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SUSTAINABILITY OF THE CHINESE LUXURY GOODS MARKET – STRATEGIES FOR THE FUTURE

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ABSTRACT

In our contemporary age, the globalising competitive market includes many driving forces increasing focus on sustainable consumption in the luxury industry. Wealthy consumers are increasingly aware of environmental and social issues, and are therefore seeking new types of luxury goods that respect natural resources and people, while combining traditional elements such as quality, rarity and value, which stand out. The luxury goods market in China has undergone significant changes over the years, driven by consumer behavior, economic development, and global trends including digitization, e-commerce

This study aiming to reveal the different challenges and opportunities in the transforming Chinese Luxury Goods Market, which is one of the largest in its size around the globe: from political changes to sustainability issues. Finally, this paper provide reviews about some successful strategies that luxury brands have adopted to preserve their prosperity in this dynamic and competitive environment of the Chinese market.

Keywords: Chinese Luxury Goods Market, emerging trends, brand strategies, sustainability

1. Introduction

The Chinese market for luxury goods is expected to grow to 25% of the global market by the end of this year. That share is expected to reach around 40% in by 2030, making China the largest market for luxury goods in the world, overtaking Europe and the Americas. With the growing popularity of luxury brands and higher overall levels of wealth, China's luxury market is expected to reach around \$80 billion in 2023, on the back of a year-on-year growth of 8%. This remarkable growth will be underpinned by several factors, including the spending propensity of high-net-worth individuals, the infusion of new demand from the post-90s generation, the expanded presence of online channels, and the successful fine-tuning of pricing, products, and marketing strategies by luxury brands (Lin 2023).

From a products perspective, bags and suitcases account for over one third (35%) of the total market for luxury goods in China, with clothing at around 23% of the market, and jewelry and watches at 19% and 15% respectively (Cao 2006; Consultacy.asia 2023; Bain&Company 2023).

In this paper, the authors analysing the Chinese luxury goods market, examining key factors such market size, growth trends including evolving consumer demands, digital transformation and e-commerce. Furthermore, this research work also focuses on challenges and opportunities that shape the market landscape for luxury brands in China, from policy changes to sustainability issues. Finally, the study evaluates successful strategies adopted by luxury brands to thrive in this dynamic and competitive environment in the Chinese market.

2. Methodology

In this review paper, the authors had studied the available relevant theoretical literatures as reference base, gathering, structuring data and draw conclusions. The implementation methodology based on secondary or “desk” research analysing international organisations documents and special databasis (Baidu, Consultancy.asia, Daxueconsulting, McKinsey, MoodieDavid, Morgan Stanley, Souhu, Yaoke Research Institute), scientific publications, studies, online literature sources. The conclusions and suggestions made by this research work in this article reflect the private professional view of the authors.

3. Landscape of the Chinese Luxury Goods Market

Chinese society has not had a strong attachment to luxury goods since ancient times, because luxury goods in ancient China were positioned exclusively for the imperial class. These luxury goods were not used for purchase, but were products specially supplied to the privileged class.

In the late 1970s, China began to implement the policy of reform and opening up. As manifested consequences China's economy and society has undergone unprecedented transformation, and more and more middle-class people have appeared in society, and these people have begun to desire high-quality and high-end consumer goods. Smart international luxury brands have begun to sense the huge potential of the Chinese market. In 1976, the Omega watch became the world's first luxury product to enter the Chinese market. Although European luxury goods also came to China as royal gifts at the end of the Qing Dynasty and the beginning of the Republic of China, after the founding of New China in 1949, Omega was the first example. At this time, the target of luxury brands is already the ordinary Chinese group, because there is no royal class in China at this time. Pierce Cardin in China photographed by an Associated Press reporter On March 19, 1979, Pierce Cardin came to China. As the first European fashion designer to come to China, he held the first fashion show in New China at the Palace of National Culture in Beijing. At that time, there was no concept of fashion in China, so his arrival was an adventure. try. In this year, the wave of reform and opening up swept across the country, creating the most suitable opportunity for luxury goods to enter China. This year, French Remy Martin wine entered the Chinese market and became the most influential luxury product in China. In 1986, Bally fashion entered the Chinese market. The 1980s was the infancy of China's luxury goods market, and people were not very interested in it at that time. In 1990, the jewelry emperor Cartier entered the Chinese luxury goods market, leading a large number of international luxury goods to enter China. The 1990s was the period when most international luxury goods entered China. One brand stood out in particular, and that was the international luxury goods giant Louis Vuitton (L), which also opened its first store in Beijing's Wangfu Hotel in this year. Directly operated stores. When LV came to China, even in Shanghai, which was relatively developed at that time, the average salary per person per month was less than 200 yuan. In the second year, these expensive things triggered a controversy- - "Economic Daily" criticized Seth Mall, which sold foreign brands at that time, "Saite, you are too outrageous." But not long after, "when the head and horse start, good things will come naturally" and it became the most famous luxury store in China. Advertising slogan, this sentence has influenced three generations of Chinese wealthy

people, and its advertising power has not been surpassed by luxury goods to this day. 1993 was the year that many luxury brands entered China, such as Lancôme, which we are all familiar with, Estee Lauder, Clinique, Cognac. In 1993, Cognac became a fashion product that Chinese female consumers were pursuing. In 1994, the famous man's clothing brand Huo Zi Bo entered China. In the late 1990s, Brands such as Armani and Hermès are not lagging behind, and have come to China to open stores. The timetable for luxury brands entering China in the 1990s reached 2003, when China's per capita GDP reached US\$1,000, and the consumption structure began to change. This kicked off the consumption of luxury goods, and since then luxury goods have entered a stage of rapid growth. International media such as the British Financial Times and Financial Home magazine began to pay attention to the Chinese luxury goods market. In 2004, China promulgated the "Foreign Investment in Commercial Fields" The "Administrative Measures" opened the commercial market to foreign enterprises. This is a landmark document in the promotion of luxury goods. It actively promotes the heavy investment of international luxury goods in China. Internationally owned luxury goods stores such as It has grown like mushrooms. This laid the foundation for China to become a major consumer of luxury goods. In just a few years, the Chinese became obsessed with luxury goods and quickly became a large consumer of luxury goods. Some people joked, On the Champs Elysées in France and Fifth Avenue in the United States, where the world's top luxury goods gather, "the world is neither flat nor round, but belongs to the Chinese people"(Degen 2009; Yang 2009).

3.1. Consumer behavior

Sustained and stable economic growth has significantly improved the living standards of the Chinese people, which is accompanied by Chinese consumers' acceptance, recognition and pursuit of luxury goods. Major international luxury goods giants have also entered the Chinese market. However, influenced by Eastern culture, there are certain differences in the consumption concepts of Chinese and Western consumers. Chinese consumers have their own particularities in terms of luxury consumption motivations. A significant difference in China's consumption behavior is that it is greatly influenced by groups. Chinese people pay more attention to the views and opinions of others when consuming, pay more attention to the social group effect of personal consumption, and pay attention to their own recognition in the group. Face, favor and relationship are the intermediaries and platforms for Chinese people's daily interpersonal interactions. "Face" consumption behavior and "relationship" consumption behavior are prevalent in Chinese society, creating China's special luxury goods consumption market. The main motivations for luxury goods consumption under "face consumption" and "relationship consumption" are:

Conspicuous motivation

Conspicuous consumption refers to the consumption of goods for the purpose of showing off, rather than to satisfy normal consumption needs. As early as the 18th century, foreign scholars proposed the term "Conspicuous Consumption". He explained the nature and utility of luxury goods from the perspective of human vanity. He believed that vanity is only a desire to surpass others, with the purpose of possessing others. Something that has never been possessed. Conspicuous consumption is consumption activities that provide evidence of wealth or power to gain and maintain respect (O'Cass, McEwen 2004).

Among Chinese luxury goods consumers, a considerable number of consumers consume luxury goods out of showing off. They will deliberately display the luxury goods they own to imply their economic strength and social status. There are many people in China who "consume first, worry later". According to the analysis of sociologists, luxury consumption is a reflection of a specific social psychology in the transition period from a society of scarcity

to a society of wealth. When people face a sudden increase in wealth, they will not hesitate to choose the "sign of wealth". Luxury goods are used to express one's new economic and social status. This is to satisfy a psychological release after a sudden increase in wealth. Although this consumption method has irrational elements, from a marketing perspective, it is also a phase, natural psychological needs.

Herd motivation

The consumption of luxury goods by a certain group will promote the impulse of other consumer groups to purchase the luxury brand. This purchasing motivation is called the herd motivation of luxury consumption. Many Chinese regard luxury consumption as a sign of status, strength, and taste. In order to live up to the expectations of others to save "face" and to "be valued", some Chinese who are not wealthy are also driven by the herd motive. consumption of luxury goods (Cao 2006).

Motives for gift-giving

In China, many luxury goods are not purchased to meet their own needs, but as gifts to others. Gift-giving is one of the main purposes for Chinese consumers to purchase luxury goods. Gifts can be used to express respect and respect to others, or they can be used as a favor resource to be distributed to others. As career of favor and face, gifts are an important link in establishing and maintaining social relationships (Liu, Li 2010)

Status symbol

Luxury goods consumption is not only physical or material consumption, but also symbolic consumption. Luxury goods consumers express and convey certain meanings and information through consumption, including their status, identity, personality, taste and taste. Luxury goods are given to people in China as a symbol of privilege and status, and people classify their social status through the details of consumption. The purchasing behavior of Chinese luxury goods consumers confuses many luxury goods companies. From this perspective, this classification study is like painting portraits of different Chinese luxury consumers, allowing us to see their faces more clearly and formulate marketing strategies in a targeted manner (Li 2010).

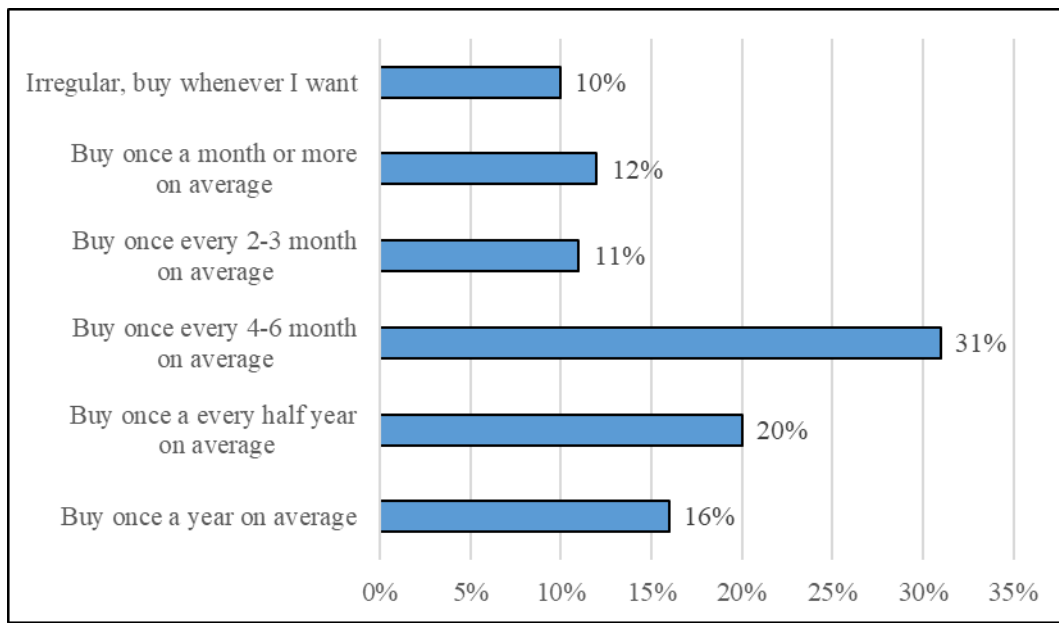
3.2. Chinese Luxury Market Trends

China's luxury goods market is one of the largest luxury goods markets in the world. With the rapid development of China's economy and the rise of its middle class, luxury goods consumption has gradually become a symbol of fashion and lifestyle in China (McKinsey 2019).

Although first-tier cities are the main consumption areas of China's luxury goods market, the development potential of second-tier and third-tier cities and rural markets cannot be ignored. With the increase of the middle class and changes in consumption concepts, consumer demand in these areas will continue to grow, becoming a hot spot for luxury brands.

The younger generation of consumers (Generation Z) has an increasing interest in and demand for luxury goods. They pay more attention to the social responsibility and sustainable development of brands, while paying more attention to personalized and unique shopping experiences. Brands need to continue to innovate and innovate to meet the needs of this group of consumers, since this age cohort has a different behavioral attitudes, customs, preferences, life-style with different communication habits compared to the elderly generation (e.g. Generation Millennials or Generation X). The below Figure 1. depicts the luxury items purchase frequency distribution in the Chinese population.

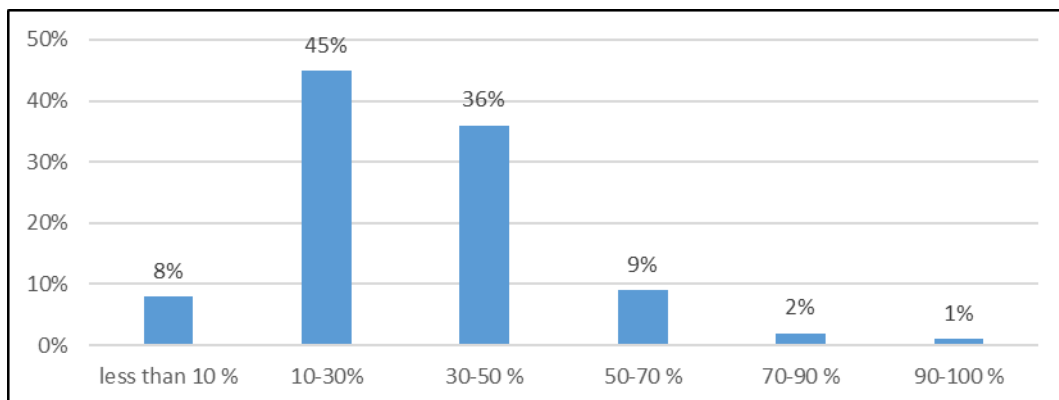
Figure 1 Luxury purchase frequency (2023)



Source: Own edition based on *Contancy.asia* (2023); *Daxueconsulting* (2024)

Furthermore, buying luxury goods for investment purposes can be a crucial driving motivator in both higher and lower-tier cities. However, consumers in higher-tier cities, accounting for 53% of total spending, exhibit greater openness to niche or emerging labels and are less price-sensitive compared to their counterparts in lower-tier cities. Those prefer classic, high-profile and recognizable luxury brands (as a means to showcase their social status and wealth) and are more receptive to promotions and discounts. Figure 2. demonstrates distribution of the amount spent on luxury goods as a percentage of annual income.

Figure 2 Annual income rate distribution spent on luxury goods purchase



Source: Own edition based on *Consultancy.asia* (2023); *Daxueconsulting* (2024)

In the consumer market in 2023, the post-90s generation will account for a large proportion of both the existing and incremental markets. In terms of luxury purchase frequency, the highest proportion of people will purchase luxury goods once every 4-6 months, followed by half a year to a year; in terms of spending, 45% of people will spend 10-30% of their annual income on purchases. Luxury, followed closely by 30-50% (BAIDU 2023a).

The importance of online channels has increased. With the development of Internet technology, online channels have become increasingly important in the luxury retail market.

Consumers can get a more convenient shopping experience through online channels and can shop anytime and anywhere. Brands need to strengthen the construction of online sales channels and provide better pre-sales and after-sales services to meet the needs of consumers.

In addition to offline, comprehensive e-commerce and other channels, short video platforms led by Tiktok and Kuaishou and content platforms led by Xiaohongshu and Bilibili are constantly occupying users' minds and becoming important luxury information collection channels (Liu, Qing. 2011).

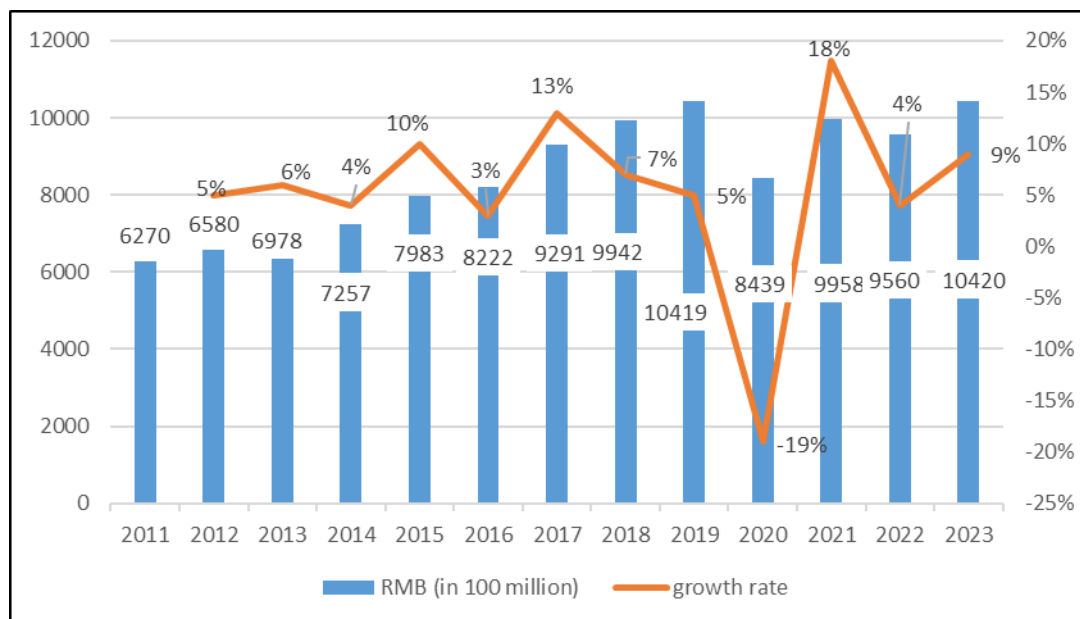
The rise of personalization

Consumers have an increasingly strong demand for personalization and uniqueness, and brands need to provide personalized and customized services to meet consumers' needs for uniqueness. Personalized customization can enhance the added value of the brand and increase consumer loyalty (Yu 2011).

Pick now and buy now

Offline brand counters are still the preferred consumption channel for luxury buyers. Professional product knowledge, thoughtful service and consumer experience make more than 60% of luxury buyers prefer to go to offline counters to purchase products. E-commerce platforms and brands purchase luxury goods online. Channels, etc., have also become popular channels due to their convenience, timeliness and other characteristics. According to market research data, China's luxury goods market has maintained a steady growth trend in the past few years. According to the latest data, China's luxury goods market reached 500 billion yuan in 2019, a year-on-year increase of 10%. In 2023, the global luxury goods market will reach 2.3 trillion yuan, and China's luxury goods market will account for as much as 25%. The market size is expected to reach 1.4 trillion yuan by 2030. Occupying 40% of the global luxury goods market. It is expected to surpass Europe and the United States to become the world's largest single market (BAIDU 2023b). The size of the Chinese global luxury market consumption and its annual growth rate summarized in the Figure 3.

Figure 3 Size of the Chinese global luxury consumption and its growth rate (2011-2023)



Source: Own edition based on Lin (2023); The MoodieDavitt Report (2023); Daxueconsulting (2024)

Consumer demand

The changing economic environment is also affecting the consumption philosophy of young people, and even wealthy young people tend to be conservative in their consumption of luxury goods. According to a survey by Vogue Business and Barclays Research, young Chinese consumers have a higher preference for jewelry (48%) and sports shoes (38.7%) than ready to wear (20%).

The latest report released by Bernstein in collaboration with the Italian luxury goods association Altgamma is not as optimistic. The report believes that the trend of the luxury goods industry is clearly polarized after the epidemic, and wealthy consumers are more willing to pay for top brand products. Mid range luxury brands are facing challenges. As Luca Solca, a senior luxury goods analyst at Bernstein, said, Chinese consumers are more diversified than before the pandemic, and young people under 30 and consumers from lower tier markets will become increasingly important for the growth of personal luxury goods consumption (Bain&Company 2023; Daxueconsulting 2024).

One major characteristic of the Chinese market stems from its unique digital ecosystem, and another notable feature is its large and diverse consumer group (Morgan Stanley 2023).

In addition, second tier and below cities also contain enormous potential. The above factors together have created unique opportunities in the Chinese luxury goods market in recent years. Decision making and purchasing considerations: The restoration of the "extroverted" social value of luxury goods is in line with the increasing maturity of consumers, emphasizing the appreciation of classic and timeless designs and the desire for self-satisfaction. The consumer group is becoming increasingly diverse: young customers and customers in second tier and below cities deserve brand attention. Heavy customers contribute more than 40% of the market size, and self-rewards have become the main theme. The number of people who agree with the concept of "luxury goods as a way of life" is increasing (Bailey et al. 2009).

Young customer group; For brands, nearly 90% of consumers who first purchase luxury goods before the age of 30 need to pay more attention to and cultivate a younger demographic.

The second tier and below customer group accounts for 51% of the overall consumer group, with the majority completing cognition to purchase online.

From the perspective of consumer trends, modern consumers are increasingly inclined towards a "less but more refined" purchasing approach. This means they place more emphasis on the quality and value of their products, not just on quantity. Among the various subcategories of luxury goods, watches and jewelry have become the best performing categories. In addition, the iconic bags, perfume and other beauty products also maintained a positive growth trajectory.

In recent years, with the rapid development of the economy and changes in social structure, the demand of Chinese consumers has undergone tremendous changes. Especially for the younger generation of consumers, their consumption concepts and habits have undergone earth shattering changes compared to the past. This also brings new challenges and opportunities to the luxury goods market.

On the one hand, the demand for luxury goods among young consumers is constantly increasing. They pursue unique personality, quality assurance, and cutting-edge fashion, and have also higher requirements for the brand's storytelling and social value.

At the same time, with the popularity of the Internet and social media, young people are more easily exposed to various fashion trends and brand information, and they have more autonomy and personalized needs for consumer decision-making.

On the other hand, the younger generation of consumers place greater emphasis on value and experience when shopping. They are more willing to pay for meaningful and impact brand consumption, rather than just meeting material needs. They enjoy participating in brand interactive activities, paying attention to the brand's social responsibility and sustainable development, and have a higher sense of brand identity and loyalty.

Faced with these new consumer trends and demands, the luxury goods market needs to make corresponding adjustments and transformations. Firstly, brands need to focus on innovation and uniqueness. The demand of the younger generation of consumers for luxury goods is no longer simply symbolic consumption, but more focused on product design, materials, and craftsmanship. Brands need to launch innovative and personalized products to meet the needs of young people pursuing individuality and fashion.

The growth of the consumer market is slowing down, but China's ability to consume luxury goods still cannot be underestimated.

According to the "China Luxury Goods Report" released by the high-end brand professional research and consulting firm Yaoke Research Institute, in 2023. China's luxury goods consumption emerged from the pressure of 2022, began to recover growth, and finally recorded a growth rate of 9%, achieving 1042 billion yuan, reaching the level of 2019, and returning to the trillion yuan market size. The proportion of Chinese luxury goods consumption in global luxury goods consumption is still around 38%, and there has been no significant change. Chinese consumers are still the most important force in the global luxury goods market (The MoodieDavitt Report 2023).

According to the Yaoke Research Institute, the online transaction volume of luxury goods will exceed 60% in the next 3-5 years. At the same time, "one city, one store, one network" will become the core strategy for many luxury brands to open stores, especially for emerging and sinking markets. Many high-end niche brands, especially customized brands, will completely abandon opening stores, and the "online platform plus offline experience store or VIP service center" model will become mainstream. At the same time, location will no longer be the most important condition for selecting locations for luxury brand stores in the future. Single story stores will replace mall stores and become the most popular location target for luxury brands. In terms of consumer groups, starting from 2023, the luxury consumption of China's VIP (Very Important Customer/Client, meaning very important customers who are more prestigious than VIP) group has also entered the stage of cost-effectiveness. The report shows that for luxury goods consumption in China, the formula for combined cost-effectiveness is "(brand value plus product or brand value plus service value)/price=product cost-effectiveness". Unlike in the past, the cost-effectiveness of products and services has been elevated to a more important position. The consumer psychology of blindly pursuing big brands has gradually been replaced by a rational evaluation of the comprehensive cost-effectiveness of products, services, and brands. The prospects of luxury brands and categories that are useless are worrying, and replacement has become another manifestation of consumption upgrading when consumption power decreases. This has also given many unknown high-end niche brands or designer brands more opportunities. In addition, the cost-effectiveness of services has become one of the most important luxury consumption values for China's important customer groups, and customized services have become an important purchasing decision factor for many luxury consumers.

The Yaoke Research Institute believes that high-end consumption will become the largest source of profit for many industries. High end development, meeting people's pursuit of a better life, and changing the trend of catching up and meeting consumer needs to lead and educate consumers, will become an important way for Chinese brands, especially leading brands in various industries (SOUHU 2024).

3. Digital transformation and e-commerce

As one of the hottest luxury goods markets in the world, the Chinese luxury goods market is showing a strong trend. Based on this, global luxury brands have begun to develop strategies for Chinese consumers, focusing on local experiences, cultural resonance, and digital channels to achieve ideal results.

Accelerate the penetration of digitalization and upgrade the omnichannel shopping model

Showcasing the natural connection with China's long history reflects the precision and maturity of global brand development in the Chinese market. Understanding the subtle differences on Chinese social media platforms and adjusting marketing information is an effective strategy for enterprises to adapt to local conditions. Currently, as a leader in global e-commerce, China provides a high-quality development foundation for digital transformation of enterprises.

BCG Boston Consulting mentioned in "Insight into the Digital Trends of China's Luxury Market in 2023" that a major characteristic of the Chinese luxury market is its unique digital ecosystem, which, with the support of rich media touchpoints and advertising creativity, exhibits extraordinary connectivity and diversity. Through observation, it has been found that major luxury brands are constantly increasing their localization and digital layout in China, and more and more brands are starting to layout online sales and service scenarios to broaden the boundaries of offline scenarios. In addition, by integrating Chinese elements, the brand is more closely connected with local consumers, injecting strong resilience and growth vitality into future development (Joint Enterprise Studio 2023; Mintel Store 2023).

Despite the varying demands of Chinese consumers, online digitization permeates almost every consumer's shopping experience in terms of channels. In the purchasing decision-making channels, the penetration rate of online shopping channels has maintained rapid growth, accounting for 46% of all shopping channels in mainland China.

It is understood that during 2023, Kering has launched a series of digital innovation initiatives to continue embracing and experimenting with digital solutions. Taking jewelry brands as an example, Boucheron, a high-end jewelry brand under its umbrella, has launched a digital ring size recommendation tool on the official WeChat mini program and Tmall in China, further enhancing the user experience for jewelry customers when shopping online. At the same time, Pomellato introduced this technology solution to the brand headquarters and launched it on the brand's global official website.

Moreover, multiple brands under Kaiyun, such as Gucci and Boucheron, are actively expanding their channels and scenarios for reaching customers. They have introduced solutions for brand private live streaming services in both online channels and offline stores, further expanding their sales scenarios.

In fact, as early as the end of 2021, Kaiyun established the "Imagination Lab" to empower digital innovation initiatives. This is a space that inspires inspiration and creativity through a series of activities, bringing innovative perspectives to Kaiyun's global employees. The goal is to empower every member of Kaiyun to create a high-quality future through disruptive and promising digital technologies.

Nowadays, the localization development of the luxury goods market is gradually maturing. Whether it is a variety of digital cutting-edge applications and attempts online and offline, or unique consumer characteristics, they all demonstrate unique characteristics unique to China. Based on the latest changes in the Chinese luxury goods market in 2023, BCG Boston Consulting has summarized three major brand strategies: omnichannel shopping upgrade: with the comprehensive integration of online and offline shopping experiences, brands need to flexibly layout omnichannel touchpoints, refine operations, continuously enrich product and service combinations, and provide consumers with a smoother shopping experience. Redefining localization innovation: Brands need to be rooted in local culture, integrating it into various aspects such as product design, store layout, advertising, celebrity/KOL collaborations, art exhibitions, etc., to establish deep connections and resonance with consumers (The MoodieDavitt Report 2023).

Further exploration of new markets: In response to the rapidly growing young customer base and second tier and below city customer groups, brands can shape a youthful image through cross-border creative marketing, accelerate breakthroughs, and expand brand influence.

The digitalization process and the reshaping of the retail system with online as the core are not just simple requirements for brands to establish online sales channels. Yaoke Research Institute has found that online business breaks through time and space limitations to the greatest extent possible, with strong accessibility and high convenience. Based on big data and intelligent algorithms, precise product recommendations can be achieved to customers, with a high input-output ratio, and personalized services can be achieved. It can also establish a professional evaluation system based on user big data, replacing subjective opinions such as KOLs with more reliable professional recommendations. The future luxury brand retail system will focus on establishing large comprehensive brand display centers both online and offline, achieving integrated full scene marketing. Luxury brands will build a retail system with online as the core, customer-oriented, breaking the state of time and space, and creating as much space as possible for personalization, full scene, and high efficiency (Joint Enterprise Studio 2023).

Just like splitting a heavy, unstable large atom to generate energy, it may form nuclear fission. Although the luxury goods industry as a whole is relatively conservative and cautious and resistant to online business in the early stages of digitalization, they were still able to fully enter the e-commerce era around 2016, dividing into two important channels: online and offline. Just like combining small atoms with ultra-high atomic energy to generate energy, it may form nuclear fusion. In the next cycle, with online as the core, breaking through time and space limitations, creating more space for personalization and full scene, is also like an integration and innovation. In these two processes, surviving and growing luxury brands have released a lot of energy. Online channels are not just a battlefield, but also an opportunity for reshaping.

Evolving from a SaaS stage that organically combines online and offline experiences to a fully customer-centric customization stage, brands began to directly face all consumers through self-built channels and third-party platforms. Based on big platforms and big data, the contradiction between personalized customization and large-scale production has been completely resolved, and customization has begun to develop on a large scale.

Consumption is upward looking, forward looking. The high luxury demand centered around high net worth individuals is certainly not cool. Immersive experience and customization bring luxury to high net worth individuals, which is also one of the important meanings of reshaping the retail system with online as the core (ZHIHU 2023).

Online sales of luxury goods have rapidly expanded after the pandemic. In 2020, luxury brands achieved an 88% increase in online sales in the Chinese market, reaching 14.1 billion US dollars and a market share of 21%. Gucci, Balenciaga, Louis Vuitton, Coach and Tiffany became the first brands to open official Tiktok accounts that year. Gucci, Givenchy, Tiffany, Celine, Prada, Balenciaga became one of the earlier brands to open official social media accounts that year.

In 2021, the online business of the Chinese luxury goods market further developed rapidly on the basis of 2020, with a growth rate still as high as 75%, reaching 24.7 billion US dollars, exceeding 150 billion yuan, accounting for 26% of the luxury goods sales in the Chinese market. Online sales have become an important sales channel for almost all luxury brands.

The full online layout of luxury brands is a common strategy for international luxury brands in China in 2022. Brand official website, WeChat applet, e-commerce platform, Tiktok have become the battleground. Content operation based on Tiktok, event planning based on applet, and circle marketing based on social software are the three highlights of online business of international luxury brands. This year, the degree of internetization of luxury stores at all levels and levels in the world reached more than 80%, involving more than 95% of luxury brands.

The Yaoke Research Institute predicts that within 2 years, the digital transformation of luxury brand stores will involve all luxury brands and all luxury stores. The digitalization of the luxury industry is not only e-commerce, but also E-service.

According to the 2021 Luxury Brand China Digitalization Index List exclusively released by Yaoke Research Institute, luxury brands are assigned different weights to their digital infrastructure index, communication power index, and retail power index, and the most prominent brands in overall digitalization that year are Gucci, Christian Dior, and Burberry (Yaoke Research Institute 2021).

4.1. Potential growth areas for Chinese luxury goods relative to Western luxury goods

Compared to the potential growth areas of the luxury goods market in the East and West, customized services: Chinese consumers are increasingly focusing on personalization and uniqueness, so customized services have become an important trend in the luxury goods market. Customized products and services can meet the personalized needs of consumers and provide more growth opportunities for brands. The below Table 1. summarizes the Chinese Luxury Goods Market growth opportunities

Table 1 Main future growth areas

Growth area	Description
Digital channels and online sales	With the popularization of digital consumption in China, luxury brands will continue to expand their online sales channels. Through e-commerce platforms and social media, brands can better reach a wide range of consumer groups, especially the younger generation. Almost every brand has achieved a comprehensive layout from the brand's official website, brand WeChat, e-commerce platform, and Tiktok.
Luxury experience and lifestyle brands	The luxury goods market is also shifting towards luxury experience and lifestyle brands. This includes the development of high-end hotels, catering, health, and entertainment, providing broader growth opportunities for luxury brands.

Sustainability and social responsibility	Chinese consumers are increasingly concerned about environmental protection and social responsibility, so luxury brands need to make more efforts in sustainability and social responsibility. Brands committed to sustainable development and social responsibility will be more favored by consumers and are expected to achieve greater growth in the Chinese market
Emerging consumer groups in China	With the growth of emerging consumer groups in China, such as those born in the 1990s and 2000s, their awareness and demand for fashion and brands are constantly increasing. Brands can explore new growth areas through products and marketing strategies targeting these emerging consumer groups.
Rise of Local Luxury Brands	Chinese local luxury brands such as Chow Tai Fook and Wangfujing are gradually gaining favor from consumers. These brands integrate Chinese cultural elements in their design and marketing, and are positioned for different consumer groups, thus having a unique competitive advantage in the Chinese market. These local brands also have a better understanding of the needs of Chinese consumers and can more flexibly meet their personalized needs, thus standing out in the fiercely competitive market
Growth in second tier and third tier cities	The consumption in first tier cities in China has become relatively saturated, while second tier and third tier cities are rapidly rising, with enormous consumption potential in these regions. With the development of the economy and the advancement of urbanization, the purchasing power of consumers in second - and third tier cities is constantly increasing, and the demand for luxury goods is also increasing, becoming an important opportunity for luxury brands to explore new markets.

Source: Own edition based on (Joint Enterprise Studio 2023; Daxueconsulting 2024).

The luxury goods market in China is becoming increasingly digitized, and consumers are increasingly inclined to shop through online channels, especially the younger generation. Luxury brands can interact with consumers through social media, e-commerce platforms, and virtual reality technology to enhance brand awareness and sales.

Chinese luxury consumers are mainly concentrated in first tier cities and new first tier cities, accounting for 40% and 30% of the market respectively, while second tier cities and third tier cities account for 20% and 10%, respectively. This is different from the regional structure of global luxury consumers, who are mainly distributed in Europe, North America, Asia Pacific and other regions, with Europe accounting for about 35%, North America accounting for about 25%, and Asia Pacific accounting for about 20%. Consumers from different regions have different consumer psychology, preferences, and behaviors. (Daxueconsulting 2024).

Against the backdrop of economic and consumer slowdown, it has become particularly crucial for luxury brands to actively explore new sources of growth. For example, the top luxury brand will further focus on high net worth individuals in 2023 and drive revenue and profit growth through price increases; Some mid to high end brands targeting the middle class are launching more cost-effective product lines or lower priced categories to help find adaptable and sustainable growth paths in the face of adversity.

Meanwhile, even in adversity, companies should continue to invest in brand building, enhancing consumer engagement and responding to longer-term development through deeper consumer interactions and rich experiential elements.

From a brand perspective, Chinese luxury brands need to start from their core consumer groups, explore growth points from brand positioning, product design, channel layout, communication methods, and other aspects, and find a path of strong adaptability and sustainable development in the face of adversity. For the Chinese market, brands can enhance compatibility with Chinese culture in product design, marketing strategies, and consumer experience to better cater to the aesthetic and values of local consumers. In addition, the brand needs to flexibly respond to and adapt to the changing channel pattern, and actively explore suitable new channel opportunities, such as the high growth Tiktok channel.

With the gradual recovery of physical customer flow, how to continuously optimize the layout of offline stores will also become the focus of major brands, and brands may optimize their offline stores from three aspects. 1) Post pandemic consumers are increasingly looking forward to offline interaction and diverse experiences with the brand. Brands should actively create offline spaces, enhance consumer engagement through deeper consumer interaction and rich experiential elements. 2) Brands also need to clarify the positioning of each store, classify planning and management, in order to create a store matrix that is in line with brand strategy. 3) Brands also need to be flexible in responding to the constantly changing channel landscape, actively exploring suitable new channel opportunities, such as the high growth Olay discount channel. In the current economic environment and consumer recovery uncertainty, luxury goods enterprises need to consider six key dimensions for sustained and stable growth, including exploring business growth pillars, resonating with consumers, integrating local culture, optimizing sales channels, maintaining supply chain agility, and reasonable cooperation with local partners (Joint Enterprise Studio 2023).

In 2023, with global economic fluctuations and an overall downward trend in the luxury goods market, the Chinese market has become an important engine for the entire industry. French luxury goods giant Kaiyun Group released its third quarter performance report for 2023, with sales falling 13% year-on-year to 4.464 billion euros. Morgan Stanley pointed out in its article "Chinese Consumers Boost the Luxury Industry" that in 2023, Chinese consumers will further drive demand for high-end clothing, accessories, and other luxury goods, making the Chinese market an important source of revenue for most luxury brands. In 2022, international luxury brands achieved a high-speed growth of 31% in online transactions in China, reaching 220 billion yuan. The luxury online retail industry in China is one of the largest in the world, and although the market environment is still uncertain, we see that the demand from high net worth consumers continues to grow this year (Morgan Stanley 2023).

4.2. Challenges and opportunitites

Tariff adjustment

China imposes steep tariffs of 30 to 50 percent on luxury goods. The current tax rate of China's luxury goods market is the highest in the world, and the price of 20 brands of high-end consumer goods in five categories of watches, bags, clothing, wine and electronics is about 45% higher than in Hong Kong, 51% higher than in the United States and 72% higher than in France. According to the Provisional Regulations of the People's Republic of China on Consumption Tax, consumption tax is currently levied on only four categories of goods (INSIGHT AND INFO 2022; QINTIAN 2024).

The first category: excessive consumption will cause harm to health, social order, ecological environment and other aspects of special consumer goods, such as tobacco, wine, alcohol, firecrackers, fireworks. The second category: luxury goods and other non-daily necessities, such as precious jewelry and jewelry jade, cosmetics and skin and hair care products. The third category: high energy consumption of high-end consumer goods, such as cars, motorcycles, car tires. The fourth category: Non-renewable and alternative petroleum consumer goods, such as gasoline and diesel.

Import duties range from 6.5% to 18%, value-added tax is 17%, and consumption tax is as high as 30%, with cumulative taxes of up to more than 60%. Imported perfumes are subject to a 10% duty, a 17% VAT on imported goods and a 30% excise tax on imported goods.

Some wines are subject to import duties of up to 65%, plus a 17% value-added tax on imported goods and a 10% excise tax on imported goods. A luxury tax is a type of consumption tax levied on luxury goods. In China, there is no accurate definition and classification standard for "luxury". Under certain social and economic conditions, the definition of "luxury" is always relative. The luxury tax needs to be adjusted according to the social and economic development. In April 2006, China adjusted the consumption tax items, including some luxury goods that are not subject to consumption tax, with the purpose of adjusting the gap between the rich and the poor and promoting social equity (BAIDU 2024).

Cross-border e-commerce policy

With the continuous growth of China's economy, the luxury consumption market continues to be hot. Overseas purchasing has become an important channel for many consumers to buy overseas luxury goods. In 2024, the overseas purchasing market will usher in a new round of changes, and the New Deal of cross-border e-commerce will have a major impact on the way overseas luxury goods sent directly to China. This article will detail how overseas luxury goods will be sent directly to China in 2024, and give a detailed interpretation of customs duties.

Direct mail: Line mail and e-commerce, each consumer can enjoy 5,000 yuan per year duty-free quota. Customs duty and postal tax have to pay if the duty-free limit is exceeded. Cross-border e-commerce direct mail, by cross-border e-commerce enterprises after customs declaration and tax mailed to China. Consumers do not need to declare their own taxes, customs and postal taxes are included in the price of goods.

Customs Policy changes in 2024

According to the latest notice issued by the General Administration of Customs, the Customs will strengthen the supervision of cross-border e-commerce in 2024, focusing on cracking down on Daigou and other behaviors. It is expected that the tax policy of cross-border e-commerce direct mail will be stricter, and the tariff and postal tax will be increased. The purpose of foreign exchange control is to maintain the country's financial security, stabilize the exchange rate, balance the balance of payments, and promote economic development. As a large developing country, China is faced with a complex and changing international environment and internal challenges, so it is necessary to implement a certain degree of foreign exchange control to protect national interests and cope with risks.

Guard against cross-border capital flows. Due to volatility and uncertainty in international financial markets, cross-border capital flows may adversely affect China's financial stability and economic growth. For example, if there is a large-scale capital flight, it may lead to the depreciation of the RMB, the reduction of foreign exchange reserves, and the credit crunch.

If there is a large-scale influx of hot money, it may lead to the appreciation of the yuan, inflation, asset bubbles and other problems.

China needs to control the size and direction of capital flows through foreign exchange controls to maintain the stability and expectations of the financial market.

We will keep the RMB exchange rate relatively stable. The RMB exchange rate is an important factor affecting China's economic operation and foreign trade, and also an important indicator reflecting China's comprehensive national strength and international status. If the RMB exchange rate fluctuates excessively, it may damage China's export competitiveness, affect corporate profits, and disrupt market order. Therefore, China needs to adjust the supply and demand relationship of RMB exchange rate through foreign exchange control to keep the basic stability of RMB exchange rate at a reasonable and equilibrium level.

We will promote the healthy development of the foreign exchange market. The foreign exchange market is an important bridge connecting domestic and foreign financial markets, as well as an important platform providing foreign exchange trading and risk management services. If the foreign exchange market lacks effective supervision and regulation, there may be market failure, information asymmetry, price manipulation, tax evasion and other problems. China needs to regulate the subjects and behaviors of the foreign exchange market through foreign exchange control in order to improve the transparency and efficiency of the foreign exchange market.

To support the transformation and upgrading of the real economy. The real economy is the foundation and driving force for China's economic development and the fundamental way to improve people's well-being and social progress. If the real economy lacks sufficient foreign exchange support, it may affect its ability to expand opening-up, introduce technology, and participate in international competition. China should make efforts to optimize the allocation and utilization of foreign exchange resources through foreign exchange control to support the transformation and upgrading of the real economy (QINTIAN 2024).

China's imposition of foreign exchange controls

In 1994, China carried out a major exchange rate reform. It abolished the original dual exchange rate system and adopted a single market-based exchange rate system. This based on the supply and demand of the inter-bank foreign exchange market, the central parity rate of the RMB against the US dollar was determined, and the daily fluctuation of the RMB against the US dollar allowed to be 0.3%. This reform marked a major shift in China's foreign exchange management system and laid the foundation for the subsequent reform of foreign exchange control.

In 2005, China carried out a gradual exchange rate reform. It abolished the previous fixed exchange rate system with the US dollar as the anchor currency, and adopted a managed floating exchange rate system with a basket of currencies as reference. That is, according to market supply and demand conditions and changes in a basket of currencies, the central parity rate of the RMB against the US dollar was determined and used as the benchmark. Gradually expand the daily fluctuation range of the RMB against the US dollar from 0.3% to 0.5%, 1%, 2% and 3%. This reform marks the further opening and improvement of China's foreign exchange market and provides conditions for the subsequent adjustment of foreign exchange control (BAIDU 2024).

In 2015, China carried out a preventive exchange rate adjustment. In response to the sharp fluctuations, in the international financial market and the expected reversal of the RMB exchange rate, China adopted a series of measures. These included lowering the central parity rate of the RMB against the US dollar by about 3%, expanding the number and scope of quotation institutions in the inter-bank foreign exchange market, strengthening the supervision of the foreign exchange market and cracking down on illegal transactions. This adjustment marks the further improvement and adaptability of China's foreign exchange management mechanism, and provides support for the subsequent optimization of foreign exchange control.

In 2017, China implemented a proactive adjustment of its foreign exchange policy. In order to improve and stabilize the balance of payments and the operation of the foreign exchange market, China adopted a series of measures, including lifting some restrictions and approval requirements on cross-border capital flows and foreign exchange, and relaxing some conditions and regulations on cross-border investment and financing and the use of foreign exchange. Promote the opening up and pilot of some cross-border financial services and foreign exchange innovation business. This adjustment marks the further flexibility and initiative of China's foreign exchange management policy and provides the direction for the subsequent reform of foreign exchange control (Zhang 1987).

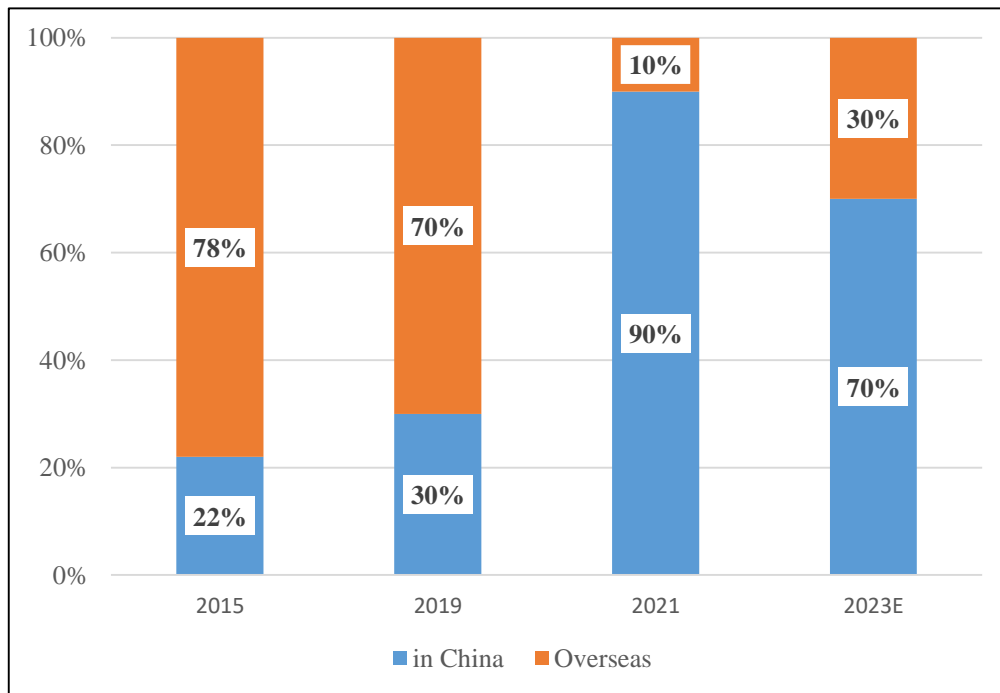
Economic fluctuation

From the perspective of category segmentation, all luxury categories have ushered in a rebound. The beauty category showed a solid performance, up about 8% year on year, in which the two sub-categories of perfume and makeup saw particularly strong growth. Fashion and lifestyle, leather goods and jewelry categories increased by 10%-20%, the recovery trend is good, of which leather goods performance is slightly weaker than the other two categories, mainly because consumption is concentrated in the lower price of luggage; The recovery was weakest in the watch category (up 5-10% year on year), with uneven performance among brands. In 2023, the domestic tourism industry began to recover fully, and a large number of tourists returned to drive luxury sales to pick up, at the same time, Hainan Province promulgated measures to stimulate luxury consumption. Under the role of dual factors, Hainan's duty-free sales achieved a year-on-year growth of about 25%, but it has not yet recovered to the level of 2021. Per capita consumption fell more than 25 per cent, with weaker discounting, less daigou activity and more rational consumers among the underlying reasons.

Trend 1: Overseas luxury spending

In 2021-2022, more than 90% of luxury consumption by mainland Chinese consumers will come from the mainland market. According to the forecast, in 2023, the consumption of luxury goods by mainland Chinese tourists in Europe and Asia will return to the pre-epidemic level of 40% and 65% respectively in 2019.

Figure 4 Distribution of Chinese Luxury shoppers' domestic and overseas spending



Source: Own edition based on Bain & Company (2023).

The price difference between mainland China and overseas markets is an important factor in the recovery of overseas consumption. A spot check of major SKUs in mainland China, Europe and Asia showed that the prices of luxury fashion and leather goods in mainland China are significantly higher, than those in the preferred destinations for outbound travel. This price difference has hardly changed compared to 2022, thus attracting mainland consumers to go overseas to buy luxury goods. The price gaps between China and Europe play a critical role in the return of overseas shopping, and they remained unchanged since 2022.

Trend 2: Purchasing agent market

For a long time, South Korea's duty-free market (Daigou) has been an important source of luxury goods, especially luxury beauty products. In 2023, South Korea's duty-free sales to foreign tourists are expected to shrink by 30% to 60-65 billion yuan. This is mainly because duty-free retailers have been restricted from paying commissions to travel agencies associated with Daigou, while luxury brands have restricted the availability of some of the best-selling beauty products in the Chinese market. Despite recovery in international travelers, Korean duty-free sales shrunk as South Korean government and brands took actions against Daigou. At the same time as the restrictions on beauty Daigou increased, new and more professional Daigou models began to emerge, especially in the field of fashion and leather goods. Purchasing agencies adopt a platform-based approach to bring consumers rich and fidelity shopping choices, and provide overseas market goods at lower prices through wholesale channels.

Trend 3. E-commerce platform to seize the economic opportunities

In recent years, e-commerce platform and multi-channel retail have become a new development trend in China's luxury retail industry. Emerging Internet luxury brands such as Samsonite and Miniso have grown rapidly to meet consumer demand and become a new force in China's luxury retail market. The luxury industry should seize economic opportunities and challenges, and formulate reasonable pricing strategies and promotion strategies according to the economic conditions of different regions and markets to improve the cost performance and competitiveness of products. The luxury industry should also comply with policy norms and requirements, adjust its operating model and development strategy according to policy changes in different regions and markets, and avoid policy risks and compliance risks.

The luxury industry should build consumer trust and loyalty by improving product quality and authenticity assurance, improving service level and satisfaction, and maintaining brand image and reputation, etc., to enhance consumer trust and love for luxury brands (Bain & Company 2023).

Trend 4: Sustainable practices in the luxury industry

In response to the international community's call for sustainable development, the luxury industry has strengthened its sustainability practices in order to reduce its environmental impact and improve its level of social responsibility.

The luxury industry advocates environmentally friendly manufacturing. In order to reduce the impact on the environment, the industry has adopted many environmental protection technologies and processes. For example, some brands are starting to use renewable materials instead of traditional materials to promote sustainable production methods. Second, the industry encourages consumers to make sustainable purchases. By launching the Sustainable Consumption movement, luxury brands educate and promote products that are good for the environment and society, and encourage consumers to make meaningful purchasing choices.

Although the luxury industry has made some progress in terms of social responsibility and sustainability, it still needs to continue to work hard to continuously improve its level of sustainability. First, the industry should enhance transparency and information disclosure. By disclosing relevant social responsibility information to the public, industry enterprises can gain more trust and recognition. Transparency is the foundation of corporate social responsibility and an important factor in promoting sustainable development. Secondly, strengthen cooperation and exchanges within the industry to jointly solve the social responsibility problems faced by the industry. Through the establishment of industry organizations and resource sharing, industry enterprises can better work together and jointly promote the sustainable development of the industry (BAIDU 2023, Gazzola et al., 2017).

4.3. Strategies for successful luxury brands*Digital Performance Indicators in China: Gucci and Dior*

The booming digital performance industry in China is a battleground for luxury brands such as Gucci and Dior. We will delve into the performance of these two fashion giants in terms of recognition indicators and purchase intentions, as well as the strategies they have adopted to maintain their brand image. Customer loyalty level.

A strong brand story can achieve or destroy the success of luxury brands in China. Gucci has successfully established an identity that resonates with Chinese consumers, thereby establishing highly personalized relationships with customers. Gucci's storytelling style combines its rich historical and modern elements to ensure its success. For today's audience, it still has relevance and appeal.

Strategies adopted by competitors such as Louis Vuitton or Chanel

In contrast, Dior leads in recognition indicators, but lags behind in purchasing intentions compared to the first quarter data. To maintain competitiveness, both Gucci and Dior must learn from other successful participants, such as Louis Vuitton or Chanel, who have mastered the art of connection. These brands often use celebrity endorsements, limited edition products, and exclusive events to create a sensation and drive sales.

Adjusting strategies for the Chinese market

In order to succeed in the field of digital performance in China, luxury brands must adjust their strategies to cater to local preferences. This includes using popular platforms such as Weibo and WeChat to carry out marketing activities that resonate with Chinese consumers. In addition, when creating attractive information, it is crucial to understand the subtle cultural differences and target different audiences while remaining loyal to the brand image.

Key points: Comparison between Gucci and Dior in China

Both Gucci and Dior have unique advantages in the digital performance field in China, but face fierce competition from other luxury brands such as Louis Vuitton or Chanel. Maintaining customer loyalty requires a strong brand story and effective marketing strategies tailored specifically for the Chinese market.

Gucci and Dior are competing in the digital performance field in China. Gucci has established a strong brand story that resonates with Chinese consumers, while Dior leads in recognition indicators but lags behind in purchase intention. In order to maintain competitiveness, both brands must adjust their strategies to cater to the needs and preferences of Chinese consumers and learn from successful companies such as Louis Vuitton or Chanel, who use celebrity endorsements, limited edition products, and exclusive events to create a sensation and drive sales.

Continuously evolving products to meet ever-changing consumer preferences

Innovation is the key to the luxury fashion industry.

Gucci is known for its Epilogue series, which breaks traditional seasonal rules and adopts more sustainable production methods.

Dior is also unwilling to fall behind, as its 2023 Spring/Summer ready to wear show showcases designs inspired by nature, resonating with today's ecologically conscious consumers. This is a wise move for Dior to maintain relevance and attract a wider audience.

Utilizing digital platforms to carry out effective marketing activities

Gucci's brand story occupies the central stage of social media platforms such as Instagram and TikTok, attracting millions of fans through creative activities by celebrities or influencers. This is a good way to establish brand awareness and maintain customer loyalty.

Dior also uses digital channels such as YouTube to live stream fashion shows, allowing fans from all over the world to watch. Check out their YouTube channel for a front row experience.

Maintain a leading position by continuously improving your products to meet changing consumer preferences and global trends. Using digital platforms as powerful marketing tools can help you attract a wider audience and maintain customer loyalty in an increasingly competitive market. Never underestimate the power of a compelling brand story - it helps establish strong connections with customers and sets you apart from competitors.

If Gucci and Dior can do it, other fashion brands can also do it. Continue to create new ideas, make changes and adjustments based on the latest global fashion trends, and create a prosperous future in this vibrant industry. Happy strategizing.

Key points

Gucci and Dior maintain a leading position in competition by adjusting their strategies to adapt to global trends. They continuously improve their product portfolio, utilize digital platforms to carry out effective marketing activities, tell engaging brand stories, and establish strong connections with customers. The key point is to constantly innovate, embrace digital channels, and never underestimate the power of a good brand story in the constantly changing fashion industry.

What are the key factors for Gucci's success in the Chinese luxury goods market?

Gucci's success is attributed to its strong brand image, innovative design, and focus on customer relationships. The brand effectively utilizes digital platforms for marketing activities and utilizes celebrity endorsements to increase visibility. In addition, Gucci adapts to global trends through its constantly evolving product line and services. *Targeting specific regional markets*

What makes Dior so successful in the Chinese luxury goods market?

Dior's transformation under LVMH has always been successful through creative leadership, exclusive collaborations, and a focus on craftsmanship. The brand incorporates modernity and timeless elegance into its design. The expansion into e-commerce platforms and immersive flagship stores further consolidated Dior's position as a brand. Leading luxury fashion house.

How is Gucci different from other brands?

Gucci stands out for its unique fusion of modern style and retro elements that embody Italian tradition. Its commitment to sustainable development initiatives also sets it apart from its competitors. In addition, the brand is committed to providing excellent customer experience, in store options, and gift packaging services through fast delivery, free returns, and search services.

How does Gucci attract customers in the Chinese market?

Gucci establishes emotional connections through storytelling to attract customers, emphasizing their rich history and values. This is achieved through cross digital channel marketing activities, including influential celebrities or collaborators who resonate with global target audiences.

Gucci and Dior emphasizes the importance of adjusting strategies based on the trends in the Chinese luxury goods market and competition in the luxury fashion industry. Both brands have successfully utilized digital platforms to carry out effective marketing activities and expanded into e-commerce to reach a wider audience.

Gucci focuses on customer relationships through its electronic store, providing fast delivery, free returns, in store search options, and gift packaging services, helping them maintain a loyal customer base. At the same time, Dior's immersive flagship store serves as a destination for brand enthusiasts and expands into e-commerce platforms.

Expanding to Chinese luxury e-commerce platforms

Dior has taken strategic measures to enter e-commerce platforms and cater to modern consumers who love online shopping. The move to enter e-commerce allows customers to easily obtain the luxury goods they want without leaving their homes.

Creating a 'Chinese style' immersive flagship store as a destination for brand enthusiasts.

In addition to digital displays, Dior also focuses on creating immersive flagship stores as destinations for Chinese consumer brand enthusiasts. These flagship stores provide a unique experience where customers can immerse themselves in the world of Dior and feel a deeper connection with the brand.

Although both Gucci and Dior have impressive digital performance indicators, Dior leads in recognition but lags behind in purchase intention compared to the first quarter data. Luxury brands such as Gucci and Dior utilize Chinese celebrity endorsements, collaborations, and creative activities targeting specific regional markets to effectively market globally.

Both brands are facing competition from leading companies such as Hermès, Chanel, Louis Vuitton, Prada, Versace, and Yves Saint Laurent, and continuously innovating and adjusting strategies according to the trend of China's policy adjustments.

In this constantly changing fashion and luxury retail industry, supply chain management plays a crucial role in the success stories of iconic brands such as Gucci and Dior. The key is to continuously innovate and combine customer-centric approaches to ensure a development trajectory in the face of long-term growth and fierce competition. Since its acquisition by LVMH, Dior has experienced significant growth in the Chinese luxury goods market, with sales doubling to £ 6.6 billion in 2023, and investing in fashion shows, boutiques, e-commerce platforms, and immersive flagship stores.

In stark contrast to Gucci's luxurious and affluent style, Dior focuses on combining continuous innovation with a customer-centric approach, achieving long-term growth trajectories in fierce competition with leading companies such as Hermès, Chanel, Louis Vuitton, Prada Versace, and Yves Saint Laurent (DAHAN 2021).

In terms of retail digitization and e-commerce, luxury goods groups still lag behind local retail enterprises in China. For example, the popular 'private domain' retail in China currently does not exist in the European market. Luxury goods groups are only accustomed to applying the European model to the Chinese market and have not yet learned how to apply China's advanced models to the Chinese market. Luxury brands, after initially slowing down their growth to adapt to the digital revolution, have started investing heavily to catch up. Most brands now have online sales channels (HUXIU 2022).

Summary and conclusions

The luxury goods market in China has always been a focus of attention, and its development process and future trends not only reflect the changes in the Chinese economy, but also reveal the development direction of the global luxury goods industry. This article aims to gain an in-depth understanding of this dynamic market by exploring aspects such as the historical review of the Chinese luxury goods market, consumer behavior analysis, market size and growth trends. Additionally, it also analyzes potential future trends, challenges and opportunities, as well as strategies and experiences for successful entry into the Chinese market by luxury brands.

- Reviewing the historical trajectory of the Chinese luxury goods market reveals that with rapid economic development and improved living standards in China, the luxury goods market has undergone significant changes. In the past, luxury goods in China were often seen as a symbol of social status and wealth. However, with changing consumer attitudes and the rise of middle-class consumers, there has been a shift in demand for luxury goods. Understanding consumer behavior and demand changes is crucial for luxury brands to formulate marketing strategies.
- Analysis of market size and growth trends shows that the Chinese luxury goods market is experiencing rapid growth. Despite slight fluctuations in growth rates due to economic fluctuations and policy changes in recent years, China remains one of important driving forces behind global Luxury Goods Market. Especially under digital transformation drive Luxury Goods Market presents more diversified innovative development trend .In addition, sustainable development Corporate Social Responsibility (CSR) has become important factor for success on Luxury Brands entering into china's markets

It is worth to remark, that the unexpectedly outbroken Covid-19 pandemic significantly influenced consumers' values and priorities, leading to a shift in their perceptions of health. Currently, health and family safety became the primary focus on the horizon of the vast majority of the Chinese clients. This newly emerged trend led to food sometimes taking precedence over material acquisitions, preferring gourmet meals above any other luxury goods.

In addition, in comparison to Generation Millennials and Generation Z, the first one has tendency to prioritize the tangible features of luxury goods, emphasizing brand name, heritage and product quality, Generation Z focus mostly on brand values with its culture and history. They preferring trendy leading brands, but they are more likely to go for niche brands, as long as they offer unique designs and great values. Those consumers are also gaining interest in second-hand luxury, which has become a new trend in the Chinese market.

The Chinese Luxury Goods Market demonstrates great vitality and potential through continuous developments and transformations. Only by deeply understanding dynamic markets, timely adjusting strategies, focusing on brand image & social responsibility can Luxury Brands achieve long-term success within China's Markets.

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