

48%

respondents will increase luxury consumption next year

39%

respondents invest/collect luxuries

61%

respondents with no investment in luxuries will do so in the future

Private Assets in 2015 Amount to **110 Trillion CNY**

2.01 Million High Net Worth Families China's Growing Wealth

China's economy is entering a "new normal" development, what are the challenges in the world's fastest-growing luxury market? With ups and downs in the stock market, real estate and other traditional investment channels, what changes are occurring among China's wealthy in regard to luxury consumption? What do they think is worth buying? What are they willing to pay? What are the new investment channels?

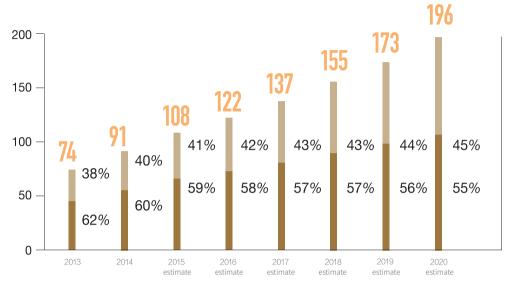
During the six month period beginning in March 2015, Robb Report, in cooperation with Ipsos carried out a detailed investigation and analysis among Robb Report readers with assets of more than 50 million CNY (311 valid questionnaires received). They analyzed 7 areas of interest including automotive, watch, liquor, jewelry, fashion item, art and luxury travel spending. Together with experts in the industry, we created this report. Luxuries, because of their unique value, become a new way of holding assets for wealthy people Luxury consumption is also its own form of investment.

Planning & Implementation:
Editorial Office of Robb Report
Co-ordination: Zhuang Xiao
Writing: VINCENT, Liang Chen
Cooperative Research Institution:
IPSOS, the world's leading market research group





China's Total Private Investable Assets



- High net worth families
- Ordinary families

Unit: one trillion CNY (Estimate): estimate value

With China's economy entering the "new normal", the overall private wealth growth in the next five years will slow down, but the total volume continues to be immense.

(Source: Boston Consulting Group)

48%

Nearly half (48%) of respondents indicate that they would increase their levels of luxury consumption during the coming year.

China's Wealth - Base of Consumption

The report China's Private Banking 2015, released by Boston Consulting Group and Industrial Bank, shows that in 2015 China's private wealth will reach 110 trillion CNY. The number of high net worth families will reach 2.01 million, owning approximately 41% of total private wealth. In the next five years, as China's economy enters the "new normal", the growth trend will slow down, but will continue to grow at a compound annual growth rate of about 13%, reaching 196 trillion CNY in 2020. On the other hand, the number of China's high net worth families increased at an annual growth rate of 30% in the past 5years of and is expected to reach 2.1 million at the end of the year. In the next 5 years, it will continue to increase at a compound annual growth rate of 11%, reaching 3.46 million. Among high net worth families, the average annual compound growth rate of the ultra-high net worth population (with personal assets of over 100 million CNY) is 16%, while the growth of the high net worth population (with personal assets of 30 million CNY to 100 million) CNY is 13%. Undoubtedly,

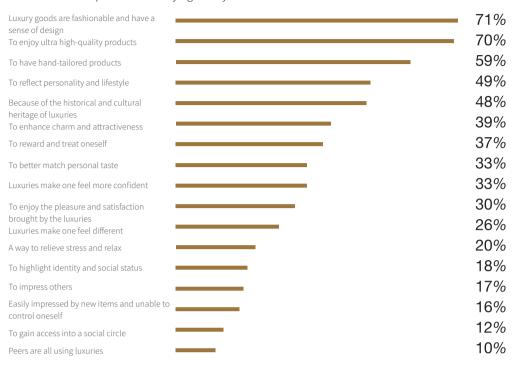
Fashion Items and Watches Are Priorities

Compared with the previous two years, the respondents have an increased enthusiasm for luxury consumption. Nearly half (48%) of respondents indicate that they would increase their amount of luxury consumption in the coming year. The younger age groups and male group showed a stronger willingness to consume. 53% of respondents aged 20 to 30 indicate they would increase their level of luxury consumption in the coming year, which is higher than the proportion of respondents aged 31 to 40 (48%) and 41 to 50 (39%). 52% of male respondents indicate that they would increase the amount of consumption on luxuries in the coming year, which is higher than the proportion of female respondents (40%). Fashion items (49%) and watches (49%) are the luxury categories the category respondents are most interested in. However, it is worth mentioning that 30 percent of the respondents expressed concern about artwork, which is becoming a new popular consumption category. The male and female respondents are significantly different in their luxury category of choice. Men are more interested in watches, cars and liquor, while women are more concerned with fashion items and jewelry.

The respondents to this survey are Robb Report readers with assets of more than 50 million CNY. A total of 311 valid questionnaires were received, including 143 from male respondents and 168 from female respondents. The respondents are aged 22 to 55.35% of respondents are aged 20 to 30,44% are 31 to 40,19% are 41 to 50, and 2% are 51 to 60. The survey was carried out through WeChat clients, online interviews, telephone interviews and face-to face interviews. Unless otherwise specified, all data are from the joint research of Robb Report and Ipsos, the percentage base is a reflection of number of valid questionnaires recovered from respondents.

China's luxury consumer market still has a strong foundation.

Motivations of Respondents for Buying Luxury Goods



53%

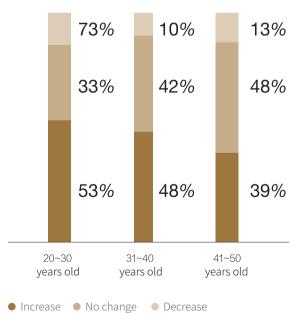
respondents aged 20 to 30 indicate that they would increase their level of luxury consumption in the coming year.

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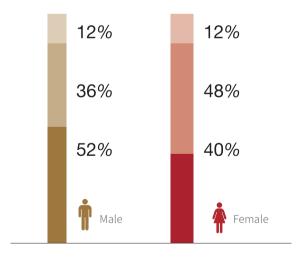
The high net worth population (with personal wealth of 30 million CNY to 100 million CNY) has an annual growth rate of 13%.

Undoubtedly, China's luxury consumer market still has a strong foundation.

Plan to change the amount of luxury consumption in the next year (age)

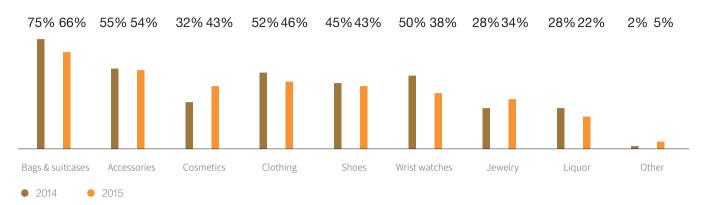


Plan to change the amount of luxury consumption in the next year (sex)

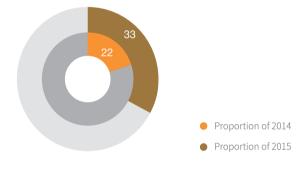


IncreaseNo changeDecrease

Category of luxuries bought abroad over the past 12 months



Percentage of luxuries bought online over the past 12 months



Type of websites are your luxury goods purchased through over the past 12 months



Expansion of Personalization and Low Profile

The respondents' needs for low profile and customized luxuries remained unchanged. 82% of respondents indicate that they are more inclined to choose low profile luxuries, which is a minor increase compared to the past two years. Among this group, nearly ninety percent (88%) of the respondents aged 20 to 30 indicate that they tend to choose low profile luxuries, which is higher than those aged 31 to 40 and 41 to 50. 85% of respondents indicate that they pay specific attention to products meeting their individual temperament. The second increasing trend over three consecutive years is that about seventy percent (69%) of the respondents indicate they tend to choose luxuries described as out of the ordinary. Among these, 76% of the respondents aged 20 to 30 tend to choose out of the ordinary luxuries, which is significantly higher than respondents of older ages. When asked if there should be a clear logo, 66% of respondents chose "no". This trend is more pronounced in young people. 70% of respondents indicate that they are more inclined to choose customized luxuries; on the other hand, 55% of respondents thought that ordinary luxuries are unable to reflect the feeling of "luxury", so the only solution was customization Older respondents show more interest in fully customized products.

According to data collected over the last three years, the best ways for brands to gain favor with consumers are: organizing/ participating in charitable activities (64%), implementing the concept of environmental protection (50%) and sponsorship of the arts (37%)

Overseas Consumption Shows a Decline for the First Time

In stark contrast with the previous two trends, the proportion of $% \left\{ 1,2,...,n\right\}$ respondents who bought goods overseas decreased for the first time in several years of research. 68% of respondents had an overseas luxury shopping experience in the past year, showing a significant decline from 2014 (88%) and 2013 (71%). More respondents began to buy luxuries in China. Over the past year, 63% of respondents bought luxuries in China, followed by Europe (45%) and the United States (29%), but the percentage of respondents buying luxuries in the two later regions/countries decreased. In addition to an increase of respondents purchasing in China, the proportion of respondents purchasing in Japan also increased significantly, from 15% last year, to 22% this year.







82% of respondents indicate that they are more inclined to choose low profile luxuries, which is a moderate increase compared to the past two years. Among them, nearly ninety percent (88%) of the respondents aged 20 to 30 indicate that they tend to choose low profile luxuries. Allocation of current investments in luxury collection

In terms of categories purchased, all categories of luxuries show a downward trend except for cosmetics and jewelry; 43% of respondents purchased cosmetics overseas and 34% purchased jewelry. Price factor (66%) is still the most important reason to buy luxuries abroad, followed by the fact that certain models/styles can not be bought in China (54%) and a desire to stay current with the latest models/styles (42%). It is also noteworthy that concern over product genuineness becomes more apparent compared to 2014.

Online Shopping: a More Direct Future

The number of online luxury purchases continues to grow: 33% of respondents indicate that they have bought luxuries via the Internet over the past 12 months, which is a significant improvement from 2014 (22%). Among these, respondents aged 31 to 40 have a greater preference for online shopping. Luxury brand's official websites (42%) and overseas purchasing agent sites (42%) are the most important online purchasing channels. Bags & suitcases (40%) and cosmetics (39%) are the most important online shopping luxury categories. For the respondents, the convenient direct-to-home services and prices are still the main reasons for their of online luxury shopping. In contrast, genuineness (74%) is still the largest concern for considering luxuries online shopping, which was significantly higher than other factors such as transaction risks and product experience.

Buying quality is worth the investment

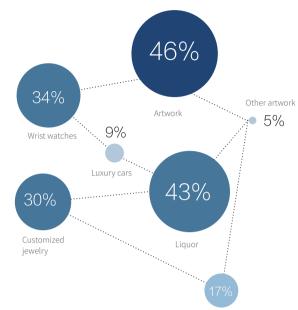
Products with sense of design (71%), high quality (70%) and being hand-tailored (59%) are still the most important motivations for ultra-high net worth population to buy luxuries. Reflecting personality and lifestyle (49 percent) and an interest in the historical and cultural heritage of luxuries (48%) are also relatively important factors.

Concerns regarding lifestyle as well as historical and cultural heritage of brands have increased significantly in the past year. Nearly forty percent of the respondents currently have investment in luxury collections. Art (46%) and liquor (43%) are the major investment categories, followed by watches (34%) and customized jewelry (30%). Among those respondents who have not invested in luxury collections, over sixty percent (61%) indicate that they would consider investment in luxury collection in the future. A lack of understanding of luxury investments is the primary reason that they do not consider investing in luxury collection. However, it is believed that with an increase of luxury consumption, this trend will improve.

It is noteworthy that the current idea of crowd funding is being gradually accepted. 36% of respondents have some knowledge or understanding of crowd funding in luxury goods. Among these, 46% (overall proportion: 18%) believe that crowd funding is applicable to luxuries.

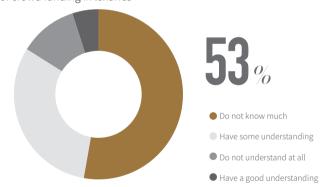
Among those respondents who believe that crowd funding is applicable to luxuries, 74% (overall proportion: 13%) expressed a willingness to participate in crowd funding in luxuries.

Current luxury category for collection or investment



Master customized fashion items

Whether respondents have an understanding of the concept of crowd funding in luxuries



Whether crowd funding is applicable to luxuries

