Luxury Daily®

The News and Intelligence You Need on Luxury

COLUMNS

Nin hoa Sergei! Ciao Rumi! How was Aspen – bien?

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By Beau Fraser

Two fifty-something couples out for some shopping meet by chance. You can imagine the scene: it is a lovely, sunny morning, flowers spill from planters and hanging baskets everywhere. Designer stores such as Hermes, Gucci and Prada line the sidewalks, mixed with French bistros, pan-Asian cafes and tapas bars. The streets are crowded with BMWs and Mercedes Benzes. There is a sprinkling of exotic sports cars, maybe even a Bentley or two. The couples are well clad and well shod. Their conversation moves easily from trips — the Maldives, Paris, Aspen —to the latest movies, the real estate market, their grown kids. Where are they? London? Los Angeles?

Twenty years ago, this scene could only have been found in a dozen or so cities in Europe and North America. Today, it is repeated in hundreds around the world.

Yes, global affluenza has spread the taste for luxury goods and services to every place the wealthy live, work and play.

Wealth of data
Regardless of economic ups and downs, the number of rich keeps growing, and luxury purveyors with them.

Forbes reports 1,645 billionaires this year, with a combined net worth of $6.8 trillion — that is more than the entire GDP of China. Two hundred and sixty-eight were freshly minted last year alone.

Your garden-variety millionaires? More prevalent than you would think: in 2013 the number, according to Credit Suisse, rose to 32 million, and is expected to grow to 47 million in just five years — an increase of 50 percent. The world's leading cities are swarming with the well-to-do.

If you are rich and live in Tokyo, you are in good company—there are 461,000 millionaires there, according to a study by affluent monitor Wealth X. Things are not so shabby in Paris (219,000), Shanghai (166,000) or Mexico City (102,000), either.

Luxury marketers have been quick to respond to this trend, opening stores, dealerships and hospitality operations wherever the wealthy congregate.

With more than $300 billion spent on luxury goods alone, it is no wonder that Burberry and BMW are ubiquitous.

It is not just the prevalence of internationally recognized brands that is creating look-alike luxury meccas, it is the globalization of everything.

From international travel to global media to the borderless Internet, tastes are fast converging. Put it all together and you can see why every big city and upscale playground has its own replica of Rodeo Drive or Worth Avenue.

Local taste preferences have not all gone away.

Those with money to burn in North America, India and Brazil are more focused on experiences, while the Asian rich are still hell-bent on acquiring as many luxury goods as they can.

French elites value exclusivity, while their cousins in Italy, Germany and Hungary care more about how well things work.

Where new money is king, labels are all-important.

As markets mature, elites look to subtler signs of status.

China, the world's luxury Wild West, is fast evolving. Men who once left the labels on their suit jackets now cut them off.

Market-watchers are talking about logo fatigue coming to China ten years faster than it did to Japan. There are even signs of homegrown Asian luxury products. To avoid crippling import duties, luxury yachts are now built and sold in China.

Pointing the way

How can luxury marketers take advantage of the growth and change in global affluence?

• If they have not gotten on the Asian bandwagon, do so now — The Economist predicts that one half of all luxury good purchases will be in Asia by 2024.

• Setting up Asian retail operations is not the only answer — Bain & Company estimates that 60 percent of Chinese and 25 percent of Indian luxury purchases are made while their nationals are travelling abroad.

Retailers in Paris and London are staffing up with Mandarin speakers. Middle Eastern business hubs such as Qatar and Dubai are wide open for luxury business. Internet purchases are soaring in Asia as well.

• Do not write off the United States. While luxury sales are not growing at an Asian pace, the increase in wealth is surprisingly strong.

According to Credit Suisse, more than 90 percent of new global millionaires came from the U.S. last year.

U.S. affluents care less about overt status and more about experience, so luxury brands will do better in the U.S. if positioned within experiential environments.

Sustainable is growing in importance as well. Sustainable luxury is not an oxymoron, as many luxury eco-resorts will attest.

• If you have a big label, go where piles of money are being made. Asia is not the only place where new money is found. Russia, Brazil and Mexico are hot too.

Some African countries are taking off as well — South Africa and Nigeria, fueled by precious metals and oil, are booming. Champagne sales in Lagos are through the roof.

• In East Asia, where collective behavior is strong, luxury brands will do better if they are shown as esteemed by the in-crowd. Appealing to individualism is a better tack in emerging western markets.

• While U.S. and European luxury brands have long dominated the market, growing national pride, maturing tastes and high import costs are creating opportunities for luxuries designed and produced in developing countries.

Global marketers would be wise to partner with local fashion, jewelry and food purveyors.

• European and North American markets, already saturated with traditional luxury brands, could be ripe for a wave of boomerang products designed in China and Brazil. It has happened before — Chinese goods were the ne plus ultra in Europe and America for centuries. Brazilian music took those markets by storm in the Sixties.

GETTING MARKETS and messages right is only half the battle — reaching the affluent is equally challenging.

Next time we will talk about the evolving world of affluent media, the opportunities and pitfalls in digital and the surprising resilience of luxury print.

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