

RESEARCH

Retail stores a necessity for generating online purchases in Asia: Agility

January 19, 2016



Michael Kors, New Delhi

By FORREST CARDAMENIS

Chinese, Vietnamese, Thai and Indian consumers anticipate having more disposable income in 2016 than 2015, according to a new report by Agility Research.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246** ▶

Higher anticipated disposable income likely corresponds to more money being spent on luxury goods, so a strong presence in these markets will give brands a boost this year. Navigating Asia's marketplaces will require brands to be active both in digital and physical spaces.

"Alipay is the most popular form of payment in China (tied with Credit Cards), and will be critical to brands who want to grow the online side of their business in Asia's largest luxury market," said Amrita Banta, managing director at **Agility Research & Strategy**. "we see the popularity of social media platforms like Facebook and Sina Weibo with affluent consumers and know that these platforms need to be part of their overall marketing strategy in Asia."

"The consumers in this study have household incomes which fall within the top 20% of each market, with some owning upwards of USD\$1,000,000 in investable assets," she said. "They have a very positive economic outlook especially when compared to Americans, and therefore are not so likely going to be impacted by future market volatility. However, given the recent fall in the China stocks we do expect them to be cautiously optimistic in 2016."

Confident consumers

Most consumers in the APAC region do not expect having more disposable income in 2016. Less than 30 percent of consumers in Australia and about 20 percent in both Japan and South Korea, all notable markets, expect an increase. By contrast, over half of Indian and Thai consumers, nearly two-thirds of Vietnamese and almost three-quarters of Chinese expect an increase. No other country reaches 50 percent.



Cartier's Chinese e-commerce site

Although China has been a primary target for luxury brands for years now, the confidence in Vietnam, Thailand and India make them potentially strong markets for business in 2016. The populations of China and India make them particularly attractive markets.

Understanding these markets will be key to reaching consumers and devising working strategies. For consumers in China, India, Southeast Asia and Australia, "luxury" connotes quality, exclusivity and uniqueness, serving as a status symbol or a way of standing out.

Every nation that Agility studied—China, Vietnam, Thailand, India, Taiwan, Indonesia, Singapore, Philippines, Malaysia, Hong Kong, New Zealand, Australia, Japan and South Korea—named social media as the top information source for luxury goods. The exceptions were for China, where it ranked second, and South Korea and Japan, where it ranked third.

More specifically, Facebook is the most cited social media channel used to acquire information with, again, the exception of China, where Sina Weibo ranks highest.



Michael Kors retail store in New Delhi

Western brands have recently embraced the benefits of social media, using it for everything from contests to broadcasting runway shows and showcasing merchandise, but the significance is even higher in Asia. In addition, consumers use mobile devices for research at higher rates. Brands that have the proper information on social media will likely have an advantage in a crowded marketplace.

Online search and brand Web sites were also popular information sources, indicating the rise of online shopping, but shopping malls are not dead. In addition to being the top-ranked source for China, they are number two for India, Thailand and Vietnam.

Despite the popularity of online shopping, brands must commit fully to an in-store presence as well, particularly given that the four most confident markets rely on shopping malls for research.

As the report notes, brands with a strong presence in shopping malls are most likely to be associated with quality, exclusivity and uniqueness and will consequently be purchased online. Unlike mass-market brands, which can be successful without a bricks-and-mortar store, luxury brands are more likely to be purchased online if they have a physical outlet as well.



Estée Lauder Korean e-commerce

The report concludes with four keys to success in Asia in 2016.

First, brands must engage the right audience on social media. Next, SEO will be crucial given the degree to which shoppers research online, and a small mobile screen only compounds the importance of good placement on search engines.

Third, a retail outlet must be maintained to showcase products. Lastly, brands should pay particular attention to China, India and Southeast Asia, in that order, and meet the needs of the confident consumers.

Online and abroad

Given the price disparity of goods in different countries, both in-store and online, increased disposable income can also mean increased tourism. In addition to reaching consumers in their homes, brands must be prepared to welcome consumers into their stores overseas, be it with products unavailable in Asia or in some other way.

Chinese tourists spent \$229 billion in 2015, according to a new report from GfK, Germany's largest market research institute.

Although some of this money is spent in Hong Kong or in Southeast Asian countries where luxury brands do not yet have a large presence, such as Thailand and Taiwan, tourism to Europe, North America, South Korea and Japan is also way up. Beyond illustrating once again the importance of reaching Chinese travelers, the data reveals trends in movement and spending that can help luxury brands reach the group ([see story](#)).



Louis Vuitton retail store

With consumers relying on both social media and shopping malls, effective multichannel marketing is essential. However, although brands understand this on a conceptual level, recent studies have shown that in practice the efforts often fall short.

For example, social media has become an integral aspect of fashion marketing, with the 56 percent of consumers following branded accounts likely to spend more on purchases than those who do not, according to a new report by Fashionbi.

During its research, Fashionbi found discrepancies in omnichannel strategies and sought to uncover the reality of omni-marketing claims.

There are opportunities being lost by brands not truly following through with omnichannel positioning. As an example of these misconceptions, Fashionbi explained that if a consumer sees a pair of Jimmy Choo pumps on

Instagram, but when she goes to purchase they are unavailable in-stores or not available in a particular size or color, this is a cause for discontentment and a lost sale ([see story](#)).

"Affluent consumers from most countries in Asia have a very positive economic outlook for this year, and are planning to travel more than they did last year," Ms. Banta said. "Brands need to be prepared for this since, especially among the Chinese, luxury shopping is done overseas (e.g. in Europe or at duty free shops) where luxury goods can be acquired at lower prices than their home countries. This is aligned with affluent behavior in Asia where purchasing luxury at the best possible price is a common trait."

© 2020 Napean LLC. All rights reserved.

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