

Research on the Development Status and Management Countermeasures of Luxury Goods in China

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Abstract: In China's consumer market, the luxury market is gradually rising and has huge development potential, and in the process of the development, it attracts more and more customers and brands to join this kind of economic environment, and plays a crucial role in promoting social consumption. However, due to the particularity and complexity of the luxury market and the uniqueness of the Chinese market, this economic system is constantly changing under the social changes and presents more and more problems. And China still faces many challenges in the development and management of the luxury market. Based on the development status of China's luxury market, this paper discusses the development characteristics and trends of China's luxury market with real data and lots of theory, puts forward the challenges of the luxury market in the future and formulates corresponding management countermeasures, hoping to provide new ideas for the sustainable development of luxury enterprises in China. It can make China's luxury industry continue to grow and move forward steadily.

Keywords: Luxury goods prices, market environment, and purchase decisions

1. Introduction

With the change of global economic development, luxury goods have long become an important part of China's foreign trade. In his writings, Wang Gang once defined what is luxury: luxury should be a way of life in their respective societies, judged mainly by its products or services provided. Luxury goods are defined as abnormal products in economics, and the income elasticity of its demand is greater than 1, which also means that with the growth of income, people's demand for luxury goods will be increasing. This is in a broad sense and luxury goods refers more to the high-level consumer goods that are among the best in the consumption list and are exclusively owned by the small public group [1].

The luxury market is still a special market, which not only represents the consumption concept of consumers, but also reflects the level of a country's economic development and cultural level. In recent years, with the rapid development of China's economy and the continuous improvement of people's living standards, the luxury market has gradually emerged in China and shown great development potential.

But due to the particularity and complexity of the luxury market and the uniqueness of the Chinese market, domestic major luxury companies are facing various marketing crisis, so China's luxury

management policy still need to improve the innovation, to understand the market situation as the premise, in-depth analysis of market consumption trend, optimize marketing strategy, enhance the brand value, to ensure the sustainable development of the luxury market. Therefore, in the process of development, China is still facing many challenges in the development and management of the luxury goods market.

2. An Analysis of the Chinese Luxury Goods Market

2.1. Development Status Quo

It is reported that in 2020, the COVID-19 epidemic had a huge impact on the macro economy and the global luxury market. The global personal luxury market shrank for the first time since 2009, shrinking by 23% to 217 billion euros, and the total amount of luxury goods purchased by Chinese consumers worldwide fell. As the outbreak slows down, the strong fundamentals have boosted the recovery of the Chinese market. Bain & Company, a global consulting company, recently released the 2023 China Luxury Market Report, which shows that the mainland luxury market, which has been affected by the epidemic, will recover in 2023, achieving a year-on-year growth of 12%. In 2024, the mainland luxury market is expected to achieve medium-sized single-digit growth. Globally, the consumption of mainland consumers will account for 22% to 24% of the total global luxury consumption in 2023, and the mainland market will account for about 16% of the total global luxury consumption. Bain expects that China will become one of the world's leading luxury goods markets by 2030, with mainland consumers rising to 35% to 40% of global consumption and the mainland market to 24% to 26%.

2.2. Development Characteristics and Trends

Influenced by economic development, technological innovation, consumer consumption concept change, brand diversification and other factors, the luxury goods industry has shown a positive growth trend in China. Consumers' increasing demand for high cost performance has promoted the development and growth of the market. China's luxury goods market is challenged by global economic uncertainty, but it has maintained a steady recovery and growth. Chinese consumers have a strong purchasing power, especially in clothing, leather goods, cosmetics, jewelry and other categories, where they show a preference for luxury goods. In addition, the development of e-commerce and the transfer of overseas consumption also bring new opportunities and challenges to the luxury industry. The adjustment of the price strategy, the strengthening of the experiential marketing and the rise of the second-hand luxury goods market are all the key trends of the future development of the luxury goods industry in China. What is more, some young people are very enthusiastic about luxury consumption, not only as an interest, but also as a pursuit. Luxury goods have generally entered the life of the majority of young people, but they can not dominate the life of young people. In short, most young people are rational in the pursuit of life ideals[2]. Therefore, on the whole, China's luxury goods industry is facing huge development potential and opportunities.

Different from the international market, the current domestic second-hand luxury goods market is still in the initial stage. Related market analysis institutions speculated that expected by 2025 Chinese luxury market size will reach 1.4 trillion yuan, but the second-hand luxury market accounted for about 5% of the luxury industry, and the second-hand luxury reached 20% or even 30% of luxury consumption scale, this shows that China second-hand luxury market prospect is still very optimistic, development potential is also worth digging. In addition, the younger characteristics of China's second-hand luxury market are also very obvious. Relevant reports predict that in China's second-hand luxury consumer groups, those under the age of 30 account for 52%. This is internally related

to the economic strength of young people and the consumer psychology of pursuing renewal [3]. This also reflects the current consumption concept of the young generation in China.

Since 2012, the weak global economy, rich assets, luxury industry trough, and China outshine, become the rapid growth of global luxury market leader, luxury sales present geometric growth, luxury market annual consumption of \$15.6 billion (not including private aircraft, yachts and luxury cars), accounting for 30% of the global purchase, growth in the world's first [4].

However, the gap between the rich and the poor is still very large, and more wealth is concentrated in the hands of fewer people, so these rich groups may put their money into luxury consumption. The report to the 19th National Congress of the Communist Party of China pointed out that the principal contradiction in Chinese society has turned into the contradiction between the people's ever-growing needs for a better life and inadequate development, and the widening gap between the rich and the poor is part of this contradiction. Therefore, in recent years, China attaches great importance to the problem of excessive income gap, and takes a variety of measures to adjust the income gap and promote fairness and justice, such as improving the redistribution adjustment mechanism with tax, social security and transfer payment as the main means. However, these measures will not produce substantial improvement to the gap between rich and poor in China in the short term, and long-term efforts still need to solve this problem. Therefore, it can be expected that the problem of insignificant redistribution effect will still stimulate the development of China's luxury goods market for some time [5].

2.3. The Main Challenges and Risks Facing the Luxury Goods Market

In the development process of the luxury market, there will also be some challenges and risks, mainly including the following aspects.

Uncertainty of the global economy: Fluctuations in the global and Chinese economies will have an important impact on luxury consumption, such as inflation pressure, trade friction, exchange rate fluctuations, etc., which will affect consumers' purchasing behavior. Consumers will become more cautious in purchasing goods and need to judge whether the luxury goods are necessities of life. Moreover, long-term economic instability will also polarize the market. Luxury goods are divided into high-end, mid-end and low-end, high-end and low-end are relatively stable, but the mid-end situation is not stable. In times of higher economic uncertainty, consumers are likely to be more attentive to life experiences and concerns about the environment, which means luxury goods vendors need to adapt their products and services to meet these changing demands, so luxury management is faced with numerous challenges.

Changes in relevant policies have played an important role in the development of the luxury industry, such as: trade policy, tax policy, government tax policy, like the adjustment of luxury tax or value-added tax, will directly affect the price of luxury goods and consumers' purchase willingness. Higher taxes on luxury goods, for example, could reduce consumers' purchases of high-end goods. Changes in import tariffs affect the cost of importing luxury goods, which in turn affects brands' pricing strategies and profit margins. Lowering tariffs could make imported luxury goods more competitive. In addition, quality policies and data security policies will have an impact on the operation and development of the luxury industry. However, if the policy cannot be unified at all times, the luxury market cannot guarantee the stability of the form, and the overall economic work will always be in the process of changing and adapting to the policy.

At present, there is still a big gap between the sales volume of Chinese local luxury brands in China and that of similar products in Western countries, such as product positioning, quality, service level, brand image, etc. Different brand values determine the market positioning of luxury goods. Luxury goods with high brand value are typically positioned at the high end of the market and appeal to high net worth individuals, while luxury goods with lower brand value may need to adjust their

market positioning to appeal to a broader consumer base. Many Chinese brands do not have a long history like some big Western brands, such as: Chanel, Louise Vuitton and other brands have a history of hundreds of years. They bring not only economic benefits, but also cultural and artistic benefits. In this long process, they have become important members of the capital market and therefore have higher brand value than Chinese luxury brands, so China's domestic luxury brands have always been unable to be widely accepted by global consumers in a short time.

For example, it is difficult to provide online shopping experience that matches luxury goods, and the quality of goods online and offline is not uniform. Because in the digital era, consumers expect to switch freely between offline experience and online service, if the brand fails to meet this demand, it may lead to customer loss. It will also cause information asymmetry and price conflicts between buyers and sellers, which will affect the ability of brands to collect and analyze consumer data, making it difficult to provide personalized services and product recommendations. This is an important disadvantage in the fierce competition in the luxury market, and in the long run, it will cause consumers' general concerns about online shopping.

2.4. Suggestions and Countermeasures for the Luxury Goods Market

In view of the challenges and risks faced by the luxury goods market, the following suggestions and countermeasures are put forward:

The luxury industry should grasp the economic opportunities and challenges, formulate reasonable pricing strategies according to the economic conditions of different markets, and improve the cost performance and competitiveness of products. At present, the top brands of some well-known luxury goods groups have successfully launched product series with Chinese elements, such as Cartier and Gucci, which successfully launched panda and panda dolls using the classic image of panda, and the well-known brands of French Linglong inlaid leather goods have sold backpacks printed with the words "serve the people". Therefore, Chinese luxury brand enterprises should realize this point, and it is beneficial to the international transformation and development of Chinese luxury brands through the combination with matching foreign brands. People have found a successful realistic example of the development of luxury brands by means of multinational brand alliance, and put forward a new idea that China can successfully shape local luxury brands through the strategy of transnational alliance [6].

compared with the developed countries, the lack of systematic brand protection policy, the existing intellectual property system development lag, lack of maintaining fair competition antitrust measures, illegal penalties is limited, enterprise brand protection consciousness, this leads to a large number of domestic well-known trademarks in foreign countries, on the other hand lead to a lot of fake and shoddy infringement of intellectual property rights at home [7].

In recent years, China's luxury market has developed rapidly. As an important consumption place in the world's second largest luxury market, people's consumption concept has changed greatly, and China's important market position as the world's luxury goods has been unshakable. However, as a big international consumer, it lacks luxury brands, so China basically relies on imported products to meet various needs. With the increase of national per capita disposable income, the improvement of demand level and the improvement of brand awareness, the research and development of local luxury brands is particularly urgent, and the demand is also increasing [8]. People should better understand the needs of the target market, pay attention to brand creativity and innovation, and gradually improve consumers' trust and love for domestic luxury brands by improving product quality, service level, satisfaction, brand image and market influence.

Luxury brands to occupy more market share, in addition to the deep offline entity stores, but also comply with The Times, increase the intensity of online layout, using artificial intelligence and big data technology, gradually realize the depth of the entity and digital experience, to better optimize

management, improve service, and marketing innovation, so as to more effectively cater to consumer demand.

3. Conclusion

With the rapid development of China's economy and the continuous improvement of people's living standards, people's purchasing power is increasing, luxury goods will enter a wider range of consumer groups, and the growth space of luxury market is still broad. In the future, with the continuous upgrading of consumer demand and the market environment continuing to improve, China's luxury goods market is expected to continue to maintain rapid growth, always adhere to the coordinated development of their own strategic decisions from various aspects, and analyze the market environment, timely decision-making adjustment and change, the luxury industry is an industry closely related to the policy. It should abide by the policy norms and requirements, adjust the business model and development strategy according to the policy changes in different markets, and avoid the policy risks. At the same time, Pay close attention to policy changes, and flexibly adjust its strategy and operating model to adapt to the new policy environment, reduce risks brought about by policy changes, and seize new opportunities. Thus bringing more development opportunities for the industry and enterprises. The protection of intellectual property rights and brand certification of luxury goods should be increased to improve the competitiveness of the luxury goods market, let China's luxury goods market successfully open up to the world. The uncertainty of the global economy presents challenges to luxury management on multiple fronts. Luxury manufacturers need to pay close attention to changes in the economic environment and adapt their strategies flexibly to meet these challenges and seize opportunities.

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