A New Generation of Chinese Consumers Reshaping the Luxury Market

2021 Tencent X BCG China Digital Luxury Report
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

Sources
Quantitative consumer survey
Tencent Ads

Sample size
Surveyed ~4,700 consumers of mainland China 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:

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

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 is forecasted to grow by 23%-25% in 2021, driven by a combination of multiple factors.

Luxury market size of mainland China (RMB 100bn)

- 2020: 4.2
- 2021F: 5.2
- 2022F: 6.3

+23-25% growth

The reasons behind increasing luxury spending in mainland China

- Better local shopping environment:
  - More convenient shopping channels: 72%
  - Better product offering, improved services: 67%
- Change in spending attitudes:
  - Increased pleasure spending for self-reward: 66%
  - Growing appetite for luxury products: 64%
  - Proactively boosting spending: 28%

More convenient shopping channels
Better product offering, improved services
Increased pleasure spending for self-reward
Growing appetite for luxury products
Proactively boosting spending

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 is seeing a big demographic shift that has spawned some new consumer needs and behaviors.

<table>
<thead>
<tr>
<th>Luxury market trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Consumer segments</td>
</tr>
<tr>
<td>• <strong>Rise of younger consumers</strong>: 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.</td>
</tr>
<tr>
<td>• <strong>Existing heavy-spending consumers are still important</strong>: heavy-spending consumers (annual luxury spending &gt; 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.</td>
</tr>
<tr>
<td>• <strong>Consumer landscape</strong>: 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.</td>
</tr>
<tr>
<td>2. Consumer mindset</td>
</tr>
<tr>
<td>• <strong>Post-90s generation cares more about “self-rewarding”</strong>: the new generation of consumers are strongly self-aware and social-driven, hoping to reward oneself and get premium services/experiences.</td>
</tr>
<tr>
<td>• <strong>Consumers tend to switch more frequently from brand to brand</strong>: less than 40% of them claim to be loyal to specific brands.</td>
</tr>
<tr>
<td>3. Category structure</td>
</tr>
<tr>
<td>• <strong>Dual focus on leisure and valuableness</strong>: consumers prefer more expressive ready-to-wear and footwear, and high-value investment pieces.</td>
</tr>
<tr>
<td>4. Channel preference</td>
</tr>
<tr>
<td>• <strong>Digital ecosystem building continues to grow in importance</strong>: online channels are forecasted to hit 22% market share in 2021, up from 20% a year ago.</td>
</tr>
<tr>
<td>• <strong>The brand-operated WeChat Mini Program is enjoying growing popularity among post-90s consumers</strong> with strong buying power: it is expected to post a nearly 30% sales growth in the next year.</td>
</tr>
</tbody>
</table>

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
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:

- **Pre-90s**
  - Born before 1980: 7% Consumer base, 6% Spending
  - Born between 1980 and 1990: 43% Consumer base, 48% Spending

- **Post-90s**
  - Born between 1990 and 1995: 31% Consumer base, 31% Spending
  - Born between 1995 and 2000: 19% Consumer base, 15% Spending

Contributions to luxury market growth (RMB 100bn):

- **2020**
  - Pre-80s: 4.2
  - 80s-90s: 0.2
  - 90s-95s: 0.3
  - 95s-00s: 0.1

- **2021F**
  - Pre-80s: 5.2
  - 80s-90s: 0.4
  - 90s-95s: 0.3
  - 95s-00s: 0.1

Growth rate:

- **Pre-80s**: 10-15%
- **80s-90s**: 20-25%
- **90s-95s**: 25-30%
- **95s-00s**: 30-35%

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
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.

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
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**

- **Existing consumers** (First luxury purchase made before 2020)
  - Consumer base: 83%
  - Spending: 88%

- **Newcomers** (First luxury purchase made in 2020 and beyond)
  - Consumer base: 17%
  - Spending: 12%

**Age distribution of luxury newcomers**

- Pre-80s: 4%
- 80s-90s: 36%
- 90s-95s: 33%
- 95s-00s: 26%

**Spending distribution of luxury newcomers**

- Heavy-spending consumers: 5%
- Medium-spending consumers: 45%
- Light-spending consumers: 50%

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

<table>
<thead>
<tr>
<th>Annual spending¹</th>
<th>Post-90s generation</th>
<th>Pre-90s generation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Heavy-spending consumers</strong></td>
<td>% of consumers</td>
<td>5%</td>
</tr>
<tr>
<td>Post-90s heavy-spending consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medium-spending consumers</strong></td>
<td>% of consumers</td>
<td>26%</td>
</tr>
<tr>
<td>Post-90s medium-spending consumers</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Light-spending consumers</strong></td>
<td>% of consumers</td>
<td>19%</td>
</tr>
<tr>
<td>Post-90s light-spending consumers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
Heavy-spending consumers and post-90s light/medium-spending consumers are two powerful engines of market growth.
Among all consumers, brands should especially win two priority segments with the highest growth potential.

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.

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.

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.
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:

<table>
<thead>
<tr>
<th>Pre-80s</th>
<th>80s-90s</th>
<th>90s-95s</th>
<th>95s-00s</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality</td>
<td>High quality</td>
<td>High quality</td>
<td>Self-reward</td>
</tr>
<tr>
<td>Valuable gifts</td>
<td>Design</td>
<td>Self-reward</td>
<td>Design</td>
</tr>
<tr>
<td>Design</td>
<td>Self-reward</td>
<td>Self-reward</td>
<td>Brand service/experience</td>
</tr>
<tr>
<td>Materials</td>
<td>Materials</td>
<td>Crossover/limited edition</td>
<td>Self-expression</td>
</tr>
<tr>
<td>Classic style</td>
<td>Valuable gifts</td>
<td>Materials</td>
<td>High quality</td>
</tr>
<tr>
<td>Brand service/experience</td>
<td>Classic style</td>
<td>Crossover/limited edition</td>
<td>Valuable gifts</td>
</tr>
<tr>
<td>Self-reward</td>
<td>Brand service/experience</td>
<td>Self-expression</td>
<td>Bragging rights</td>
</tr>
<tr>
<td>Fashion recomm.</td>
<td>Self-expression</td>
<td>Artistic value</td>
<td>Artistic value</td>
</tr>
<tr>
<td>Social identity</td>
<td>Brand culture</td>
<td>Brand culture</td>
<td>Discounts</td>
</tr>
<tr>
<td>Crossover/limited edition</td>
<td>Brand campaigns</td>
<td>Classic style</td>
<td>Brand campaigns</td>
</tr>
</tbody>
</table>

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
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)

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularly purchase the same brand</td>
<td>12%</td>
</tr>
<tr>
<td>Purchase the same brand for particular category</td>
<td>24%</td>
</tr>
<tr>
<td>Purchase the chicest brand</td>
<td>23%</td>
</tr>
<tr>
<td>No preference</td>
<td>41%</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Difference</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase new brands</td>
<td>67%</td>
</tr>
<tr>
<td>Switch to different brands</td>
<td>14%</td>
</tr>
<tr>
<td>Nothing changed</td>
<td>19%</td>
</tr>
</tbody>
</table>

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
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. **Most important factors to buy luxury in mainland China in the future**
   - Service/experience: 56%, Index² = 133
   - Product offering: 50%, Index² = 120
   - Convenience: 42%, Index² = 100
   - Aftersales & CRM: 37%, Index² = 88
   - Price: 35%, Index² = 83

**Retention levers**

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

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

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**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

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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

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

### Luxury penetration by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Penetration 2019</th>
<th>Penetration 2020</th>
<th>Penetration 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready-to-wear</td>
<td>61%</td>
<td>60%</td>
<td>69%</td>
</tr>
<tr>
<td>Footwear</td>
<td>50%</td>
<td>51%</td>
<td>48%</td>
</tr>
<tr>
<td>Handbags</td>
<td>42%</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>Jewelry &amp; watches</td>
<td>44%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>Accessories</td>
<td>55%</td>
<td>54%</td>
<td>45%</td>
</tr>
</tbody>
</table>

#### Trends

<table>
<thead>
<tr>
<th>Category</th>
<th>Trend</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready-to-wear</td>
<td>Fast growing</td>
<td>Ready-to-wear clothes satisfy heavy-spending consumers' and post-90s cohorts' needs for self-expression and daily wear respectively.</td>
</tr>
<tr>
<td>Footwear</td>
<td>Structural shift</td>
<td>Post-90s light-spending male consumers bring up sales of casual footwear, thus affecting those of leather shoes.</td>
</tr>
<tr>
<td>Handbags</td>
<td>Stable</td>
<td>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.</td>
</tr>
<tr>
<td>Jewelry &amp; watches</td>
<td>Stable</td>
<td></td>
</tr>
<tr>
<td>Accessories</td>
<td>Small drop</td>
<td>Traditional small leather categories like wallet are losing favor to more stylish, easy-to-match accessories</td>
</tr>
</tbody>
</table>

Source: 2019-2021 TMI X BCG Luxury Consumer Survey; BCG analysis
The rise of post-90s consumers and increased purchasing power have combined to impact category penetration

### Luxury penetration by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-90s</th>
<th>Post-90s light-spending consumers</th>
<th>Post-90s medium-spending consumers</th>
<th>Post-90s</th>
<th>Pre-90s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ready-to-wear</td>
<td>69%</td>
<td>52%</td>
<td>75%</td>
<td>86%</td>
<td>80%</td>
</tr>
<tr>
<td>Footwear</td>
<td>48%</td>
<td>49%</td>
<td>51%</td>
<td>57%</td>
<td>52%</td>
</tr>
<tr>
<td>Handbags</td>
<td>46%</td>
<td>28%</td>
<td>48%</td>
<td>60%</td>
<td>72%</td>
</tr>
<tr>
<td>Jewelry &amp; watches</td>
<td>49%</td>
<td>32%</td>
<td>49%</td>
<td>73%</td>
<td>80%</td>
</tr>
<tr>
<td>Accessories</td>
<td>45%</td>
<td>34%</td>
<td>49%</td>
<td>61%</td>
<td>57%</td>
</tr>
</tbody>
</table>

- **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.
- Post-90s light/medium-spending consumers desire footwear in favor of stylistic casual shoes instead of the leather kind.
- 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.
- Heavy-spending consumers are the major buyers of jewelry/watches with an aim of investment.
- 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
The increased presence of post-90s light/medium-spending male consumers has implications for the penetration of ready-to-wear, footwear and handbags.

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
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.

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)
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?

<table>
<thead>
<tr>
<th>Channel</th>
<th>Annual spending</th>
<th>Preferred styles</th>
<th>Expected growth</th>
<th>Consumer distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand.com</td>
<td>~RMB 140K</td>
<td>Classics, New arrivals, Hit designs</td>
<td>30-35%</td>
<td>Evenly distributed</td>
</tr>
<tr>
<td>WeChat Mini Program</td>
<td>~RMB 170K</td>
<td>Classics, Fashion show collections, Crossover/limited edition</td>
<td>30-35%</td>
<td>More post-90s medium-spending consumers (1.5x avg.)</td>
</tr>
<tr>
<td>Ecommerce platforms</td>
<td>~RMB 120K</td>
<td>Classics, Entry-level products, Hit designs</td>
<td>25-30%</td>
<td>More post-90s light-spending consumers (1.3x avg.)</td>
</tr>
</tbody>
</table>

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:

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

- 45% of total luxury consumer base and expected to become the major growth driver of market 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.

**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.

**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.

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
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.

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

**Demographics**

- **Gender**
  - Male: 46%
  - Female: 54%

- **Annual spending (RMB 10k)**
  - <3: 23%
  - 3-5: 19%
  - 5-10: 23%
  - 10-15: 17%
  - 15-20: 10%
  - 20-30: 7%

- **Year of birth**
  - 95-00: 38%
  - 90-95: 62%

- **City tier**
  - Mega T1: 34%
  - Tier 1: 22%
  - Tier 2: 20%
  - T3 and below: 24%

**Frequent touchpoints**

- **Discover**
  - WeChat: 53%
  - Offline stores: 49%
  - Social media/short-video platform: 39%

- **Research**
  - WeChat: 53%
  - Offline stores: 44%
  - Social media/short-video platform: 45%

**Digitally savvy**

- **Located mainly in Tier-1/2 cities, great potential in increasing spend**
  - Mkt total: 42% Male, 58% Female
  - 18% <3, 16% 3-5, 21% 5-10, 15% 10-15, 11% 15-20, 18% 20-30

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

- Influenced by celebrity/influencers: 68%
- Strong peer influence leads to "compulsive" buys: 65%
- Purchase the sought-after items in my social circle: 42%
- Research new products recommended by WeChat friends: 39% (Avg 20%)

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.

- Mostly research products and get inspiration online: 67% (Avg 56%)
- Last luxury item was purchased online: 41% (Avg 39%)

"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.

- Attracted by brand experience event: 73% (Avg 60%)
- Value creativity of marketing content: 36% (Avg 27%)

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.

- Post-90s males believe buying luxury goods can help them break into new social circles: 52% (Avg 44%)
- % of males in post-90s light & medium-spending consumers: 49% (Avg 42%)

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700); expert interviews; BCG analysis
## 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
Mainland China online channels are gaining ground as post-90s light & medium-spending consumers buy online more frequently

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

**Discovery & Engagement in WeChat (%)**

- **WeChat**: 53%
- **Content-focused social media**: 27%
- **Short-video platform**: 19%
- **Other social media**: 12%
- **Others**: 4%

**Research & Engagement in WeChat (%)**

- **WeChat**: 53%
- **Content-focused social media**: 34%
- **Short-video platform**: 15%
- **Other social media**: 15%
- **Others**: 4%

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

<table>
<thead>
<tr>
<th>Content Type</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand service/experience</td>
<td>73%</td>
</tr>
<tr>
<td>Celebrity marketing</td>
<td>68%</td>
</tr>
<tr>
<td>Creative content</td>
<td>65%</td>
</tr>
<tr>
<td>Traditional ads</td>
<td>58%</td>
</tr>
<tr>
<td>Creative events</td>
<td>54%</td>
</tr>
<tr>
<td>Informational articles</td>
<td>52%</td>
</tr>
</tbody>
</table>

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

- Feels fashionable, and can enhance my aesthetics 50%
- Helps me keep up with the latest trends 37%
- Creative & eye-catching 36%

Index:

- Pop-up stores, exhibitions, fashion shows 117
- Celebrity try-ons, influencer reviews 116
- Interactive ads, red envelope covers, AR 115
- Brand/product ads 106
- Online flash sales, theme-based events 99
- Brand culture, product concept 95

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

1. Mega T1 cities include Beijing, Shanghai, Shenzhen, and Guangzhou.

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

- **Preference for fashion show collections that represent a brand’s essential style**: 58% vs. Avg 41%

  *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.

- **Most frequently-purchased brand hasn’t changed in the last 2 years**: 75% vs. Avg 67%
- **Brand irreplacability perceived from brand culture, style or design**: 66% vs. Avg 55%
- **Reads fashion-related content > once a week**: 50% vs. Avg 23%
- **Values offline fashion shows/exhibitions by brands**: 45% vs. Avg 38%

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

- **Continues to shop in Mainland China after COVID due to perceived service improvement**: 72% vs. Avg 65%

  *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)
## 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 VIC¹ 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.

  - 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.

**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

  - 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

**More flexible for brands / channels**

- 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.

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¹ VIC: Very important client

Source: 2021 TMI X BCG Luxury Consumer Survey (N=~4,700)
Major drivers of continued purchase by heavy-spending consumers include brand service, design & style, brand culture, special product offerings & vertical media recommendation.

**Factors impacting heavy spender repurchase decision**

<table>
<thead>
<tr>
<th>Less important</th>
<th>More important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand service</td>
<td>Extraordinary brand service is a key motivator for repeat purchases – brands need to provide unique and considerate customer care beyond a simple transactional relationship</td>
</tr>
<tr>
<td>Design &amp; style</td>
<td>Stylistic match is essential – style attracts a segment of loyal customers who will evangelize for the brand</td>
</tr>
<tr>
<td>Brand culture &amp; heritage</td>
<td>Great interest in brand culture &amp; heritage – seek first-hand brand information and professional fashion insights from vertical media</td>
</tr>
<tr>
<td>Crossover/limited edition</td>
<td>Crossover/limited edition products effectively drive repeat purchasing</td>
</tr>
<tr>
<td>Vertical media recommendation¹</td>
<td>Heavy-spending consumers focus less on price/promotions, celebrity try-ons and influencer recommendations</td>
</tr>
<tr>
<td>SA recommendation</td>
<td></td>
</tr>
<tr>
<td>Official account</td>
<td></td>
</tr>
<tr>
<td>Price/promotions</td>
<td></td>
</tr>
<tr>
<td>Celebrity try-on</td>
<td></td>
</tr>
<tr>
<td>Acquaintance recommendation</td>
<td></td>
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<tr>
<td>Advertisements</td>
<td></td>
</tr>
<tr>
<td>Product functions</td>
<td></td>
</tr>
<tr>
<td>Influencer recommendation</td>
<td></td>
</tr>
</tbody>
</table>

¹. Fashion magazines and news sources, etc.

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

- WeChat: 52%
- Brand events: 48%
- Physical stores: 41%
- Brand.com: 28%
- Other social media: 24%

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

- WeChat: 54%
- Brand events: 42%
- Physical stores: 40%
- Brand.com: 30%
- Other social media: 23%

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

<table>
<thead>
<tr>
<th>Engagement</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official accounts (incl. public &amp; video accounts/mall)</td>
<td>64%</td>
</tr>
<tr>
<td>Brand-owned WeChat Mini Program</td>
<td>50%</td>
</tr>
<tr>
<td>Sales assistant recommendation</td>
<td>48%</td>
</tr>
<tr>
<td>3rd-party content</td>
<td>41%</td>
</tr>
<tr>
<td>Acquaintance recommendation</td>
<td>34%</td>
</tr>
<tr>
<td>Brand ads</td>
<td>29%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Segment 1: post-90s light / medium-spending consumers</th>
<th>Segment 2: Heavy-spending consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing strategy</strong></td>
<td><strong>Leading practice</strong></td>
</tr>
<tr>
<td>1. Set up flexible online channels based on consumer demand; leverage the most convenient measures to meet the requirements of diverse target groups</td>
<td>• Re-imagining online shopping: extensive positioning - diversified store formats to capture personalized needs of different consumer segments</td>
</tr>
<tr>
<td>2. Leverage social marketing and interest groups to connect with post-90s generation; close the distance with this new &amp; fast-growing customer base</td>
<td>• Light social marketing: integrate brand elements into everyday social activities, rely on spontaneous WOM to strengthen exposure</td>
</tr>
<tr>
<td>3. Post-90s light / medium-spending consumers expect abundant &amp; creative brand content; brands need to create an impressive, premium experience</td>
<td>• Create buzz beyond luxury: musician &amp; celebrity collaboration to reach wider groups of post-90s consumers</td>
</tr>
<tr>
<td>4. Migrate exclusive services &amp; VIC(^1) sales experience from offline to online; leverage brand’s private domain to offer a more convenient and exclusive digital service experience</td>
<td>• Ad format upgrading: tech-enabled upgrading of online ad experience for deeper immersion - cool and engaging</td>
</tr>
<tr>
<td>5. Integrate multiple digital touchpoints &amp; leverage frequent communications to convey brand spirits in everyday life</td>
<td>• Exclusive service on cloud: VIC(^1) exclusive live broadcasting, 24-hour WeCom VIC(^1) services, online flash sales experience...</td>
</tr>
<tr>
<td>6. Integrate multiple digital touchpoints &amp; leverage frequent communications to convey brand spirits in everyday life</td>
<td>• 360-degree brand storytelling: leverage multiple touchpoints and multiple content formats to comprehensively communicate brand style and brand story</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>2019: Pilot of WeChat Mini Programs</th>
<th>2020: pop-up boutiques, limited categories</th>
<th>2021: always-on + expanded offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online store</td>
<td>Pop-up boutiques to promote new arrivals during major holidays – short cycle + limited categories</td>
<td>Top luxury groups launching “always-on” WeChat Mini Programs, with diverse SKUs; available all year round</td>
</tr>
<tr>
<td>Membership management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing engagement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. WeChat Mini Program % of sales = WeChat Mini Program sales as a percentage of omni-channel sales

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

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

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

1. VIC: Very important client
Source: Tencent Ads
Online shopping reimagined: HERMES WeChat Mini Program expanded offerings & campaign dates, Cartier MP offered comprehensive online services to enrich e-comm experience

<table>
<thead>
<tr>
<th>HERMES</th>
<th>Cartier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expand offerings from apparel &amp; accessories to cosmetics &amp; home décor</td>
<td>Official WeChat Mini Program store</td>
</tr>
<tr>
<td>Expand campaign dates from Chinese Valentine's Day to Children's Day</td>
<td>WeChat Mini Program store for global shopping</td>
</tr>
<tr>
<td>Provide more and more SKUs on WeChat Mini Program to improve consumer shopping experience.</td>
<td>Integrate services including shopping guide, brand info, maintenance &amp; care, gift suggestions and virtual experience for seamless connection with customers.</td>
</tr>
<tr>
<td>Develop more social marketing campaigns for different TAs to increase end-to-end consumer awareness.</td>
<td>Integrate global retail &amp; 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.</td>
</tr>
</tbody>
</table>

Source: Tencent Ads
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.

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
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

<table>
<thead>
<tr>
<th>2020: first luxury brand to launch WeChat red packet-based social marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited edition WeChat red packet covers sent out via WeChat Moment ads to create social buzz and emotional connection with consumer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2021: optimized previous social campaign - fully leveraged multiple social touch points and used red packets as medium to enhance brand’s lasting social influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Format upgrade: rotate your phone to get red packets for year of the ox; interactive &amp; fun</td>
</tr>
<tr>
<td>Enhanced traffic acquisition via touch points; GUCCI red packet became a top-searched keyword on WeChat during campaign period – 60%+ exposure increase</td>
</tr>
<tr>
<td>Lucky draw on WeChat Official Account</td>
</tr>
<tr>
<td>Red packets w GUCCI's limited Doraemon cover were &quot;opened&quot; 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.</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Longines x new idol groups x music</th>
<th>PIAGET x new idol groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Summer Live&quot;: concert livestreamed in partnership with QQ Music, Li Chen, INTO1, and other young celebrities</td>
<td>Campaign at significant local marketing dates - appoint idol group members as &quot;Friend of Piaget 520&quot;</td>
</tr>
<tr>
<td>Longines live event broadcasted via QQ Music</td>
<td></td>
</tr>
<tr>
<td>Synchronized live-streaming on WeChat Live</td>
<td>180k views</td>
</tr>
<tr>
<td>— PIAGET China Managing Director Mathieu Delmas</td>
<td></td>
</tr>
</tbody>
</table>

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 live-streaming in the evening.

The project was very successful for both Piaget and Tencent, thanks to our rich multi-channel collaboration experience.

Members of INTO1 were appointed "Friend of Piaget 520" – they posted 520-word puzzles & fun acronyms to attract post-90s consumers.

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

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
4. Exclusive online service: create online VIC\(^1\) room to provide exclusive and exquisite e-service

**LOUIS VUITTON**

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**

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

---

1. VIC: Very important client
Source: Tencent Ads
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, with 30K+ consumers competing for products instantly after launch.

1. VIC: Very important client
Source: Tencent Ads
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"

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

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

Source: Tencent Ads
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

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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*Note: In random order*
Tencent Marketing Insight (TMI) leverages China’s leading Internet traffic and content scenarios to discover industry marketing practices and innovative plays. TMI makes use of scientific, comprehensive research methodologies to drive insights into new industry models and new marketing trends. TMI thus offers marketing professionals the most cutting-edge advice, driving industry iterations and helping brands better understand their users and deliver high efficiency business growth.

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