

# Exploration of China's Luxury Industry

Qiao Liu

School of Management, Hubei Business College, Wuhan 430062, China.

**Abstract:** In many literature and industry market reports, the luxury industry in China usually refers to the sales situation of various Western luxury groups led by the three major luxury groups in China. The research scope of this article is based on luxury brands born in China, and at least most stages of the industry chain are based in China, rather than just luxury brands sold in China. First, this article gives the definition of luxury and grade classification of luxury goods; then it lists the current scope of China's luxury industry from two dimensions: classified by product category and classified by luxury industry parts; in the end, this article proposes several inspirations from the current situation of China's luxury industry.

**Keywords:** Luxury Brand; China's Luxury Industry

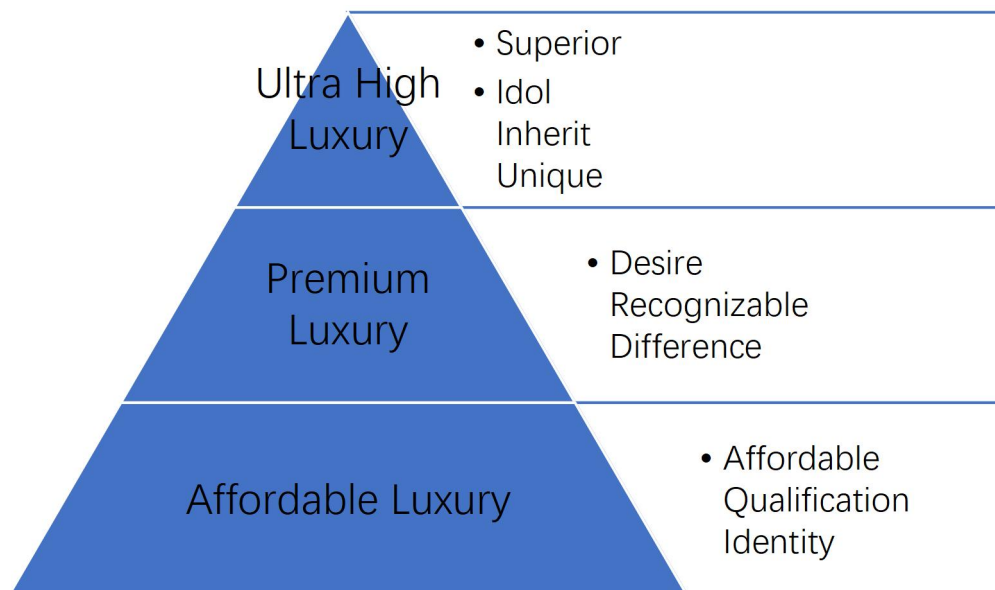
## 1. Luxury and related definitions

### 1.1 Definition

Luxury goods are usually defined as "a type of consumer goods that goes beyond people's survival and development needs, with unique, scarce, and rare characteristics. In economics, it refers to the product with the highest value/quality ratio. From another perspective, luxury goods refer to products with the highest ratio of intangible value to tangible value. <sup>[1]</sup>The English word 'Luxury' originates from the Latin word 'luxus', which originally meant 'extremely strong reproductive power', but later evolved into waste and excess; This term describes certain aspects of expenses and lifestyles that exceed the necessary level in the production and use of various goods. In Chinese semantics, "luxury" also represents both expensive and extravagance<sup>[2]</sup>

### 1.2 Luxury grade classification

Table 1 Luxury Pyramid - Bain Luxury Research <sup>[3]</sup>



The above table shows the hierarchical division gradually formed since 1990s.

## 2. Scope of China's luxury industry

In many literature and industry market reports, the luxury industry in China refers to the market of various Western luxury groups led by the three major luxury groups in China. However, the research scope of this article is based on luxury brands born in China, and at least most stages of the industry chain are based in China, rather than just sold in China. The following will be analyzed from the perspective of product category classification.

### 2.1 Clothing & footwear

In the high-end clothing and footwear industry in China founded from 1980 to 2010 (and even until 2020), many brands created their high-end brand image by giving a French/Italian name; hiring French/Italian designers; brand promotion models are westerners, and so on. Among them, shoe brand STELLA LUNA and women's clothing brand GIADA operate in this way.

STELLA LUNA belongs to Stella International LTD, one of the top ten shoe industry groups in the world. Thanks to its experience in OEM shoes for many luxury and high-end brands, Stella International LTD established STELLA LUNA, a light luxury shoe brand, in Shanghai in 2006, which gained the favor of middle-class women in China and gradually opened exclusive stores in Italy, the UK, and France. (Affordable Luxury)

Other high-end clothing and footwear brands in China, founded from 1995 to the present, choose to present the image of a "Chinese brand" to consumers through all aspects such as brand name, clothing style, store design, and promotional models.

For example, high-end women's clothing brand ICICLE. In stores, there are displays of Chinese and English names, with Chinese names dominating. Its design style advocates ancient Eastern philosophy and draws inspiration from nature. Its fabrics are mostly made of materials such as cashmere, wool, linen, silk, cotton, etc. Its pricing range is slightly lower than MaxMara and Loro Piana. Its models definitely choose Eastern faces, and the storefront colors often adopt the simple and elegant tones advocated by the Song Dynasty in China, making it a popular brand among white-collar women in first tier cities. (Affordable Luxury)

### 2.2 Bags

DISSONA, founded in 1985 and has been stationed in high-end shopping malls in cities of China since around 2000, has shown a slight swing in its brand image development path. At first, its promotional strategy was inseparable from the keyword "Italian leather craftsman". In the past five years, with the increasing confidence of the Chinese people in domestic brands, DISSONA's official propaganda has gradually evolved into a "Chinese original boutique leather goods brand". However, due to fierce competition, vague brand image, and aging styles, it has gradually shown a decline in the past 3-5 years. Its pricing range is basically the same as FURLA and COACH. (Almost Affordable Luxury)

Perhaps lucky enough to step on the pulse of the times, Songmont, founded in 2013, means pine tree under the mountain in Chinese, ushered in its highly popular and widely accepted moment of glory for young girls in 2023. Its founder is an independent designer, inspired by the Eastern philosophy of self-awareness and freedom, dedicated to user experience design for young urban girls, focusing on practical bags that are not afraid of time. The pricing range is basically the same as FURLA. (Almost Affordable Luxury)

### 2.3 Jewellery

HEFANG, an independent designer jewelry brand founded in 2012, graduated from the Central Saint Martin School of Art in London as a designer, with a father in charge of the jewelry manufacturing industry. This brand specializes in inlaid jewelry with a sense of design, targeting young and fashionable urban girls. The pricing range is approximately equivalent to PANDORA or APM Monaco. (Almost Affordable Luxury)

### 2.4 Perfume & Cosmetics

The salon fragrance brand Documents, founded in 2021, has a Chinese pronunciation similar to [wen: fæn:], famous among trendy and cool young people in Beijing and Shanghai for its Zen style and coolness. Its products are mainly concentrated on EDP., and its style emphasizes that aesthetics and philosophy are the carriers to distinguish it from western mainstream perfume brands. The stores in Shanghai and Beijing are attracting people born in the 2000s to taste and make purchases. Its main EDP product is priced at

980RMB/30ml (135USD/30ml), which is about 40% higher than the Salon Fragrance Jo Malone. In September 2022, L'Oreal Group announced a minority equity investment in it. (Affordable Luxury)

## **2.5 Alcohol & Tea**

China has a long history of tea, with numerous tea factories in various production areas. In 2022, the national tea production was 3.3421 million tons. Although there are many tea factories, the influence of modern tea brands is limited. XIAO GUAN TEA, founded in 2014, can be considered one of the leaders among them. XIAO GUAN TEA is a modern Chinese tea brand that emerged under the Internet thinking and experience economy. This brand is not dedicated to creating a high-end image of a particular tea variety, but rather a high-end tea brand created through modern brand promotion methods. It is a successful attempt by enterprises in the high-end tea industry. (Affordable Luxury)

It should be explained that the luxury companies listed in each category in this part are usually typical or outstanding cases in the field. Due to space limitations, not all Chinese luxury companies in this field have been listed.

## **3. Enlightenment from the Current Situation of China's Luxury Industry**

### **3.1 The rich background of luxury industry is the soil for the rise of luxury brands**

The rise of luxury brands is usually based on a rich background in the luxury industry. Just like Florence in the 17th century, there must be thousands of small handmade leather goods workshops, followed by hundreds of outstanding ones, and dozens of stores that can go through the baptism of time to become well-known brands. Finally, after being tested through various difficulties such as capitalization and modern brand marketing operations, they stand firm and ultimately become one of several globally renowned luxury brands.

In China, the categories of clothing & footwear, jewelry, alcohol & tea, as mentioned in the previous part, currently have a mature high-end industry chain. A rich industrial background is already in place. The key points required for evolution to become a true luxury goods industry can be found in 3.2 and 3.3.

The two categories of bags and perfume & cosmetics in China are still in the stage of too few players and insufficient background in the luxury industry. But with the development of the content mentioned in section 3.3, it is believed that these two categories will accelerate their development in the short term.

### **3.2 Branding has become a key checkpoint for the rise of China's luxury industry**

China does not lack mature shoe factories. STELLA LUNA, which has been mentioned in the previous part, whose parent company is a OEM for many luxury fashion shoe brands, including PRADA, GUESS, Clarks, Marc Jacobs, etc, has accumulated rich experience in high-end shoe making. What restricts its development into a luxury brand is the lack of luxury brand building capabilities.

### **3.3 National confidence is an important prerequisite to the rise of the luxury industry**

Taking into account the examples of various categories mentioned above, we can get an impression that early Chinese high-end brands deliberately created the image of "European brands" to gain customers' favor and admiration. In the past five years, more Chinese high-end brands have chosen to create the image of "Made in China". This is not an accidental phenomenon. In traditional luxury advantaged countries such as France and Italy, the value of artisans and craftsmen has been recognized by society since the Renaissance, and the public is also quite proud of their own culture. China experienced a century's long period of weakness, war, and chaos before World War II, as well as the difficult reconstruction after the founding of the People's Republic of China in 1949. Firstly, it regained its national strength, and then its citizens gradually regained their confidence in themselves and their own culture. The early Chinese high-end brands created the image of "European brands" precisely because the confidence of the Chinese people in themselves was still insufficient at that time. At present, for example, the Documents perfume brand mentioned in the above part, people in a country will pay for this domestic luxury brand only if they truly believe their compatriots can make excellent luxury

things and believe that what their compatriots do is worth the price of luxury goods. Successful cases have already emerged in luxury industry in China and will definitely accelerate development in the future.

## **Conclusion**

At present, in the luxury industry in China, The industries of clothing & footwear, jewelry, alcohol & tea currently have rich industrial backgrounds, and have established and operated the affordable luxury brand well; The bags and cosmetics categories currently have a relatively weak high-end industrial background, but they have also developed and successfully operated the affordable luxury brand in the past five years.

Because the rich background of the luxury industry is the soil for the rise of luxury brands, more enterprises within the industry chain need to be born in the categories of bags and cosmetics to support the industry's evolution into more superior luxury brands.

For the entire Chinese luxury industry, due to the rapid increase in national confidence in the past five years and the rapid increase in recognition of domestic luxury brands, it is foreseeable that in the near future, China's luxury industry will accelerate its rise: affordable luxury will appear more frequently, premium luxury will make its debut, and ultra high luxury enterprises that were not originally branded will gradually try to complete branding, Join the luxury goods industry.

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