8

LUXURY SHOPPING PLACES IN CHINA

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8.1 INTRODUCTION

As recently as one decade ago, there was no stand-alone luxury brand store in mainland China. At that time, wearing a Rolex watch meant luxury, and such luxury consumers were called “Bao Fa Hu” (new rich in short period). With the reform and opening up of Chinese society, more people became rich and broadened their horizons through foreign travel. They started to change their way of life and their demands for luxury products like bags, watches, cosmetics, cars, clothes and so on increased rapidly. To cater to the needs of these local customers, luxury brands and top auto companies, mainly from Europe, set up their shops and factories in mainland China. From then on, high-end brands have been playing a critical role in mainland luxury world.

While many people are convinced that luxury is reserved exclusively for the rich and consider it a waste of money, others aspire to a luxurious lifestyle, a lifestyle that distinguishes them from other people through a display of wealth and social status. For example, in an attempt to reach the same level as those rich people, the middle class in China may consume luxury beyond their income in order to feel that they belong to a certain elite group. Due to urbanization and the ever-rising number of middle classes, the demand for luxury in China has grown rapidly in recent years, in accordance with Goldman Sachs’ prediction that China will consume about 30 percent of the world’s total luxury goods in 2015 as the world’s top luxury brands market.1
8.2 LUXURY SHOPPING PLACES

China’s economy has grown remarkably over the past 30 years, and alongside this booming economy has come urbanization. Cities like Guangzhou and Shenzhen have followed in the footsteps of Shanghai and Beijing, and built up their power to have more luxury brands within the city. At the very beginning, brands could only find high-level hotels to set up their shops, since, at that time, there was no other place suitable for sale and display of luxury goods. The first shopping mall (as defined by the ICSC) opened in Guangzhou in 1997, positioned for the mass market. It was not until 2002, in Shanghai, that a shopping mall for luxury goods was opened; Plaza66 along Nanjing Xi road. Luxury aficionados could now find luxury goods in the city center without having to go abroad. Following this model, more cities joined the renovation in the center area of the city. Gradually, several luxury shopping places, similar to the shopping avenues in European countries, became well-established in first-tier or capital cities in mainland China where they could provide most luxury goods as well as the dedicated environment and customer service.

8.3 THE TOP FIVE CITIES WITH LUXURY BUSINESS IN CHINA²

According to Jones Lang LaSalle’s report in July 2011, the high-end luxury shopping streets in Europe (Figure 8.1) include London’s Bond Street and Sloane Street, Paris’ Champs-Élysées and Avenue Montaigne, Moscow’s Stoleshinkov Lane and Tverskaya Street, Milan’s Via Monte Napoleone, all of which are characterized by soaring rents. A similar phenomenon can be found in New York’s Madison Avenue and Fifth Avenue, Beverly Hills’ Rodeo Drive, and in Asia, HK’s Guangdong Dao, Singapore’s Orchard Road and Tokyo’s Ginza. Due to the soaring rents and real-estate prices squeezing out small players, most luxury goods stores along those luxury streets are managed by large corporations with considerable investment in store image.