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Globalization no more: Get ready for another 12 months of local luxury consumption

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COVID-19 forced luxury consumption to go local. It seems that things will stay that way for quite some time still at least looking East. Image credit: Shutterstock

By [Erwan Rambourg](#)

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I remember when COVID-19 cases started to mount across the globe in March 2020, observers were thinking this could initially compromise summer 2020 travel and then, the holiday season.

Now, we are 18 months into the outbreak and it is starting to be pretty clear that long-haul travel will not be up and running until late 2022 or early 2023.

According to the IATA statistics, the month of July 2021 showed a significant improvement from June 2021 but still showed international passenger demand down 74 percent relative to July 2019 and domestic travel down 16 percent.

While that is progress for sure, it is not exactly impressive and if luxury demand were correlated to long haul travel as much as some people thought, the sector would clearly be in a dire situation right now.

Moreover, looking at it by region, it seems that domestic travel has picked up in the United States, some intra-regional travel has occurred in Europe over the summer.

Two weeks ago, with the U.S. lagging behind all other G7 nations in terms of vaccination rates, the Biden administration announced a whole series of measures to boost the number of shots.

Theoretically, that could have meant the U.S. would remain very difficult to travel to for most non-U.S. citizens in the foreseeable future.

The good news here is that finally the country is opening up to vaccinated travelers in Europe, United Kingdom and China starting in November.

If you are based in New York like me and have not been to Ellis Island or the Empire State Building, this is your window. Overall, it seems that Western markets will be on the mend from a travel perspective rapidly now.

In Asia, it has been a somewhat different story with South Korea and Japan seeing a steep rebound in COVID-19 cases over the summer.

Singapore and South Korea are the latest countries looking to abandon a strategy of eliminating the virus and moving to one where you learn to live with it, but this can lead to some volatility for sure, and it is not as if travel trends will rebound overnight.

Finally, in mainland China, there have been several regions affected by the Delta variant this summer, the latest one being in the **southeastern Fujian province** and these outbreaks are treated very rapidly via efficient lockdowns.

All in, this also means that luxury consumption, which has gone local for 18 months, will stay mostly local over the next year.

With the Chinese administration targeting "**Common Prosperity**," many thought that authorities could end up taxing luxury products. In my view, the opposite will be happening.

For the past few years, the administration has made it easier to shop locally with lower imported taxes, lower VAT rates and the fast development of **Hainan** as an alternative to shopping in Europe or in Hong Kong.

In the future, it is likely that other duty-free hubs will emerge in China with the **Shanghai government** announcing support for such initiatives last week.

Luxury consumption tends to go local after a discovery phase abroad. This was the case for Japanese and South Korean luxury consumption, notably with sales predominantly abroad shifting to sales predominantly at home.

The fact that the world is shut and the development of infrastructure to ensure citizens purchase at home whenever the world re-opens should have Chinese consumers spend predominantly at home even when COVID-19 will have hopefully become a vague souvenir.

The world going local does not necessarily hurt luxury sales as we have seen late 2020 and so far this year. It does, however, mean that sales associates will need to continue to develop an intimate **knowledge of what local clienteles like** and consider they are the key target consumers. And when tourists come back, they will be the cherry, not the cake.

Erwan Rambourg has been a top-ranked analyst covering the luxury and sporting goods sectors. After eight years as a marketing manager in the luxury industry, notably for LVMH and Richemont, he is now a managing director and global head of consumer and retail equity research. He is also the author of "Future Luxe: What's Ahead for the Business of Luxury" (2020) and "The Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun" (2014).

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