

LUXURY MEMO

## What luxury brands need to consider for EU's proposed visa requirement

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*European river cruise, image courtesy of Travel Leaders Group*

By BRIELLE JAEKEL

Already in a tumultuous period, the luxury goods sector may be impacted even further now that the European Union is considering requiring a visa for travelers coming from the United States.

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With so many luxury goods coming out of Europe, and buyers living in the U.S., the new visa requirement could affect more than just travel and hospitality brands. If the proposed visa requirement is voted into practice, retailers should consider strengthening their online capabilities.

"Increased restrictions on international travel to and from the U.S. has the potential to impact the luxury industry significantly," said Taylor Rains, managing partner at [Flugel Consulting](#), Charleston, SC. "Travel and retail brands in the luxury segment rely heavily on the international market perhaps more so than from any other segment.

"Restricting the ease of international travel means less foot traffic," he said. "Less foot traffic means fewer sales. Limitations and increased restrictions on travel, such as visa requirements for U.S. travelers bound for the EU, may well have more of an impact than strictly reducing the travel volume.

"Visa applications add yet another expense to the overall travel budget. While it may be moderate relative to the overall cost of travel, it will undoubtedly impact the travel spend for guests vacationing on a budget."

### Visa requirement

The U.S. requires travelers coming from Croatia, Cyprus, Bulgaria, Romania and Poland to apply for a visa when entering the U.S., but those coming from the other 23 EU countries do not. The European Parliament requires all countries to be treated equally and is fighting back with its own visa rules.



*Siloli desert rock formations*

Those traveling from the U.S. may need a visa to travel anywhere in Europe in the future, if the EU commission votes for it. The decision will need to be made by May.

According the Wall Street Journal, more than 27 million travelers came to Europe from the U.S. last year. Making it more difficult to travel from the U.S. to European countries might dramatically impact the luxury sector.

International luxury brands rely heavily on travel to drive sales. The fewer travelers from the U.S., the less foot traffic and less revenue.

While retailers and brands will have trouble preparing for the change, as it is so unpredictable, it may help to shift their strategy to focus on the local market and digital offerings.



*McQueen Paris store*

"International regulations are a difficult thing for brands to prepare for because they are, by nature, out of their control," Mr. Rains said. "The best preparation for brands reliant on international travel is to make a slight shift in strategy, perhaps by placing more emphasis on the local market.

"While it's unlikely that doing so will make up for the losses among the international market, it will certainly help to mitigate the impact," he said. "For retail companies, there may be an opportunity to strengthen their online shopping experience to elevate that segment of the business and capture international customers that may otherwise be deterred from traveling. "

#### Hopeful insights

In contrast, the President Trump administration's controversial travel ban has cost the U.S. more than \$185 million in lost travel revenue.

However, there is a chance that there will be no impact whatsoever on travel because the request from European Parliament is non-binding and will not be able to be enforced. This could mean that all travelers from the U.S. will still need only their passport to travel around and to Europe, and luxury brands will remain unaffected.

Another positive note for the luxury sector is that despite political and economic uncertainty, the global ultra-high-net-worth population continues to grow, with 6,340 new individuals added in 2016, according to Knight Frank's 11th annual Wealth Report.

After a decline of 3 percent in 2015, last year's UHNW additions brought the global total of individuals, with more than \$30 million in net assets, to 193,490. While this population is estimated to grow by 43 percent in the next decade, global factors in the next 12 to 24 months, such as Brexit, European elections and United States President Trump's

policies, will have an impact on how the ultra-wealthy invest, and in what, and where they live ([see more](#)).

Likewise, after double-digit growth in 2015, the luxury fashion industry is expected to see stability rather than increases in its 2016 financial results, according to a new report by Mediobanca.

In the half of 2016, Italian fashion brands had mixed financial outcomes, with Moncler's revenue growing close to 17 percent and Prada's declining 14.8 percent. Despite a challenging market in 2016, the Italian fashion industry can look to bright spots such as shopping tourism and online retail in the year ahead ([see more](#)).

"The key thing for U.S. travelers to understand, including luxury travelers, is that there has been absolutely no change regarding travel to Europe," said Kathy McCarthy, director of public relations at [Travel Leaders Group](#). "Americans with a valid U.S. passport can continue to visit all 28 countries in the EU without a visa.

"The EU Parliamentary vote requesting an end to visa-free travel is non-binding meaning it's not enforceable," she said. "Therefore, luxury travelers from the U.S. should plan on taking advantage of the strength of the U.S. dollar, which continues to hover at record highs, and enjoy all that Europe has to offer."

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