

RESEARCH

## Increased spending power creates strong handbag market in BRICs

June 15, 2015



*Chanel's 2.55 handbag*

---

By KAYSORIN

Increased spending power, growing Internet penetration and access to ecommerce has caused handbag sales to grow at a fast rate in BRIC nations, according to a new report by Technavio.

[Sign up now](#)

**Luxury Daily**

The market is expected to continue to thrive in these countries, as they become increasingly urbanized and Western trends infiltrate the regions. This year, shoulder bags were the most popular style with brands like Chanel, Burberry and Michael Kors capitalizing on the market.

"The growing participation of women in the workforce, increasing infrastructure development, rising urbanization and the growing influence of western lifestyles will continue driving growth of the market in the region," said Sriram Mohan, industry manager, **Technavio**, Bangalore, India. "Technavio estimates the market to grow at a compound annual growth rate of 7.41 percent during 2015-2019."

Technavio's [Handbags Market in BRIC 2015-2019](#)

**BRIC house**

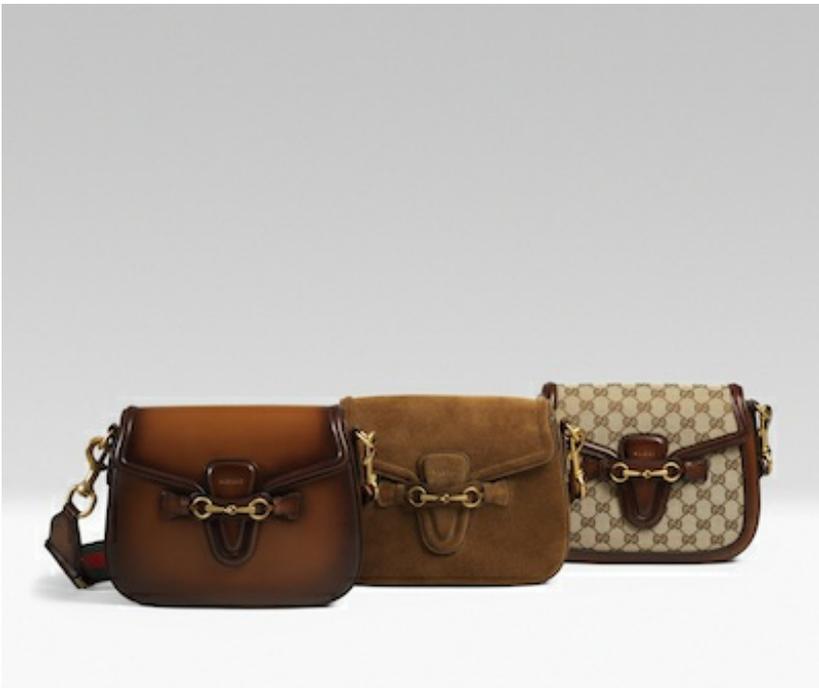
The strong market has led experts to predict that handbag sales in the BRIC countries may reach up to 16 million by 2019. In the past five years the market has already grown at a compound annual growth rate of 6.66 per cent from approximately 8 million to about 11 million.



*Louis Vuitton is very popular with consumers in BRIC*

Luxury handbags are in high demand with brands including Louis Vuitton, Chanel, Dolce & Gabbana, Prada and Gucci leading the way. For example, Chanel and Gucci are especially popular in Russia, while Louis Vuitton is a favorite of wealthy Chinese consumers.

There are a number of factors that have influenced the growth of the luxury handbag market in the BRIC countries. An increase in retail stores makes the products more accessible and drives demand for the brands.



*Gucci is also a popular brand, though it is less affordable than others*

Additionally, the Internet is growing in the BRIC countries giving more consumers access to luxury goods. The Internet has the potential to raise brand awareness and generate ecommerce sales.

Socially, there has been a rise in the middle-class populations of the BRIC countries, resulting in more consumers with a disposable income to spend on luxury products. Women account for half of the population in the BRIC countries, and they are entering the workforce at greater rates.



*Retail stores play an important role in helping brands expand in BRIC*

### **Entrance fees**

Entering the handbag market in the BRIC countries requires brands to appeal to consumers in a different way. Global expansion requires a balance of physical and digital, said a Belstaff executive at the NRF Retail's Big Show 2015 on Jan. 12.

Ecommerce and social media offer brands an opportunity to test the waters in new markets, allowing them to see how much traction they have with consumers there. In turn,

bricks-and-mortar boosts online commerce sales, rounding out a brand's presence in a particular country ([see story](#)).

It is important for brands to consider location when entering these new markets. For example, while most brands concentrate their efforts on Brazil's coastal cities, consumers residing in the country's interior are projected to contribute more than 45 percent of the growth through 2020, according to a new report by Boston Consulting Group.

"Capturing Retail Growth in Brazil's Rising Interior" explains that Brazilian consumers in general are tightening their spending compared with the past 15 years, but inland consumers go against the trend, and are anticipated to account for \$60 billion in new purchases over the next five years. While sporadic demand within the population may not justify a wide retail presence, brands can use other strategies to reach these consumers ([see story](#)).

While location is one of many factors that brands must consider, it is undoubtedly very important.

"Success requires identifying key growing cities and towns in BRIC and adopting strategies accordingly," Mr. Mohan said. "For instance, Brazil's Northeast will be next stop for handbags growth in the country as rising economic growth and improving standard of living in this region will drive the demand for handbags.

"The Northeast is Brazil's fastest growing population center and has witnessed more economic growth compared to other regions in the country."

Final Take

*Kay Sorin, editorial assistant on Luxury Daily, New York*

Embedded Video: <https://www.youtube.com/embed/thMFoSY2rB8>

---

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.