

RETAIL

Travelers from Southeast Asia drive majority of luxury growth: report

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China now accounts for 30 percent of global luxury sales

By DANNY PARISI

Chinese travelers represent the largest bloc of luxury consumers in the world, suggesting that luxury brands need to pay more attention to their international customers.

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This data comes from KinetiC, which analyzed the shopping habits and trends for the luxury market in an attempt to discern the largest demographics in international luxury shopping. The data also showed that luxury shoppers at international airports are ripe for targeting through geofencing technology.

"Culturally, most European marketers still see location as a retail or franchise technique," said Benjamin Bourinat, global director of social media at KinetiC, New York. "We think location data is a core variable that delivers context (location, time, emotion) and greater value.

"With 64 percent of affluent Chinese buying luxury brands while traveling, which is 11 percent higher than the 53 percent who purchase luxury online, luxury retailers need to create more contextual experiences to suit the tastes and preferences of Chinese customers, such as personalizing content interactions via the platforms they use and travel with, using native-language specific copy or portray diverse talent in their ads," he said. "For example, whether at Charles de Gaulle airport or on Avenue Montaigne, European luxury brands need to create location-based, geofenced programs leveraging the mobile-social platforms Chinese travelers use, such as WeChat or WeiBo, in the moment.

"As they experience luxury brands while on the move, their decision to engage comes down to a trade-off between the shopper currencies of time, money and energy. Each category is different but on-the-go brand engagement, which we call 'Active Journeys,' can bridge many communications with one-to-one connections that drive conversions."

International appetites

Luxury is already a highly internationalized industry.

With major brands on almost every continent, luxury consumers regularly purchase products from around the world.

Not only that, but due to their affluence, these shoppers are also often traveling the world and picking up these products in-person.

Right now, the world's biggest consumers of luxury goods are Chinese travelers, who accounted for 30 percent of the world's luxury purchases in 2016.

For brands, this is a clear signal that they need to turn their attention to international customers.



Luxury is one of the biggest industries for ecommerce. Source: L2

This can take many forms, one of which being duty-free shopping in international airports.

Duty-free shopping is set to reach \$64 billion in total revenue by 2020. Combined with the fact that 69 percent of international travelers make purchases from duty-free stores, this data sets a clear goal for luxury brands who operate locations out of airports.

What is more that these customers are ripe for targeting through geofencing technologies. Over 50 percent of consumers in an airport log on to WiFi, meaning that brands that operate out of airports have a much larger window for targeting consumers by location than at other locations.

"Luxury shopping tourism will continue to grow, with 74 million of travel-ready Chinese millennials who will graduate from universities in the next 10 years," said Anne Lim, global head of strategy at Kinetix's travel arm, Aviator. "This means European luxury brands need to invest in better understanding the Chinese traveler journey their attitudes, behaviors and mobility.

"Mobility is key," she said. "When we discuss mobility, it is not about a device; it is a mindset and fulfillment of lifestyle expectations.

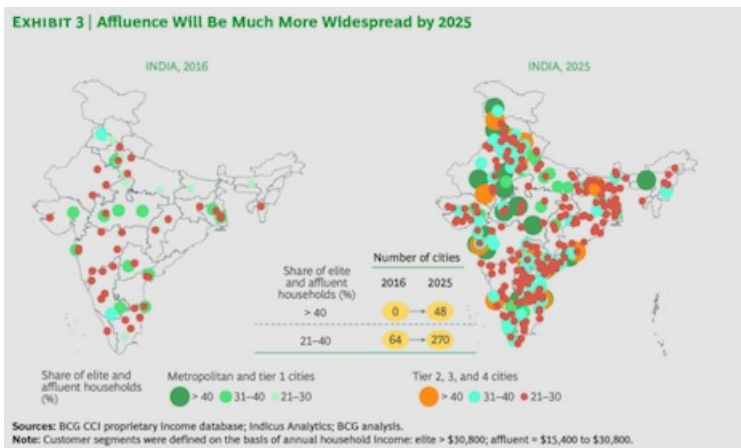
"When the younger affluent Chinese interact on digital platforms with brands that provide the services and experiences that quench their thirst for defining self-identity, they are very open with their personal identity. Brands can then use this data to improve service, enhance immersive experiences, or connect to Chinese luxury shoppers at the specific locations and times that most influence their exploration, their decisions, and their behaviors, motivating them to act."

Evolving strategies

In addition to China being a central figure in the new luxury market, Southeast Asia, and India specifically, has generated two thirds of the industry's growth in the last year.

This is consistent with a recent report that showed the speed at which India's consumer economy is growing to become the third largest in the world. With the lion's share of this growth being pushed by a newly wealthy affluent consumer class, luxury appetites could soar in India by 2025 ([see story](#)).

Additionally, international ecommerce appetites are growing with a large number of luxury brands taking advantage of that desire.



India's affluent class is growing, driving luxury sales. Source: BCG

As more brands offer options for international shipping and local currency purchasing, luxury consumers are beginning to expect a certain level of convenience to cross-border ecommerce. The luxury brands that encourage this expectation and rise to meet it will be most successful (see story).

With Chinese travelers being the biggest demographic for luxury brands, they should be high on marketers' priorities. Kinetic notes that marketing messages are twice as effective if presented in the shopper's native language when outside their home country.

"The data shows that the airport environment is incredibly attractive to luxury advertisers as a large proportion of travelers fit the profile of affluent, highly influential consumers," Ms. Lim said. "Airports are widely identified as prime real-estate for the deployment of travel retail marketing and out-of-home advertising as it delivers impressive access to reach consumers who often have long periods of dwell time.

"Airports offer a wealth of opportunity for luxury advertisers to deliver their brand messages and engage a large mobile audience at their most common gathering place," she said. "As travelers demand 24/7 access to products and services, they are increasingly embracing alternative retailing methods and will come to expect that brands are able to offer the shortest path to purchase possible.

"Luxury brands need to rethink airport out of home advertising as a space (not only a media) for connected communications."