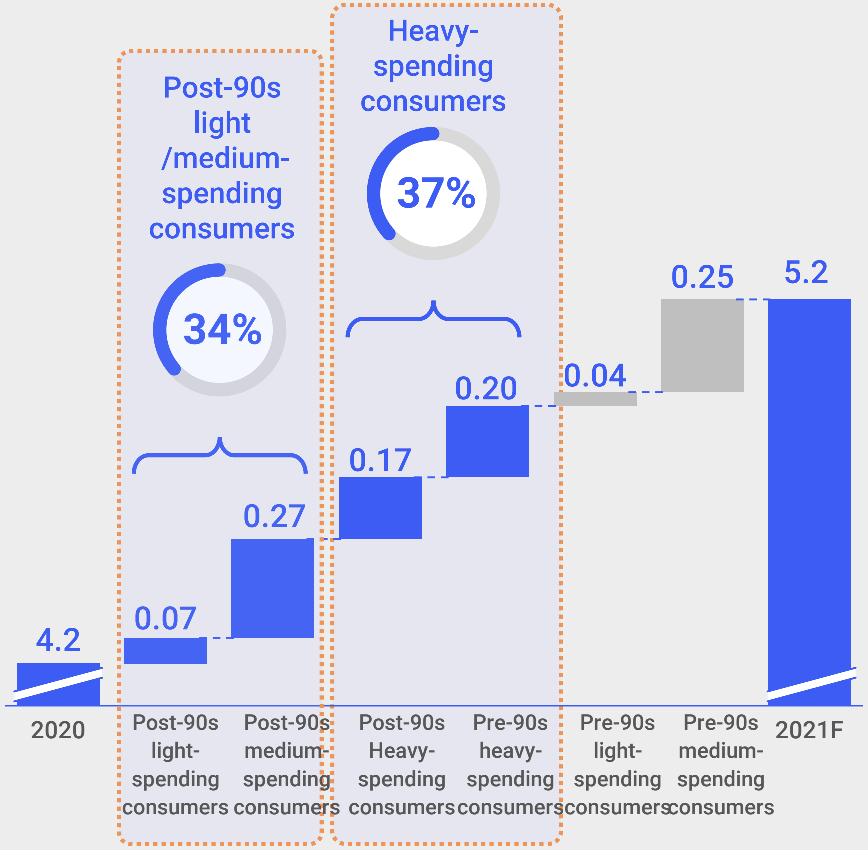
1. Heavy-spending consumers spend more than RMB 300k annually on luxury category; medium-spending consumers spend between RMB 50k and RMB 300k annually on luxury category; light-spending consumers spend under RMB 50k annually on luxury category

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

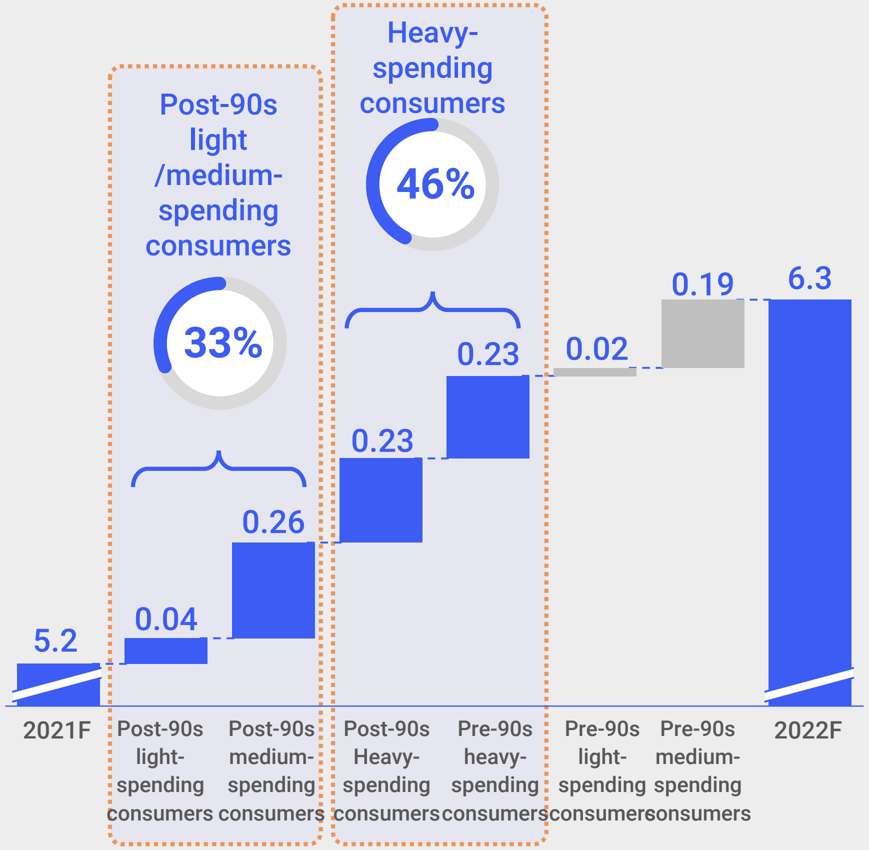
Consumer segments

Heavy-spending consumers and post-90s light/medium-spending consumers are two powerful engines of market growth

Contribution to growth in the past year (RMB 100bn)



Estimated contribution to growth in the next year (RMB 100bn)



Source: TMI & BCG Luxury Consumer Research Questionnaire 2021 (N=~4,700); BCG analysis

1 Consumer segments

Among all consumers, brands should especially win two priority segments with the highest growth potential

Spending growth rate: >Average | ~ Average | <Average

Annual spending[1]: Heavy-spending consumers; Medium-spending consumers; Light-Spending consumers

Post-90s generation | Pre-90s generation

Segment 2: continue to invest in heavy-spending consumers

- 11% of total consumer base representing 40% of spending, with strong willingness to pay.
- The key is to drive further repurchase by cementing brand loyalty.

Post-90s heavy-spending consumers '21-'22 spending growth +28%

Pre-90s heavy-spending consumers '21-'22 spending growth +22%

Segment 1: activate post-90s light/medium-spending consumers

- 45% of total luxury consumer base and expected to become the major market force with fastest growth; light-spending consumers may climb up the ladder to become medium-spending consumers in a short term.
- Brands should take an "always-on" communication approach to continuously recruit new consumers and increase sales.

Post-90s light-spending consumers '21-'22 spending growth +29%

Post-90s medium-spending consumers '21-'22 spending growth +24%

Strengthen core consumer base and conversion

- Despite a slowdown in expected growth, this segment still makes up 32% of the market.
- The key is to achieve more effective conversion as touchpoints and pathways become more diversified and complicated.

Pre-90s light-spending consumers '21-'22 spending growth +12%

Pre-90s medium-spending consumers '21-'22 spending growth +14%

1. Heavy-spending consumers spend more than RMB 300k annually on luxury category; medium-spending consumers spend between RMB 50k and RMB 300k annually on luxury category; light-spending consumers under RMB 50k annually on luxury category

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

2 Consumer mindset

Amid the demographical shift in the luxury market of mainland China, post-90s consumers emphasize more on “self-reward” and “brand service/experience”

Key motivations to buy luxury for different generations

	Pre-80s	80s-90s	90s-95s	95s-00s
1	High quality	High quality	High quality	Self-reward
2	Valuable gifts	Design	Self-reward	Brand service/experience
3	Design	Self-reward	Design	Design
4	Materials	Materials	Brand service/experience	Self-expression
5	Classic style	Valuable gifts	Materials	High quality
6	Brand service/experience	Classic style	Crossover/limited edition	Valuable gifts
7	Self-reward	Brand service/experience	Self-expression	Bragging rights
8	Fashion recomm.	Self-expression	Artistic value	Artistic value
9	Social identity	Brand culture	Brand culture	Discounts
10	Crossover/limited edition	Brand campaigns	Classic style	Brand campaigns

Key takeaways

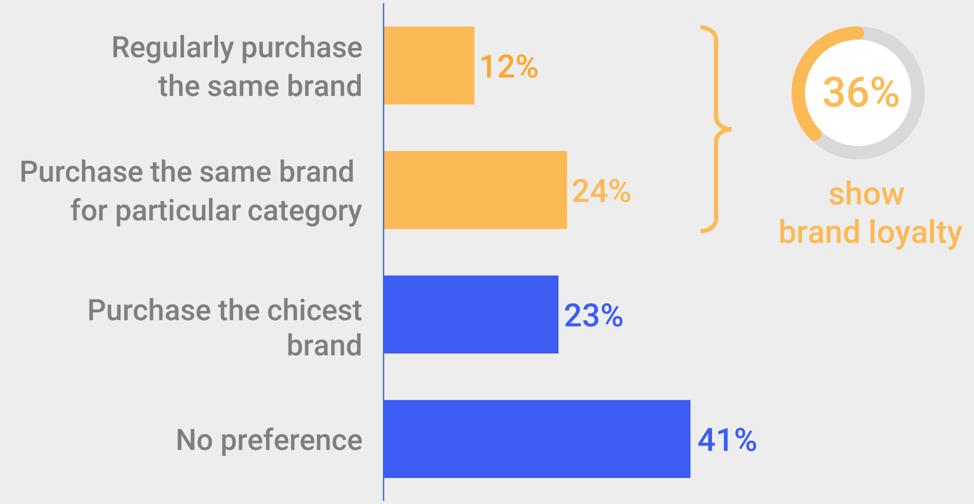
- **Pre-90s consumers are more sophisticated:** in absolute score, they ranked all motivations with higher importance score than post-90s consumers.
- **Experience goes before promotion:** among all generations, “experience” is rated higher than “promotions”.
- **Heightened self-awareness and changing drivers:** among post-90s generation, buying luxury is more for rewarding/expressing themselves than for gifting
- **New demands for brand service:** pre-90s consumers have a higher bar for one-stop, personal services while post-90s shoppers value a fresh shopping journey.
- **Shifting aesthetic standard:** post-90s generation values “artistic value” more than others, reflecting a change in aesthetic standard.

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

2 Consumer mindset

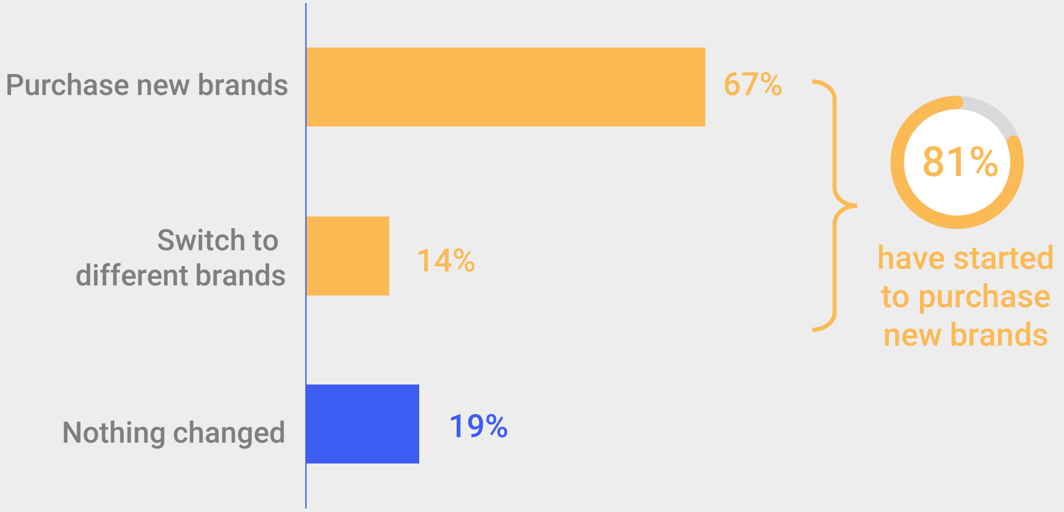
Consumers at large tend to switch between brands; less than 40% claim to be loyal to specific brands and over 80% have tried new brands in the past two years

Which description matches your buying behavior when you purchase luxury goods? (% of respondents)



Less than 40% of consumers said that they had brand loyalty

What is the difference between the brands you buy now and those you bought two years ago? (% of respondents)



Nearly 80% of consumers have raised their spending on new brands, or switched to different brands in the last two years

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

2 Consumer mindset

To attract and retain two priority segments, brands need to elevate experience and product offering, and optimize aftersales services to drive repurchase

Growth drivers[1]

Total average
- 72% Shopping convenience
- 64% Sophisticated spending: buy less, buy better

Post-90s light/medium-spending consumers
- 67% Self-reward purchases
- 65% Stronger peer influence, social-driven purchase

Heavy-spending consumers
- 75% Shopping convenience
- 72% Better service and offering

Retention levers

Total average

Most important factors to buy luxury in mainland China [3] in the future

	%	Index[2]
Service/experience	56%	133
Product offering	50%	120
Convenience	42%	100
Aftersales & CRM	37%	88
Price	35%	83

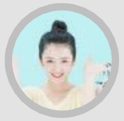
The future expansion of mainland China market hinges not on prices, but on channels, services, product quality and mindset change of all consumers

Post-90s light/medium-spending consumers

	%
Service/experience	59%
Product offering	50%
Convenience	42%
Aftersales & CRM	35%
Price	34%

Value experience along the whole journey

Care less about aftersales, but the sense of ownership



More and more classmates begin to talk about fashion. My friends recommend a few items to me, so I bought one for my birthday.
— a 20-year-old from a mega city

Heavy-spending consumers

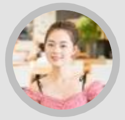
> Average | ~ Average | < Average

	%
Service/experience	56%
Product offering	57%
Convenience	43%
Aftersales & CRM	42%
Price	25%

Access to desired products is vital

High service level to drive loyalty

Not sensitive to price



Domestic channels never occurred to me until COVID. I've been surprised to find service at home is even better than overseas, and most of my favorite items are available.
— a 35-year-old from a mega city

1. Question: Why did you increase your luxury spending at home over the past year? ; 2. Compared to the average; 3. This report focuses on consumers of mainland China without covering consumers living in Hong Kong, Macao and Taiwan because of different consumer behaviors, duties etc.
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

Category structure

3

Ready-to-wear has risen fast in penetration; footwear, handbags and jewelry stayed put while accessories dipped

Luxury penetration by category

Penetration

	2019	2020	2021
Ready-to-wear	61%	60%	69%
Footwear	50%	51%	48%
Handbags	42%	50%	46%
Jewelry & watches	44%	50%	49%
Accessories	55%	54%	45%

Trends

Ready-to-wear	Footwear	Handbags	Jewelry & watches	Accessories
Fast growing	Structural shift	Stable	Stable	Small drop

Ready-to-wear clothes satisfy heavy-spending consumers' and post-90s cohorts' needs for self-expression and daily wear respectively.

Post-90s light-spending male consumers bring up sales of casual footwear, thus affecting those of leather shoes.

As the core growth driver, heavy-spending consumers have demonstrated a need to buy jewelry as investment piece. Handbags stayed put in female and declined in male consumers.

Traditional small leather categories like wallet are losing favor to more stylish, easy-to-match accessories

Source: 2019-2021 TMI X BCG Luxury Consumer Survey; BCG analysis

3 Category structure

The rise of post-90s consumers and increased purchasing power have combined to impact category penetration

Luxury penetration by category

Top 3 categories by penetration

Penetration uplift more than 5%

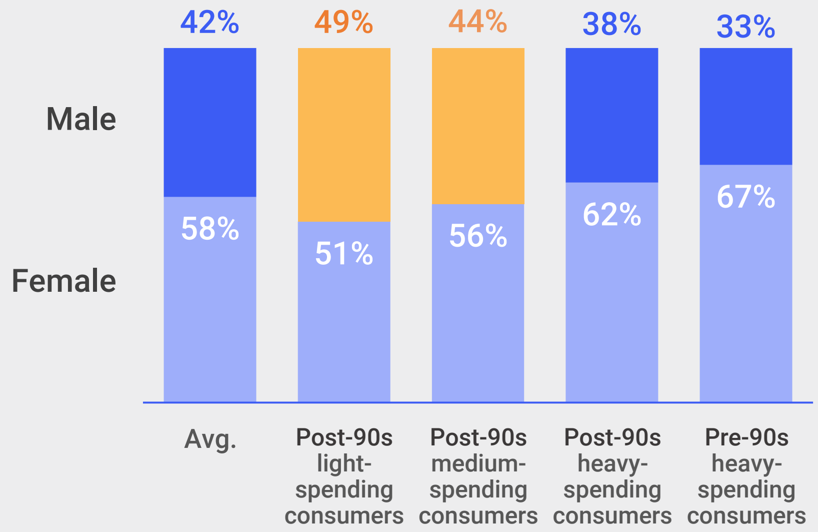
		Segment 1: post-90s light/medium-spending consumers		Segment 2: heavy-spending consumers		
	Average	Post-90s light-spending consumers	Post-90s medium-spending consumers	Post-90s	Pre-90s	
Ready-to-wear	69%	52%	75%	86%	80%	• Ready-to-wear clothes help post-90s consumers make a statement about themselves. • They are also the wardrobe staples bought frequently by heavy-spending consumers.
Footwear	48%	49%	51%	57%	52%	• Post-90s light/medium-spending consumers desire footwear in favor of stylistic casual shoes instead of the leather kind.
Handbags	46%	28% Male (16%) vs. female (40%)	48%	60%	72%	• Post-90s male light-spending consumers have weaker enthusiasm for handbags. • The category shows a high penetration among pre-90s heavy-spending consumers, and is growing steadily among female consumers
Jewelry & watches	49%	32%	49%	73%	80%	• Heavy-spending consumers are the major buyers of jewelry/watches with an aim of investment.
Accessories	45%	34%	49%	61%	57%	• Post-90s shoppers, whose tastes have changed from small leather products to pendants/bracelets, are becoming the driving force behind accessory spending.

Source: 2019-2021 TMI X BCG Luxury Consumer Survey; BCG analysis

3 Category structure

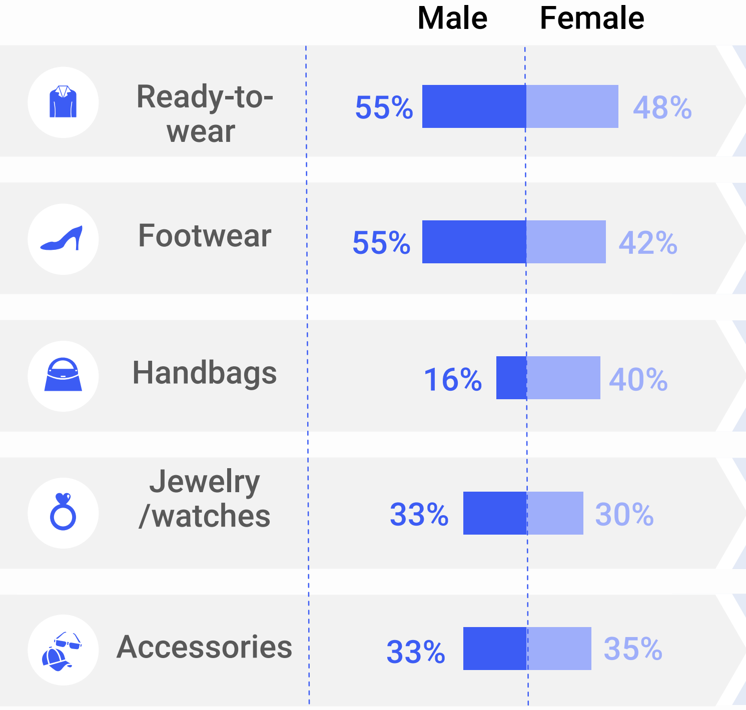
The increased presence of post-90s light/medium-spending male consumers has implications for the penetration of ready-to-wear, footwear and handbags

Gender distribution in each segments



An increasing number of post-90s light/medium male consumers is pouring into the luxury market

Category penetration in post-90s light/medium-spending consumers



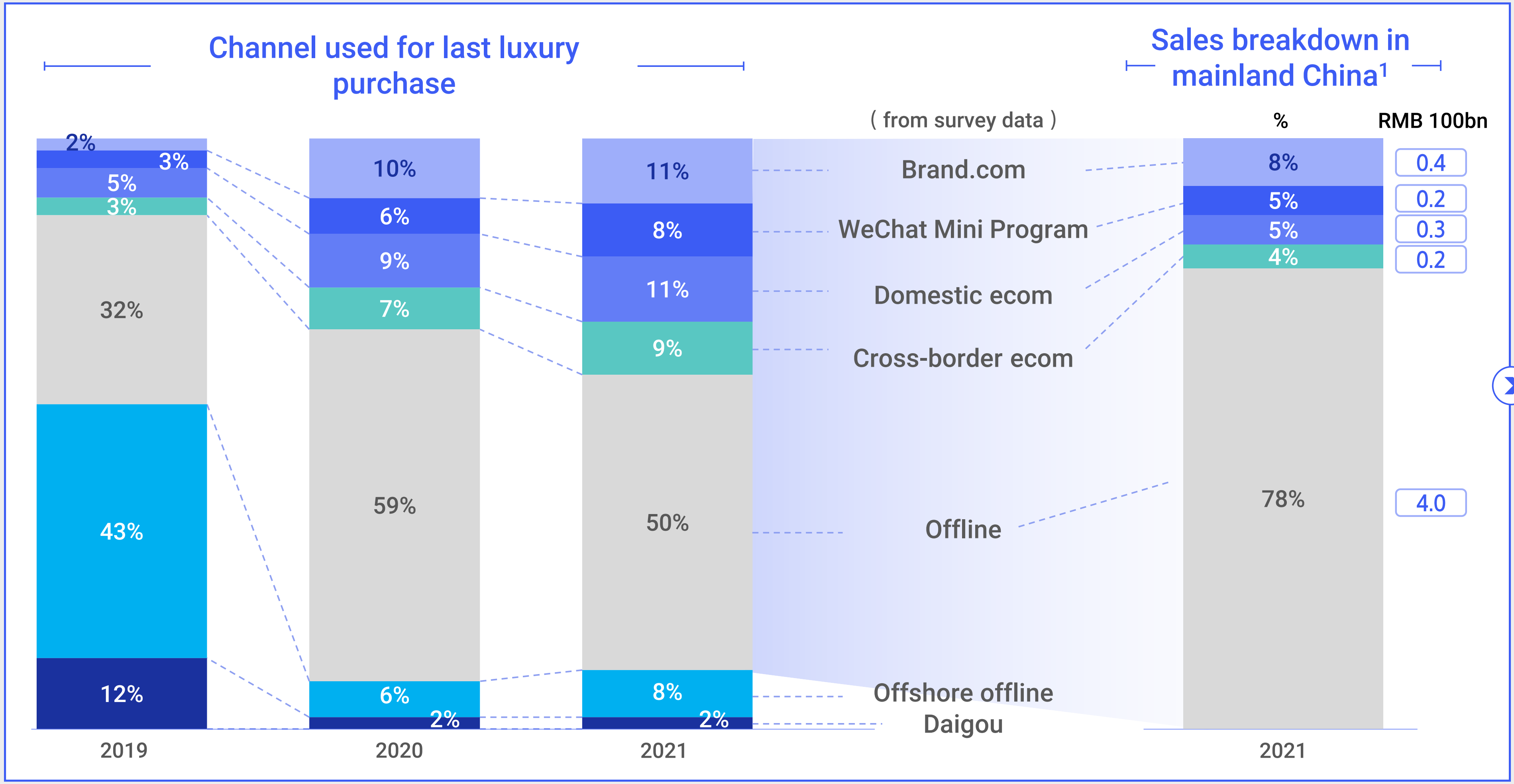
- Influenced by casual socializing and fashion cultures, post-90s male consumers have a great taste for ready-to-wear apparel.
- The sneaker culture is popular among post-90s men and has made luxury casual shoes all the more appealing.
- Motivated by the casual lifestyle and the urge for self-reward, post-90s male consumers have less thirst for handbags
- Post-90s men and women share the same appetite for jewelry/watches.
- Both genders share similar appetite for accessories.

Among post-90s light/medium-spending consumers, male consumers purchase far more ready-to-wear and shoes than female, but they show notably lower handbag penetration than female

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

4 Channel preference

Offline remains the most important channel; however, online purchasing has been increasing quickly and become an important interaction channel



Key takeaways

Online with high frequency but low transaction value, now accounting for 1/3 of total transactions

Offline remains the most important channel, contributing the largest share of sales

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Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)

4 Channel preference

Consumers expect to increase their spending more on Brand.com and WeChat Mini Program; WeChat Mini Program shoppers spend the most

What channel did you choose on your last purchase?

(from survey data)

	Annual spending[1]	Preferred styles	Index[2]	Expected growth	Consumer distribution	
Brand.com	~RMB 140K	• Classics • New arrivals • Hit designs	119 107 106	30-35%	Evenly distributed	This credible channel offers a wide range of products, attracting all consumer segments
WeChat Mini Program	~RMB 170K	• Classics • Fashion show collections • Crossover/limited edition	107 107 109	30-35%	More post-90s medium-spending consumers *(1.5x avg.)*	WeChat Mini Program enables branding and sales under one roof with more flexible, creative format
Ecommerce platforms	~RMB 120K	• Classics • Entry-level products • Hit designs	110 111 103	25-30%	More post-90s light-spending consumers *(1.3x avg.)*	Mostly light-spending consumers from lower-tier cities driven by discount and in-site ads who buy luxury for gifting

1. Average amounts spent in all channels; 2. Compared to the average
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

PART 02

Segments Deep-dive

In this part, we will dive deeper into two priority segments

Spending growth rate >Average ~ Average <Average

Annual spending[1]

Post-90s generation | Pre-90s generation

Heavy-spending consumers

Medium-spending consumers

Light-Spending consumers

Segment 2: continue to invest in heavy-spending consumers

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Strengthen core consumer base and conversion

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Heavy-spending consumers spend more than RMB 300k annually on luxury category; medium-spending consumers spend between RMB 50k and RMB 300k annually on luxury category; light-spending consumers spend under RMB 50k annually on luxury category
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

Post-90s light & medium-spending consumers make up nearly half of total consumer base, becoming a key growth pillar of luxury sales

Segment 1:

Post-90s light & medium-spending consumers

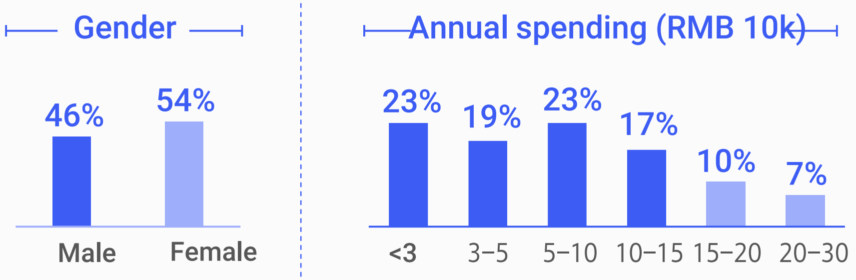
% of consumers 45%

% of spending 28%

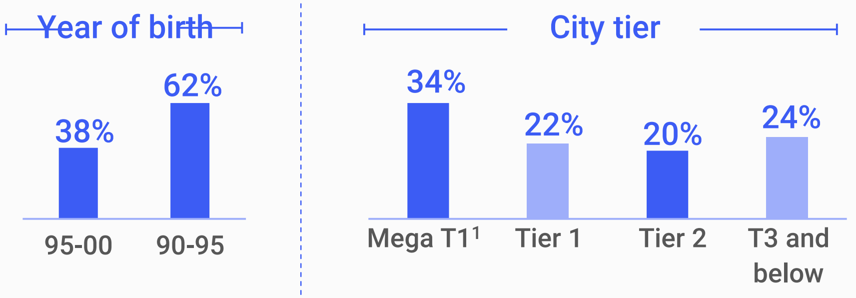
The post-90s generation, who grew up in a time of prosperity, are tech-savvy and sophisticated with the strongest self-consciousness.
They are strongly individualistic in their choices of brand, style and channel when it comes to luxury consumption.

Demographics
(from survey data)

Located mainly in Tier-1/2 cities, great potential in increasing spend



	Male	Female	<3	3–5	5–10	10–15	15–20	20–30
Mkt total	42%	58%	18%	16%	21%	15%	11%	18%



	95-00	90-95	Mega T1	Tier 1	Tier 2	T3 and below
Mkt total	-	-	32%	23%	19%	26%

Frequent touchpoints
(from survey data)

Digitally savvy

Discover		Research	
WeChat	53%	WeChat	53%
Offline stores	44%	Social media/short-video platform	49%
Social media/short-video platform	39%	Offline stores	45%

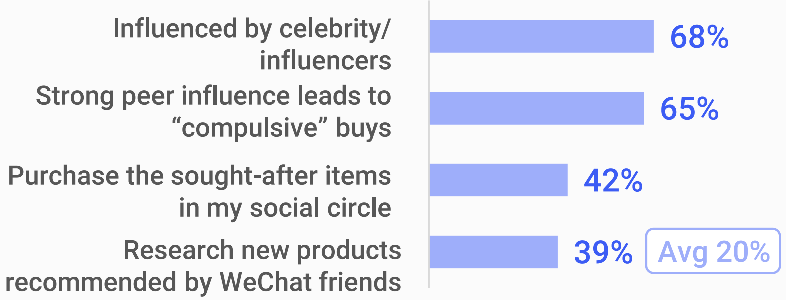
1. Mega T1 cities include Beijing, Shanghai, Shenzhen, and Guangzhou
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)

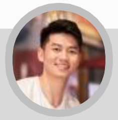
Segment 1: post-90s light & medium-spending consumers

Four key characteristics of post-90s light & medium-spending consumers

Social driven luxury consumption

Social gatherings are important occasions for post-90s to show off their styles and tastes, which is interesting to talk about. Social circles, including friends and KOLs, can profoundly influence what luxury to buy and what style to wear.

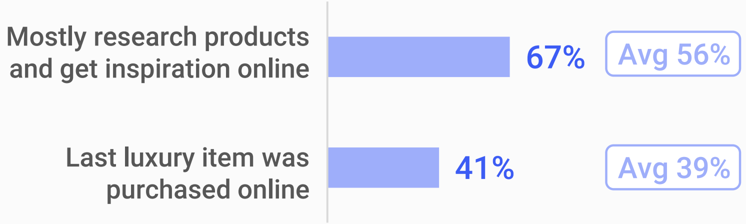


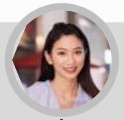


I'm a casual person, but if I'm going out with friends, I will dress up. I bought a lot on recommendations from friends.

Diversified consumer touchpoints

Make planned visits to offline stores, rather than casual "window-shopping". "Offline stores pressure the customer", "uncertainty in availability", "staff pressuring me" are the key words explaining why consumers visit physical stores less frequently.

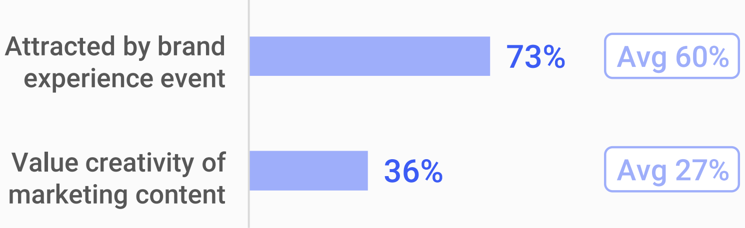




I don't do random shopping, let alone entering a new store. If I'm ignored, it's awkward. If the staff is too aggressive, I would feel pressured.

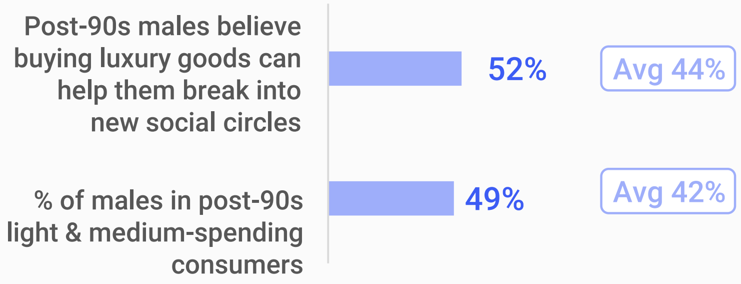
"Transaction" to brand experience

Driven by the "self-rewarding" mindset and social influence, luxury consumption is shifting from transactions to personal experiences with an emotional touch; brands need to design more creative interactions to engage post-90s consumers.



HE economy

Post-90s male consumers are getting into luxury goods, and unlike mature businessmen, they are very susceptible to social influence and fashion culture; major categories for them are leisure footwear and ready-to-wear clothes.



A couple of friends of mine closely follow what rappers wear. On their recommendation, I bought a few hoodies and sneakers.

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); expert interviews; BCG analysis

Segment 1: post-90s light & medium-spending consumers

Typical profiles of post-90s light & medium-spending consumers

New luxury spender

- 27 y.o. from Beijing
- Restaurant owner
- Spend RMB 100k-300k every year mostly on shoes/bags/ready-to-wear

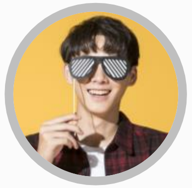
See luxury as a mark of personal growth

- Celebrate personal achievement and make herself look more "decent" and "confident" by wearing luxury products sponsored by her parents.
- Encouraged by her friends, she has begun to do her homework on luxury goods. "Luxury" has become a common topic between her and friends.

It's stressful to visit stores, so she decides to move online

Some SAs have an attitude problem, staring at you all along so that you couldn't enjoy shopping leisurely. Sometimes, I'll buy unfamiliar brands online to save myself a lot of hassle.

Sociable young man



- 25 y.o. from Hangzhou
- To graduate with a master's degree in August
- Spend < RMB 100k every year mostly on ready-to-wear/accessories

Dress himself in luxury brands to attend social gatherings

I want to look respectable when I hang out with friends. I bought luxury because they all wore it and gave me recommendations.

When I go out with new friends, their shoes are the first thing that catch my attention.

Craves recognizable patterns and logos under the influence of celebrities

- Rappers and street dancers are the hallmark of fashion trends.
- Popular shoes, logo T-shirts, and exquisite accessories are good value for money and bought most frequently.

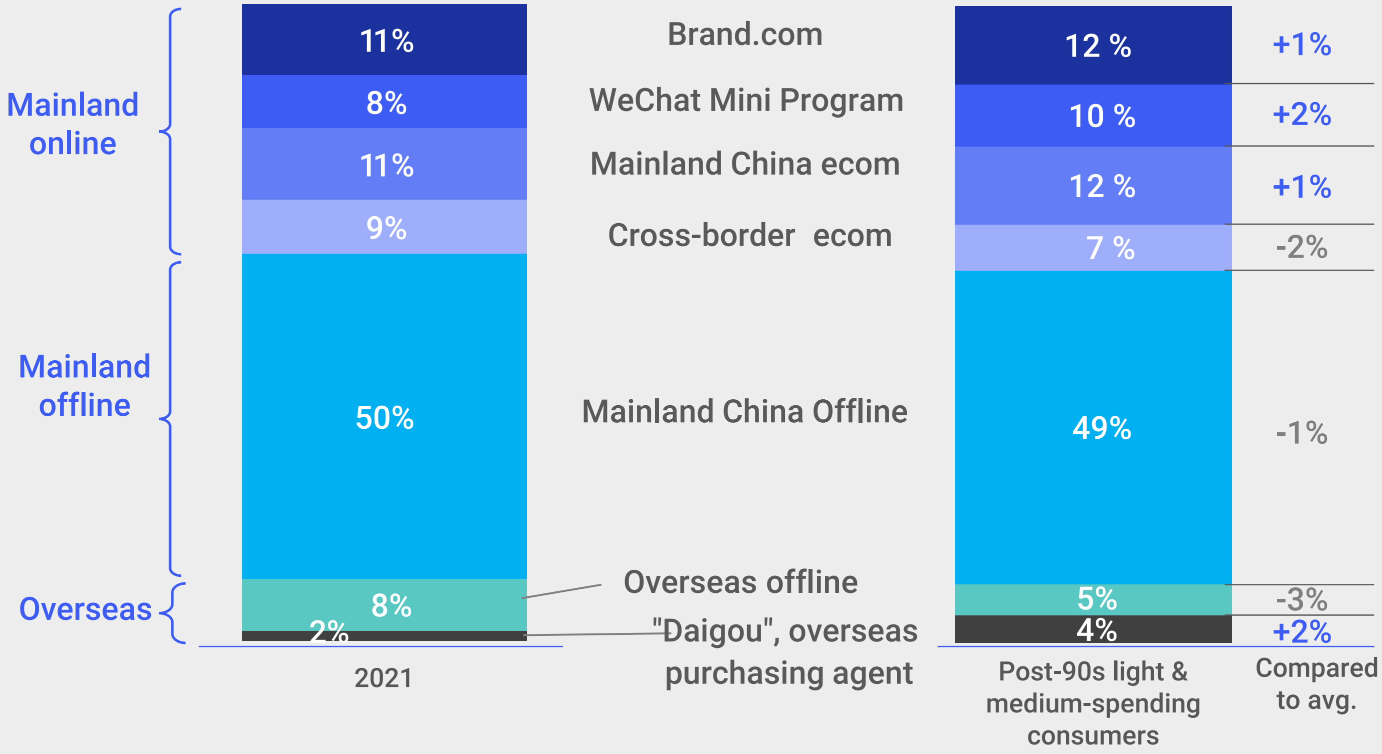
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); expert interviews; BCG analysis

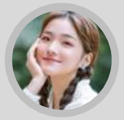
Segment 1: post-90s light & medium-spending consumers

Mainland China online channels are gaining ground as post-90s light & medium-spending consumers buy online more frequently

Channel of most recent purchase

(from survey data)





The luxury product advertisements in WeChat this year are quite interesting. I once directly bought my friend a holiday gift (from WeChat).

— a 23-year-old from a tier 1 city

The store is getting more crowded this year, with a long queue at the door. So now I pick out what I want online before actually going to the store. I can no longer browse in leisure to choose products.

— a 28-year-old from a mega tier 1 city

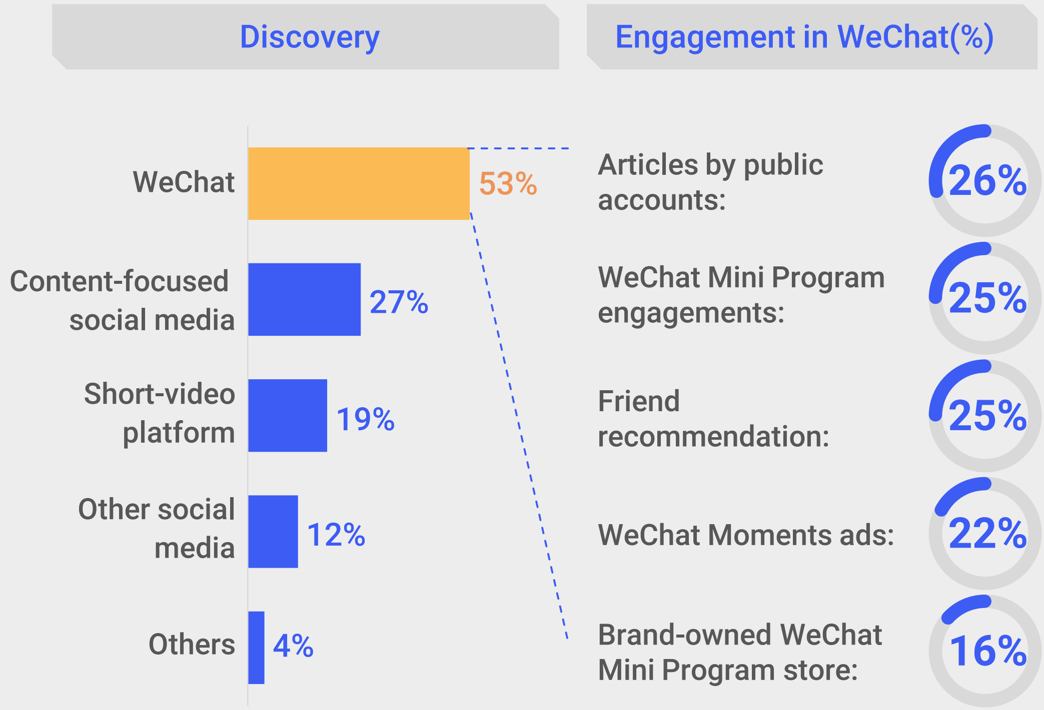
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

Segment 1: post-90s light & medium-spending consumers

Discovery & research: WeChat is the most-used social platform for discovery & research given its focus on acquaintance connection & diverse creative formats

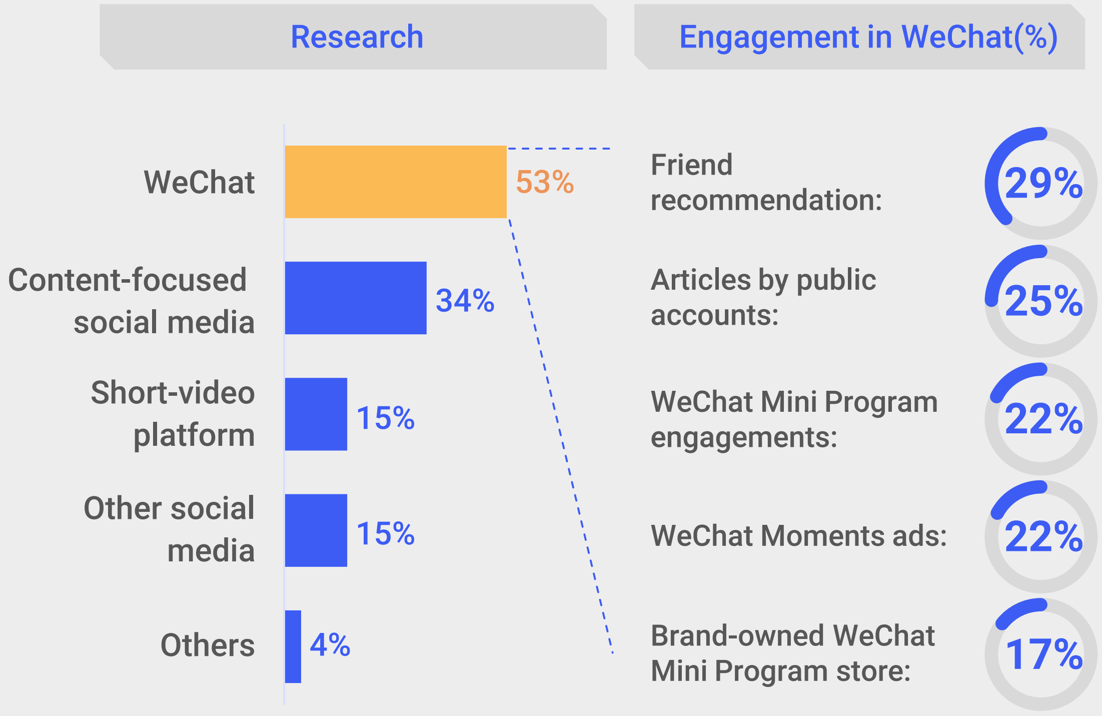
What channels have sparked your interest in luxury?

(from survey data)



What channels do you use to research and make purchase decisions for luxury?

(from survey data)

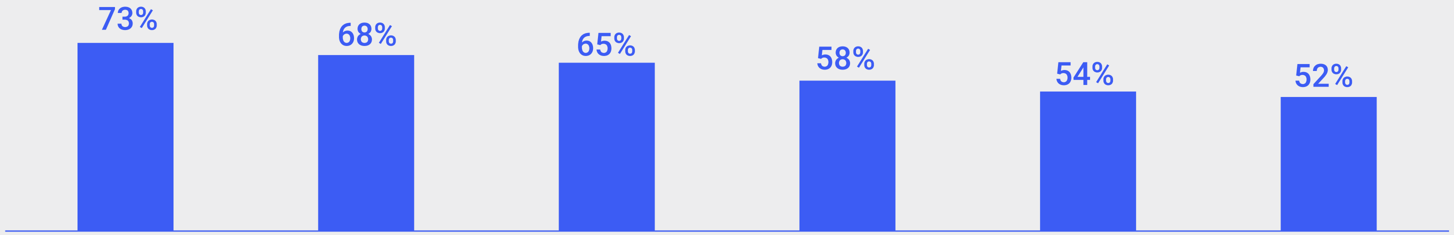


Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

Segment 1: post-90s light & medium-spending consumers

Content preference: novel & trendy offline experience, celebrity marketing & creative content spark the interest of post-90s light & medium-spending consumers

Which types of content have sparked your interest in luxury? (% of respondents)



	Brand service/ experience	Celebrity marketing	Creative content	Traditional ads	Creative events	Informational articles
Index[1]	117	116	115	106	99	95
	Pop-up stores, exhibitions, fashion shows	Celebrity try-ons, influencer reviews	Interactive ads, red envelope covers, AR	Brand/ product ads	Online flash sales, theme-based events	Brand culture, product concept

Why do such content spark your interest in luxury? (% of respondents)

1. Compared to the average
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)；BCG analysis

Keywords of heavy-spending consumers: female, high-tier cities, close connection to brand

Segment 2:

Heavy-spending consumers

% of consumers **11%**

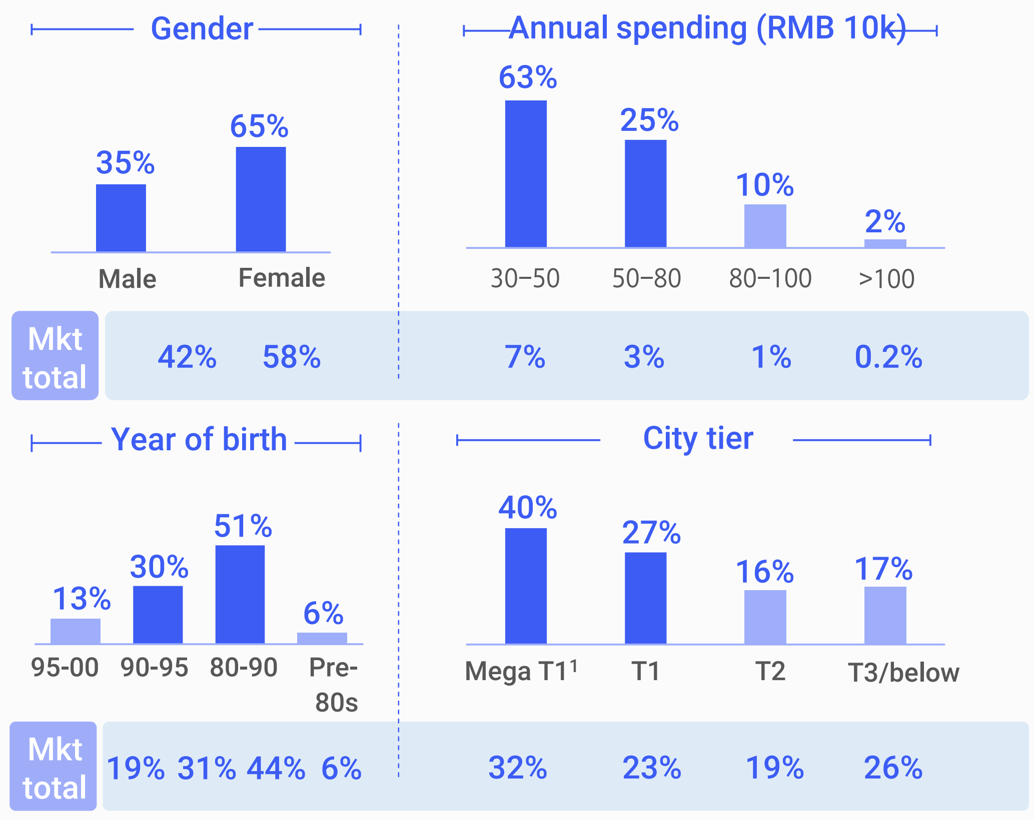
% of spending **40%**

Heavy-spending consumers have acquired extensive knowledge of brands and developed distinct taste & preferences from their long shopping experience.

Post-90s generation accounts for 40%+ of this segment. This group is receptive to luxury consumption ahead of peers primarily because of the consumption habits of their parents.

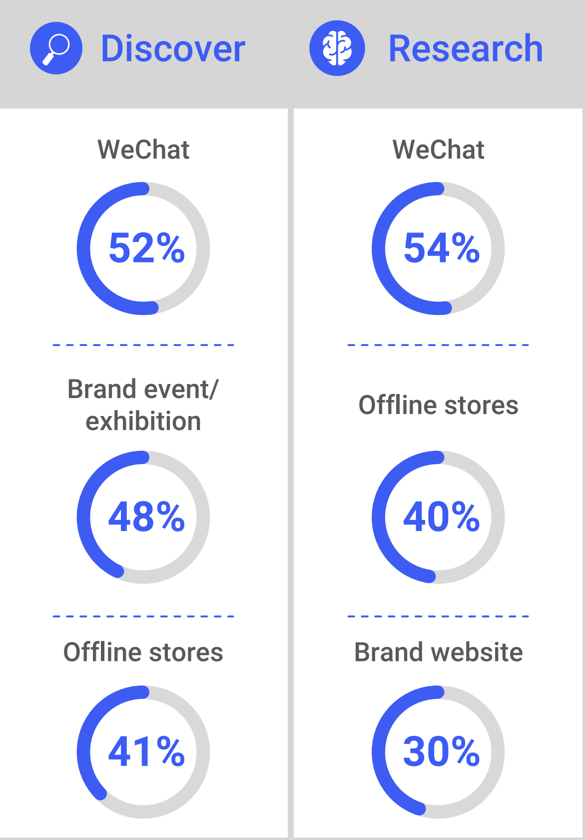
Demographics
(from survey data)

Core demographics: post-80s females in tier-1 cities



Frequent touchpoints
(from survey data)

Official channels, prioritize experience



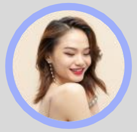
1. Mega T1cities include Beijing, Shanghai, Shenzhen, and Guangzhou
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)

Segment 2: Heavy-spending consumers

Three key characteristics of heavy-spending consumers

Distinct personal style

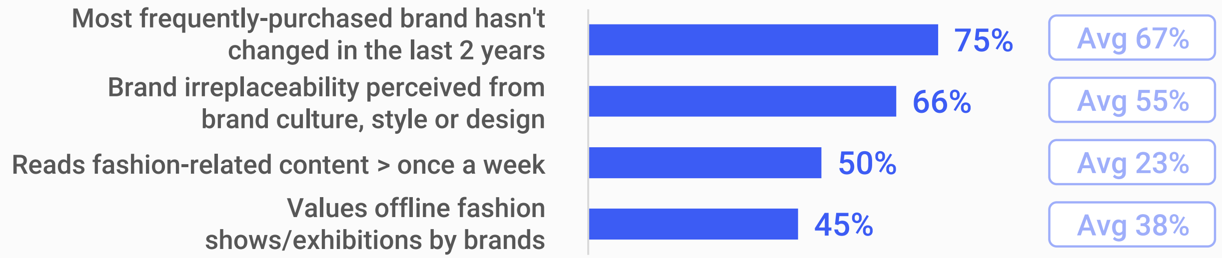
Design is the top concern of heavy-spending consumers, stylistic match is highly-valued. With deep knowledge of their chosen brand, they are the "walking brand ambassadors".



I directly choose my favorite styles from the latest brand catalog. I know exactly what looks good on me, so I don't join the crowd in snapping up the hits.

Brand loyalty from sense of belonging

Build extensive connection with brands; willing to pay for irreplaceability & sense of belonging; seek in-depth brand interactions.



My preferred brands sometimes raise prices, but I still purchase from them since I can hardly find replacement for their classic style and premium craftmanship in the market.

The biggest challenge is that many new store employees are not even as familiar with the brand as I am. How could they deliver customer service well?

Demand for extraordinary service

Brand service is the second most important consideration for heavy-spending consumers (after style). Exclusive and personalized service is a key factor in their brand selection; so brands must continue to deliver personalized service even with growing customer base.

Flagship stores, of course, have more offerings, but they are way too crowded, and the experience is terrible...I usually shop at a less popular one since the "personalized" service there is much better.

Source: : 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)

Segment 2: Heavy-spending consumers

Typical profiles of heavy-spending consumers

Loyal, resolute, discerning "regular"

- 33 y.o. from Beijing
- Executive at an international company
- Luxury spending close to RMB 1M/year
- 10+ years luxury purchase experience, mainly overseas in the past

Values store service - service as top priority

Prefers smaller stores for better service

The store in a shopping mall near my home is too crowded, so I go to a smaller one instead. Though their offerings are limited, the service there matches the brand ethos.

Channel choice based on service expectations

I was convinced to try some "tier-2" brands by WeChat Moment posts, but I'm not a VIC[1] of the brands so I'd prefer buying online to the offline experience.

Embraces rich brand culture as part of her fashion statement

Willing to learn about the brand culture and stories…

Most SAs I meet know less about the brand than I do. If I run into a true professional, I'd spend more time talking with him/her and am more likely to buy.

…and pay for them

- Open to new categories; e.g., sees home décor as a different form of brand cultural export
- Big fan of brands' haute couture events to learn more about the essence of the brand

Individualistic and fashion-forward "new elite"

- 22 y.o. from Nanjing
- Graduate student (studies overseas)
- Parents are regular luxury consumers
- Spends ~RMB 500k / year, mainly jewelry/ footwear/ handbags

Self-expression & stylistic preference over identity

I like some cooler styles at the moment because I feel like they fit me more; the elegant style is also popular right now, but I'm not at the right age yet.

My parents prefer the classic & mature items of the brands they buy from, which I actively avoid; I try to find my own style as much as possible.

Style trumps brand; flexible on channel

Resale value is an important factor

When I buy an expensive item, I don't want my parents to think I'm "splurging" so I choose top brands and products with high resale value

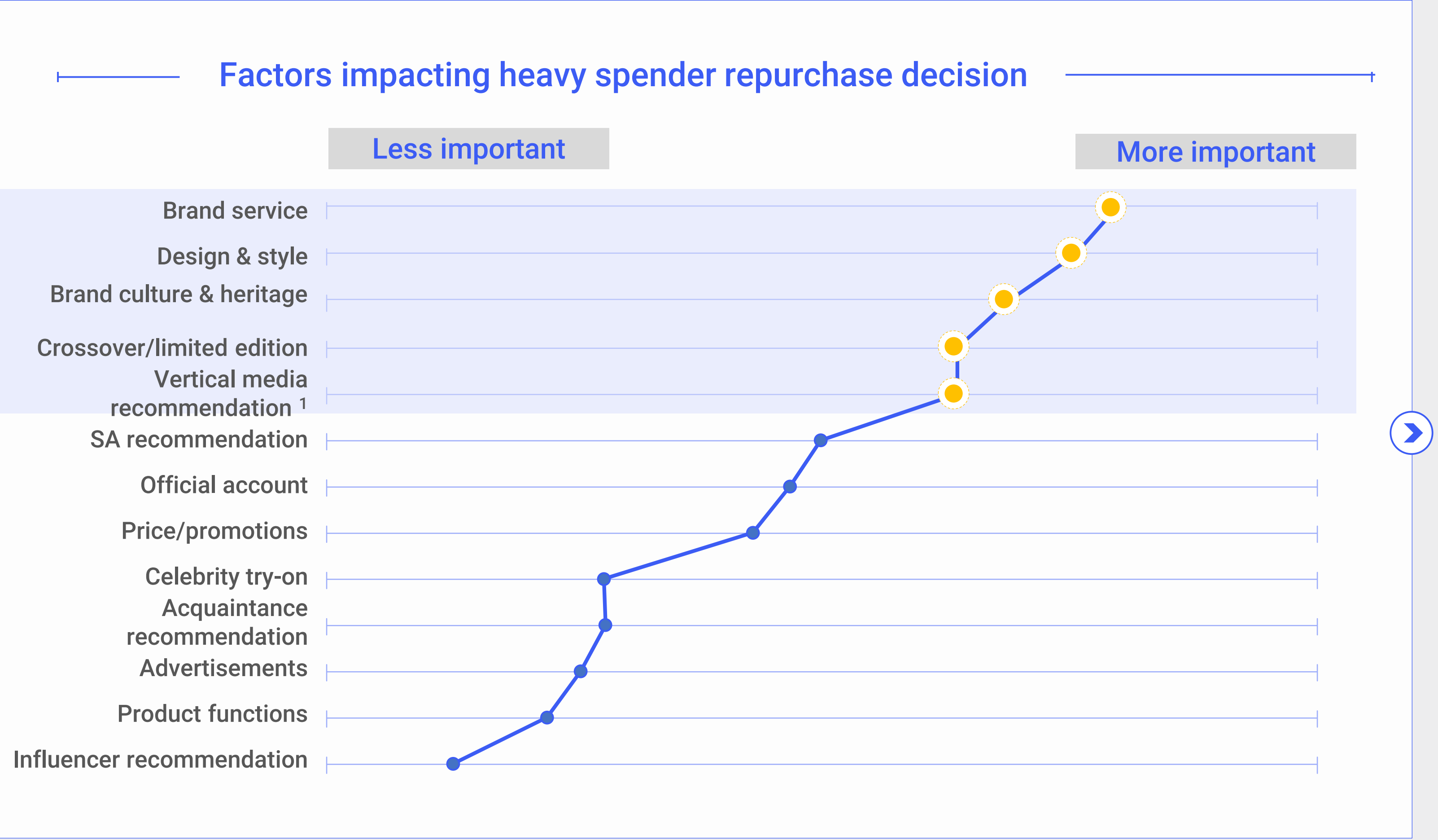
More flexible for brands / channels

I'm flexible in daily outfit choices: I buy top-tier brands, high street brands or niche designers via e-commerce, overseas purchasing agent or stores, whichever is the most convenient

1.VIC: Very important client
Source: : 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)

Segment 2: Heavy-spending consumers

Major drivers of continued purchase by heavy-spending consumers include brand service, design & style, brand culture, special product offerings & vertical media recommendation



Extraordinary brand service is a key motivator for repeat purchases – brands need to provide unique and considerate customer care beyond a simple transactional relationship

Stylistic match is essential – style attracts a segment of loyal customers who will evangelize for the brand

Great interest in brand culture & heritage – seek first-hand brand information and **professional fashion insights from vertical media**

Crossover/limited edition products effectively drive repeat purchasing

Heavy-spending consumers focus less on price/promotions, celebrity try-ons and influencer recommendations

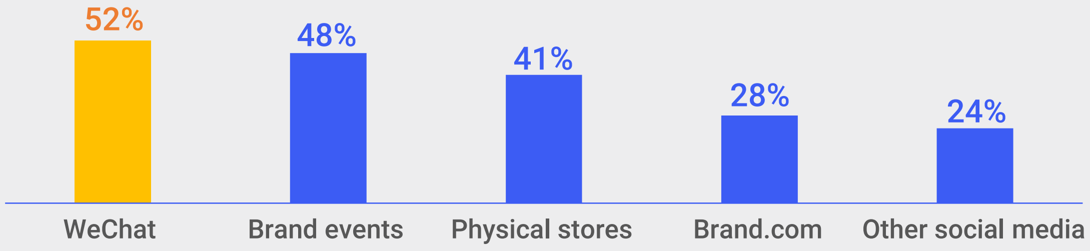
1. Fashion magazines and news sources, etc.

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

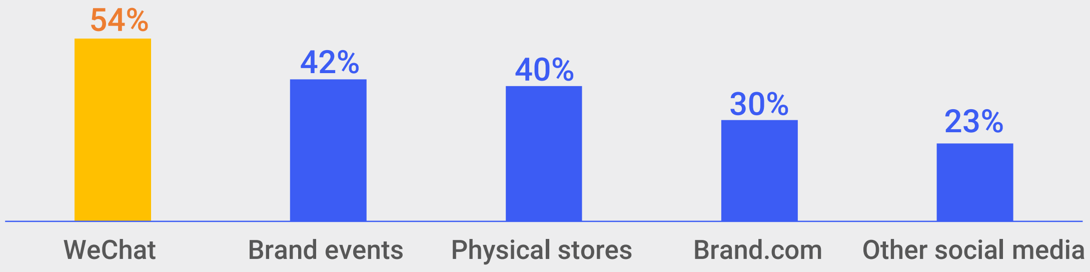
Segment 2: Heavy-spending consumers

Touchpoint: WeChat is a key discover & research platform for the segment, with Brand-owned WeChat Mini Program and SA recommendations being the more effective levers

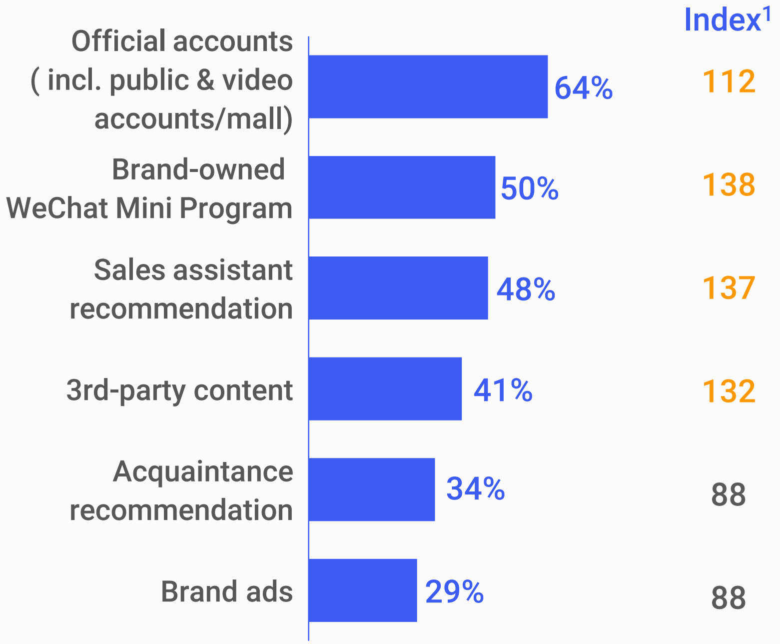
What channels have sparked your interest in luxury?
(from survey data)



What channels do you use to research and make purchase decisions for luxury?
(from survey data)



In your last purchase, what engagements on WeChat triggered your purchase?



1. Compared to the average
Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); BCG analysis

PART 03

Strategy Insights

New possibilities for luxury brands to target the 2 core segments: observations of 5 innovative marketing practices

Segment	#	Marketing strategy	Leading practice
Segment 1: post-90s light / medium-spending consumers	1	Set up flexible online channels based on consumer demand; leverage the most convenient measures to meet the requirements of diverse target groups	• Re-imagining online shopping: **extensive positioning - diversified** store formats to capture personalized needs of different consumer segments
	2	Leverage social marketing and interest groups to connect with post-90s generation; close the distance with this new & fast-growing customer base	• Light social marketing: integrate brand elements into everyday social activities, rely on spontaneous WOM to strengthen exposure • Create buzz beyond luxury: musician & celebrity collaboration to reach wider groups of post-90s consumers
	3	Post-90s light / medium-spending consumers expect abundant & creative brand content; brands need to create an impressive, premium experience	• Ad format upgrading: tech-enabled upgrading of online ad experience for deeper immersion - cool and engaging
Segment 2: Heavy-spending consumers	4	Migrate exclusive services & VIC[1] sales experience from offline to online; leverage brand's private domain to offer a more convenient and exclusive digital service experience	• Exclusive service on cloud: VIC[1] exclusive live broadcasting, 24-hour WeCom VIC[1] services, online flash sales experience...
	5	Integrate multiple digital touchpoints & leverage frequent communications to convey brand spirits in everyday life	• 360-degree brand storytelling: leverage multiple touchpoints and multiple content formats to comprehensively communicate brand style and brand story

1. VIC: Very important client
Source: Tencent Ads; BCG analysis

Segment 1: post-90s light & medium-spending consumers

1. Importance of flexible online channels is increasing; WeChat Mini Program has grown into an important business pillar in just 2 years after pilots

Traditional approach:→

Brand.com as main online sales channel + online showroom

New opportunity: →

- Luxury consumption becomes "social driven" among post-90s generation
- Post-90s consumers have lower channel stickiness, and are more flexible in their channel choices
- Difficult to get the desired brand experience at offline stores: self-expression, personalized experience...

WeChat Mini Program % of sales[1]: 2019 <1% → 2021 5%

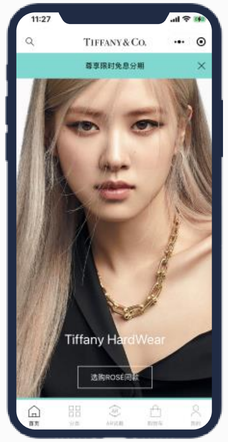
2019: Pilot of WeChat Mini Programs

Online store	21%
Membership management	25%
Brand service	33%
Marketing engagement	21%

2020: pop-up boutiques, limited categories

Pop-up boutiques to promote new arrivals during major holidays – short cycle + limited categories

2021: always-on + expanded offerings



Top luxury groups launching "always-on" WeChat Mini Programs, with diverse SKUs; available all year round

1. WeChat Mini Program % of sales = WeChat Mini Program sales as a percentage of omni-channel sales
Source: Tencent Ads

Case study

Online shopping reimagined: LOUIS VUITTON launched WeChat Mini Program stores with diverse, customized offerings to provide premium online experience

Louis Vuitton doesn't see WeChat store as a single sales channel, but as part of LV's overall China-market brand experience and retail ecosystem. Luxury market in China is highly diverse with highly differentiated customer preferences and we've created various mini programs with unique styles and content to connect with different customer groups. While these mini programs are accessed from different entry points, they always pop up right when you need them, and offer the most convenient and optimal shopping experience to customers. WeChat mini program also allows brands great flexibility and freedom to communicate their philosophy and values. Data generated from mini program, including data related to customer browsing and transactions, is fully owned by the brand. This is also the reason why Louis Vuitton is optimistic about the future of WeChat as a business platform. Mini programs not only help boost business for brands, but also enable closer customer connection and education. Thus, we hope to extensively explore various ways of leveraging mini programs.

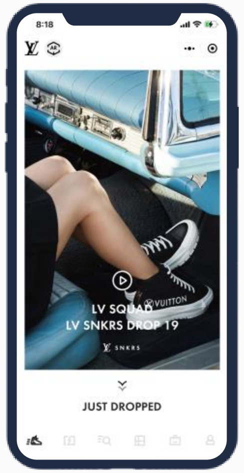
—Wendy Chan, LVMH SVP Digital Asia

LOUIS VUITTION has launched 10+ public or private WeChat Mini Program stores with differentiated design & offerings to cater to different segments and shopping scenarios

Online pop-up store - LV 21 Fall/Winter collection for men

LV Trunks & Boxes WeChat Mini Program - comprehensive showcase of the legendary trunks and boxes for VICs[1]

LV Trainer online exclusive SKUs



LV Sneaker Store fashion footwear for post-90s male customers

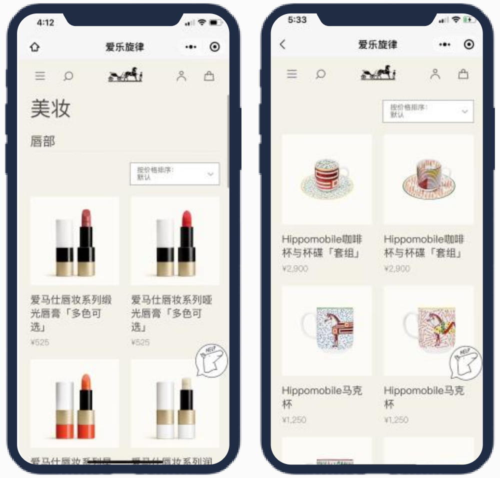
1. VIC: Very important client
Source: Tencent Ads

Case study

Online shopping reimagined: HERMES WeChat Mini Program expanded offerings & campaign dates, Cartier MP offered comprehensive online services to enrich e-comm experience

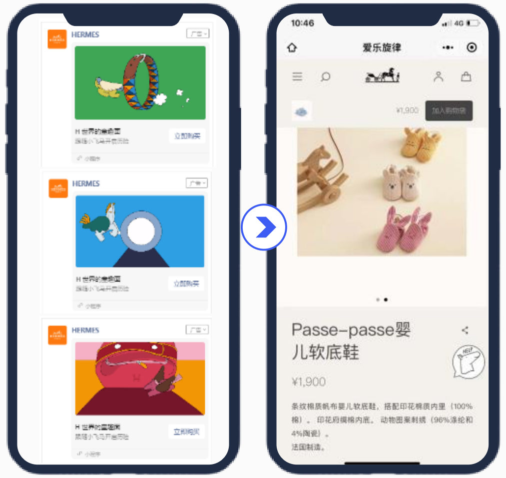
HERMES

Expand offerings from apparel & accessories to cosmetics & home décor



Provide more and more SKUs on WeChat Mini Program to improve consumer shopping experience.

Expand campaign dates from Chinese Valentine's Day to Children's Day



Develop more social marketing campaigns for different TAs to increase end-to-end consumer awareness.

Cartier

Official WeChat Mini Program store

Integrate services including shopping guide, brand info, maintenance & care, gift suggestions and virtual experience for seamless connection with customers

+

WeChat Mini Program store for global shopping

Integrate global retail & service resources to create an exclusive digital experience for Chinese consumers; crossing borders and breaking constraints to meet diverse demands of Chinese clients; provide a truly global service

Source: Tencent Ads

Segment 1: post-90s light & medium-spending consumers

2. With social commerce trending, brands further embed brand elements in daily social networking to activate consumer-based WOM and maximize brand exposure

Traditional approach: →

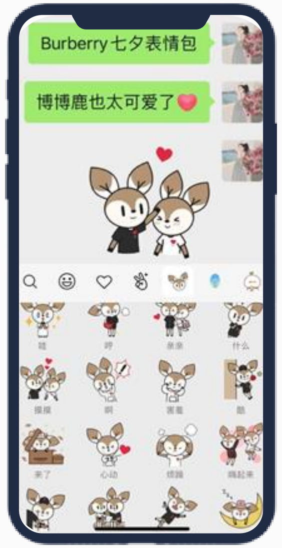
Mostly traditional advertisement with strong but one-off brand exposure

New opportunities: →

- Social-driven purchase among post-90s consumers; brands are among the conversation topics of post-90s consumer groups
- Integrate brand marketing into consumer's lifestyle; effectively trigger word of mouth & maximize social exposure

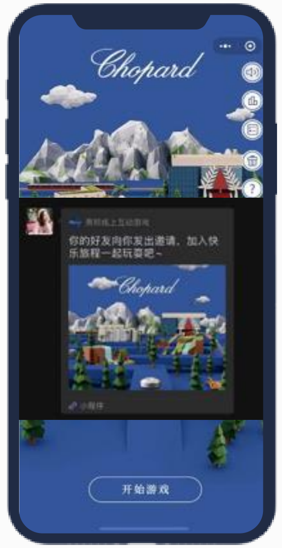
Leading players leverage different touch-points to integrate their brand into daily social interactions

During 2021 Chinese New Year holiday, **40+** brands shared **200M+** customized e-red-packet covers via WeChat



BURBERRY launched branded emojis during Chinese Valentine's Day – an effective social tool

PRADA: branded 520 stickers encourage users to create their own posters and share on social media



Chopard offered exclusive game where users can invite their friends to play together

Source: Tencent Ads

Case study

Light social marketing: GUCCI adopts social campaign as key approach to strategically reinvent a young brand image and maximize brand exposure among post-90s generation

GUCCI's CNY red packet cover unleashed the potential of social-driven marketing

2020: first luxury brand to launch WeChat red packet-based social marketing

Limited edition WeChat red packet covers sent out via WeChat Moment ads to create social buzz and emotional connection with consumer

2021: optimized previous social campaign - fully leveraged multiple social touch points and used red packets as medium to enhance brand's lasting social influence

Format upgrade: rotate your phone to get red packets for year of the ox; interactive & fun

Lucky draw on WeChat Official Account

Enhanced traffic acquisition via touch points: GUCCI red packet became a top-searched keyword on WeChat during campaign period – 60%+ exposure increase

Red packets w GUCCI's limited Doraemon cover were "opened" **30 million+ times** during CNY; hashtag started trending on Weibo in 2 hours of ad launch – successfully reached wider audience. The # of times that red packets were opened **maintained at 36% of CNY level** after the holidays, creating long-lasting social influence.

Source: Tencent Ads

Case study

Connecting different communities: Longines and PIAGET collaborated with idol groups and leveraged diverse music genres to connect with post-90s customers

Longines x new idol groups x music

"Summer Live": concert livestreamed in partnership w QQ Music, Li Chen, INT01, and other young celebrities

Longines live event broadcasted via QQ Music

+

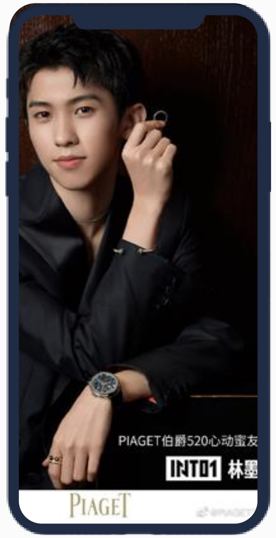
Synchronized live-streaming on WeChat Live

180k views

PIAGET x new idol groups

Campaign at significant local marketing dates - appoint idol group members as "Friend of Piaget 520"

> *To establish better connection with Gen Z as a brand and boost their purchase potential, we pioneered a smart retail project with Tencent in 2021.*
>
> *Piaget launched the 520 integrated campaign and invited idol group INTO1 members to visit our boutique at Grand Gateway and join our livestreaming in the evening.*
>
> *The project was very successful for both Piaget and Tencent, thanks to our rich multi-channel collaboration experience.*
>
> *—PIAGET China Managing Director Mathieu Delmas*



Members of INT01 were appointed "Friend of Piaget 520" – they posted 520-word puzzles & fun acronyms to attract post-90s consumers

Source: Tencent Ads

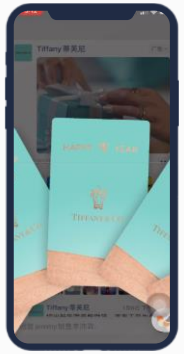
Segment 1: post-90s light & medium-spending consumers

3. Ad format innovation: by continuously focusing on latest ad format, brands are able to better convey creative message and elevate their perception

New opportunities: →

- "Self-expression" is a key purchase factor of luxury products among post-90s who value creativity and style
- "Experience" is a key driver of luxury shopping – not only experience at moment of purchase but also across each brand touch-point
- Innovation on ad display gives brands greater flexibility in creation and enables them to better communicate their style to post-90s consumers

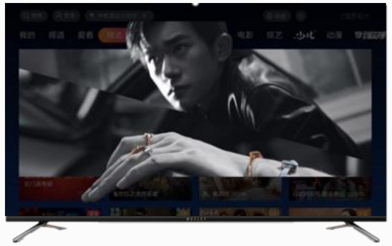
Tiffany's eye-catching creative marketing impressed consumers with unforgettable digital experience



"Rotate for more" in WeChat Moments
Rotate your phone for more creativity

+

Creative TV ads
Visually-impressive TV ads to enhance brand awareness in family users



"Innovation is embedded in Tiffany's DNA. Innovation in ad format or means for interaction are a representation of the brand's core philosophy, creating better user experience while maintaining brand tonality.

Accumulating social networking assets is important to brands for communicating with consumers in the future, and Tiffany is leveraging more customized creative solutions to reach diverse consumer groups. Consumer reactions to these creative solutions and ad formats will in turn bring more insights and feedbacks to the brand.

This is a complementary and continuously optimizing process between supply and demand. In particular, we pay close attention to the experience of Tiffany's WeChat followers, which has led to the marketing case with continuous innovation under Tencent's partnership with luxury brands."

— Tiffany

Source: Tencent Ads

Segment 2: heavy-spending consumers

4. Exclusive online service: create online VIC[1] room to provide exclusive and exquisite e-service

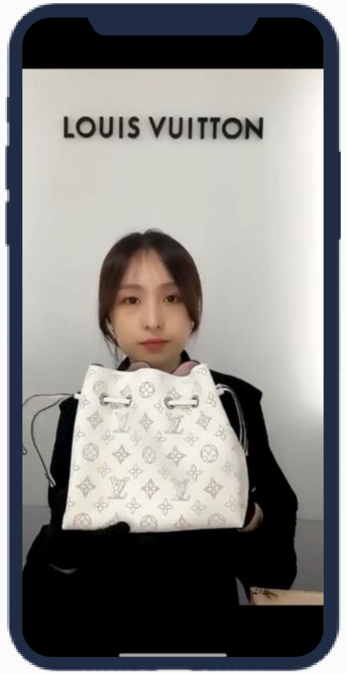
Traditional approach: →

Service for VIC[1] mostly through offline boutiques

New opportunities: →

- Brands are motivated to replicate VIC[1] services online, with wider adoption of digital channels among post-90s consumers, especially after COVID

LOUIS VUITTON VIC[1] exclusive livestreaming



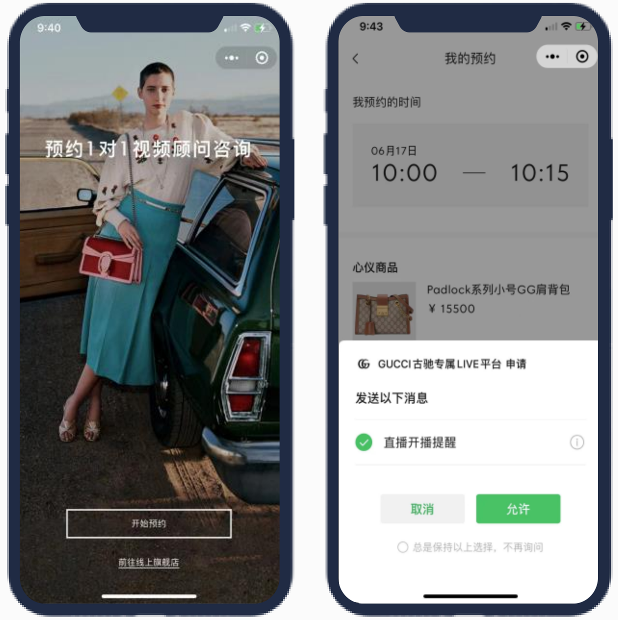
VIC[1] exclusive livestreaming

"Invite only" livestreaming room, 1on1 private appointment with VIC[1] clients by store sales team

One-way communication: sales staff showcase latest / limited edition merchandise without seeing VICs[1], balance between interactiveness & confidentiality; extend premium service from offline to online

+

GUCCI: reservation-based 1v1 virtual try-on & introduction livestreaming

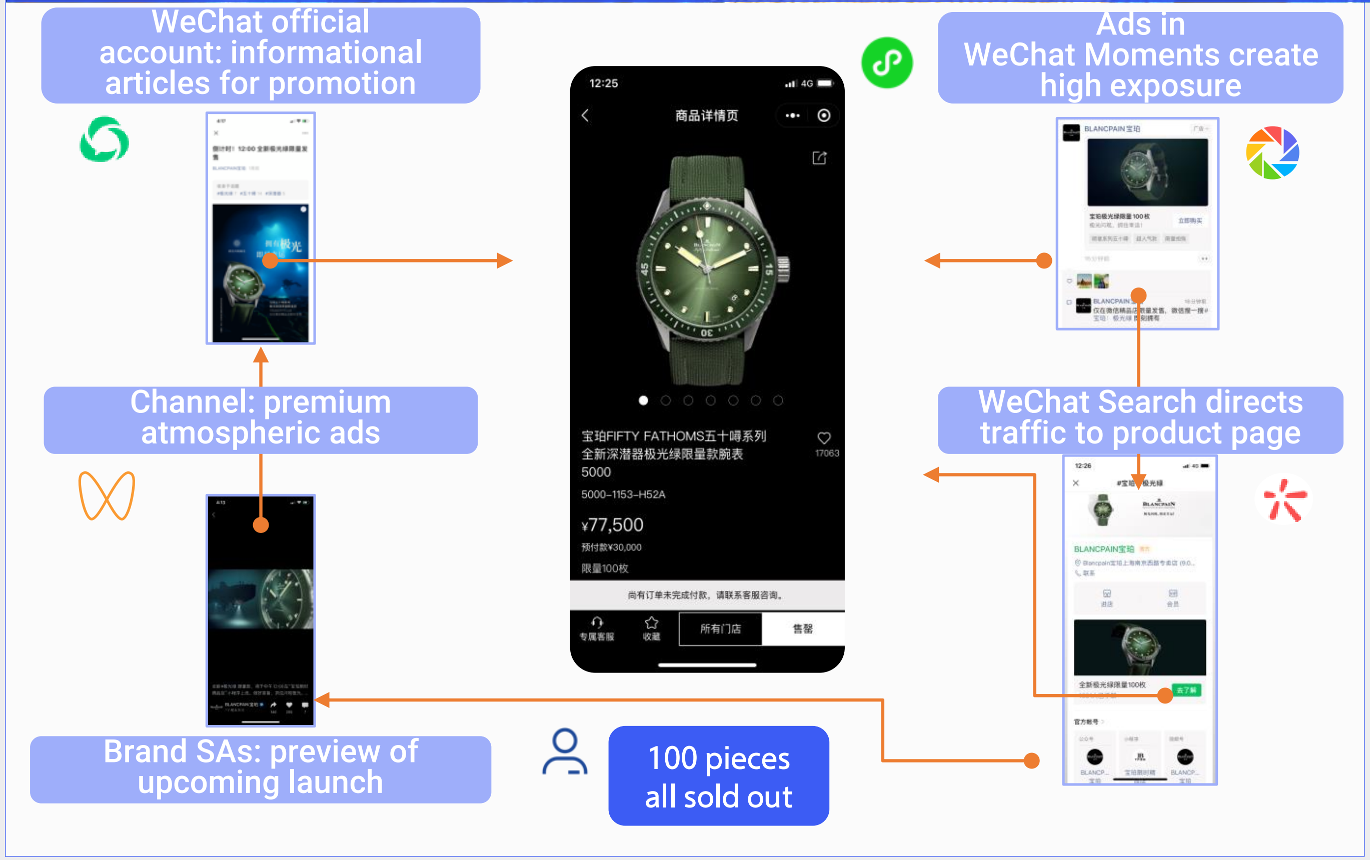


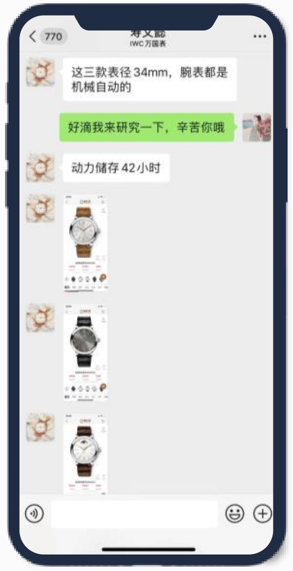
1. VIC: Very important client
Source: Tencent Ads

Segment 2: heavy-spending consumers

4. Exclusive online service: explore and unlock private domain potentials to create more convenient digital VIC service experience

Blancpain integrated all touch-points across private & public domains and leveraged WeCom to offer exclusive 1v1 targeted service – creating premium digital experience for luxury watches VICs[1] , with 30K+ consumers competing for products instantly after launch





Sales assistant on WeCom can serve customers anywhere, anytime and offer 1v1 recommendations even after store closing

Sales assistants on WeCom leverage their WeChat Moments as new touch points to offer various brand information to VIC[1]s online

1. VIC: Very important client
Source: Tencent Ads

Segment 2: heavy-spending consumers

5. 360-degree showcase of brand style: luxury brands double down on brand style marketing to reach core customer base

New opportunities: →

- Brand understanding is improving among both post-90s new customers and loyal, heavy-spending consumers; the focus on brand instead of product has gradually become a habit of the past
- Ever-increasing needs of getting to know the brand and understanding style & philosophy are important levers in enhancing brand perception and customer loyalty

"**Fashion shows:** In H1 2021 alone, luxury brands live-streamed a total of **17** fashion shows via the Fashion Channel of Tencent Video, already reaching the total number of fashion shows live-streamed in 2020"

HERMES fashion show livestreaming

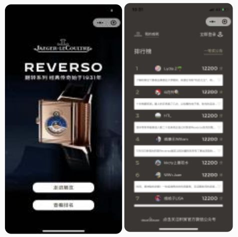
LANVIN fashion show livestreaming

"**Films:** More and more short films and documentaries are released on Tencent Fashion to promote brand philosophy from another dimension"

Identity, a series of interviews with top fashion designers, produced by Tencent Fashion

DIOR's documentary *Nose* distributed by Tencent Fashion

"**Exhibitions:** Luxury brands hold numerous exhibitions to reach core customer base and promote their style & philosophy via multiple touch points"



Interactive game in Jaeger-LeCoultre Exhibition

VR exhibition by Van Cleef & Arpels

Source: Tencent Ads

Case study

DIOR fully leveraged diverse content and interactions to build brand image and communicate brand style

"*We need to repeatedly reach high-spending customers with diversified choice of content including more extensive brand stories and brand events in order to imprint the brand image & style in their memory.*
Dior further explored content-based marketing in 2021 and replaced traditional advertisements with diversified content and interactions. This is a 360°, E2E marketing plan to establish and promote brand image leveraging music-based marketing, smart marketing in WeChat Moments, and livestreaming on WeChat Account.
Tencent's ecosystem is better positioned for "integrated branding & sales" given the marketing close loop and sales channels enabled by its precision marketing and proprietary e-commerce environment.
Compared with other platforms, Tencent's ecosystem enables wider, more comprehensive client coverage and higher overall conversion rate.

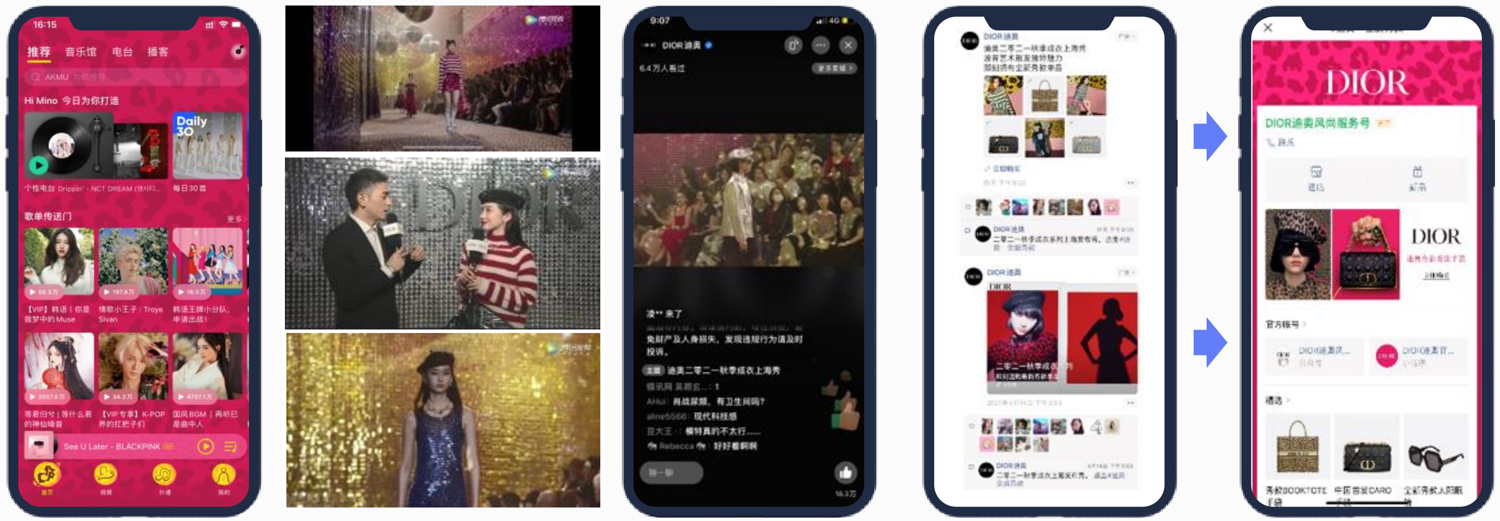
—DIOR"

DIOR's fashion show in China was livestreamed on Tencent Video and WeChat; ads are pushed to VIC[1]'s immediately after the show to strengthen their memory; WeChat Mini Program enables viewers to purchase items as they appear in the show

QQ音乐　腾讯视频 +

WeChat Moments ads placed right after show for runway collection

Directly linked to brand WeChat Mini Program



1. VIC：Very important client
Source: Tencent Ads

The outlook:
Luxury brands should consider four key factors in digital strategy given the latest consumption trends and China market opportunities

At Global HQ level: recognize the uniqueness of China's digital ecosystem, position China as a hub of innovation

Build local capabilities to accelerate the digital journey, from insight generation, digital innovation to implementation & execution

Always remain "consumer-centric", create digital use cases based on consumer journeys

Leverage data-driven marketing innovation to improve marketing efficiency and consumer experience based on consumer insights

Summary

At this key junction of generational shift, understanding the mindset of the new generation of consumers, focusing on the 2 key segments, and exploring the 5 cutting-edge digital marketing practices outlined here will be the key to success for brands in the short to medium term.

As social retail ecosystems continue to evolve, companies are increasingly adept at leveraging digital marketing tools to execute innovative tactics. Some pioneering brands have made daring innovations on the WeChat platform and achieved unexpected returns. Some have leveraged digital technology to improve their services, enhancing the loyalty of heavy-spending consumers; others have used smart targeting to capitalize on the growing share of younger consumers and more importantly, to rejuvenate their brand.

We hope that the cutting-edge cases and consumer insights shared in this report can offer inspirations to brands. Of course, increasing product competitiveness and enhancing digital support capabilities over the long term will always be important foundations for digital marketing that companies must continue to work on.

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