

RESEARCH

## Australian luxury retail growing by 9.8pc: report

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*Australian model Gemma Ward for Prada spring 2015*

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By SARAH JONES

Luxury retailing in Australia is projected to be a \$2.4 billion industry by 2019-20, according to a new report by IBISWorld.

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IBISWorld's "[Luxury Retailing in Australia](#)" report says the country's relatively stable economy has given its residents more disposable income, leading to more luxury purchases. Due to Australia's favorable market for luxury goods, many brands have aggressively expanded their operations in the region.

"The luxury retailing industry has grown from strength to strength over the past five years," said Ryan Lin, senior industry analyst at [IBISWorld](#), Melbourne, Australia.

"While much of the global retailing scene has suffered from instability in financial markets, Australian luxury retailers have been relatively insulated as growing discretionary incomes have fueled consumers' passion for fashion," he said. "Australia's taste for fashion and luxuries has prompted industry players to scour all corners of the world for the right fusion of fashion and luxury to cater for consumers' changing needs.

"Back home, high-profile Australian designers and labels have grown in prominence

across the retail scene. Global luxury powerhouses have also pounced on the Australian industry, with several high-profile brands expanding their retail networks across the country."

### Luxury down under

Luxury retail had revenues of \$908.7 million for 2009-10, and is expected to grow by 9.8 percent in the five years leading up to 2014-15, reaching revenues of \$1.6 billion.

The country's consumers have become more discerning, getting an appetite for leather goods and accessories, particularly high-end handbags. Rather than spending money on more, less expensive items, they are buying a lower volume of premium merchandise.

Accessories allow brands to tap into a wider range of consumers, with small leather goods such as key rings and costume jewelry an affordable purchase for a middle-class woman looking to splurge.

The top three brands in Australia are Louis Vuitton, Tiffany & Co. and Prada.



*Tiffany carriage outside of the brand's Melbourne store*

Australia's luxury market has also been boosted by tourism from wealthy international travelers.

A report by **Euromonitor** says that Chinese tourists flock to Australia, and are now the second largest group of visitors to the country, second only to New Zealand. In 2012, 626,000 Chinese visitors traveled to Australia, many buying luxury goods in the country to avoid the high duties and taxes on the same products at home.

Chinese consumers are the largest spenders of Australian tourists, shelling out about \$7,000 per capita per trip on average.

Luxury brands are opening stores to attract these consumers. Chanel opened its seventh beauty store in the country in 2013 at Doncaster, and Louis Vuitton has also opened a new boutique in Australia within the past year.

According to the **Sydney Morning Herald**, Louis Vuitton's flagship store on George Street

in the city is seeing sales around \$80 million per year and Chanel's Westfield Sydney location has \$20 million in sales per year.



*Louis Vuitton flagship on George Street*

Hermès also has a successful Central Business District store on Elizabeth Street, and may be looking for a larger retail space.

#### Autos in Oz

In addition to apparel brands, luxury automakers have looked to tap the Australian market with new store locations and events.

In December, McLaren Automotive opened its second retail showroom in Australia, expanding to other states in the island nation.

The new location will be in Melbourne and will be similar to the showroom in Sydney. By opening in the Australian state of Victoria, McLaren is reaching new consumers and maintaining its presence in Australia and the Asia Pacific region of the world ([see story](#)).

Also, Rolls-Royce Motor Cars is looking to get a stronger foothold in the Australian market by appointing the dealer Barbagallo in Perth, West Australia to represent the brand.

The new dealer gives the British Automaker heightened access to a market that it sees a vital place for future investment. Staying true to the brand's core purpose, the dealer will specialize in Bespoke services and showcase the Wraith model ([see story](#)).

This growth comes with its challenges, as brands face more pressure from competitors, including local labels.

"The industry has grown at a rapid pace over the past five years, especially as inbound tourists from Asia have provided another boon for retailers," Mr. Lin said. "Industry revenue is forecast to grow by an annualized 9.8 percent over the five years through 2014-15, to total \$1.6 billion. In 2014-15, revenue is anticipated to grow by 9.4 percent as burgeoning tourists from China and the rest of Asia provide ample growth for retailers.

"Despite these favorable trends, competitive pressures lurk," he said. "The growth of foreign online luxury retailers has increased competition for the industry.

"These competitive pressures are expected to be of greater significance over the next five

years, especially as flagship stores bring the fight back to independent boutiques and online retailers as they ramp up exclusive offerings and five-star customer service.

"Experimental and emerging luxury labels are anticipated to make a stronger mark on the industry, especially as they target cash-rich younger consumers. This is expected to benefit independent boutiques, which have greater flexibility in what they stock."

Final Take

*Sarah Jones, editorial assistant on Luxury Daily, New York*

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