

# Deciphering the Deloitte 2023 Douyin Luxury Industry Report: The Landscape of Luxury in a Digital Era

In the contemporary age, luxury is not just about opulence and flamboyance. The Deloitte 2023 Douyin Luxury Industry Report, resulting from a collaboration between Ocean Insights and Deloitte China, offers an introspective gaze into the transformational shifts happening in the luxury sector, especially within the vast expanse of the Chinese market. As digital platforms like Douyin begin to redefine consumer interactions, luxury finds itself at a crossroads of tradition and modernity, identity and investment. Let's delve into the heart of this report and grasp the insights shared by Crystal Yi Wang, Partner, from Deloitte China, understanding the future trajectory of the luxury industry in China.



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*Taking a deeper look at this new report, Hubbis spoke to Crystal Yi Wang, Partner at Deloitte China, to explore how these insights can help provide wealth management professionals better frame their conversations with China's HNWIs, arming them with pertinent insights into the luxury industry's future trajectory in the nation.*

### Shifts in China's Luxury Market

In a detailed dialogue with Hubbis, Crystal Yi Wang, Partner at Deloitte China, offered insights into the evolving landscape of China's luxury market. She observed, "With the market reopening, a significant portion of China's high-net-worth consumers are returning to international markets or travel retail channels for their luxury acquisitions. This trend calls for a fresh assessment of the luxury market's dynamics and its growth prospects in China's post-Covid environment." Furthermore, Crystal highlighted upcoming publications from Deloitte that will zoom in on luxury consumption trends and the increasing influence of online social media, especially short video platforms. "These platforms," she emphasised, "are reshaping consumer perceptions and familiarity with diverse luxury brands."

When the topic pivoted to Hubbis's core audience, consisting of professional intermediaries engaging with high-net-worth and ultra-high-net-worth clients, Crystal elaborated on the value of her insights to them. She remarked, "The aim is to offer a nuanced understanding of the Chinese market. While some indicators suggest a potential softening in China's broader economic landscape, the luxury consumer sector tells a different story. The role of new media and social platforms presents a contrasting narrative. For those keen to

### Framing the conversation – a look at the 2023 Douyin Luxury Industry Report

The 2023 Douyin Luxury Industry Report, product of a partnership between Ocean Insights and Deloitte China, provides an in-depth exploration into the evolving dynamics of the luxury sector in this digital era. The study illuminates the robust growth trajectory of China's luxury market, signifying its increasing global significance. A notable shift is observed in the mindset of Chinese consumers towards luxury: it's no longer perceived merely as an emblem of wealth but also a medium for personal and lasting investment.

In the realm of global luxury, the digital transformation stands as a powerful disruptor. This revolution, predominantly driven by platforms like Douyin, is redefining consumer interactions and purchase behaviours. Douyin, notable for its succinct video content and data-centric insights, facilitates enhanced decision-making for brands, ensuring they remain attuned to the modern consumer. The symbiotic relationship it shares with Ocean Engine further promises to amplify the potential for luxury brands.

As the report delves into e-commerce, it highlights Douyin's progressive shift from a primarily interest-centric model to a broader, omnichannel approach. This evolution underscores the platform's commitment to placing the consumer at the heart of its operations. The consequent outcomes include a richer content experience and the establishment of stringent validation protocols, culminating in considerable growth and diversified consumer interactions.

Moreover, the report emphasizes Douyin's instrumental role in shaping China's luxury discourse. With an engagement base of over 150 million luxury aficionados, Douyin's metrics in brand engagement and conversion are unparalleled, making it an essential tool for brands to broaden their reach.

The study highlights Douyin's stature not just as a mere social platform but as a formidable player in luxury marketing, bolstered by its avant-garde data analytics capabilities. Douyin's innovative retail strategies, combined with its growth potential, are receiving notable attention in industry circles.

**[CLICK HERE](#) to view the report. And read on to gain exclusive insights into what the information it extols means in context.**

explore specific segments within the Chinese consumer market, gaining a grasp on these shifts could be immensely beneficial.”

### Polarisation in Consumption Patterns

Discussing the current dynamics of China’s luxury market, Crystal offered insights into the sector’s resilience amidst economic shifts. She pointed out that, “the growth momentum of the luxury market remains robust,” expecting China to see about an 8% annual growth in luxury consumption over the next five years.

Crystal observed a polarization in consumption patterns. High-net-worth consumers in China have a keen eye for luxury items with strong value retention, such as watches and jewellery. These are seen as “assets with high value retention,” reflecting a more investment-driven approach to luxury shopping.

On the other hand, the younger generation in China has a distinct approach to luxury consumption. Facing fewer living costs and influenced by societal shifts, Crystal noted that their luxury buying is “really about how to better receive emotional value from brands.”

Overall, there’s a clear dichotomy in the luxury market. High-value items like watches and jewellery are favoured, especially by affluent consumers. However, as Crystal mentioned, other sectors, “like clothing, shoes, and other accessories are predicted to witness decelerated growth in the coming years.”

### Pre-COVID vs Present Behaviour

Drawing a comparison between pre-COVID times and the present, Crystal illuminated the evolving behaviours of Chinese consumers in the luxury market. She observed, “The most distinct shift has been seen in the mid-range luxury segment. Prior to the pandemic, these ‘lighter luxury brands’, as we term them in Chinese, were heavily favoured by the middle class for their perceived value for money in comparison to ultra-luxury offerings.”

Crystal further elaborated, “During the pandemic, international travel restrictions meant that middle-class consumers, who previously sought luxury items overseas due to significant price differences between Mainland China and markets like Hong Kong, shifted their focus to ultra-luxury products

within China. This led to a surge in luxury brand growth domestically.”

However, as the world transitions into a post-COVID era and markets reopen internationally, there’s been a marked change. Crystal noted, “The middle class seems more circumspect about luxury spending, regardless of whether it’s mid-range or ultra-luxury.”

Yet, certain segments remain resilient. “The high-net-worth individuals and the younger generation are demonstrating a polarization effect in luxury spending. They continue to invest heavily in luxury products,” she shared. Reflecting on recent surveys, Crystal added, “High-spending luxury consumers, predominantly high-net-worth individuals in China, remain positive and anticipate maintaining their luxury spending. A similar trend is observed among the younger demographic, especially those around or below 30. The primary divergence in the current landscape pertains to the middle class.”

### Rise Influence of Social Media

Crystal then turned her attention to the pivotal role of social media, particularly short video and live-

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stream platforms. She remarked, “These platforms, akin to the international TikTok, have seen explosive growth in China. Their influence has radically altered consumer behaviours throughout the purchasing journey, from brand discovery to the final buying decision.”

Highlighting the progression, Crystal elaborated, “Previously, consumers relied heavily on traditional mediums, like fashion magazines. This then transitioned to online social media platforms such as Redbook. However, we now observe a compelling shift, especially among the younger

generation, towards platforms like Douyin. Within mere minutes, users can immerse themselves in brand stories, keep abreast of the latest fashion shows, and even spot key opinion leaders showcasing luxury items.”

### The Future of Luxury Consumption in China

This transformation in content consumption goes beyond mere observation. Crystal pointed out, “The platforms offer an integrated solution. Beyond content and information, brands are setting up their official stores on these platforms, enabling viewers

to transition seamlessly from discovery to purchase.” She likened this nascent trend to the onset of e-commerce platforms like Tmall entering the luxury sector around six years ago.

Bringing the conversation to a close, Crystal posited, “There’s an evident appetite among the younger demographic for obtaining luxury brand intel via short video platforms like Douyin. This shift signifies a monumental change in marketing channels in China, with potential long-term implications for the nation’s luxury consumer behaviour.” ■

