

# Analysis Of the Current Situation and Development of China's Luxury Consumption Market -- A Case Study Of "Chengdu Taikoo Li"

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**Abstract.** China has become an important market for the global luxury industry. The scale of the market is constantly expanding, and the amount of the consumer market maintains a steady growth. This paper combines literature analysis with case analysis, on the theoretical basis of luxury goods and consumer market, from the marketing strategy as the starting point, this paper analyzes the status quo of Chinese luxury consumption market and the reasons for its prosperity and development. Taking Taikoo Li in southwest Chengdu as a typical case, this paper summarizes the development process and successful experience, finally, the problems existing in China's luxury consumption market are analyzed, and put forward the corresponding countermeasures to cope with the development of the new era, to provide reference for the development of luxury industry. By exploring China's luxury consumption market, the current situation of the market and existing problems are understood, and the changes and industry conditions of China's luxury consumption market are pointed out.

**Keywords:** Luxury, consumer market, develop.

## 1. Introduction

With the continuous economic growth at home and abroad, the increase in disposable income of residents has greatly improved the consumption level, which makes the luxury consumption market develop rapidly, and promotes the diversification of consumer demand and the continuous innovation of marketing methods. According to the relevant data of China Luxury Report, in 2023, the market size of China's luxury goods will increase by 11% year-on-year, accounting for about 22% of the global luxury goods market, and China's luxury goods consumption will account for about 38% of the world [1]. According to data from Bain & Company, in 2023, Chinese mainland consumers are expected to account for about 22-24% of the total global luxury consumption, and the Chinese mainland market will also account for about 16% of the total global luxury consumption. Moreover, Bain & Company predicts that China will become one of the world's leading luxury goods markets by 2030 [2]. Therefore, now in the luxury market, the competition between domestic and foreign luxury brands is becoming more and fiercer, different marketing models are constantly emerging, and the market environment is constantly improving, but at the same time, there are some problems in the market.

According to a data analysis released by Bain & Company, the Chinese mainland luxury goods market, which suffered an economic downturn in 2022, will usher in a recovery in 2023, and is expected to achieve 12% year-on-year growth. As one of the world's largest luxury markets, China's market size and regional distribution are gradually expanding. China's consumer base is also growing, and the demand for luxury goods is more personalized, further providing more development channels and opportunities for the luxury industry. At present, China's luxury goods market is mainly concentrated in first-tier cities, such as Shanghai and Beijing, which are the main regions, but the luxury goods market has gradually developed to other regions, such as Chengdu Yuanyang Taikoo Li in Southwest China, which is also a gathering place of luxury consumption.

Chengdu is located in southwest China, although the local per capital disposable income is not high, but the luxury consumption potential is strong, high sales. Chengdu, as the third city of luxury consumption in China, has the top ranking of luxury consumption - Chengdu Taikuli, which has many

first-line luxury brands settled, undertakes the local cultural elements of Chengdu, attracts consumer groups from all over the country, mobilizes the consumption activity of the local and even the western region, and can be regarded as a treasure land with development potential.

This paper mainly starts from the Chinese luxury consumption market, takes Chengdu Taikoo Li as an analysis case, and adopts the combination of literature analysis and case analysis. This paper discusses the development status of China's luxury consumption market and its reasons, and how Chengdu Taikoo Li, as a typical case, prospered and developed, and how it became a precious place for the development of luxury goods step by step. Finally, it returns to the existing problems in China's luxury consumption market. Finally, back to the problems existing in China's luxury consumption market.

## **2. Theories Related to Luxury Goods and Luxury Consumption Market**

### **2.1. Definition and Connotation of Luxury Goods**

The word Luxury comes from the Latin "luxury", which gradually evolved from the meaning of waste and incontinence into the current word luxury. In different backgrounds and cultural periods, it has different specific definitions. In economics, it is called the product with the highest value or quality relationship ratio, and from another perspective, it can also be called the product with the highest quality tangible or intangible value relationship. In the market, refers to the price and quality of the highest grade of goods. In a broad sense, it is a commodity beyond the scope of the survival and development, and it can also be seen as a non-daily necessity, which is characterized by scarcity, precious, unique, expensive and so on. For individuals, it is the embodiment of such people's living conditions and personal taste, satisfying personal consumption needs and yearning for high quality of life.

### **2.2. Elements and Classification of Luxury Goods**

Based on the research on the concept of luxury, it has four essential elements: brand, quality, price and value [3]. These four elements start from the luxury product itself and then draw to the consumer group, which not only needs the quality and value of the product, but also needs to attract the consumer group.

#### **2.2.1 Brand**

The brand referred to here is to return to the luxury brand itself, first of all, the brand has its visibility, presence and service degree. Secondly, behind each brand, there are a number of first-class designers with great creativity and design sense. In the production process of luxury goods, the best raw materials and industries are used, and the designer's repeated carving is made to present high-quality products. Finally, the brand for consumers, stimulate the desire of consumers to buy, establish a relatively stable consumer group, thus driving the development of the brand.

#### **2.2.2 Quality**

The quality of luxury brands is closely linked with consumers, including the internal quality and external quality of brand goods. Intrinsic qualities include the brand's name, trademark, marketing model and so on. The external quality is mainly related to consumers, most of the consumers are focused on high quality, so as to meet their inner needs. Different quality goods meet different consumer needs, and the high quality of the brand is also one of the basic characteristics of luxury goods.

#### **2.2.3 Price**

Price is the transformation form of commodity value obtained in the process of circulation, and for the price of luxury goods, its symbol is high. In micro economic theory, it is usually the relationship between the demand and supply of goods that determines the price of goods in the market.

Therefore, in the price of luxury goods, the market supply of brands is relatively small and precious, while the demand of consumer groups is strong, which promotes the formation of a high price.

#### **2.2.4 Value**

The value includes the economic value of luxury goods themselves and the subjective value of consumers to goods. Objective value refers to the labor value and cost value consumed in the production process of luxury goods, such as the employment of labor force and the purchase and use of raw materials, and a series of extremely high objective value formed. Subjective value refers to consumers' subjective cognition and understanding of commodities; to choose the commodities they need to meet their needs.

### **2.3. Marketing Strategy of Luxury Market**

#### **2.3.1 Product strategy**

With the help of their high-end brand value, luxury products create highly personalized products through first-class designers using exquisite technology, so that their products give consumers a strong purchase demand and satisfy their luxury desire. Among them, the origin of the product, the material, and the process are extremely important, generally using the "hunger marketing" way to stimulate the psychological desire of consumers, the scarcity and the limited concept of the two play incisively and incisively. The VIP services provided by luxury companies provide high consumers with afternoon tea, set up exclusive channels, or participate in offline activities and other opportunities to stabilize consumers' love and satisfaction through service to a certain extent.

#### **2.3.2 Pricing strategy**

Luxury products are usually defined by the label of "high price", which includes the value of the product itself, the value of the brand and the value of the output, etc. For example, limited products bring not only high price, which means that the consumer group satisfied by the product is most likely to be high consumers of the brand, and "high price" can also be recognized by consumers. Therefore, through pricing, it is also natural to segment the largest target customers of the brand [4].

#### **2.3.3 Channel sales strategy**

The combination of online and offline, as far as possible to effectively cover the market sales. Offline, the high-end location of flagship stores and specialty stores is generally selected, which includes the establishment of brand monopoly cabinets, but also to increase sales and added value of products in a small range. Online, general luxury companies will establish official brand websites, product presentation and publicity as well as product communication and transaction can be done in one go, to a great extent to meet the special services of some consumers.

#### **2.3.4 Product promotion strategy**

Use diversified interactive platforms, such as WeChat, TikTok, Weibo, Baidu and other App platforms, and use video, graphic combination, articles and other ways to publicize. With the development of new media, rapid publicity with the help of platforms makes its coverage wide. While using apps, consumer groups will inadvertently accept brand marketing and publicity.

## **3. Current Situation of China's Luxury Consumption Market**

### **3.1. Market Size**

With the development of the economy and the increase of consumer demand, the scale of the luxury market continues to grow. According to the "China Luxury Report", the scale of China's luxury market reaches 607.7 billion yuan, which further shows that China is an important market for international luxury brands [1]. Although the market has been greatly affected in 2020, after the economic recovery, consumption has also returned, and the market size has not been damaged again.

### **3.2. Younger Consumer Groups**

As the world's second-largest market for luxury goods, China's market sales continue to hit new highs, and the growth rate is also ranked first in the world. Young people are the main consumer groups, including millennials and Generation Z. Millennials (born between 1980 and 1995), about 320 million people, accounting for more than 70% of the overall market, is the main group of luxury goods consumption on Tmall. The rising generation Z (born after 1995), with its income growth, has the fastest and fastest consumption growth [4].

### **3.3. Diversity of Consumption Content**

With the continuous expansion of the scope of luxury goods imports, consumer demand is also extremely personalized, so the consumption content of products is also diversified. From the beginning, luxury bags have gradually expanded to clothing, living utensils, etc. For example, now luxury products are specific to pet daily necessities, which greatly enrich the content of luxury products.

### **3.4. Market Trends**

The overall market trend is strong. according to a report by Bain & Company, the mainland luxury market is likely to achieve mid-single digit growth in 2024[2]. China's luxury goods market is resilient, and the market economy has recovered after 2020, which has promoted the market trend to get the first significant rise.

### **3.5. Consumption Channels**

Full coverage of online and offline marketing channels to meet the different needs of consumers. In the Internet era, the rapid rise and development of major e-commerce platforms have also accelerated the development of online sales models. Even though online sales in official stores are declining, the offline market for luxury goods in China is growing to The Times. Online and offline consumption channels not only maintain the promotion and presentation of products at the same time but also accurately serve consumers.

## **4. Reasons for the Prosperity of China's Luxury Market**

### **4.1. Economic Factors**

The sustainable development factor of China's economy, the increase in disposable income of consumers, along with the significant increase in income level, promotes the growth trend of the market, and also drives the consumption of the luxury market.

### **4.2. Demand of Consumer Groups**

Consumer groups are concentrated in the millennial generation and the era Z. With the increase of their wealth, consumers have a stronger demand for and recognition of luxury goods and are willing to invest their wealth in luxury consumption. One satisfies the inner needs of consumers; Second, to satisfy consumers' satisfaction with luxury brands; third is consumers' demand for their high standard of living and social status.

### **4.3. Market Shopping Environment**

The development of online electronic shopping platform has brought consumers a convenient way to shop [6]. Among them, offline stores and monopoly counters provide services, and online official websites provide shopping channels to provide personalized services for different consumers. The e-shopping platform includes product promotion, customer service consultation and efficient logistics services, etc., creating a good shopping environment.

#### **4.4. Marketing Strategy Innovation**

The increasingly fierce market competition has prompted the continuous innovation of brand marketing strategies [7]. Brands can obtain consumers' shopping needs by adjusting product design and creation, price pricing and sales strategies. For example, hunger marketing, the promotion of limited products, so that consumers have the illusion of short supply, thus causing consumers to buy desire.

### **5. Chinese Luxury Market Analysis Case: Chengdu Taikoo Li**

Located in the center of Chengdu, Taikoo Li is a comprehensive commercial shopping center jointly launched by Swire Properties and Sino-Ocean Group and has been rated as a national five-star shopping center [8].

#### **5.1. Market Development History of Chengdu Taikoo Li**

Chengdu Taikoo Li opened in 2005, with a total construction area of 60,000 square meters, as a new landmark of Chengdu. In 2015, Taikoo Li was expanded and renovated, the total construction area expanded to 320,000 square meters, and more brands have been introduced. Now it is the largest urban complex in Chengdu and the business district with the most brands in Southwest China. In August 2023, it was officially named "Chengdu Taikoo Li" to replace its original name "Chengdu Ocean Taikoo Li".

#### **5.2. Reasons for the Prosperity and Development of Taikoo Li Chengdu**

International first-line luxury brands can be found here to meet the needs of high-end consumers, and it has become the largest luxury shopping area in the Western region. In 2020, Chengdu Taikoo Li's annual sales will reach 7.3 billion, in 2021 annual sales will reach 9.5 billion, and in 2022 annual sales will reach more than 8 billion.

##### **5.2.1 Cultural elements**

Chengdu Taikoo Li is located in the area of Daci Temple, and the historical buildings have been protected and repaired accordingly, and more cultural creativity has been incorporated. The interlaced streets and free architectural style reflect the cultural atmosphere and market style of old Chengdu, inheriting the history and culture of the old Chengdu, and the local cultural elements cannot be lost in the development. The combination of traditional culture and modern design significantly reflects the excellent traditional culture and the style of Chengdu's old street alley [8].

##### **5.2.2 Rich luxury brands**

Chengdu Taikoo Li settled in many international high-end brands, including LV, Hermes, Gucci, and so on. In the western region, some of the largest flagship stores of brands are set up in Taikoo Li, including LV brand set up LV House here, establishing a strong brand image.

##### **5.2.3 Strong development operators**

Behind Swire Lane are Sino-Ocean Properties and Swire Properties. Sino-ocean Real Estate has played its biggest role in the architecture, adopting the modern Chinese architectural style, and retaining the historic Daci Temple; the design has a very spatial sense of hierarchy, to meet the needs of different consumers. Swire Properties has strong business experience, both in regional management and brand business communication, are experienced in real estate. The cooperation between the two is just inside and outside the response, the strong join hands.

##### **5.2.4 Excellent geographical location**

Chengdu Taikoo Li is located at the convergence point of Chengdu's transportation, next to the Chunxi Road business district, which is the most crowded place in Chengdu. It is surrounded by 4 subway stations and 19 bus routes, which is convenient for consumers to travel and shopping.

## **6. Existing Problems in China's Luxury Market and Solutions**

### **6.1. Existing Problems**

#### **6.1.1 Blind consumption**

In today's Chinese society, there is a social atmosphere of reckless consumption in the luxury goods market, which will bring an economic burden to individuals or families, and also lead to the waste of resources or social health problems. On the one hand, resisting the phenomenon of blind consumption can effectively promote the sustainable and healthy development of China's luxury market and meet the middle and high-end consumption demand of China's high-income groups [9]. On the other hand, by encouraging consumers not to consume unnecessarily, can stabilize the balanced development of all social and economic classes and create a good social atmosphere for the development of China's local luxury market.

#### **6.1.2 Lagging awareness of brand protection**

In the protection policy of luxury brands, there is a phenomenon of lagging protection policy, and fake and shoddy goods often appear in the market, resulting in consumers' rights and interests being cheated. Anti-monopoly measures in the market and the awareness of severe punishment for illegal activities are not strong enough, which has led to the emergence of irregular behaviors such as smuggling, seriously affecting the development of China's high-end brand market.

#### **6.1.3 Outflow of consumption funds**

With the development of economy, consumers' disposable income also increases, their consumption level gradually increases, and their demand for full purchase also increases. However, due to the great difference in the prices of luxury goods at home and abroad, more consumers choose to purchase luxury goods abroad, resulting in an increasingly obvious trend of Chinese consumption capital outflow [10].

### **6.2. Solutions**

#### **6.2.1 Focus on consumer concepts**

Through in-depth understanding of consumer demand, guide consumers to rational consumption, improve consumers' consumption concept, and ensure the sustainable and healthy development of China's luxury market.

#### **6.2.2 Strengthen market supervision**

It harshly criticizes the incidents that damage the legitimate rights and interests of consumers in the luxury goods market, strengthens the supervision of the luxury market, clarifies the relevant laws and regulations system, and protects the fair competition environment of the luxury market while safeguarding the rights and interests of consumers.

#### **6.2.3 Adjust the pricing strategy**

According to the economic value of the product pricing, balancing the international and Chinese prices, reduces consumers' desire to buy luxury goods abroad. Through the market environment and reasonable pricing of products, to increase the consumer's purchase demand.

## **7. Conclusions**

At present, China's luxury consumer market shows an obvious growth trend, and the market scale in the country is also constantly expanding. This development trend is inseparable from the prosperity and development of China's economy, consumers' recognition of luxury products and the development of luxury brands themselves. It is expected that the luxury market will maintain a growing trend in the next few years. With the increase in consumers' income and the change in consumers' demand for full purchase, China's luxury market will also show diversification and

individuation. Meanwhile, the competition for luxury brands will become increasingly fierce. In order to seize the opportunity, keep up with the development of The Times, and respond to the challenges brought by market changes at any time.

From the perspective of consumer characteristics and purchase motivation, consumers converge to the "self-image consistency model" and tend to buy or use those goods and services that match their self-image. In a broad sense, consumers buy luxury goods to maintain their social status or demonstrate their living standards. In terms of consumption behavior, consumers are willing to pay the high price of luxury goods to show their great recognition of the brand, and luxury goods can also bring exclusive experiences to consumers.

In short, all aspects of the development of the luxury market are closely related to the economy, society, policies and consumers. For China's economy, the development of the luxury market has attracted huge capital flows, brought job opportunities to the Chinese society, stimulated social and economic development, and promoted the development of related industries. At present, China's economy continues to grow, and in the increasing market competition, the luxury industry has great room for development and rise and will also gain a firm foothold in the world.

Finally, the problems studied in this paper are expected to provide reference significance for luxury brand enterprises and provide relevant market information and data for the planning and development of brand enterprises. The market can adjust and innovate the marketing model, and constantly follow up the consumer group to ensure the growth of consumption. At the same time, future research can be further specific to the consumers themselves and analyze the consumers and the market.

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