

COLUMNS

4 hot markets for international luxury ecommerce

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It is no secret that luxury brands have historically been a bit reluctant to embrace ecommerce. And who can blame them? These are prestige brands with proud heritages and stellar reputations. For some, ecommerce represents the antithesis of a luxury retail experience a mass-market approach that lacks exclusivity and an intimate, consultative sale.

Indeed, even with global online retail sales increasing **17 percent annually**, "about 40 percent of high-end brands don't sell via the Web," Bloomberg **recently reported**.

But even the most conservative brands are learning to love ecommerce. The next generation of luxury consumers are here. They are younger, digital-savvy and practical.

Where luxury clicks

Luxury retailers "have come to believe that the future of their business and a route to global expansion lie online," *The New York Times* **recently reported**.

Indeed, luxury ecommerce sales are expected to reach \$21 billion in the next five years, a McKinsey report says.

And luxury ecommerce is seeing much larger growth than many other ecommerce sectors. "Ecommerce has been described as the next China' for luxury in terms of opportunity," Lucie Greene, worldwide director of JWT Intelligence, **recently said**.

Launching a luxury ecommerce site in the U.S. is one thing, but luxury brands that that launch ecommerce sites in international markets stand to win even more than their domestically-minded competitors.

Global ecommerce, as a whole, is on track to hit **\$2.3 trillion** by 2018, with much of that growth hailing from overseas markets.

So, which international markets are presently primed for luxury ecommerce expansion?

Based on our research and proprietary analysis, we have identified four thriving emerging markets, largely untapped by the online luxury industry:

India

Cheap oil prices might have hurt BRIC economies in recent months, but not India's.

Low fuel costs in India have positively impacted inflation and growth. That bodes well for luxury ecommerce spending.

Here is why. India's 300 million Internet users are mobile-savvy. Smartphone and tablet online use represents **about 70 percent** of the country's Internet connections. Ecommerce thrives here, too.

The luxury ecommerce market in India will grow to \$25 billion by 2016, **according to one report**, with a compounded growth of 25 percent annually. Research indicates high-end apparel, accessories, watches and electronics is where most of this action will happen.

Better still, the Indian online luxury market is not very competitive right now, which is good news for first movers.

Of the 500 leading international luxury brands, **only 30 percent** have a presence in India. Compare that to China, which has a crowded 70 percent. Between the country's ever-rising middle class, favorable regulatory environment and FDI rules, India is an ideal market for luxury ecommerce.

Iran

This non-obvious market has lots of potential. Tehran is now one of the world's fastest-emerging luxury travel destinations.

As Bulgari CEO Jean-Christophe Babin **recently said**, "You have a population in Iran which has been used to luxury. Iran will be the next big thing in the Middle East."

Bulgari has plans to expand to the market, and with good reason: its population's disposable income is very high, compared to other countries. Iran's per capita GDP is \$16,500 more than China, India and Brazil.

Combine the market's high GDP, low competition, substantial Internet penetration (55 percent), mobile phone penetration (126 percent) and its population's hunger for luxury fashion, and you have a recipe for ecommerce success.

Thailand

Thailand is Southeast Asia's largest luxury goods market. Last year, its luxury expenditures reached **\$2.5 billion**.

Relatively low housing costs help spur luxury spending here, as does plenty of consumer disposable income: the largest share of Thailand's population (20.5 percent) is between 30 and 34 years old, and earns more than \$150,000 annually. Residents 35 to 39 years old account for 18.6 percent of the population, and are also increasingly affluent.

At 54 percent, Internet penetration in Thailand is robust. Mobile adoption is through the roof (150 percent).

Thailand is already poised to be one of the biggest mobile commerce markets in Southeast Asia, and some analysts already believe mobile commerce is the "last explosive sales channel" for luxury retailers.

We believe huge potential exists here, especially for brands that can persuade the market's many smartphone users to hop onto the ecommerce bandwagon.

Poland

Unlike other countries struggling with economic recessions, Poland entered 2015 with its head held high.

According to Brookings, its "GDP per capita based on purchasing power exceeded \$24,000 and reached 65 percent of the Western European (Eurozone) level of income."

Next year, Poland's luxury spending will be around \$3.4 billion. Interestingly, its ecommerce spending will grow to \$12 billion during the same time frame, suggesting clear overlapping opportunities for luxury ecommerce.

At 67 percent, Poland's Internet adoption rate is very good, too.

The Polish market provides an ideal frontier for clients who wish to enter an economically stable and safe central European market.

So, should luxury forget BRIC?

With such stability and growth occurring far from most BRIC nations, should luxury brands abandon all ecommerce expansions for those depressed markets? It might be tempting, but we advise against it. This economic turbulence

will eventually pass.

Further, savvy shoppers in these countries embrace unconventional online buying practices.

For instance, we have found that a considerable number of savvy Brazilian customers shop for luxury fashion products on Portuguese-language Web sites operated by non-Brazilian companies. Why? These sites provide better selections, and purchases there avoid high domestic luxury taxes.

Chinese customers are equally savvy, shopping outside China via ecommerce sites. This applies especially to luxury goods.

Many Chinese are now buying their luxury products in South Korea. In 2020, Chinese luxury consumers will spend \$29 billion at South Korea luxury retailers.

And while the Russian market is not as strong as in years past, its neighboring Commonwealth of Independent State nations are. Shoppers living here often shop on Russian ecommerce sites.

For example, one of our clients' Russian sites has generated more than \$8 million in revenue so far this year not from Russia, but from customers in the Ukraine.

NOW IS THE time for luxury brands to take their ecommerce efforts to the next level and expand internationally.

With global Internet and smartphone adoption skyrocketing and business-to-consumer ecommerce sales hitting new records each year engaging these emerging markets is a bold step in ensuring new customers and revenue streams and immediate and sustained sales growth.

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