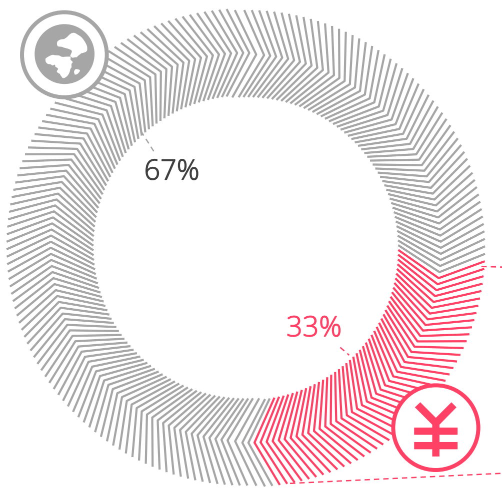
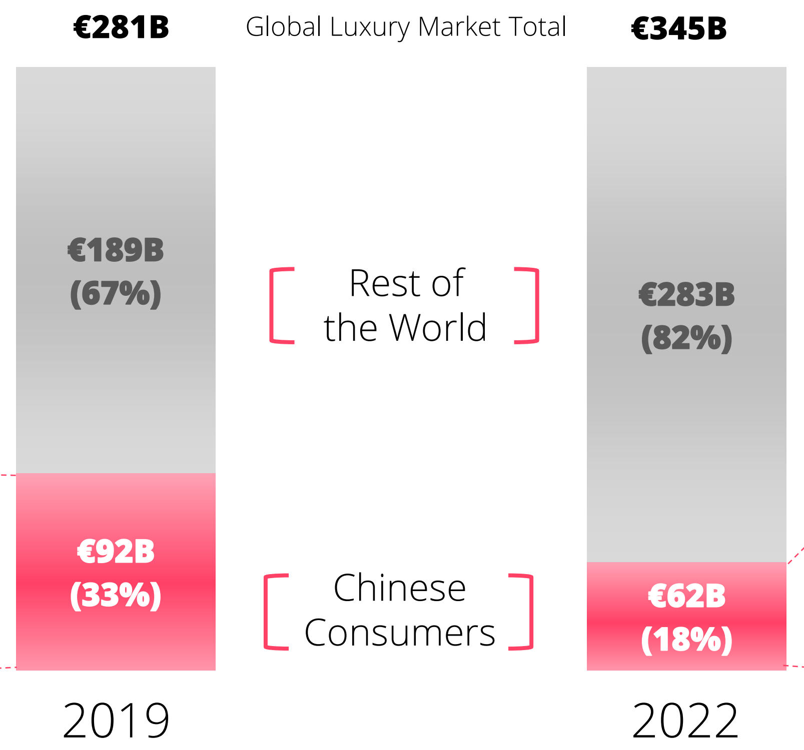
THE NEW AGE OF DIGITAL

Introduction

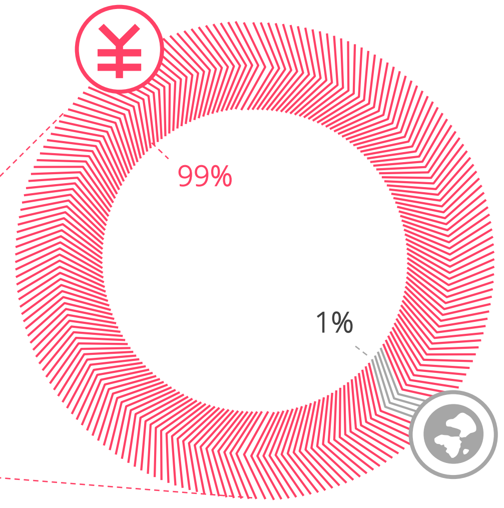
Luxury Market Overview

67% of luxury spending from Chinese consumers happened outside of China in 2019.





In 2022, Chinese consumer spent almost 100% of their luxury expenditures in China.



Source: Bain - Altagamma Luxury Goods Worldwide Market Study Fall 2022 – 21st Edition

In three years,

China's luxury market

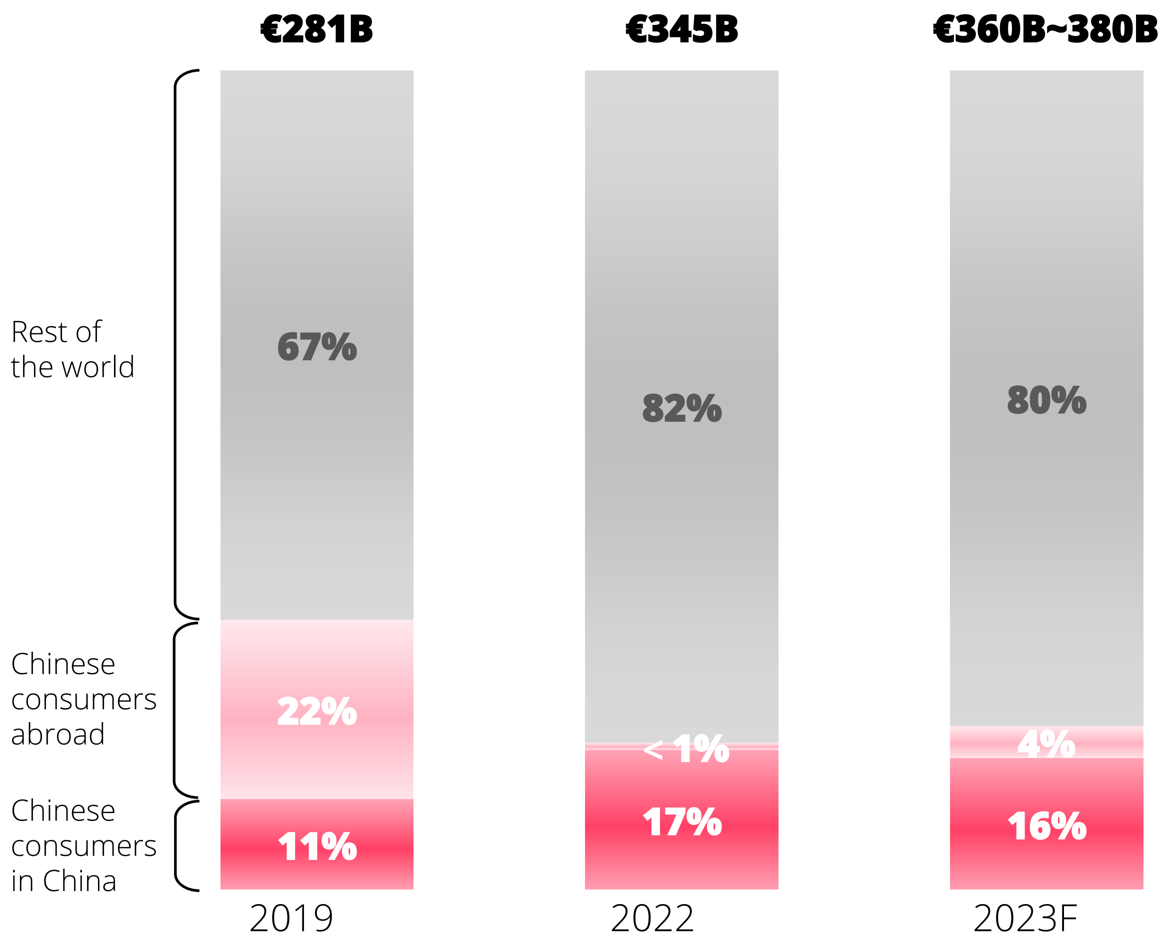
doubled in size,

but total Chinese consumer

luxury spending

fell by 30%.

Luxury Market Outlook 2023



TAILWIND

- Chinese consumer market is back to normal
- Consumers are able to travel again internationally
- (U)HNWI are very resilient, and willing to spend on luxury products

HEADWIND

- Consumer confidence has been impacted by macroeconomic uncertainties
- Post-pandemic consumption rebound is not making up for the full drop of 2022
- The expectation for experience is very high

Source: Bain - Altagamma Luxury Goods Worldwide Market Study Fall 2022 – 21st Edition, Bain & Company; Bain - Altagamma Luxury Goods Worldwide Market Study Spring 2023 – 22nd Edition, Bain & Company

Will Chinese shoppers go back
to drive spending elsewhere,
or is local consumption 'here-to-stay'?

To embrace the “New Normal” of Chinese luxury consumers,

luxury companies should focus on three “new” obsessions.

1

E-commerce
Obsession

2

Customer Loyalty
Obsession

3

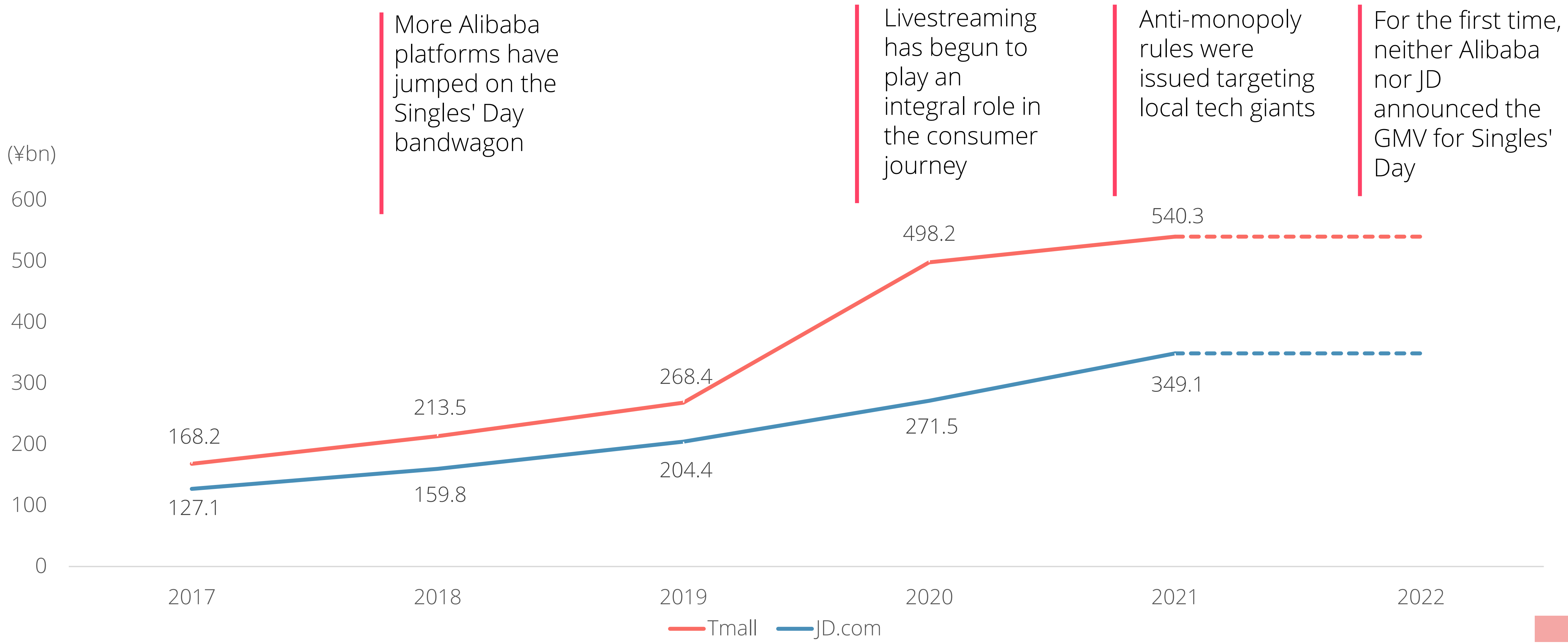
Chinese Travellers
Obsession

1

E-commerce Obsession

Marketplaces are no longer just about fuelling GMV growth for established brands.

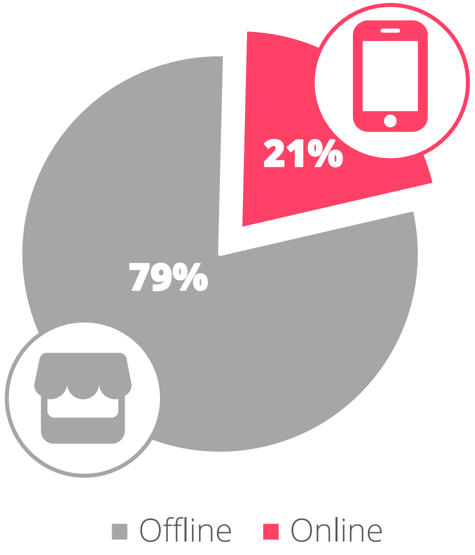
Muted Singles' Day Shopping Festival



Source: Alibaba; JD

Share Of Revenue

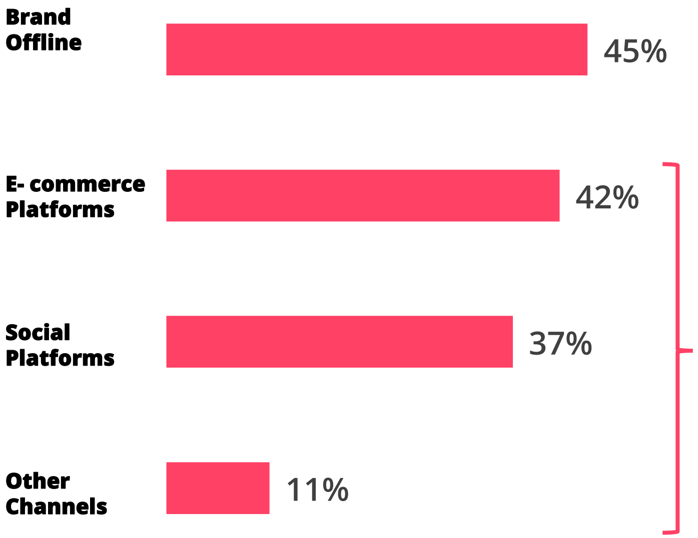
Share of Revenue between Online and Offline



Only 21%

of brands' revenue come from e-commerce

Influence channels for luxury consumers



92%

customers will be influenced by online channels before their purchases

Source: Statista; 2023 Luxury Consumer Research (N~2,700) by Tencent Marketing Insight(TMI) & BCG, BCG analysis.

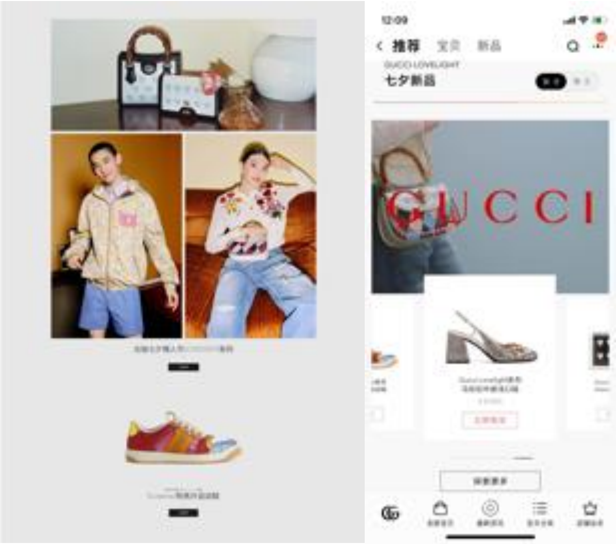
Marketplaces objectives need to evolve from sole GMV growth focus to brand building.

Product showcase

- Product category focus
- Extensiveness of product selection
- Presence of iconic and top tier assortment

Brand DNA & values

- Focus in terms of brand values highlighted
- Elements of storytelling
- Quality and craftsmanship



User Experience

- Store functions & digital products
- Product descriptions and imagery used

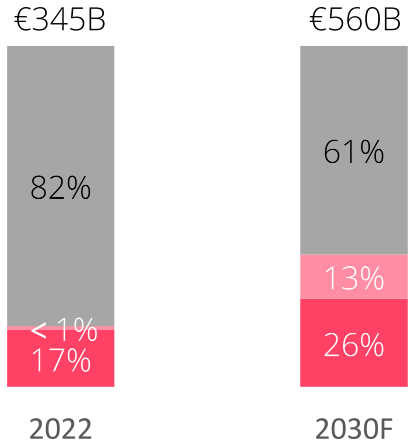
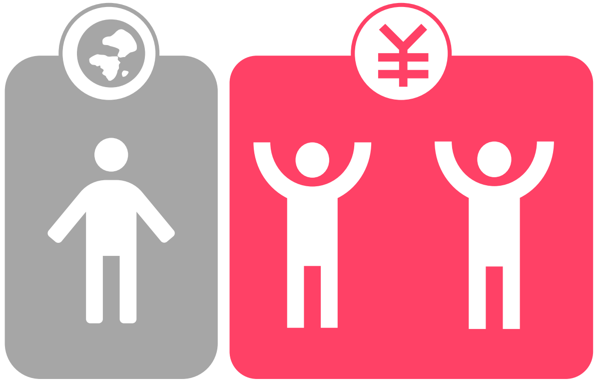
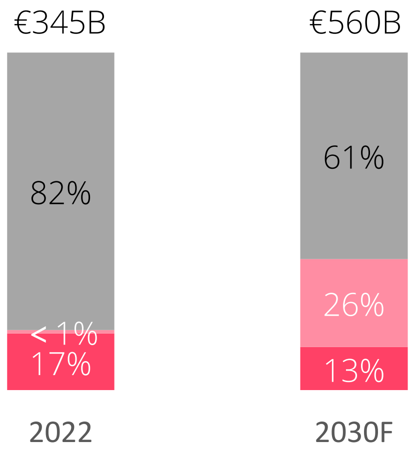
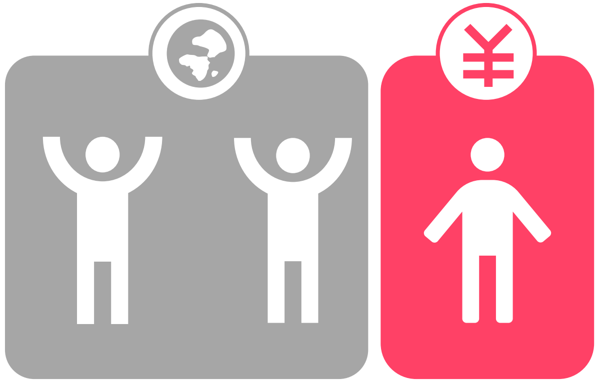
The Implication

2

Customer Loyalty Obsession

The growing attractiveness of travel coupled with the macro-economic environment makes it more crucial than ever to win the loyalty of existing customers.

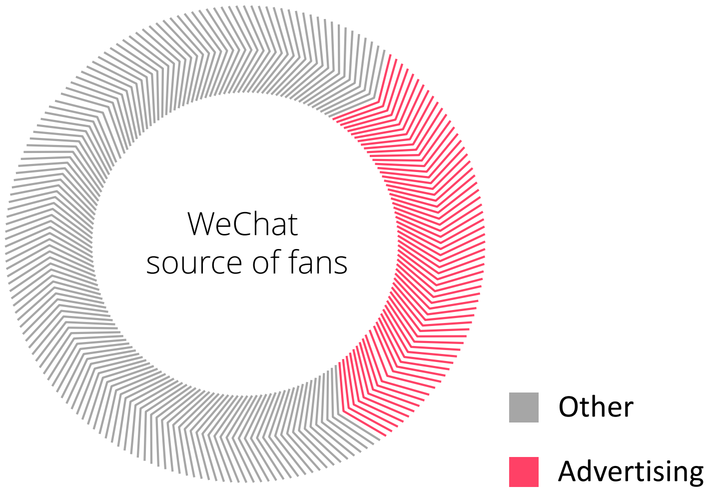
Luxury Expenditure Distribution

	Global Luxury Market	Chinese Expenditure Distribution	Implications for Luxury companies
SCENARIO 1			• Local luxury market will grow at a CAGR of 12% • Continue to expand into lower-tier cities and attract new generations • The online and offline shopping experience will continue to evolve
SCENARIO 2			• Local luxury market will grow at a CAGR of 2% • Consumers continue to prefer to shop for a better price and assortment • Following the post-pandemic boom, local demand will remain stagnant

Shopping in China   Shopping Abroad   RoW

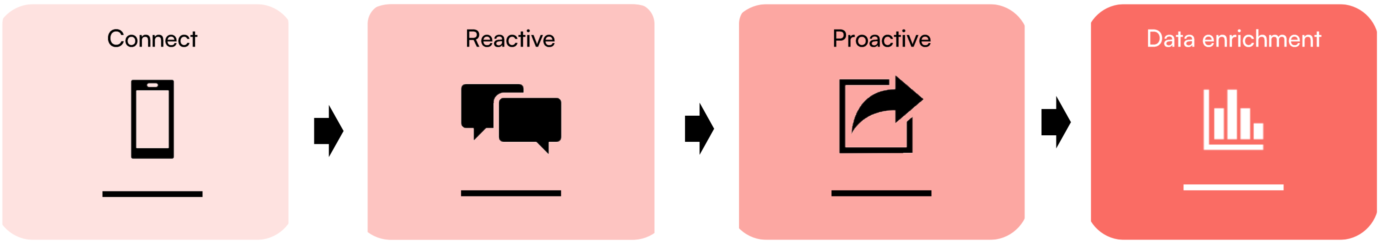
The Truths

PRIVATE DOMAIN STRATEGIES STILL EXPERIENCE GAPS



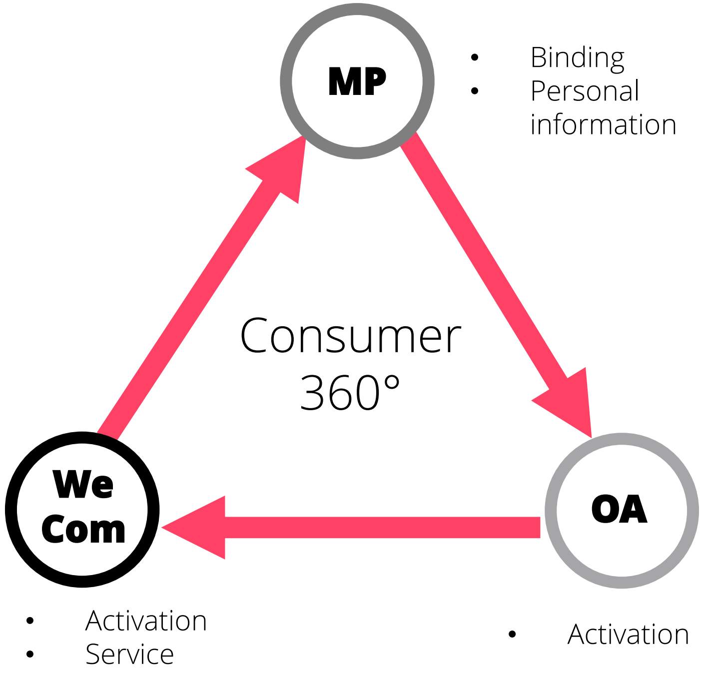
WeChat Official Account growth still highly relies on advertising and opportunities are missed in terms of customers / prospects capture

While WeCom efficiently adressed the “capture” gap,
the way brands use it to properly nurture the audience is still limited.



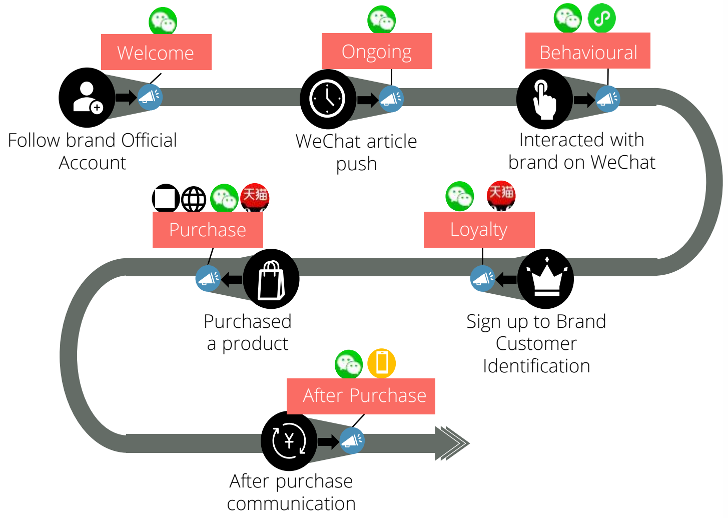
Private domain recruitment is not the end goal, its activation is where the real journey starts…

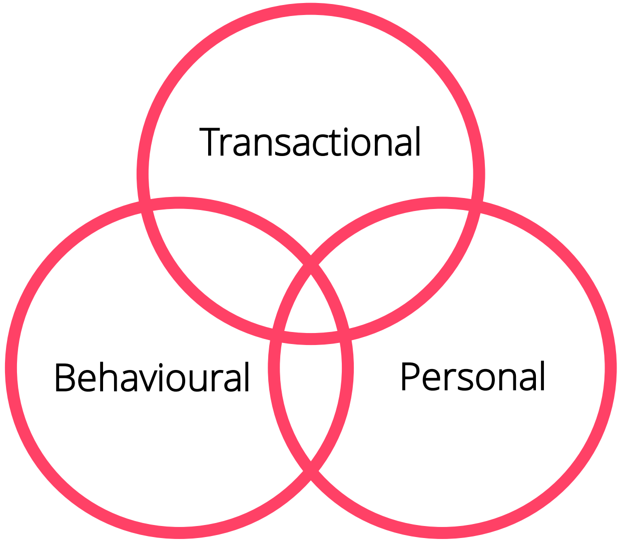
CONSUMER JOURNEY



LIFECYCLE COMMUNICATIONS

Omni-channel lifecycle communications developed for various scenarios and taking advantage of channels available





- Data must be integrated and at the service of the various channels
- Clienteling is ALSO a data source

The Implication

3

Chinese Travellers Obsession

The travel shopping user experience is not delivering and **very few brands** have focused on it.

The Truth

Brands are unable to deliver abroad at each stage of the journey

Drive to Store		Store Experience		CRM Onboarding	
Service	Considerations	Service	Considerations	Service	Considerations
Store Locator Appointment Service Customer service	• Accessibility • Relevancy • Efficiency	Clienteling (WeCom) QR Code Strategy Payment (Alipay & WeChat Pay)	• Security • Confidentiality • Convenience	Recognition CRM Onboarding After Sales Services	• PIPL • GDPR • Cross-border data transfer
• Hosting and technology • User experience • Training and KPIs		• WeChat and sales ceremony • WeCom onboarding and training • Payment gateways		• Infrastructure • Regulation	

The Fact

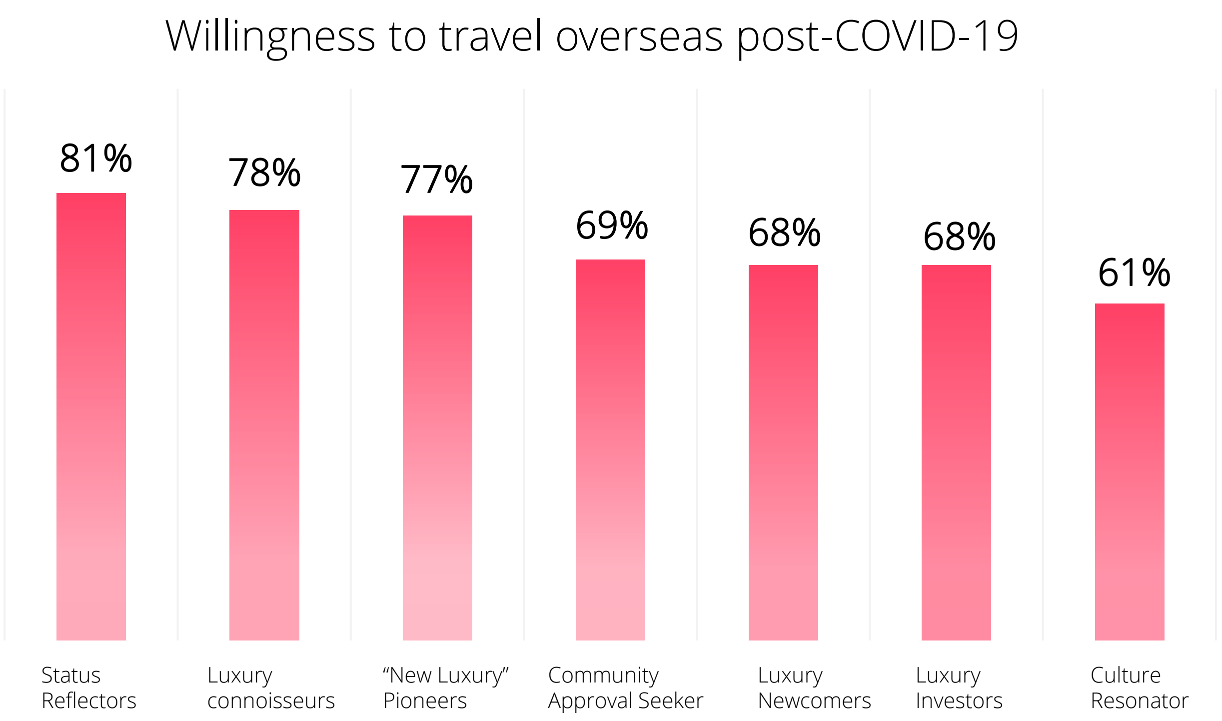
LIKE IT OR NOT, IT WILL HAPPEN

70%

More than 70% of the luxury consumers are willing to travel abroad

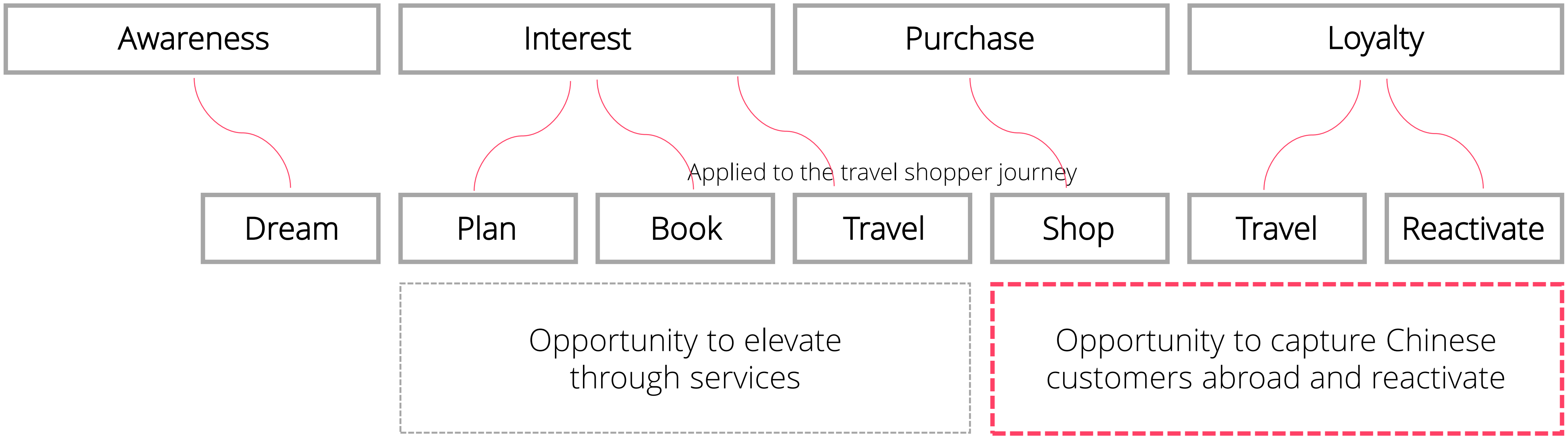
TOP 3

Shopping is a Top 3 motivation for every personas



Source: KPMG analysis

Brands should look at how to take advantage of travel retail, rather than passively resisting to it.



The Implication

CAPTURE

Official Account capture through the QR code strategy

ON-BOARD

Segmented communication inviting to register on loyalty program and connect with local SAs

REACTIVATE

Invitation to local store with various benefits associated (events, warranty extension, CRM benefits transfer)

The Implication

KEY TAKEAWAYS

1

From
Sole GMV Growth
To
Brand Building

2

From
Private Domain Recruitment
To
Private Domain Activations

3

From
Resisting Travel Retail
To
Taking Advantage Of It