



Can Digitalisation and Millennial Shoppers Sustain Luxury Market's Rebound?

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Carl Berrisford, UBS Wealth Management CIO equity analyst

We are certainly seeing a comeback in the luxury market, that has been quite evident over the past six months. The number of people entering the ranks of the middle class [in China] is swelling every year and the actual discretionary income budget is increasing as people get wealthier. This is an important long-term structural driver for the luxury market.

Going forward, UBS expects more M&As in the luxury sector. UBS Investment Bank has forecast near-term annual growth of 10 per cent and long-term annual growth of 7 per cent for the sector.

Zhang Tianbing, Deloitte China consumer business sector leader

China is growing faster than the global market place. This is very much about buying the brand and helping them to grow in China to capitalise on the domestic growth of consumption, particularly in the luxury sector.

Millennials are becoming the major customer base ... spending 50 per cent more time – six hours per week – online shopping than the older generations. Millennials want to have more of a personalised experience. It is an interesting trend and it has a lot of implications on where the luxury brands need to set their distribution channels and how they interact with their consumers.

Bruno Lannes, partner at Bain & Co China

Most brands have not been quick to develop digital channels, and while global online sales of personal luxury goods jumped by 24 per cent in 2017, they still only accounted for 9 per cent of the total. Still, it estimated that this channel will reach 25 per cent of the market by 2025.

Online sales are most prevalent in the Americas, with the region accounting for 47 per cent of the global total. But Asia is catching up fast, largely driven by China, whose online sales grew 43 per cent in 2017, against a 19 per cent rise for offline sales. The mainland is also seen as a pioneer for innovative digital services and models for consumer engagement, with the 40 leading luxury brands having official WeChat accounts in China.